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**Cotton  
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# COTTON STATISTICS & NEWS

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## Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures  
for the period 05/02/19 to 04/03/19

*(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 edged lower on MCX after having been bearish throughout the last few sessions, nevertheless, stabilised for the day. With a further reduction in India's 2018-19 cotton output estimates, prices have now shown signs of recovery.

- In the face of strong headwinds in the global market, the price of cotton seems to be

wilting under immense pressure, this despite a quantum leap in the minimum support price (MSP) of cotton (long staple) to Rs. 5,450 per quintal from 4,320 per quintal.

- The cotton yield in India is likely to be the lowest in three years. Since the beginning of the cotton year 2018-19, the Cotton Association of India has twice trimmed its production estimates. Industry sources expect output to be even lower than official estimates.

### EXPERT'S Column



**Shri Gnanasekar Thiagarajan**  
Director, Commtrendz Research

- An improvement in US-China trade relations has started to hurt India's cotton yarn exports and there is a chance of more damage. The US-China tariff war had benefited India. Between June and September 2018, the US announced high customs duties on several Chinese goods and China retaliated by increasing levies on US goods.

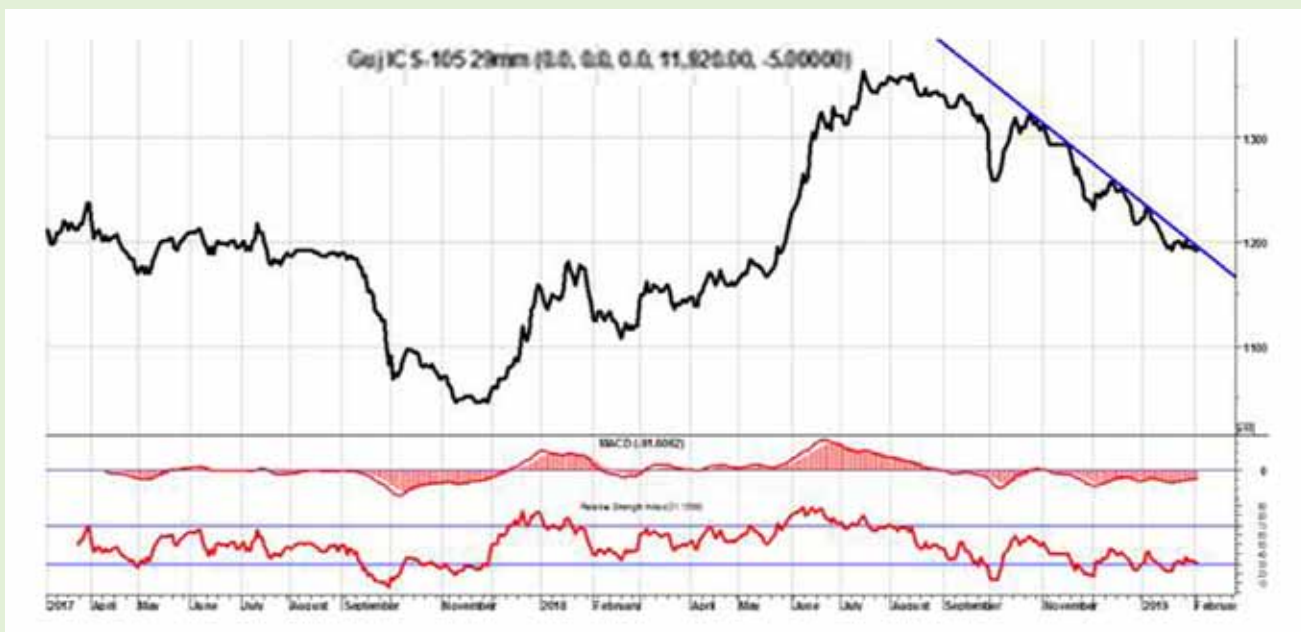
Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures slipped on Monday, touching their lowest level in nearly three weeks during the session, hurt by a stronger dollar and uncertainty over the US-China trade deal. White House economic adviser Kevin Hassett on Monday said "there's still a lot of work to do" in China trade talks. A US trade delegation will visit China in mid-February for a new round of talks.

- The US dollar was broadly stronger on Monday, as investors took heart from Friday’s strong payroll number and increased risk appetite helped lift the greenback.
- Cotton prices marked their first yearly decline in four years in 2018, largely due to the trade tussle between top exporter the United States and China, the biggest consumer of the natural fibre. Hasset said he has remained hopeful throughout the talks with Beijing and was pleased that negotiations were continuing. Last week, another top White House official said there was a “good vibe” following high-level trade talks in Washington between U.S. and Chinese officials



As mentioned in the previous update, prices might continue heading southwards to 12,100 or even lower to 11,700 levels in the coming sessions, from where a possible retracement looks likely. It moved exactly in line with our expectations. We see chances of a possible intermediate bottom from going forward. But there is scope for a further downside, before a conclusive bottom is in place. Important supports are at 11,500-700 levels now.



As mentioned previously, a decline below 12,800 could hint at weakness again, Extremely oversold indications and positive divergences, warn of getting excessively bearish at present levels and expect a pullback to 13,000-13300 levels in the coming months. Indicators are also hinting at a possible reversal in the coming sessions, but there is scope for some more downside before that is established.

## MCX January Contract Chart

The MCX benchmark February cotton chart is moving exactly as per our expectations. As expected, we saw prices fall below 21,000 levels. Prices are inclined to test 20,300 from where a bounce looks possible. Scope remains for some further downside to even 19,800 levels, but chances are bright for a bullish reversal too, subsequently targeting near 21,900-22,000 levels in the coming month. Supports are at 20,200-300 levels now.

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

As mentioned earlier, a fall below 75c has further accentuated the decline. Chances exist for a test of even 67c on the downside before a reversal takes place on the upside

from there. So, presently, we see the downside continue, but it could be limited. Strong supports are around 70c followed by 67 now. But, subsequent to that we expect a possible reversal upwards.

## CONCLUSION:

Both the domestic and international prices have tanked lower as per our expectations. The technical bigger picture is bearish now and upticks could be short-lived. But prices could correct higher after testing some important supports. Only, a close above 76-77c could hint at a bullish reversal again. Such a move could again revive bullish hopes for 80c again. The international prices indicate some downside initially, followed by a pullback in the coming weeks, but the medium-term picture still looks neutral to negative, while the domestic prices also looks bearish before a upward reversal begins.

For Guj ICS supports are seen at 11,400 /qtl followed by 11,000 /qtl, and for ICE Oct cotton futures at 68-70c. Prices are nearing a strong long-term support zone and could take a while to find support and push higher from there. The domestic technical picture has turned weaker as the international one, but it might not be a one-way streak and corrections can be expected from time to time. We favour prices to consolidate testing support levels and then reversing higher from there.





# COTTON EXCHANGE MARCHES AHEAD

Madhoo Pavaskar, Rama Pavaskar

## Chapter 9 In Service of King Cotton

(Contd. from Issue No. 39 ...)

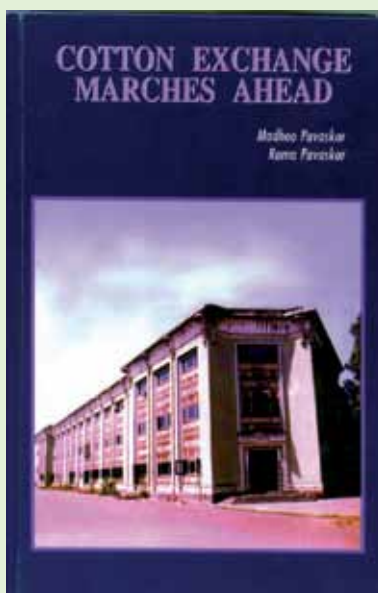
### Men Who Did Most

The Cotton Exchange had at the helm of its affairs wise and intelligent men with far-sighted vision and clairvoyance, who were the driving force behind its manifold activities and inspired the Association to enter into new and innovative fields to serve the cotton community diligently and to resolve its problems effectively. These men followed in the illustrious footsteps of late Sir Purshotamdas Thakurdas, the noble founder member of the Exchange, who presided over its destiny almost since its inception for more than three decades.

During the last quarter of a century, the East India Cotton Association had as its Presidents such stalwarts as Mr. Rajnikant Purshotamdas from 1975 to 1980, Mr. Purshotamdas Jhunjhunwala from 1980 to 1985, Mr. Chandrasinh Mirani from 1985 to 1996 and last but not the least, Mr. Suresh Kotak from 1996 onwards. While Mr. Rajnikant Purshotamdas led the Association with caution and courage at a time when it was faced with the threat of extinction from the growing state intervention in cotton marketing, Mr. Purshotamdas Jhunjhunwala was largely responsible for the survival of the cotton trade after the onslaught of the Cotton Corporation of India and the Maharashtra Monopoly Procurement Scheme in domestic procurement and marketing of kapas and cotton.

Mr. Chandrasinh Mirani who presided over the fate of the Cotton Exchange for over a decade not only strived to free the cotton trade from the arbitrary and absurd government controls and curbs, but also steered the course of the Association into new areas for improving the cotton productivity and quality. He was the main sheet-anchor for the varied activities of the COTAAP Foundation established by the

Exchange, and also for attempting to improve the cotton standards by promoting and propagating the need for adoption of better ginning and baling practices. Mr. Mirani brought the East India Cotton Association into the international arena to receive recognition from the various worldwide cotton organizations, which was a major milestone towards globalization of the Cotton Exchange. The proposed National Cotton Board of India, a joint organization of all the segments of the cotton industry, is also a brain-child of Mr. Mirani.



The present President of the East India Cotton Association, Mr. Suresh A. Kotak (the nephew of late Rao Bahadur Harjeevandas Bhavanbhai Kotak who, along with late Sir Purshotamdas Thakurdas, nursed the Association during its nascent stage since its inception as the General Manager of the Exchange) has taken the Exchange to new heights. It is not a mere coincidence that after Mr. Kotak assumed office, the liberalization of the cotton trade began with the

abolition of selective credit controls, the removal of restrictions on imports and exports, and the resumption of futures trading after a lapse of 32 years. And at long last, even the deregulation of non-transferable specific delivery (n.t.s.d.) contracts is already on the cards. The Exchange is therefore now gearing up to introduce trading in n.t.s.d. "on-call" contracts.

It was with Mr. Kotak's zealous efforts undertaken with great acumen, sincerity and persuasive logic that the cotton trade marched towards its freedom with great strides to virtually reach its ultimate goal-post which seems now within sight. With acute research mind, not only did Mr. Kotak make brilliant presentations of lucid and learned papers at the national and international forums on cotton, but was also

instrumental in bringing out several research publications on the issues facing the cotton economy by encouraging experts to work on them.

The president of the Cotton Exchange usually works hand in hand with the Vice-President. According to the prevailing practice at the Exchange, the Vice-President succeeds the President on the retirement / resignation of the latter. Being President in the making, the Vice-President takes active interest in all the major activities of the Exchange and assists the President earnestly in the new areas of work, which the latter may initiate during his tenure.

It is therefore not surprising that every one who was elected as President of the Cotton Exchange during the last quarter of a century held the position of Vice-President to begin with, before he was elevated as President. The lone exception was late Mr. Narendra Sheth of M/s. C.A. Galiakotwala & Co. Ltd., who actively served as Vice-President from July 1985 till his sad and untimely demise in January 1992. The present Vice-President, Mr. Kishorilal Jhunhunwala, has also been taking keen interest in the various affairs of the Exchange and has especially played a major role, along with Mr. Suresh Kotak and others (notably Mr. Radhamohan Chokhani and Mr. Navinchandra Sayta who had put in maximum meritorious efforts), in devising the new generation futures contract in cotton.

The various members of the statutory and non-statutory committees of the East India Cotton Association also work for the Exchange with selfless devotion. Each of these committees comprises one or more elected directors, besides a few other members of the association. Among them, special mention needs to be made of late Mr. B. P. Thakkar who ably assisted the office bearers of E.I.C.A. in their frequent discourses with the Reserve Bank of India on selective credit controls.

The day to day functioning of the Association is looked after by its competent secretariat under the over-all supervision and guidance of Secretary. Mr. D.G. Damle was the Secretary of the Cotton Exchange from July 1963 to June 30, 1986. Mr. Damle who had devoted almost all his working life in the service of the Cotton Exchange after joining it as early as in 1937, continued to serve

the Exchange even after his formal retirement till 1989. After Mr. Damle retired officially, Mr. Unchagaonkar served as Secretary till March 31, 1989. Thereafter, while Mr. S.S. Barodia looked after Administration matters of the Association as Secretary (till he retired on April 4, 1999), Mr. Hemant Mulky was appointed as Secretary-General and shouldered most of the responsibility tirelessly to ensure the efficient working of the Exchange till his formal retirement on March 31, 2000. Throughout, Mr. Mulky proved to be valuable asset to the successive Presidents of the Exchange. Small wonder, even after his retirement he functioned as Advisor to the Cotton Exchange in all the major policy matters, though the day-to-day administration is looked after by Dr. P.K.C. Sharma, who is presently designated as Joint Secretary, and Mr. Amar Singh who actively serves as Assistant Secretary. The total strength of the Secretariat of the Association is at present 60 and is expected to grow in the coming years, following the resumption of futures trading.

### Crop Estimation

One of the yeoman's services performed by the Cotton Exchange is the timely and reliable estimation of the cotton crop. The official estimates of cotton crop are released by the Directorate of Economics and Statistics in the Union Ministry of Agriculture almost at the end of each cotton season, and often after the cotton season is over, i.e. not only after the cotton crop is marketed, but even consumed by the mills and others. The official crop estimates are therefore of little practical use to either the trade and industry or the policy making government agencies. The official estimates are also found to be gross underestimates vis-a-vis the final data on utilisation of cotton for exports and domestic consumption. Consequently, they have little credibility, and even the government departments like the Union Ministry of Textiles and the Ministry of Civil Supplies do not rely on these for their policy decisions.

The absence of timely and trustworthy estimates of cotton production have been a cause of grave concern to all the cotton interests for long. With wild guesstimates of crop floating around in the past, not only did cotton prices fluctuate erratically, but not infrequently also led to erroneous decision making and needless regulations, affecting the orderly marketing of both kapas and cotton.

*(To be continued....)*







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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) 2018-19 Crop January - February 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	28th	29th	30th	31st	1st	2nd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11360 (40400)	11360 (40400)	11360 (40400)	11360 (40400)	11360 (40400)	11360 (40400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8295 (29500)	8239 (29300)	8295 (29500)	8352 (29700)	8408 (29900)	8436 (30000)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10348 (36800)	10264 (36500)	10264 (36500)	10264 (36500)	10264 (36500)	10264 (36500)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10911 (38800)	10826 (38500)	10826 (38500)	10826 (38500)	10826 (38500)	10826 (38500)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	11782 (41900)	11782 (41900)	11754 (41800)	11754 (41800)	11670 (41500)	11614 (41300)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12092 (43000)	12035 (42800)	12035 (42800)	12035 (42800)	12035 (42800)	11979 (42600)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	11135 (39600)	11051 (39300)	11023 (39200)	11023 (39200)	10995 (39100)	10967 (39000)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	11304 (40200)	11220 (39900)	11192 (39800)	11192 (39800)	11164 (39700)	11135 (39600)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12176 (43300)	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)	12063 (42900)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11585 (41200)	11529 (41000)	11529 (41000)	11529 (41000)	11529 (41000)	11473 (40800)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11810 (42000)	11754 (41800)	11754 (41800)	11754 (41800)	11726 (41700)	11726 (41700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	11867 (42200)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11782 (41900)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12007 (42700)	11951 (42500)	11951 (42500)	11951 (42500)	11923 (42400)	11923 (42400)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12092 (43000)	12035 (42800)	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12457 (44300)	12345 (43900)	12317 (43800)	12317 (43800)	12317 (43800)	12317 (43800)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12823 (45600)	12738 (45300)	12682 (45100)	12682 (45100)	12654 (45000)	12654 (45000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15522 (55200)	15466 (55000)	15466 (55000)	15466 (55000)	15185 (54000)	15185 (54000)

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