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**Cotton
Association
of India**

COTTON STATISTICS & NEWS

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Speech of Shri Dhiren N. Sheth, President, Cotton Association of India at the 92nd Annual General Meeting of the Association on Tuesday, the 30th December 2014

Dear Members,

It gives me immense pleasure to extend a hearty welcome to you all to this 92nd Annual General Meeting of the Association. The Directors' Report and the Audited Accounts of the Association, which provide a brief summary of the activities and the working results of the Association for the financial year ended 31st March 2014, have already been circulated to you. With your permission, I take them as read.



Friends, before I proceed further to deal with the agenda of this Annual General Meeting, I would like to take this opportunity to share some of my thoughts with you on the economic scenario of our country in general and the cotton sector in particular.

INDIAN ECONOMY - A SNAPSHOT

There has been a striking turn around in India's macro-economy and investor sentiment since the new Government took over at the centre. In December 2013, the economy was grasping for breath, economic growth was on the downswing and inflation was threatening to assume menacing proportions. However, the new Government at the centre led by Shri Narendra Modiji whom the country gave a resounding mandate in the general elections, plunged into the job of removing fetters in the path of economic growth with a sense of urgency that signaled economic reforms.

Since coming to office, the Government took a number of policy actions including deregulating diesel, raising the price of natural gas, moving towards direct transfer of cooking gas, moderating inflationary pressures on agriculture, increasing the cap on foreign direct investment in sectors like defence with planned increases in railways, expediting financial inclusions and moving towards deregulating coal. These steps clearly demonstrate the positive intent and strong determination of the Government to pursue the path of reforms.

Buoyed by these encouraging Government policies and reforms coupled with favourable external developments, the macro-economic situation of the



country started showing signs of improvement and there has been perceptible optimism in the business and investor sentiment. This has led to strong inflows from foreign institutional investors resulting in the growth of the Indian markets by 19% in the first half of the current Fiscal Year, the best performance by any market during this period globally.

However, looking to the challenges of slower than expected growth of the economy witnessed so far affecting revenue growth, non-materialisation of optimistic revenue projections made in the Union Budget, legacy of past expenditure weighing on the Budget, etc., the Indian economy is expected to grow by 5.6 per cent in the Fiscal Year ending March 2015. This growth is expected to pick up further to 6.2 per cent in the next Fiscal Year.

Inflation has come down drastically owing to policy action by the Reserve Bank of India and the Government and declining agriculture and oil prices. Although the Indian Rupee has weakened against dollar, it has become stronger against the broader basket of currencies. Growth deceleration witnessed in many years appears to have bottomed out and the process of durable recovery and growth is on. Friends, I see a growing ground for optimism but very little scope for complacency.

INDIAN AGRICULTURE - PERFORMANCE AND CHALLENGES

The agriculture with its allied sectors contributed close to 14% of India's Gross Domestic Product (GDP) during 2013-14. As is expected in a fast growing and structurally changing economy like us, there has been a continuous decline in the share of agriculture and allied sectors in the country's GDP from 14.6% in the year 2009-10 to 13.9% in 2013-14. However, the agriculture sector still remains vital and critical as it is unquestionably the largest livelihood provider in India more so in the vast rural areas. As such,

rapid growth of agriculture is critical not only to ensure food security but more importantly to achieve inclusive growth.

The total geographical area of the country is 328.7 million hectares, of which 141.6 million hectares is the net sown area. The gross cropped area is 198.9 million hectares with a cropping intensity of 140.5% while the net irrigated area in the country is merely 63.6 million hectares.

With a sizeable area still dependent on rains, it is imperative that this sector is provided with a policy thrust by the Centre and various State Governments. Moreover, concerted efforts of all stakeholders are critical for overall progress of agriculture in India.

The agriculture sector has witnessed a growth of 5.8 percent in 2007-08, 0.1 percent in 2008-09, 0.8 percent in 2009-10, 8.6 percent in 2010-11, 5 percent in 2011-12, 1.4 percent in 2012-13 and 4.6 percent in 2013-14 at 2004-05 prices.

Mobilising resources, creating infrastructure especially in rain fed areas, facilitating easy availability of inputs, intensifying agriculture and other allied activities as well as by diversifying and commercialising produce, encouraging research and technology, providing infrastructural support services and putting in place contingency measures to safeguard livelihood from natural calamities are some of the measures which can help addressing the critical issues facing the agriculture sector and result in sustained growth.

Although these issues are receiving adequate attention from the Government, creating and sustaining Public Private Partnerships (PPP) offering potentially important opportunities in agriculture and allied sectors can lead to quicker and more efficient outcome.



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ENVIABLE GROWTH OF INDIAN COTTON SECTOR

The growth story of the Indian cotton sector is a matter of pride for all of us. The cotton sector in India has witnessed an all round growth and taken rapid strides in acreage, production, productivity, consumption and export of cotton.

The acreage under cotton in India has increased by about 45% during the period from 2001-02 to 2014-15 to reach 126.5 lakh hectares in 2014-15 from 87.3 lakh hectares in 2001-02. India has the largest acreage under cotton which constitutes around 37% of the world's total cotton acreage.

Cotton production in the country which was 158 lakh bales of 170 kilograms each in 2001-02 has more than doubled and is estimated at 402 lakh bales during 2014-15. We are on the threshold of surpassing China in cotton production to become the world leader.

The consumption of cotton in India has also witnessed a healthy growth and is estimated at 306 lakh bales during 2014-15. Our country ranks second in cotton consumption next only to China.

India has exported 117.9 lakh bales in the year 2013-14 and in exports, we rank second next only to USA.

The credit of this success story goes mainly to the farmers who have shown a consistently strong performance year after year and brought larger acreage under cotton. This coupled with the large scale adoption of GM cotton in the country, good work done under the Technology Mission on Cotton, effective transfer of technology and policy initiatives by the Government allowing farmers to realise remunerative prices for their produce thus encouraging them to embrace adoption of modern agro-techniques have led to this enviable growth of the Indian cotton sector. However, the momentum gained up till now needs to be sustained and this can be achieved only by combined efforts of all concerned including researchers.

CHALLENGES AND OPPORTUNITIES

Despite a substantial improvement during the last 10 years or so, productivity of cotton in the country still continues to be abysmally low and far below the world average. The world average productivity of cotton is 802 kilograms per hectare as against 540 kilograms per hectare in India. With 328 kilograms per hectare, Maharashtra, which has about 1/3rd

of the country's cotton acreage, is at the bottom. Excluding Maharashtra, the average productivity of cotton in the remaining States works out to about 645 kilograms per hectare which is dragged down to 540 kilograms per hectare due to the very poor productivity level in Maharashtra.

The reasons for abysmally low productivity of cotton in Maharashtra are many and include erratic distribution of rainfall, improper use of chemical fertilisers, low adoption of improved agro-techniques and decline in physical, chemical and biological properties of the soil. However, relative absence of irrigation facilities and complete dependence on rainfall are the most important contributing factors. Thus, it is imperative to enhance irrigation facilities in Maharashtra and rightly, this area is receiving focussed attention of the Central as well as the State Government.

Generating more irrigation facilities coupled with adoption of scientific innovations and modern technologies like BG II RRF, mechanised farming and High Density Planting (HDP) are some of the key focus areas which can provide the much needed impetus to increase the productivity level in India.

Apart from this, implementation of better management practices can help farmers in adopting water conservation techniques for optimum utilisation of water resources. Better management practices can also help in replenishing the soil nutrients through balanced fertilisation for long term sustainability.

Improvement in productivity of cotton in India can result in the availability of surplus cotton and create a major opportunity to the entire cotton sector.

Cotton is grown in India across 10 States under diverse agro-climatic zones. Developing and constantly upgrading infrastructure to cater to the processing needs of the increased crop size of over 4 crore bales, providing adequate storage, warehousing and financing against cotton stocks to equip farmers and other stakeholders with better holding capacity are some of the other concern areas which are receiving due attention of the Government and they can considerably improve the performance of the Indian cotton sector and turn into opportunities.

Familiarising farmers about various crop insurance schemes of the Government and the advantages of using these insurance schemes in cotton cultivation can also play a pivotal role in providing

protection to the farmer against the vagaries of the weather and avert an agrarian crisis thus result in greater opportunities to the cotton sector.

INTERNATIONAL COTTON SCENARIO

ICAC expects world cotton production to remain stable at 26.2 million tons in 2014-15 despite a 3% increase in acreage. The world consumption is projected to touch 24.4 million tons. Ending stock as at the close of 2014-15 is estimated at 21.41 million tons against the corresponding figure of 19.57 million tons during 2013-14.

China has a huge carry over stock equal to its cotton consumption of about 2 years. It has stopped buying cotton for its reserve and instead decided to pay a direct subsidy to the farmers. China has also decided to implement a formula of 4:1 by allowing mills to import 1 bale against consumption of every 4 bales of local cotton. Due to this, imports by China, which were 4.4 million tons in 2012-13 and 3.1 million tons in 2013-14, are expected to decline to 1.98 million tons in 2014-15.

DEPRESSED PRICE SCENARIO

The reduction in Chinese imports and surplus availability of cotton has led to a reduction in cotton prices the world over. ICE futures prices on 19th December 2013 were 83.33 U.S. cents per pound. The same have now fallen to 60.89 U.S. cents per pound, which constitutes a fall of around 27%. Cotlook A index on 19th December 2013 was 88.15 U.S. cents per pound and the same has now fallen to 69.35 cents per pound constituting a decline of about 22%.

In support, the prices of Indian cotton have also seen depressing trends. The price of Gujarat cotton of 29 mm staple length which was Rs.11,079/- per quintal (Rs.39,400/- per candy) a year ago has fallen to Rs.9,308/- per quintal (Rs.33,100/- per candy) on 19th December 2014 which constitutes a fall of about 16%.

The price levels all over India are touching MSP levels and price support operations are taking place all over the country including Punjab, Haryana and Rajasthan, which is a rare phenomenon. Our country is likely to witness a massive support price operation and the Cotton Corporation of India (CCI) has a huge responsibility on its shoulders of procuring cotton from the farmers at the minimum support price on a timely basis and ensuring orderly marketing of cotton procured by it by releasing the same in the market regularly.

CCI has done a very good job so far and procured close to 35 lakh bales under MSP operations. However, financial and infrastructural (ginning capacity, storage capacity and manpower) stress will start showing soon. Therefore, the entire cotton sector will have to stand together and extend unstinted support to the CCI in discharge of this onerous responsibility.

Although the prices of Indian cotton have fallen substantially, they are still not competitive enough to attract foreign buyers. The last few days have witnessed a kind of trend reversal and the prices have started looking up.

REORIENTING THE ROLE OF CAI AS A FACILITATOR

During the last 6 years as the President of this august body, I have tried my level best to ensure that the CAI remains committed to providing better and more efficient services to the entire cotton sector in a cost effective manner.

Reliable statistics is a key to the success of any business. The Statistics Committee of the Association works tirelessly to compile data from various sources and provide you with accurate crop numbers on a monthly basis to facilitate you to take informed decisions in your day-to-day business. Friends, it is a matter of gratification that the CAI has now started receiving recognition as a regular supplier of credible crop estimates.

Over the years, the CAI has acquired proficiency in fixing daily spot rates. Drawing from the past experience, we laid greater emphasis on improving the process of fixing daily spot rates. The daily spot rates are now fixed at the Association in active deliberations with the members of the Daily Rates Committees and after taking due cognisance of the input received from various reliable and authentic trade sources. A lot of stress has also been laid on developing reliable and regular sources for providing credible data to the Association from various upcountry cotton growing and consuming centres.

The Coordination Committee of the Association has put in place various checks and balances to ensure consistency in the spot rates fixed by the Daily Rates Committees.

The Value Difference Fixing Committee fixes value differences for cottons with other quality parameters than those provided in the Association's

Schedule of Descriptions of Indian cottons in order to provide guidance to the merchants.

Preparation of cotton grade standards is another unique feature of our Association. The Joint Standards Committee of the Association took the challenge of preparing the grade standard boxes for all major growths of Indian cotton and popularising the same amongst the users. I am happy to report that the Joint Standards Committee has not only succeeded in clearing the backlog and preparing sufficient number of grade standard boxes but also started providing the same to various international institutions and cotton merchants.

With a view to provide instrument based cotton testing facility at various cotton growing regions of the country in a cost effective manner, the CAI has set up 10 laboratories at Bathinda, Hissar, Mumbai, Akola, Aurangabad, Rajkot, Mundra, Indore, Hubli and Warangal. We have plans to set up more such laboratories in future to cater to the growing needs of instrument based testing to ascertain the true value of Indian cotton. Our target is that in future, these laboratories also function as regional cells of the Association and provide various services at all cotton growing regions locally.

COTTON INDIA 2014

Friends, as you are aware, the Association has successfully organised an international conference, "COTTON INDIA 2014" on 24th – 26th November 2014 in Mumbai after a gap of 7 years. This Conference was attended by delegates from 21 countries across the world and the quality of speakers at this conference was par excellence.

SUVIN RATNA

I take pride from the fact that the Association has finally succeeded in launching its Suvin promotion programme at Cotton India 2014. Suvin, arguably the best cotton in the world, is considered to be the 'Jewel of Cottons' and indeed India's Pride.

In order to encourage farmers, who are disinclined to grow Suvin because of low demand and disproportionate efforts, to expand significantly cultivation of Suvin, we have undertaken the mission of Suvin Promotion. The brand 'Suvin Ratna' promoted by us has received instant recognition from the cotton community world over and there is a very encouraging response to the Suvin Ratna shirting material made out of Suvin cotton consciously

cultivated by Appachi Eco-Logic Cotton Pvt. Ltd. and expertly spun and woven by Morarjee Textile Limited with its warp and its weft containing a 2/200s count yarn under the CAI's Suvin promotion programme.

SCHOOL CONTACT PROGRAMME (SCP)

The School Contact Programme (SCP) is one of my dream projects. After years of hard work, research and planning, the Association has successfully launched the pilot project of the SCP. The pilot project is to be executed in Mumbai and will cover 20 schools in English medium across SSC, ICSE, CBSE and IB boards. These 20 schools have been selected such that, they cover Mumbai geographically well. We have also considered a good division between co-ed, only girls and only boys schools. 7 of the 20 schools have already been executed in the past 1½ months and by the end of 20 schools we expect to cover 7500 students totally in the age group of 10 years to 13 years. The objective of the SCP is to educate children in an entertaining manner about the benefits of using cotton and thereby imbibe in them a preference for choosing cotton over other fibres. The age group of 10 years to 13 years was chosen as it was observed through research that this is an age that children start becoming more assertive in their choice of apparel.

While the pilot project is restricted to Mumbai city with 20 schools and the medium of execution of the programme is English, we plan next a 'Selected Launch' in 5 metros/mini metros wherein we will also experiment with a couple of vernacular languages. The 'Selected Launch' will then be followed by a 'National launch' and then an international launch.

The School Contact Programme is an ambitious programme expected to cover the length and breadth of the country and we are very confident of the impact of this programme in cotton education amongst school children and are immensely heartened by the response we have received both from the school children and the faculty and feel very confident of the appeal, success and impact of this programme.

COTTON DEVELOPMENT PROGRAMMES

I take heart from the fact that taking cognisance of the good work done by the Association in Chopda (Maharashtra) and Raichur (Karnataka) through its research wing, "COTAAP (Cotton and Allied Products) Research Foundation", the Government of Maharashtra came in support of the High Density Planting (HDP) programme undertaken by us in

Chopda and provided financial assistance. This has enabled us to expand HDP and several other cotton development programmes to much larger area with the partnership of other like-minded bodies like Arvind Mills and Mahyco Seeds.

Through our cotton developmental activities in Chopda and Raichur, we encourage farmers to adopt better management practices for sustained growth; propagate farm mechanisation and provide farm implements to the farmers to encourage use of such implements; provide the farmers with an advisory through short messaging service (SMS) in which the farmers can even avail the guidance from scientists on various problems like insect-pest attacks and timely operations at various stages of the crop.

These activities are however too little to make any serious impact on the overall performance of the India's vast cotton economy. We therefore need to expand these activities of COTAAP and play much bigger and effective role in coordination with the Government agencies, research institutions, Krishi Vigyan Kendras (KVKs) and State Agricultural Universities in all cotton growing regions of the country.

WORK IN PROGRESS

As you all are aware, Cotton Schools play a crucial role in imparting a basic education in cotton and enhancing the skills to understand the complexities of the various aspects of international cotton industry. As our country does not have a cotton school, all those desirous of making a career in cotton depend on international cotton schools and incur huge expenses to travel abroad. In order to provide cotton education in India in a cost effective manner, we have undertaken the mission of setting up of a cotton school of international standard. A considerable amount of hard work has already gone into this project and soon my dream to set up a cotton school in India will become a reality.

Our country has a long cotton history and a very rich and varied heritage in cotton. In order to showcase this and the valuable contributions of the cotton sector to the growth of our country we have embarked on an ambitious project of setting up of a Cotton Museum of international standard like the one in Egypt.

With the help and active support of our members, we have succeeded in setting up of a pictorial museum known as "Kalbadevi Corner". The Cotton Museum

Committee has embarked on the second phase of the CAI's Cotton Museum project and the following themes have been shortlisted:-

- Life Cycle of Cotton Plants
- Evolution of Market System
- Ginning, Pressing and Textile manufacturing modules

We are in the process of engaging a part time/full time Curator.

This project is engaging our considerable attention and it will start progressing soon in right earnest.

A number of steps have been taken to enhance facilities at the Association's Cotton Green building with an ultimate aim of developing our Cotton Green building into a world class cotton trading hub. The Association has undertaken renovation of the building to strengthen the structural stability. CCTV cameras have been installed for proper surveillance in and around the building. The renovation of lifts is underway for the facility of members. The Association has an immediate plan to undertake landscaping of the areas in and around the building to provide the members with proper ambience and environment for carrying out their cotton trading more efficiently.

These and many other unfinished projects initiated by the Association are in the pipeline and they will start bearing fruits in near future.

ACKNOWLEDGEMENTS

Before concluding, I would like to take this opportunity to place on record our deep appreciation of the good understanding shown by all the Government departments in Delhi especially the Ministries of Agriculture and Cooperation, Textiles, Commerce and Industry, Finance, Home Affairs and Consumer Affairs.

I am greatly indebted to Shri Santosh Kumar ji Gangwar, the Hon'ble Minister of Textiles for his wise counsel to me and my colleagues during various interactions with him from time to time. I am deeply humbled by the fact that he accepted my invitation and took the trouble of visiting the Association premises on 9th December 2014 despite his busy schedule and blessing us with his words of wisdom.

Shri Radha Mohan Singh, the Hon'ble Union Minister of Agriculture and Smt. Nirmala Sitharaman, the Hon'ble Minister of Commerce and Industry

have always been supportive to the cause of cotton during various interactions with them by me and my colleagues and I can't thank them enough for their kind gestures and guidance.

I also take this opportunity to place on record our sincere thanks to Shri Sharad Pawar ji, the erstwhile Minister of Agriculture, who has always been a source of inspiration to me.

Shri Ashish Bahuguna, Secretary to the Government of India, Ministry of Agriculture, Shri Sanjay Kumar Panda, Secretary to the Government of India, Ministry of Textiles, Shri Rajeev Kher, Secretary to the Government of India, Ministry of Commerce and Industry have helped us on various occasions in successfully pursuing the cause of cotton and I am indeed grateful to them.

Smt. Rani Kumudini, Joint Secretary (Trade) and Shri Atanu Purkayastha, Joint Secretary (Seed), Ministry of Agriculture and Cooperation, Shri Sujit Gulati, Joint Secretary and Smt. Pushpa Subramanyam, Joint Secretary (Cotton), Ministry of Textiles, Shri Arvind Mehta, Joint Secretary, Ministry of Commerce and Industry, Shri Pravir Kumar, DGFT, Smt. Kiran Soni Gupta, Textile Commissioner, Smt. Kavita Gupta, Additional DGFT, Shri B.K. Mishra, CMD, CCI, Shri Deepak Shetty, Joint Director General, Ministry of Shipping, Shri Y.S. Shahrawat, Chairman, Land Ports Authority of India, Ministry of Home Affairs, His Excellency Shri T. C. A. Raghavan, Indian High Commissioner to Pakistan, Dr. K.R. Kranthi, Director, CICR, Nagpur have all contributed to the cause of cotton and helped the Association in pursuing our goals and I owe a debt of gratitude to each one of them.

Smt. Zohra Chatterji, the erstwhile Secretary to the Government of India, Ministry of Textiles, Dr. Anup Pujari, the erstwhile DGFT and Dr. S. K. Chattopadhyay, former Director of CIRCOT have also been of great help to us in tiding over various difficulties faced by the cotton sector and I place on record our sincere thanks to them also.

Friends, I can't thank the members of our Association enough without whose support and encouragement I would not have been successful in facing the various challenges during my tenure as the President of the Association.

Our thanks are also due to all the upcountry cotton trade associations for their continued support to the Association.

I also thank my office bearers Shri Nayan Mirani, our Vice-President, Shri Bhadresh Mehta, our Additional Vice-President and Shri Rishabh J. Shah, our Honourary Treasurer and all my colleagues on the Board of the Association for their invaluable support and assistance in discharging day-to-day activities of the Association and in making my task lighter.

The Secretariat of the Association has worked diligently and with a sense of responsibility throughout the year and I place on record our deep appreciation for the same.

Last but not the least; I wholeheartedly thank the Press and Media for providing excellent coverage to various press releases and the activities of the Association.

CAI extends a warm welcome to the office bearers for the year 2014-15



Shri Dhiren N. Sheth,
President



Shri Nayan C. Mirani,
Vice-President



Shri Bhadresh V. Mehta
Addl. Vice-President



Shri Rishabh J. Shah
Hon. Treasurer

CAI also extends a warm welcome to the newly elected member on its Board of Directors



Shri Paresh D. Negandhi

Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 05/01/15 to 26/01/15

(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 above 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 trading marginally higher supported due to short-covering and bargain hunting from mills and exports as a result of a stronger dollar is also underpinning prices.

- The Indian cotton industry has witnessed an all round growth in 2014-15 and the output is projected at around 40.2 million bales (1 bale=170 kg) in the current fiscal year. According to the Cotton Association of India (CAI), cotton output stood at 15.8 million bales in 2001-02, which has more than doubled in 2014-15. The Government-run Cotton Corporation of India (CCI) has been actively buying under a market intervention scheme and has also stepped up stocks and is estimated to procure close to 6 million bales.

- Higher production and lower global demand has led to a decline in cotton prices in India, but Indian cotton remains highly priced in the international market, according to the Cotton

Association of India (CAI). The Cotton Association of India estimates domestic production in the 2014-15 season at over 40 million bales but it is believed that exports could slide by as much as 40 per cent this year.

Some of the fundamental drivers for International cotton prices are:

- Cotton Benchmark futures in New York edged higher on Monday, the most in two weeks after last week's price rout stirred demand. Index funds are expected to buy cotton contracts in the opening weeks of 2015 in their annual rebalancing of assets following the price slump of almost 30 per cent last year.

- U.S. farmers are expected to cut acres to the lowest level in six years, as they opt for more profitable crops in some regions of the world's largest exporter.

- The global cotton surplus next year will decline for the first time in six years as sinking prices force farmers in Australia, Brazil and China to cut production and boost demand for fibre, the International Cotton Advisory Committee (ICAC) said on Monday.

Let us now dwell on some technical factors that influence price movements.

As mentioned in the previous update, ideally, a bounce back or a retracement to 9,700-10,000 levels

EXPERT'S Column



Shri Gnanasekar Thiagarajan

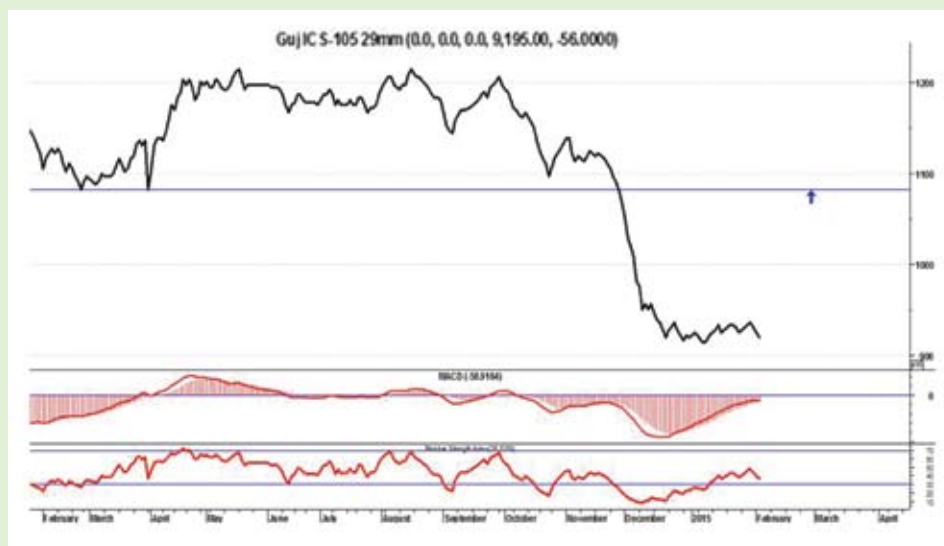


look likely in the coming sessions. But, prices have not crossed 9,300 /qtl levels. As expected we still see strong support at 9,000-9,100 /qtl levels. Only a fall below 9,100/qtl levels could now hint at further weakness targeting 8,800-8900 /qtl levels. No change in view. Present chart picture hints at a possible move towards 10,000/qtl levels as an upward correction within a downtrend.

As illustrated in the previous update, one should be cautious of becoming bearish at current levels. Indicators are once again displaying neutral tendencies, which warn of a possible decline again in prices. We are seeing chances of another decline towards 9,100 /qtl or even lower as per the technical picture. But, subsequently, prices can rebound sharply higher towards 10,000 /qtl levels in the coming weeks.

We will also look at the ICE Cotton futures chart for a possible direction in international prices.

As mentioned in the previous update, presently, recoveries to 62c could find it difficult to cross. Therefore, any pullbacks to 62-63c could find strong resistance again for a decline in the coming sessions. Though, the bigger picture looks like a possible bottom should be formed near 51-52c, or even lower to 48c, the present price movements suggest prices could be forming a base for a recovery higher towards 68-70c in the coming months. A trigger for that would be a close above 64c that could change the picture to neutral. Such a move will hint that the expected fall to 51-52c might not materialise and prices could start moving higher again.



CONCLUSION:

Both the domestic prices and international prices are languishing near recent lows. As we have been maintaining, the pullback still cannot be interpreted as a trend reversal. For Guj ICS support is seen at 9,000-100/qtl levels followed by 8,700 /qtl and for ICE Dec cotton futures at 58c followed by 53c. Only an unexpected rise above 10,400 /qtl could change the picture to neutral in the domestic markets, while a push above 64c could turn the picture to neutral in the international prices. Till then we expect this downtrend to continue to push prices lower. However, positive indications in charts presently make us believe the downside could be over for cotton futures, both domestic and international and a gradual recovery is underway.

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) 2014-15 Crop DECEMBER 2014-JANUARY 2015					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	29th	30th	31st	1st	2nd	3rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	9055 (32200)	9055 (32200)	9055 (32200)	9055 (32200)	9055 (32200)	9083 (32300)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	9195 (32700)	9195 (32700)	9195 (32700)	9195 (32700)	9195 (32700)	9223 (32800)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	7536 (26800)	7536 (26800)	7480 (26600)	7424 (26400)	7367 (26200)	7367 (26200)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	8099 (28800)	8099 (28800)	8042 (28600)	7986 (28400)	7930 (28200)	7930 (28200)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	8858 (31500)	8858 (31500)	8802 (31300)	8745 (31100)	8689 (30900)	8689 (30900)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	9083 (32300)	9055 (32200)	8998 (32000)	8942 (31800)	8942 (31800)	8970 (31900)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	8070 (28700)	8070 (28700)	8014 (28500)	7958 (28300)	7902 (28100)	7902 (28100)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	8323 (29600)	8323 (29600)	8267 (29400)	8211 (29200)	8155 (29000)	8155 (29000)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	9195 (32700)	9167 (32600)	9111 (32400)	9055 (32200)	9055 (32200)	9083 (32300)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	8267 (29400)	8267 (29400)	8211 (29200)	8155 (29000)	8099 (28800)	8099 (28800)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	8661 (30800)	8661 (30800)	8605 (30600)	8548 (30400)	8492 (30200)	8492 (30200)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	9364 (33300)	9336 (33200)	9280 (33000)	9195 (32700)	9195 (32700)	9223 (32800)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	9223 (32800)	9223 (32800)	9167 (32600)	9111 (32400)	9055 (32200)	9055 (32200)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	9167 (32600)	9167 (32600)	9111 (32400)	9055 (32200)	8998 (32000)	8998 (32000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	9420 (33500)	9420 (33500)	9364 (33300)	9308 (33100)	9251 (32900)	9251 (32900)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	9364 (33300)	9364 (33300)	9308 (33100)	9251 (32900)	9195 (32700)	9195 (32700)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	9505 (33800)	9505 (33800)	9448 (33600)	9392 (33400)	9336 (33200)	9336 (33200)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	9701 (34500)	9701 (34500)	9645 (34300)	9589 (34100)	9589 (34100)	9589 (34100)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	9983 (35500)	9983 (35500)	9926 (35300)	9870 (35100)	9870 (35100)	9870 (35100)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	12513 (44500)	12513 (44500)	12457 (44300)	12401 (44100)	12401 (44100)	12401 (44100)

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