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of India**

# COTTON STATISTICS & NEWS

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## CAI President, Mr. Dhiren N. Sheth's Speech at COTTON INDIA 2015-16, Inaugural Session

*Distinguished Delegates, Dear Guests  
and my Fellow Colleagues,*

On behalf of all my colleagues on the Board of Directors of the CAI and on my own behalf, I extend a hearty welcome to you all at the COTTON INDIA 2015-16 summit. I am indeed indebted to each one of you for acceding to my request and sparing your invaluable time to travel long distances to attend this conference. I am humbled by the fact that delegates from 12 countries have spared their valuable time to be present here in spite of a very short notice.

I want to make an announcement today that our COTTON INDIA 2016-17 will be held in December 2016 in Mumbai. The venue and other details will be announced soon. This will give you adequate time to plan your itinerary. Due to the 74th Plenary meeting of ICAC which was held in Mumbai on 6th -11th December, we decided to give up our original slot. However, from this year onwards, we shall be back to our original slot and hold COTTON INDIA 2016-17 in the first week of December 2016 in Mumbai.

We have consciously chosen Goa as the place for this summit. Popularly known as Rome of the East, Goa has a rich cultural and historical background and it is a famous tourist spot well known for its beautiful beaches, places of worship and world heritage architecture. It also has rich flora and fauna, owing to its location on the Western Ghats range, which is classified as a biodiversity hotspot. We hope you all will enjoy your stay here.



Like I said at our COTTON INDIA 2014 conference, our plan is to make COTTON INDIA the international cotton event of the year for the Indian sub-continent with larger participation from Pakistan, Bangladesh, Afghanistan, Nepal, Bhutan and Sri Lanka. I recognise and heartily welcome our delegates from Pakistan, who despite having to face a lot of obstacles remained strong in their resolve to attend this conference.

Friends, undoubtedly, it was a proud moment for us when India surpassed China to become the world's largest producer of cotton during last year. However, this happy occasion was somewhat marred by the situation of a supply glut emerging

globally. Prices witnessed a depressing trend. Our country went through a massive support price operation. The Government agencies procured about 9.3 million bales under the Minimum Support Price operations. There was a sharp decline in India's performance on the cotton export front and it could only export about 6 million bales during 2014-15 as against 12.6 million bales exported during the previous cotton season. Eventually, India witnessed one of the largest closing stocks in its history at the close of the 2014-15 cotton season. The current 2015-16 cotton season has also witnessed a depressing international price trend thus far. However, Indian Rupee prices have improved recently.

India has the largest acreage under cotton in the world. About 1/3rd of the world's total cotton acreage is in India. In 2013-14, the acreage under cotton in India was 11.9 million hectares. It went up by about 8% to 12.8 million hectares during 2014-15. However, during 2015-16, the acreage under cotton in India dipped to 11.9 million hectares on account of lower realisation of value by cotton farmers during 2014-15 compared to other competing crops. However, with the focus now shifting on producing more and more food crops, there is hardly any scope for further expansion of acreage of cotton in India. Naturally therefore the thrust has to be on

increasing productivity. Though India has made significant progress in terms of productivity, the level is well below the world average. India has tremendous potential and the need of the hour is to exploit the same to optimise productivity.

One of the main reasons behind this sub-optimal productivity of cotton in India is the slow pace at which the country embraces new technology.

Globally, the demand for cotton compared to polyester and other manmade fibres is shrinking day by day. Several countries have embarked on demand enhancement programmes. It is imperative that we all learn from each other's experiences and discuss ways to arrest this declining trend or else there will be a day when cotton will become nothing more than a niche segment product. What a sad day that would be for all of us!

During the next two days, our eminent speakers will dwell on the critical issues and challenges facing the cotton fraternity the world over. I assure you that we shall make our best effort to implement the suggestions emerging from this summit.

I once again thank each one of you.



## Glimpses of COTTON INDIA 2015-16

Nestled on 85 acres, with meticulously landscaped gardens and a kilometre-long exclusive beachfront offering a breathtaking view of the Arabian Sea, the Lalit Golf & Spa Resort, Goa, was the scenic venue for COTTON INDIA 2015-16, held from

February 22 - 24, 2016. With delegates from across the world and a galaxy of eminent speakers spread across seven lively sessions; this was one conference the delegates are unlikely to forget. Here we present some glimpses of COTTON INDIA 2015-16.

Day 1 – February 22, 2015



The stage is set for the conference to begin.



### Explore trading & service opportunities with Kotak Ginning & Pressing Industries in raw cotton, textiles & other textiles raw materials.

Kotak Ginning & Pressing Industries (a division of Kotak Commodity Services Ltd), having main business of trading in raw cotton exports, import and in domestic markets.

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#### Our offerings include

- Individual Trading Desk
- Corporate Desk
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**Day 2 – February 23, 2015**

**Inaugural Session**



Mr. Dhiren. N. Sheth, President CAI, gives his welcome address.



Delegates at Cotton India 2015-16



Mr. Jose Sette, Executive Director, ICAC, releases the 2nd edition of A Hundred Years of Indian Cotton.



Dignitaries on the dais – Mr. K.F. Jhunjhunwala, Mr. Dhiren N. Sheth, Mr. Jose Sette and Mr. Nayan Mirani hold up copies of the book.



Mrs. Aparna Chawathe, Cotton Promotion Programme Associate, CAI, talks about the launch of Suvin Ratna in colours.



Dignitaries on the dais hold up boxes of Suvin Ratna in colour.



Mr. Mani Chinnaswamy, M.D., Appachi Eco-Logic Cotton Pvt. Ltd. translates the experiences of veteran cotton farmer, Mr. M. Velayutham, who has been growing Suvin since its inception in 1974.

**Business Session I – 2016-2020, The Outlook for the World Cotton Market**



Mr. Jean-Marc Derossis, President ICA, chairs the session.



Mr. Ray Butler, MD, Cotton Outlook speaks on 'The Outlook for the World Cotton Market through 2016-17, will China begin to liquidate its reserves?'



Mr. Jose Sette, ED, ICAC, speaks on 'Emerging Markets after China, will the sub-continent become a net importer again?'



Mr. Sanjay Sacheti, Country Head India, Olam Agro India Pvt. Ltd. speaks on 'Outlook for Agricultural markets'.



Panelists take questions from the audience



Panel for Session I

**Business Session II – Panel Discussion on Cotton Production and Productivity in India**



Mr. Dhiren N. Sheth, President CAI, chairs the session.



Dr. K.R. Kranthi, Director, CICR.



Mr. Chaminda Rajapakse, Lead, 2030 Water Resources Group.



Mr. Rakesh Dubey, GM, Policy and Industry Affairs, Monsanto India Region.



Mr. Mohit D. Shah, Director, Gill & Company



Mr. Unupom Kausik, Deputy CEO, National Collateral Management Services Ltd.



Mr. S.U. Baig, Director (Tech), Nath Bio-Genes (I) Ltd.



Panel for Session II

**Business Session III – Panel Discussion on The Extra-Fine Cotton Market by 2020**



Mr. Jurg Reinhart, Chairman, Paul Reinhart AG, chairs the session.



Mr. Mohamed Leheta, Chairman, Trustco Company.



Mr. Marc Lewkowitz, President and CEO, Supima.



Mr. Mani Chinnaswamy, M.D., Appachi Eco-Logic Cotton Pvt. Ltd.



Mr. Brad Reinhart, Pima Cotton Marketing Manager, J.G. Boswell Company



Mr. R.R. Vinod, Senior Vice President, Welspun India Ltd.



Panel for Session III



**Day 3 – February 24, 2016**

**Business Session IV – Efficiencies in Spinning, New Developments in Machinery and Implication for Cotton**



*Mr. Ernst Grimmelt, President, Bremer Baumwollbörse chairs the session*



*Dr. Christian Schindler, Director General, ITMF speaks on 'Today's challenges for the global textile industry with special focus on spinning'.*



*Mr. T. Balamuralikrishna, Sr. General Manager (Mktg & Sales), LMW, speaks on 'Influences of raw material on yarn quality'.*



*Mr. Badsha Mia, CMD, Badsha Textiles, speaks on 'Opportunities and challenges of Indian cotton for Bangladesh textile industry'.*



*Panel for Session IV*

**Business Session V – Towards Better Insights in the Cotton Industry**



*Mr. Arthur Spellson, Immediate Past Chairman, Australian Cotton Shippers Association, chairs the session.*



*Mr. Kai Hughes, Managing Director, ICA, speaks on 'Weaving the world of cotton together. How?'*



*Mr. Nalin Rawal, Chief Business Head, Skymet Weather Services Pvt. Ltd., speaks on 'Innovative risk mitigation solutions for cotton industry'.*



*Mr. Deepak Mehta, Vice President, MCX speaks on 'Cotton trading patterns on MCX'.*



*Mr. Rafael Naam, Chief Correspondent – Markets, Thomson Reuters, speaks on 'USD INR in a weakening global environment'.*



*Panel for Session V*

## Business Session VI –Panel Discussion on Efficiencies through Free Markets: Reducing Incentives for cotton in order to save cotton



Dr. Terry Townsend, Consultant, Cotton Analytics, chairs the session.



Mr. B.K. Mishra, CMD, CCI.



Mr. Scott Sindelar, Minister Counselor for Agricultural Affairs, American Embassy, New Delhi.



Mr. Colin Iles, Worldwide Head for Cotton, Glencore Grain BV.



Mr. Mitesh Shah, Head South Asia, LDCI.



Mr. Arun Sekhsaria, Managing Director, D.D. Cotton Pvt. Ltd.



Panel for Session VI

## Business Session VII – Efficiencies in the Value Chain: Improving Cultural Practices in Trading Cotton in the Indian Sub-continent



Mr. Khawaja Tahir Mahmood, Chairman, Karachi Cotton Association, chairs the session.



Mr. Greg Wakefield, President, Wakefield Inspection Services India Pvt. Ltd. speaks on 'Efficient use of controlling of cotton for domestic trade in the Indian sub-continent'.



Mr. Andrew Macdonald, Chairman, CSITC, speaks on 'Efficient trading through HVI testing of cotton'.



Mr. Unupom Kausik, Deputy CEO, National Collateral Management Services Ltd. speaks on 'Structured trade finance and off balance sheet funding of cotton'.



Panel for Session VII



A job well done - CAI's Board of Directors.



Mr. Dhiren N. Sheth with Dr. Terry Townsend and Mr. Peter Wakefield.



Catching up over the farewell dinner



# Technical Analysis

## Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 01/03/16 to 15/03/16

*(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 in line with international prices. Poor economic data and almost 1 lakh employees being laid off in coal and steel sectors, sent jitters to most other markets including cotton futures.

- The Cotton Advisory Board has forecast that cotton production in India will fall by over 7% to around 35.2 million bales (170 kg each) for the October 2015-September 2016 crop year against 38 million bales in the previous year. Despite a drop in production, cotton prices have been in a bear grip owing to higher carry-over stocks.

- Indian cotton prices, since the beginning of 2016, have fallen 3% compared with over 9% correction in international prices. Prices in India are finding support on the back of rising exports. India's exports in the current crop year that started in October 2015 could rise to 7 million bales, up from 5.77 million bales a year ago, due to good demand from Pakistan.

Pakistan is buying more cotton than expected from India, after floods saw its own crop production falling to its lowest in over a decade.

- The Cotton Association of India (CAI) has released its January estimate of the cotton crop for the 2015-16 season, which began on 1st October 2015. The CAI has placed its January estimate of the cotton crop for the 2015-16 season at 353.00 lakh bales of 170 kg each.

- The projected Balance Sheet drawn by the CAI estimates total cotton supply for the season 2015-16 at 440.60 lakh bales, while the domestic consumption is estimated at 315.00 lakh bales, thus leaving an available surplus of 125.60 lakh bales.

Some of the fundamental drivers for International cotton prices are:

- Cotton Benchmark futures fell for the fourth straight session on Monday to its lowest since June 2009, as worries over demand in the world's top consumer China, sparked selling early in the session and stop-loss orders exaggerated the day's declines.

- China said on Monday it expects to lay off 1.8 million workers in the coal and steel industries, or about 15 percent of the workforce, as part of its efforts to reduce industrial overcapacity, but no timeframe was given. But a rate cut today, has bolstered hopes of a revival in the Chinese economy.

### EXPERT'S Column



Shri Gnanasekar Thiagarajan





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

As mentioned earlier, strong resistance will however be seen around the 9500-600/qtl levels. Only a rise above 9,600/qtl, will revive our hopes of a rally back towards 9,800-10,000/qtl levels. No change in view. Any dips to 9,200-300/qtl, is expected to hold support in the short-term. But the technical picture is not friendly and it is vulnerable for a fall again below 9,000 /qtl in the coming sessions or even lower. Our hopes for a bullish recovery past 9,500 /qtl has been fading and it looks likely that prices could decline again below 9,000/qtl.

Indicators are displaying neutral to weak tendencies now, which could see prices moving lower sharply. Indicators are neither overbought nor oversold and therefore moving in a neutral zone presently. We see resistances in the 9400-500/qtl zone now. The MACD indicator has started showing bearish signs. Prices could push lower in the coming months towards 8,700-800/qtl, with the possibility of a recovery on and off. But, such recoveries might not sustain and most likely prices could decline again. Any unexpected rise above 9,600/qtl would hint that the bearishness could get postponed.

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

As mentioned in the previous update, a strong decline could begin after a break of 60.20c on the downside. We expected prices to test at the next important support of 57c, followed by 55c. Both the levels have come and it look like it could possibly test at 52-53c in the coming sessions from where a minor recovery can be seen. Resistance will be seen

around 58c followed by 60.20-50c now. Presently, it looks more likely that prices could find strong resistance mentioned above and decline lower towards 52c initially and then lower towards a potential long-term target near 40c. This is due to prices failing to rise higher in any meaningful way above 65c in the past few quarters. Our favoured view now expects prices to edge lower while 58-60c caps any advances.



### CONCLUSION:

Both the domestic and international prices are vulnerable for huge fall in prices in the coming months. For Guj ICS support is seen at 9,000-9,100/qtl followed by 8,500 /qtl or even lower, and for ICE March cotton futures at 55-56c followed by 51c. Only an unexpected rise above 9,600/qtl could confirm that the picture has changed to bullish in the domestic markets. In the international markets prices are indicating a bearish trend now, and the indicators have turned weak. It needs to surpass key resistance levels around 65c levels for the trend to turn convincingly bullish again, till then we remain bearish on both the markets.

## CAI's January estimate places cotton crop for 2015-16 season at 353 lakh bales

The Cotton Association of India (CAI) has released its January estimate of the cotton crop for the 2015-16 season, which began on 1st October 2015. The CAI has placed its January estimate of the cotton crop for the 2015-16 season at 353.00 lakh bales of 170 kgs. each. The projected Balance Sheet drawn by the CAI estimated total cotton supply for the season 2015-16 at 440.60 lakh bales while the domestic consumption is estimated at 315.00 lakh bales thus leaving an available surplus of 125.60 lakh bales. A statement containing the State-wise estimate of the cotton crop and the Balance Sheet for the season 2015-16 with the corresponding data for the previous crop year is given below.

### CAI's Estimates of Cotton Crop as on 31st January 2016 for the Seasons 2015-16 and 2014-15

(in lakh bales)

State	Production *		Arrivals As on 31st January 2016 (2015-16)
	2015-16	2014-15	
Punjab	9.00	13.00	5.55
Haryana	16.50	23.50	10.00
Upper Rajasthan	5.75	6.50	3.50
Lower Rajasthan	11.00	10.50	7.95
<b>Total North Zone</b>	<b>42.25</b>	<b>53.50</b>	<b>27.00</b>
Gujarat	95.50	108.00	48.25
Maharashtra	80.75	78.50	43.00
Madhya Pradesh	19.00	18.00	12.75
<b>Total Central Zone</b>	<b>195.25</b>	<b>204.50</b>	<b>104.00</b>
Telangana	58.00	55.25	31.60
Andhra Pradesh	26.00	25.75	11.25
Karnataka	18.00	30.50	11.50
Tamil Nadu	7.50	7.25	3.00
<b>Total South Zone</b>	<b>109.50</b>	<b>118.75</b>	<b>57.35</b>

Orissa	4.00	4.00	1.75
Others	2.00	2.00	1.00
<b>Total</b>	<b>353.00</b>	<b>382.75</b>	<b>191.10</b>

Note: (1) \* Including loose

(2) Loose figures are taken for Telangana and Andhra Pradesh separately as proportionate to the crop for the purpose of accuracy

The Balance Sheet drawn by the Association for 2015-16 and 2014-15 is reproduced below:-

(in lakh bales)

Details	2015-16	2014-15
Opening Stock	73.60	53.85
Production	353.00	382.75
Imports	14.00	12.00
<b>Total Supply</b>	<b>440.60</b>	<b>448.60</b>
Mill Consumption	276.00	278.00
Consumption by SSI Units	26.00	27.00
Non-Mill Use	13.00	10.00
Exports		60.00
<b>Total Demand</b>	<b>315.00</b>	<b>375.00</b>
Available Surplus	125.60	
Closing Stock		73.60



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) 2015-16 Crop FEBRUARY 2016					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	22nd	23rd	24th	25th	26th	27th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	8577 (30500)	8577 (30500)	8577 (30500)	8577 (30500)	8577 (30500)	8577 (30500)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	5905 (21000)	5877 (20900)	5849 (20800)	5849 (20800)	5849 (20800)	5849 (20800)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	8464 (30100)	8436 (30000)	8408 (29900)	8408 (29900)	8408 (29900)	8408 (29900)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	9167 (32600)	9111 (32400)	9083 (32300)	9083 (32300)	9111 (32400)	9139 (32500)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	8492 (30200)	8464 (30100)	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	8717 (31000)	8689 (30900)	8661 (30800)	8661 (30800)	8661 (30800)	8661 (30800)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	9448 (33600)	9392 (33400)	9364 (33300)	9364 (33300)	9392 (33400)	9420 (33500)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	8661 (30800)	8633 (30700)	8605 (30600)	8605 (30600)	8605 (30600)	8605 (30600)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	8914 (31700)	8886 (31600)	8858 (31500)	8858 (31500)	8858 (31500)	8858 (31500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	9589 (34100)	9533 (33900)	9505 (33800)	9505 (33800)	9533 (33900)	9533 (33900)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	9083 (32300)	9055 (32200)	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	9167 (32600)	9139 (32500)	9111 (32400)	9111 (32400)	9111 (32400)	9111 (32400)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	9280 (33000)	9251 (32900)	9223 (32800)	9223 (32800)	9223 (32800)	9223 (32800)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	9420 (33500)	9392 (33400)	9364 (33300)	9364 (33300)	9364 (33300)	9364 (33300)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	9505 (33800)	9476 (33700)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	9701 (34500)	9673 (34400)	9645 (34300)	9645 (34300)	9729 (34600)	9729 (34600)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	10236 (36400)	10208 (36300)	10179 (36200)	10179 (36200)	10264 (36500)	10264 (36500)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	13863 (49300)	13807 (49100)	13807 (49100)	13807 (49100)	13863 (49300)	13863 (49300)

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