

Weekly Publication of



**Cotton
Association
of India**

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2017-18 • No. 39 • 26th December, 2017 Published every Tuesday

Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Phone: 3006 3400 Fax: 2370 0337 Email: cai@caionline.in
www.caionline.in

Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 26/12/17 to 31/01/18

(The author is Director of Commtrendz Research and the views expressed in this column are his own and the author is not liable for any loss or damage, including without limitations, any profit or loss which may arise directly or indirectly from the use of following information.)

We will look into the Gujarat-ICS-105, 29mm prices along with other benchmarks and try to forecast price moves going forward.

As mentioned in the previous update, fundamental analysis involves studying and analysing various reports, data and based on that arriving at some possible direction for prices in the coming months or quarters.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures are lower after a strong rally due to the bollworm infestation. Prices are expected to be range-bound with an upward bias from the current levels in 2018. The recent upside in cotton prices could be mainly due to the stocks withheld by the farmers in anticipation of better prices.

- Further, a crucial election in the largest cotton growing state, Gujarat, also prompted farmers to postpone selling their stock in anticipation of some government assistance to lift the market prices.

- According to the recently released data by the Cotton Advisory Board, India's cotton output is estimated to be around 377 lakh bales with a lower yield of 523.83 kg/ha for 2017-18 as against 540.80 in 2016-17. Cotton acreage, however, has increased from 108.45 lakh hectares in 2016-17 to 122.35 lakh hectares in 2017-18. This is likely to be reflected in the increased production of the fibre crop from 345 lakh bales last year.

- International prices have also been lending a hand. An estimate by the International Cotton Advisory Committee (ICAC) projected the 2017-18 global cotton production at 25.57 million tonnes against the 23.05 million tonnes estimated for 2016-17. The global cotton consumption is expected to be 25.22 million tonnes lower than production.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures eased on Tuesday in low-volume trading as investors booked profits after the March futures contract touched an all-time high earlier in the session.

- The U.S. Department of Agriculture, in the November World Agricultural Supply and Demand Estimates (WASDE) report, told markets that global cotton inventories declined from the previous month. In December, the WASDE went even further saying that global inventories

EXPERT'S Column

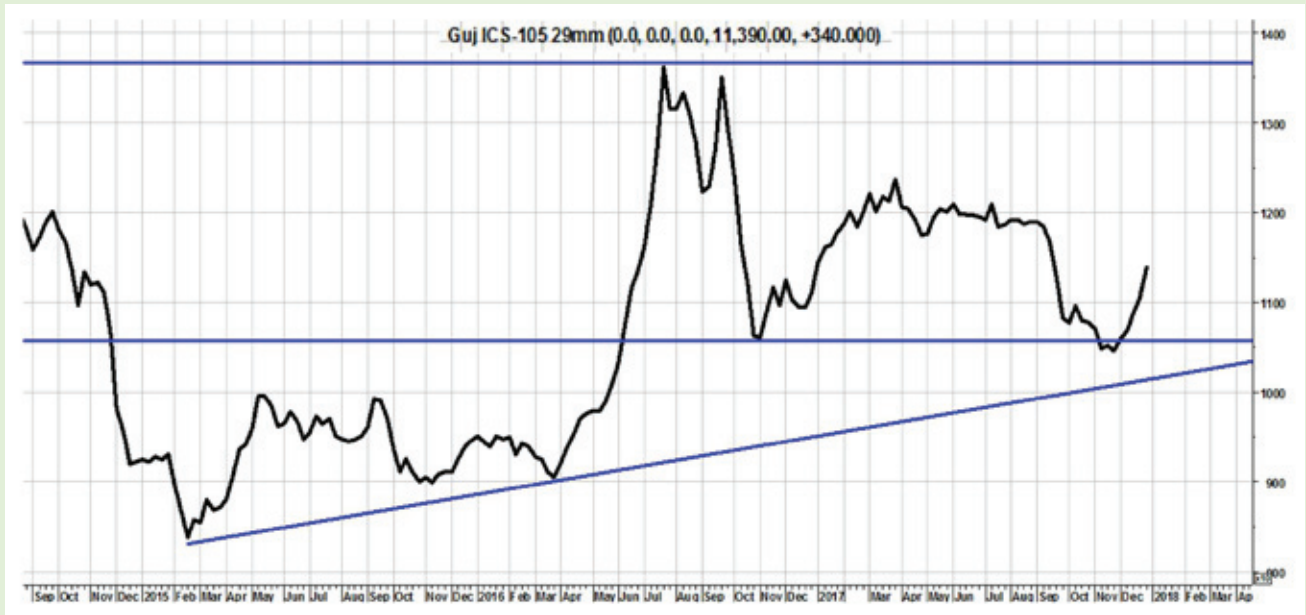


Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

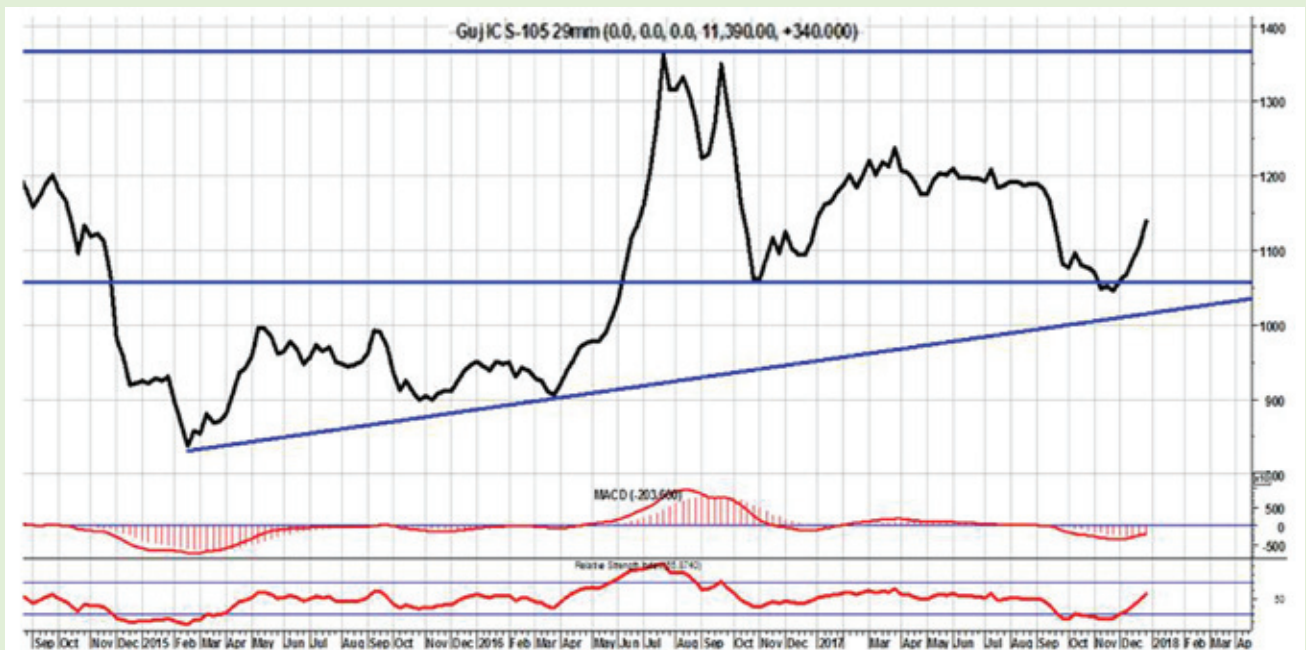
continued to drop, demand moved higher, and total world production adjusted lower for the 2017/2018 season. The bullish USDA report on December 12, drove the price of March cotton futures from under 73 cents to the 78 cents level.

- Speculators hiked a bullish stance in cotton by 9,436 lots, to 92,038 lots, in the week to Dec. 19, U.S. Commodity Futures Trading Commission data showed last Friday. That was the largest bullish stance in the fibre since May.

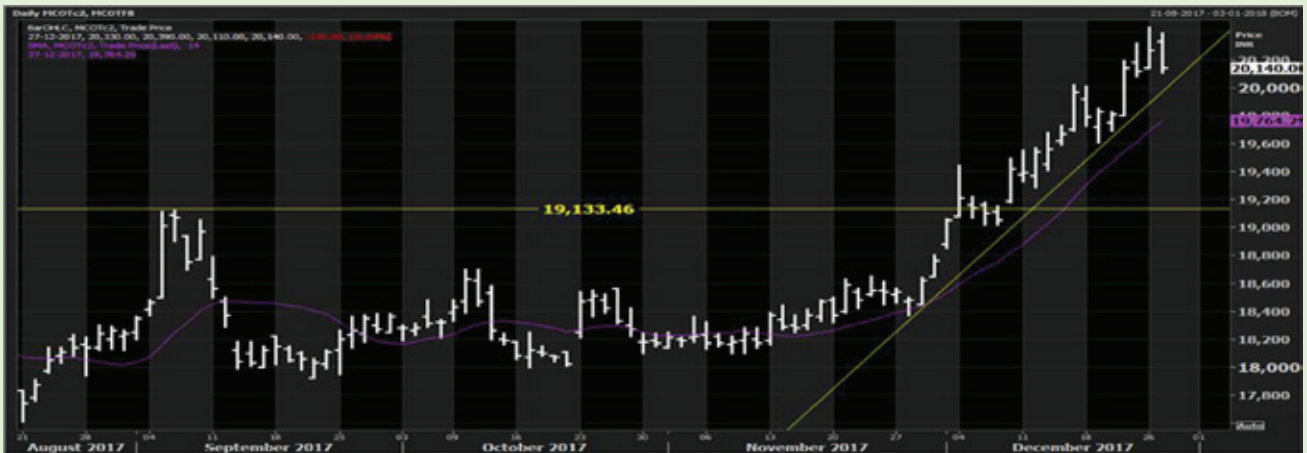
As indicated in the previous update, prices could fall if it fails to follow-through higher. However, a good bounce from 10,500 levels has revived bullish hopes once again. It needs to cross 12,100-300 levels to confirm this bullishness. Any unexpected fall below 10,900 could change the picture to neutral again. Further upside can be seen in the coming weeks, but it could be tough to cross 12,300 on the upside.



As mentioned previously, indicators are still in a neutral state despite the recent upside and prices could remain range bound with a mild bullish bias. Downward corrections are possible but might not be a major one. Indicators are neutral and do not indicate any clear sustained direction for prices. But, the earlier bearish trend seems to be withdrawing. While the levels hold at 11,000, we can expect prices to gradually edge higher from here.

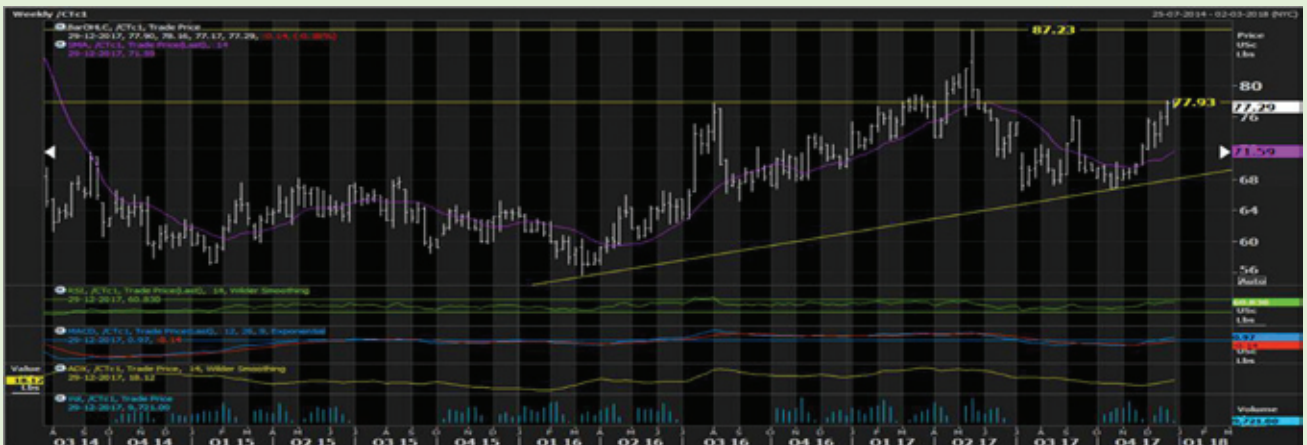


MCX January Contract Chart



The MCX benchmark January Contract Chart is moving in a range with a strong bullish and currently indicating highly overbought conditions. Ideally, a corrective dip to 19,600 followed by 19,200 looks likely before the upside resumes further towards 20,800-21,000 levels in the coming sessions. A fall below 19,100 could be a warning that the market could turn lower again.

We will also look at the ICE cotton futures charts for possible direction in international prices.



As mentioned earlier, our favoured view is mildly bullish. Initial resistance was expected at 76c followed by a stronger one at 78c. We still feel it could find it difficult to cross beyond this resistance in the short-term. But, if it does, it could aim for 82-83 at least or even higher to 87c. While 72-73c holds, close above 78c could open the upside again for 84-85c in the coming sessions.

CONCLUSION:

Both the domestic and international prices are moving in a range with a bullish bias. The technical picture presently is neutral to bullish with some mild indications of strong bullishness. But, prices are nearing crucial resistances and only a rise and close above 78c could revive bullish hopes again for the long-term. The international prices indicate some corrective declines in the coming weeks, but the medium-term picture still looks neutral to positive, while the domestic prices still look benign despite near-term strength.

For Guj ICS supports are seen at 11,200 /qtl followed by 10,600 /qtl, and for ICE Mar cotton futures at 75c followed by 72c. the rise above 11,500 /qtl has once again revived the bullish picture in the domestic markets. In the international markets prices are indicating a pause before it resumes the uptrend. As we have been maintaining, though international markets could potentially change direction and push higher, the technical picture is indicating prices to edge higher to 78c on the upside and the domestic prices to edge higher to 12,300-500 /qtl levels in the coming weeks. The domestic technical picture has turned friendly as the international one, but it might not be a one-way streak and corrections can be expected from time to time.

COTTAAP Corner

Events for December 2017

Crop Watch:

Pink Bollworm (PBW) has severely attacked the cotton crop. Farmers, scientists, seed companies, government, extension service providers are relentlessly working towards addressing the PBW situation in the state. Losses due to PBW in this area range from 30 % to 50 %. Irrigated cotton has almost all been uprooted by farmers and they have opted for *rabi* crop rotation on cotton fields. Of the non-irrigated area under cotton, most of it has been uprooted as a mitigation strategy to arrest the life cycle of PBW. COTTAAP field staff is spreading awareness and convincing farmers, to uproot the cotton crop and convert it into organic manure. This will help to break the life cycle of PBW and reduce the chances of infestation in the next cropping season.

Some of the important activities conducted by COTTAAP during this month were:

Coordination Committee meeting at Chopda COTTAAP Unit

On 6th December 2017, a Coordination Committee meeting was held at Chopda. In order to create awareness about PBW in coordination members, a PBW awareness training was arranged at the COTTAAP training center by Shri. Rahul Gunjal (Manager, Mahyco Monsanto Biotech, Jalgaon Region). Besides the Coordination Committee members, many young farmers participated. Shri. Gunjal has recommended that farmers uproot their cotton crop before the end of December and burn



Shri. Mohol demonstrating mobile operated auto starter to COTTAAP Coordination Committee members.

out all the residue, so as to avoid continuation of PBW life cycle in the next season.

Opulent Infotech, an agri startup, has developed an innovative mobile operated automatic tubewell starter and economical fertigation unit. In an effort to introduce the latest technology to farmers, Shri. Dhiren N. Sheth, Chairman COTTAAP, invited two directors of Opulent Infotech Pvt. Ltd., Shri. Sandesh Kirkire and Shri. Tanul Mohol, to demonstrate their products at COTTAAP, Chopda. The farmers appreciated both the products, especially the fertigation technology and Opulent Infotech has promised to collaborate with COTTAAP in the future.



PBW awareness training at Training Center, Chopda

Pink Bollworm Research Project:

Anticipating PBW problem in the area, COTAAP has already initiated a PBW research project on 5 FLD farms. Samples of PBW in all stages have been sent to the National Research Center (NRC), Aurangabad Laboratory. A second lot of samples has also been submitted to Aurangabad on 20th December 2017. Here the samples will be tested by Dr. Patange. The objective of this project is to find

any beneficial insect or pathogen which can be used for biological control of PBW.

The scientist team of COTAAP - Dr. Patange (NRC, Aurangabad), Dr. Sharma (ICAR, Delhi), Dr. Ravankar (PDKV, Akola) - had meetings with COTAAP consultant Dr. Rajeev Patil and are preparing a strategic project for composting the crop residues from cotton fields to avoid PBW next season.

Participation of COTAAP at Pink Bollworm Meet at Jalgaon:

In continuation of the efforts undertaken by the Maharashtra State Govt, the District Agriculture Department had arranged a meeting of all cotton stake holders at Krishi Vigyan Kendra (KVK), Jalgaon. On 2nd December 2017, two officials from Mahyco Monsanto Biotech (MMB), Shri. Subhash Thite, Manager, and Shri. Datta Ithape, Regional Manager, conducted the training of all the participatory agriculture department officials, seed company employees, KVK employees and invited NGO representatives. COTAAP being one of the prominent organisations working in the field of agriculture extension was invited for the meeting and Shri. Sanjay Deshmukh, Supervisor, COTAAP, Chopda Unit, attended the same.



COTAAP staff submits samples of Pink bollworm to project in-charge Dr. Patange



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Production & Stock of Spun Yarn (SSI & Non-SSI)

(In Mn. Kgs.)

MONTH / YEAR	PRODUCTION				STOCK			
	COTTON	BLENDED	100% N.C.	G. TOTAL	COTTON	BLENDED	100% N.C.	G. TOTAL
2007-08	2948.36	677.11	377.75	4003.22	104.81	43.57	20.59	168.97
2008-09	2896.15	654.89	360.95	3911.99	89.04	33.54	15.03	137.61
2009-10	3078.97	707.31	407.15	4193.43	85.56	25.68	11.41	122.65
2010-11	3489.77	796.47	426.38	4712.62	186.43	48.79	18.00	253.22
2011-12	3126.34	789.29	457.08	4372.72	110.87	42.20	20.44	173.51
2012-13	3582.68	828.19	456.75	4867.61	107.92	40.37	21.38	169.67
2013-14	3928.26	896.19	484.99	5309.45	133.80	51.33	23.40	208.53
2014-15	4054.51	920.20	512.92	5487.64	140.60	48.30	22.48	211.38
2015-16	4137.83	972.50	554.79	5664.93	140.68	49.46	22.99	213.13
2016-17 (P)	4060.99	1033.50	572.02	5666.51	147.61	57.99	25.47	231.08
2017-18 (P) (Apr-Oct)	2345.11	625.67	325.75	3296.53	175.97	66.30	29.33	271.61
2015-16								
April-15	349.38	77.11	44.07	472.51	141.19	51.45	21.33	213.98
May-15	348.14	80.02	44.74	472.90	153.07	52.34	23.79	229.21
June-15	346.72	79.68	45.27	471.66	158.57	55.72	23.93	238.22
July-15	356.36	82.15	47.48	485.98	160.33	61.25	26.62	248.20
Aug.-15	354.67	82.24	49.97	486.88	166.34	63.73	27.88	257.95
Sept.-15	338.53	79.51	45.41	463.45	165.96	62.33	26.16	254.46
Oct.-15	342.12	83.61	47.35	473.08	170.07	64.46	25.69	260.23
Nov.-15	320.06	77.67	43.27	441.01	173.96	61.59	24.17	259.72
Dec.-15	353.31	81.30	49.86	484.31	158.66	58.22	25.34	242.22
Jan.-16	343.98	83.34	46.84	474.26	158.52	57.55	25.10	241.18
Feb.-16	336.55	80.94	43.12	460.60	155.36	52.18	22.81	230.35
Mar.-16	348.01	83.87	46.35	477.03	140.68	49.46	22.99	213.13
2016-17 (P)								
April-16	334.30	80.55	46.49	461.35	127.63	48.99	24.26	200.88
May-16	360.75	85.95	53.50	500.20	132.43	54.79	26.25	213.47
June-16	352.00	89.10	50.87	491.97	130.99	50.84	21.46	203.30
July-16	343.34	88.21	48.26	479.81	135.93	56.50	23.91	216.34
Aug.-16	334.43	91.29	49.75	475.47	155.65	54.65	22.55	232.85
Sept.-16	326.58	88.40	51.75	466.73	153.30	59.84	24.04	237.19
Oct.-16	310.67	83.67	49.21	443.55	167.46	63.94	28.84	260.23
Nov.-16	326.48	85.28	44.98	456.74	166.74	70.98	32.91	270.63
Dec.-16	342.33	84.16	43.75	470.25	165.62	69.09	28.62	263.32
Jan.-17	345.69	86.11	44.49	476.29	147.10	61.40	26.95	235.44
Feb.-17	330.98	83.40	42.34	456.73	154.12	61.57	26.75	242.44
Mar.-17	353.44	87.37	46.61	487.42	147.61	57.99	25.47	231.08
2017-18 (P)								
April-17	339.75	86.83	46.12	472.71	136.53	58.50	25.40	220.43
May-17	344.97	85.48	46.24	476.69	146.95	58.55	24.76	230.26
June-17	337.96	84.47	48.16	470.59	155.54	50.83	22.25	228.61
July-17	341.83	87.85	44.91	474.59	181.75	61.53	26.72	270.00
Aug.-17	330.68	97.92	46.80	475.40	191.44	61.60	31.95	284.98
Sept.-17	325.29	91.28	47.09	463.66	190.38	65.68	33.52	289.59
Oct.-17	324.62	91.85	46.41	462.89	175.97	66.30	29.33	271.61

P - Provisional

Source : Office of the Textile Commissioner



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Upcoming locations : • **Telangana:** Adilabad



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Established 1921

COTTON ASSOCIATION OF INDIA

Cotton Exchange Building, 2nd Floor, Opposite Cotton Green Station, Cotton Green (East), Mumbai 400 033, Maharashtra, INDIA.
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UPCOUNTRY SPOT RATES							(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2017-18 Crop DECEMBER 2017					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	18th	19th	20th	21st	22nd	23rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11642 (41400)	11642 (41400)	11642 (41400)	11726 (41700)	11810 (42000)	11810 (42000)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11838 (42100)	11838 (42100)	11838 (42100)	11923 (42400)	12007 (42700)	12007 (42700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8661 (30800)	8520 (30300)	8520 (30300)	8605 (30600)	8802 (31300)	8830 (31400)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9336 (33200)	9336 (33200)	9336 (33200)	9392 (33400)	9589 (34100)	9617 (34200)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10236 (36400)	10123 (36000)	10123 (36000)	10179 (36200)	10376 (36900)	10376 (36900)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	10854 (38600)	10770 (38300)	10770 (38300)	10854 (38600)	11051 (39300)	11079 (39400)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9758 (34700)	9701 (34500)	9701 (34500)	9758 (34700)	9842 (35000)	9842 (35000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	10236 (36400)	10179 (36200)	10179 (36200)	10264 (36500)	10320 (36700)	10320 (36700)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	11023 (39200)	10939 (38900)	10939 (38900)	11023 (39200)	11220 (39900)	11248 (40000)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	10123 (36000)	10067 (35800)	10067 (35800)	10095 (35900)	10151 (36100)	10151 (36100)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10545 (37500)	10489 (37300)	10489 (37300)	10545 (37500)	10629 (37800)	10629 (37800)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	11135 (39600)	11051 (39300)	11051 (39300)	11135 (39600)	11332 (40300)	11360 (40400)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	10629 (37800)	10573 (37600)	10657 (37900)	10770 (38300)	10967 (39000)	10967 (39000)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	10939 (38900)	10882 (38700)	10882 (38700)	10967 (39000)	11164 (39700)	11164 (39700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	10826 (38500)	10770 (38300)	10826 (38500)	10911 (38800)	11192 (39800)	11248 (40000)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	11107 (39500)	11051 (39300)	11051 (39300)	11135 (39600)	11360 (40400)	11389 (40500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	11135 (39600)	11107 (39500)	11107 (39500)	11192 (39800)	11445 (40700)	11473 (40800)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	11445 (40700)	11360 (40400)	11473 (40800)	11585 (41200)	11810 (42000)	11838 (42100)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12092 (43000)	12092 (43000)	12092 (43000)	12148 (43200)	12373 (44000)	12373 (44000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15607 (55500)	15607 (55500)	15607 (55500)	15691 (55800)	15860 (56400)	15860 (56400)

(Note: Figures in bracket indicate prices in Rs./Candy)