

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2014 • No. 43 • 21st January, 2014 Published every Tuesday

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## TECHNICAL ANALYSIS

### Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures

*(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 prices lower as arrivals rose in market amid higher imports. Domestic prices are higher which has encouraged local mills to look for cheaper import alternatives.
- India's cotton demand from textile industry for the crop is expected to rise further due to better sale prospects of clothing as the marriage season begins.
- Cotton export registration jumped to 6 million bales till Dec 31. China plans to supplement

its raw cotton imports with cotton yarn, as labour costs rise providing an opportunity to neighbouring countries such as India to export the commodity.

Some of the fundamental drivers for International cotton prices are:

- Cotton futures rose to near a five-month high on Friday, as demand for the fibre increased. Net export sales of upland cotton -the most commonly grown variety in the U.S. -totalled 223,700 bales in the week ended Jan. 9, up 46% from the prior four-week average, the U.S. Department of Agriculture said on Thursday.
- However, the increase in cotton prices may also encourage U.S. farmers to plant more of the fibre in the spring, which could result in higher acreage for cotton going forward.
- The National Cotton Council, an industry group, is expected to release its closely watched estimate for U.S. cotton acreage on Feb. 8 and the USDA demand/supply report on Feb. 10, 2014.

## EXPERT'S Column



Shri Gnanasekar Thiagarajan

Both the domestic and international prices have hit multi-month highs. Whether prices could follow-through higher or not depends on news flows from here on.

We will now dwell into the various tools in technical analysis and forecast a possible direction.



As mentioned in the previous update, a pullback 11,500-12,000/qtl levels look likely in the coming weeks. Prices moved perfectly in line with our expectations and hit a high of 12,025 so far. We still believe prices could again decline lower towards 10,000/qtl levels in the coming months. Price structures have turned very friendly, and therefore further gains to 12,350-450/qtl looks likely in the short-term. Subsequently, a decline to 11,550 looks likely.

As illustrated in the previous update, chart indicates an important support zone for Gujarat-ICS-105, 29mm between 10,800-11,000/qtl and we expected supports in the 10,500-10,700 range to hold and prices to gradually edge higher again towards 12,000/qtl levels. Prices moved as per expectations, retracing higher to 12,000 levels. Further upside to 12,365 or even higher to 12,725 levels look likely before, prices decline again

subsequently. Both above mentioned targets are Fibonacci projected resistance levels as seen in the chart above. Prices now have to go below 10,500, for the picture to turn weak again, which we do not favour presently.

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

As explained in the previous update, once, the resistance at 84-85c is cleared, prices should target the next crucial resistance at 87-88c. Further upside to 93-94c looks likely now. Prices, took strong support at 82c range and retraced higher from there as expected. We also anticipated a possible move towards 87-89c in the coming weeks. As explained earlier, technical indicators are hinting at a possible bullish trend reversal. The averages in MACD have gone above the zero line indicating a bullish reversal. Further upside to 88-89c could





face strong resistance and a minor corrective move to 85-86c is possible before prices eventually test 94c on the upside in the coming weeks.

**CONCLUSION:**

Both the domestic and international prices have bounced back quite well. Potential exists

for prices to rise further. There is supports both for ICE March cotton futures at 85-86c and for Gujarat-ICS-105, 29mm at 11,750-11,500 levels. We expect prices to hold support on the downside in ICE futures, and the bullish rally to continue. The Gujarat-ICS-105 29mm should also edge higher towards 12,500/qtl in the coming weeks.

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Season : \_\_\_\_\_

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## Expect Softer Agri-markets in 2014; Cotton may be an Exception in H1

*(Shri G. Chandrashekar, Associate Editor, The Hindu Business Line Newspaper. He is an economist with passion for agriculture, agribusiness and commodity markets)*

After three years of aberrant weather in 2010, 2011 and 2012 in some part or other of the world, 2013 was blessed with benign weather conditions that resulted in a production rebound across major agricultural crops mainly grains and oilseeds. The effect of large harvests and rising inventory was reflected in prices that softened considerably. The market turned consumer-friendly.

What's the outlook for agriculture this year?

In general, for the agricultural markets, on current reckoning one may say that the balance of risks is tilting to the bearish side in 2014, a trend continuing from last year. A strong recovery in world grains and oilseeds again this year, means stocks will be much more replenished than a year ago. In general, producer incentive to expand acreage is becoming less-attractive given softer prices of the last one year.

Importantly, weather is the key driver of global agri-markets and holds the key to future market direction. So long as the weather is benign, the markets will be reasonably well supplied this year. On current reckoning, weather outlook is expected to be normal, going by predictions of credible agencies. Consensus is still pointing to an ENSO neutral outlook which means less of excessive wetness or dryness in Asia and South America typically associated with El Nino and La Nina.

Outside of individual market fundamentals, another external risk is macro. Global growth is showing signs of revival under the lead of the US. This should augur well for demand. Monetary policy uncertainties of last year have now given way to clarity. Tapering is a reality now in 2014. One can expect gradual reduction in asset purchase through the US Federal Reserve. This will gradually suck out liquidity. The liquidity driven commodity boom of

recent years is now truly coming to an end. At the same time, decision to taper sends out a positive signal about the state of the economy. It suggests that economic activity is picking up. The dollar is expected to strengthen in the coming months which in turn will pressure commodity prices down. Also, geopolitical tensions have somewhat eased which is likely to lend a softening tendency to crude prices.

Specifically for cotton, one can expect constructive market conditions, given the tight cash cotton supplies. Demand side and supply side factors both would work in tandem. China is committed to maintaining its existing support program for 2013-14. Along with healthy demand resulting from improved global economic activity, China's support program could result in strong exports. In turn, this will lead to tighter global stocks (ex-China).

However, the start of 2014-15 season could see prices come under pressure as world cotton acreage expands (supply response to prices). China's imports also can potentially fall. It is of course assumed that the Asian major will clarify its intentions regarding its vast state reserves and pricing policy.

To sum up, some of the key bullish factors include tighter cotton stocks outside of China; as world demand expands, US exports could rise and result in tighter stocks on the back of smaller crop; also, if Chinese mills keep importing cotton it will reduce world surplus.

On the other hand, bearish factors include: the end China's 3-year stockpiling program may involve more aggressive reserve selling and direct subsidies. Cotton imports could potentially fall in the second half of the year. India's larger crop is sure to provide competition and adequate supplies on the back of a weak currency. Additionally, higher prices in H1 may encourage supply growth in the 2014-15 season through expanded acreage. Market participants will take cognizance of the expected events. Another key risk is that synthetic substitutes are still cheaper. Cotton could lose some demand because of its relatively high price.

### EXPERT'S Column



**Shri G. Chandrashekar**

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## Marathon Challenge for the CAI

Among the 39,510 participants of the Standard Chartered Mumbai Marathon (SCMM), held on January 19, 2014, were 13 from the Cotton Association of India. Proudly sporting T shirts with the slogan - Choose Cotton for Life, they were all running to promote the cause of cotton. In fact, with the participation of the Cotton Association of India, a new category of cause was registered with the SCMM. Besides the runners, a large contingent from the Association showed up with banners and flags to cheer the runners.

Taking pride of place amongst the runners was Shri Swapnil Shendre, who completed the full marathon in 5.05, but was disappointed with his time. "Last year I finished in 4.52, but now I am determined to do better next year," he says. For Swapnil who is a die-hard marathoner, this was his third SCMM. He has also run in the Singapore Marathon in 2011 and participated in the gruelling 89 km. Comrades Marathon in South Africa last year.

*Shri Swapnil Shendre  
- full marathoner*



For first time half marathoner Shri Kunal Thakkar, running in the SCMM was an unforgettable experience. "The atmosphere was electrifying," he exclaims. "John Abraham flagged off the half marathon and except for the Sea Link, we had cheering crowds all the way. It was all so much fun that I'm definitely running next year and determined to better my timing of 2.24. There were so many people representing NGOs, but we were the only Association and maybe, our presence may encourage others like the Gold and Bullion Association to participate next year!" he says optimistically.

For the participants of the Dream Run, it was indeed the stuff dreams are made of. It was nothing short of a carnival with colourful caps, crazy masks, and even fancy dress costumes setting the mood for the 6 km long run. There were stages set up throughout the route with different kinds of music

*Shri Raja Gokulgandhi, Shri Rishit Dholakia and  
Shri Kunal Thakkar - half marathoners*



*Dream Run Team : ( L to R ) – Shri Girish Nagsee, Shri B.K. Mishra, Shri Paresh Dwarkadas, Shri Alok Makharia, Shri Dhiren N. Sheth, Smt. Rajeshwari D. Sheth, Shri Nayan C. Mirani, Smt. Smriti N. Mirani and Smt. Aparna Chawate*



blaring out from each – if there was hard core percussion on one stage, the next would have you dancing to popular Bollywood numbers. In spite of the estimated 25,000 participants of the Dream Run, there was no jostling or shoving and everybody walked in perfect joy and harmony.

Shri Rishit Dholakia proved everybody wrong by completing the half marathon in 3.23, that too without any prior training. “Even I didn’t think I would be able to do it,” he admits cheerfully. “But now that the adrenaline rush of the race is over, I’ve started to suffer because my legs are painin a lot. Next year I will train first and then run the marathon,” he promises.

Shri Raja Gokulgandhi has two passions in life – running and cotton. “I am from a family that is third generation in cotton and this was my fourth marathon. This was most special for me, because both my passions came together in this marathon – I was running to promote cotton.” And he proved how strongly he feels for both by completing the half

marathon 3.26, in spite of suffering from extremely painful blisters on his feet at the 11 km mark. “The SCMM embodies the spirit of Mumbai,” he enthuses. “Because along with the thousands of runners, there are thousands more coming to cheer and motivate those who are running.”

Shri Gokulgandhi is confident that although this is the first time the CAI is participating in such an event, this will generate a lot of awareness and also build up a great deal of momentum for the next year, when there will be increased participation and support from members.

Extremely happy about the SCMM is Shri Dhiren Sheth, President of CAI and participant of the Dream Run. “It’s a great beginning for the Association. I’m hundred per cent sure that next year we will have almost a hundred participants from the CAI running the Mumbai Marathon. I want to personally thank everybody specially full marathoner Swapnil Shendre and the half marathoners Raja Gokulgandhi, Rishit Dholakia and Kunal Thakkar for showing their solidarity and support for the cause of cotton.”

He concludes by saying, “It was extremely encouraging when our visiting business associate, Mr. Terence Yu of Sunrise Resources, Hongkong, spontaneously donated 200 US dollars for the fund we are collecting for our ambitious School Contact Program.”



Mr. Terence Yu from Hongkong promotes our cause



CAI staff cheers enthusiastically



**International Cotton Association (ICA), U.K.  
and  
Cotton Association of India (CAI), INDIA**

**announce under**

**“LEARN WITH CAI” series  
PROGRAMME NO. 2013-14/1**

**ON**

**ICA WORKSHOP ON  
‘CONTRACTING UNDER ICA BYLAWS & RULES’**

**Faculty : Mr. Derek Tanner  
Ex-President  
International Cotton Association, U.K.**

Monday, 27th January 2014 and  
Tuesday, 28th January 2014

at 9.30 a.m. to 6.00 p.m.

**Fee :**

**For ICA and CAI Members : Rs. 12,000  
For Members of Affiliated Association: Rs.13,500  
For Non-Members: Rs.15,000**

Venue : Conference Room of the Association  
Cotton Exchange Building, 2nd Floor,  
Opp. Cotton Green Railway Station,  
Cotton Green (East), Mumbai 400 033

For Registration please contact CAI Office  
Tel: (022) 30063400  
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**International Cotton Association (ICA), U.K.  
and  
Cotton Association of India (CAI), INDIA**

**announce under**

**“LEARN WITH CAI” series  
PROGRAMME NO. 2013-14/2**

**ON**

**‘MANAGING RISK’  
CONDUCTED BY ICA**

**Faculty : Mr. Chris Kramedjian  
Risk Management Consultant  
INTL. FC Stone Inc, USA**

Wednesday, 29th January 2014 and  
Thursday, 30th January 2014

at 9.30 a.m. to 6.00 p.m.

**Fee :**

**For ICA and CAI Members : Rs. 60,000  
For Members of Affiliated Association: Rs.65,000  
For Non-Members: Rs.70,000**

Venue : Conference Room of the Association  
Cotton Exchange Building, 2nd Floor,  
Opp. Cotton Green Railway Station,  
Cotton Green (East), Mumbai 400 033

For Registration please contact CAI Office  
Tel: (022) 30063400  
Email: school@caionline.in

## Kites Fly High Over the CAI

On the auspicious occasion of Makar Sankranti, on Jan 14, 2014, over 150 people from the cotton fraternity gathered at the Association to celebrate. Young and old tried their skills at flying kites and then enjoyed the high tea. Here are some glimpses of the colourful event.





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Particulars	Cotton			
	2013/14 Proj.	Production	Domestic Use	Ending Stocks
World	2012/13 Est.	123.08	106.37	89.14
	Highest estimate	118.00	110.20	96.50
	Lowest estimate	117.20	109.50	92.50
	Average estimate	117.60	109.83	96.00
	2013/14 Nov Proj.	117.22	109.83	95.71
	2013/14 Dec Proj.	116.83	109.68	96.41
Nov Vs. Dec Proj.	Bullish	Bullish	Bearish	
India	2012/13 Est.	17.32	3.50	3.90
	Highest estimate	13.35	3.50	3.30
	Lowest estimate	13.00	3.50	3.00
	Average estimate	13.18	3.60	3.45
	2013/14 Nov Proj.	13.11	3.60	3.00
	2013/14 Dec Proj.	13.07	3.60	3.00
Nov Vs. Dec Proj.	Bullish	-	-	

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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) 2013-14 Crop JANUARY 2014					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	13th	14th	15th	16th	17th	18th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	15	11220 (39900)	11220 (39900)	11368 (40400)	11501 (40900)	11501 (40900)	11501 (40900)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 - 7.0	15	11360 (40400)	11360 (40400)	11501 (40900)	11642 (41400)	11642 (41400)	11642 (41400)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	20	8998 (32000)	8998 (32000)	9083 (32300)	9083 (32300)	9083 (32300)	8998 (32000)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	21	9786 (34800)	9786 (34800)	9870 (35100)	9870 (35100)	9870 (35100)	9786 (34800)
5	M/M	ICS-104	Fine	24mm	4.0 - 5.5	23	10854 (38600)	10854 (38600)	10939 (38900)	10939 (38900)	10939 (38900)	10854 (38600)
6	P/H/R	ICS-202	Fine	26mm	3.5 - 4.9	26	11726 (41700)	11754 (41800)	11895 (42300)	11810 (42000)	11754 (41800)	11585 (41200)
7	M/M/A	ICS-105	Fine	26mm	3.0 - 3.4	25	11079 (39400)	11135 (39600)	11220 (39900)	11164 (39700)	11220 (39900)	11135 (39600)
8	M/M/A	ICS-105	Fine	26mm	3.5 - 4.9	25	11248 (40000)	11304 (40200)	11389 (40500)	11332 (40300)	11389 (40500)	11304 (40200)
9	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	26	11951 (42500)	11979 (42600)	12120 (43100)	12035 (42800)	11979 (42600)	11810 (42000)
10	M/M/A	ICS-105	Fine	27mm	3.0 - 3.4	26	11276 (40100)	11332 (40300)	11445 (40700)	11389 (40500)	11445 (40700)	11360 (40400)
11	M/M/A	ICS-105	Fine	27mm	3.5 - 4.9	26	11417 (40600)	11473 (40800)	11557 (41100)	11501 (40900)	11557 (41100)	11473 (40800)
12	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	27	12148 (43200)	12176 (43300)	12317 (43800)	12232 (43500)	12176 (43300)	12007 (42700)
13	M/M/A	ICS-105	Fine	28mm	3.5 - 4.9	27	11557 (41100)	11614 (41300)	11698 (41600)	11642 (41400)	11698 (41600)	11614 (41300)
14	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	27	11726 (41700)	11782 (41900)	11923 (42400)	11867 (42200)	11923 (42400)	11838 (42100)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 - 4.9	28	11726 (41700)	11782 (41900)	11867 (42200)	11810 (42000)	11867 (42200)	11782 (41900)
16	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	28	11838 (42100)	11895 (42300)	12035 (42800)	11979 (42600)	12035 (42800)	11951 (42500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 - 4.9	29	11838 (42100)	11895 (42300)	12007 (42700)	11951 (42500)	12007 (42700)	11923 (42400)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 - 4.9	30	11979 (42600)	12035 (42800)	12148 (43200)	12092 (43000)	12148 (43200)	12063 (42900)
19	K/A/ T/O	ICS-106	Fine	32mm	3.5 - 4.9	31	12260 (43600)	12317 (43800)	12457 (44300)	12401 (44100)	12457 (44300)	12373 (44000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	18278 (65000)	18278 (65000)	18419 (65500)	18419 (65500)	18278 (65000)	18278 (65000)

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