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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 27/03/18 to 30/04/18

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

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

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

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

- Cotton futures bounced back higher, as demand was seen picking up. Even though the expectations of a healthy crop remain for the calendar year 2018 with a roughly 5% increase estimated, slower-than-usual pace of arrivals and mounting concerns on fiber quality, have encouraged pre-emptive stocking by mills.

- Given the expected increase in the MSP effective next year (owing to the increase announced in Union Budget 2018-19) and quality concerns on this year's cotton, the domestic cotton prices are expected to remain firm.

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

- Adding to concerns are the possibility of falling output in the coming year. The decline is likely to be driven primarily by lower acreage, as pest attacks reported in some key cotton growing regions this year are expected to deter cotton sowing in those regions next year.

- The Cotton Association of India has lowered its estimate of the cotton crop for the ongoing season by 5 lakh bales to 362 lakh bales of 170 kgs. each compared to its previous month's estimate of 367 lakh bales for the 2017-18 crop year due to the crop damage on account of severe pink bollworm infestation and the scarcity of water in some states.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures rose for the first time in five sessions on Tuesday, as the market awaited the annual prospective plantings report from the U.S. Department of Agriculture later this week. The expectation is for higher acreage.

- The U.S. Department of Agriculture (USDA) in its cotton outlook in the previous month said U.S. 2018/19 cotton production is expected to fall to 19.5 million bales, offset by higher abandonment and lower yields. In its first 2018/19 world cotton projections, the agency said.

- It anticipates that consumption will exceed production, bringing world stocks down by 6

million bales, more than offsetting 2017/18's 900,000-bale increase.

- Speculators reduced their net long position in cotton by 5,364 lots to 81,828 lots, the U.S. Commodity Futures Trading Commission (CFTC) data showed on Friday.

As indicated in the previous update, a good bounce from 10,500 levels has revived bullish hopes once again. It still needs to cross 12,100-300 levels to confirm this bullishness. Though, there are already positive signs hinting at further bullishness ahead, price needs to consolidate and push higher gradually. Only an unexpected fall below 11,000 could change the picture to neutral again. Further consolidation in a broad range of 11,000-11800 can be seen in the coming weeks, but strong resistance will be seen around 12,300 on the upside.



As mentioned previously, indicators are still in a neutral state despite the recent upside and prices could remain range bound with a bullish bias. The range bound continues, as factors influencing prices both ways are fairly equal. Downward corrections are possible, but might not be a major decline. But, the earlier bearish trend is seen withdrawing. While 11,000 levels hold on the downside, we can still expect prices to gradually edge higher from here.

CMCX April Contract Chart



The MCX benchmark April cotton chart rallied close to the 21,800 target, which we were anticipating in the previous update. Failure to follow-through higher and a close below 20,800 turned the picture neutral. Strong supports will be seen at the 20,100 levels now. Failure to hold there, could see prices testing 19,700 levels on the downside where strong supports emerge. The bigger picture still hints at a strong upside potential, while 19,600-700 holds. Potential exists for a push higher even to 23,000 levels subsequently. Only an unexpected fall below 19,500 could postpone the bullishness.

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



Our favoured view continues to be bullish, as there are bullish indications persisting in the charts. As mentioned earlier, we saw a test of 87c where strong resistances kicked in. We also expected the downside from there being limited and prices to inch higher to 80-81c. It has moved perfectly in line with our expectations so far. Prices fell after testing 87c and are currently languishing around 80-81c. There is scope for an extension in the decline to 78c too. While 78c holds, prices are expected to edge higher to 87c or even higher in the coming sessions. Any unexpected fall below 78c could see prices declining lower to 75c, which is not our favoured view.

CONCLUSION:

Both the domestic and international prices are edging lower after testing the multi-month highs made earlier. Presently, the technical picture is neutral with chances of stronger market ahead while supports hold. Only a rise and close above 87c again could revive bullish hopes for the long-term target of 93-97c. But, a period of consolidation is on the cards before any decisive move can be seen. The international prices indicate supports to hold on corrective declines in the coming weeks, but the medium-term picture still looks neutral to positive, while the domestic prices also looks range-bound.

As mentioned earlier, the technical picture has turned friendly as the international one, but it might not be a one-way streak and corrections can be expected from time to time. For Guj ICS supports are seen at 11,000/qtl followed by 10,700/qtl, and for ICE May cotton futures at 78c. The rise above 11,900 /qtl has once again revived the bullish picture in the domestic markets. In the international markets, prices are indicating a pause before they resume the uptrend. As we have been maintaining, international markets could potentially change direction and push higher. Price action so far has been in line with our expectations. The technical picture is indicating prices to edge higher back to 87c on the upside and the domestic prices to edge higher to 12,300-500/qtl levels in the coming month, provided critical supports mentioned above holds.

COTTON EXCHANGE MARCHES AHEAD

Madhoo Pavaskar, Rama Pavaskar

Chapter 8

Cotton Exchange Goes Global

Towards Globalization

The East India Cotton Association (E.I.C.A.) was set up by the cotton trade and industry in Mumbai to organise, regulate and develop primarily the spot and futures markets in the commodity, and to serve the varied interests of the diverse market functionaries in it. But, over the years it became a representative all-India body of the cotton merchants and others operating in the cotton markets throughout the country. Before the Second World War when India was a major exporter of cotton, the Cotton Exchange had developed close links with even the leading international cotton trade associations like the Liverpool Cotton Association of Great Britain, the New York Cotton Exchange of U.S.A. and the Japan Cotton Traders' Association of Osaka in Japan. Indian cotton was also then tenderable against the futures contract traded at Liverpool. The cotton futures market of E.I.C.A. too attracted quite a few overseas market operators at that time. All said and done, in those pre-World War II days, E.I.C.A. was an international cotton exchange with its prices influencing the world cotton markets.

The Great War of 1939-45 and the subsequent Indian independence in 1947 brought about a transfer scene. Following the onset of the so-called socialistic planning era in 1951, India virtually shut its doors to the outside world. With the severe curbs on cotton futures trading and the imposition of statutory ceilings and floors on the cotton prices, the cotton futures markets in the country began to languish. And after the introduction of the foreign exchange regulations, the Cotton Exchange formally slipped into a domestic exchange. The Cotton Exchange lost its pre-eminent position in the world cotton markets.

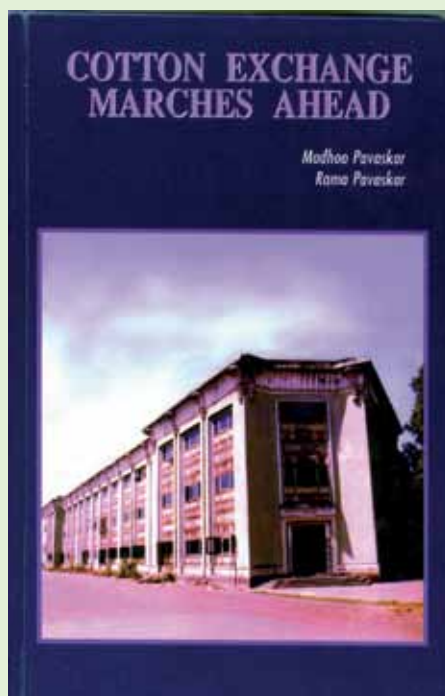
Nevertheless, since the country was constrained to import cotton, having lost its fertile cotton lands to Pakistan following Independence, the Cotton

Exchange signed the Universal Cotton Standards Agreement with the United States Department of Agriculture in 1953 to provide an appropriate arbitration machinery within the country for settling all disputes relating to the sales of American cotton to the Indian importers. That was probably the first step in the march of the Cotton Exchange towards globalization after Independence. Later, it became a signatory to the Universal Cotton Standards Signatory Committee set up by the cotton trade associations belonging to the countries importing American cotton. This Committee was set up on the initiative of the Liverpool Cotton Association to negotiate with the U.S. Department of Agriculture on the issues arising out of preparation and modification of the standards for American Upland Cotton.

Even before it became a signatory to the Universal Cotton Standards Agreement, the East India Cotton Association was participating on behalf of the Government of India in the Annual Plenary Sessions of the International Cotton Advisory Committee (ICAC) set up in 1939 by the governments of various nations having interest in the production, export, import and consumption of cotton, Although an inter-governmental Committee, for over five decades

the office-bearers of the Cotton Exchange have been attending the annual meetings of the ICAC as delegates and/or observers and assisting the Indian government officials in their deliberations at such meetings.

More recently, E.I.C.A. became an Associate Member of the International Textile Manufacturers Federation (ITMF), Zurich (Switzerland), from January 1, 1991 to acquaint the cotton trade in the country with the changing needs and pattern of demand for cotton from the overseas spinners. In 1993 the Cotton Exchange became a member of the Committee for International Co-operation between Cotton Associations (CICCA), Liverpool, which has



been in existence since 1976 to discuss matters of mutual interests amongst the cotton associations in the world.

Recognising its importance, several international associations have, of late, agreed to accept the honorary membership of the East India Cotton Association. And in May 1995, the General Assembly of the Gdynia Cotton Association in Poland appointed Mr. Suresh Kotak, the present President of E.I.C.A. as a member of the Board of Directors of that Association. This appointment was, no doubt, a singular honour to Mr. Kotak for not only his personal acumen, deep knowledge and vast experience in the cotton world, but was also in due recognition of the services rendered by the E.I.C.A. to the cotton trade and industry the world over.

As if this was not enough, on May 23, 2002 the Board of Directors of Gdynia Cotton Association bestowed on Mr. Suresh Kotak an honorary award for being a "Meritorious Person of the Gdynia Cotton Association". That was indeed a feather in the cap for Mr. Suresh Kotak as well as the Cotton Exchange for rendering meritorious services to the world cotton economy.

With the active participation in the various worldwide fora of several important international cotton trade and industry organizations, and following its close bonds with the cotton trade associations from the major cotton exporting and importing countries, the Cotton Exchange has now gone global and acquired an international status which it had before the Second World War. To appreciate its onward march towards globalization, this chapter delineates the objectives of some of the major international organizations to which E.I.C.A. is now affiliated, and reviews the nature of its participation in the deliberations of their annual fora

Universal Cotton Standards

Pursuant to the United States Cotton Standards Act, 1923, the United States Department of Agriculture (U.S.D.A.) establishes official cotton standards for the grades of American Upland Cotton. These standards are used for the classification of American Upland Cotton and provide the basis for the determination of value of different grade standards for commercial purposes. The grade standards provide the criteria for cotton classes to determine the quality and characteristics of U.S. cotton. The U.S. grade standards provide a universal language for selling American cotton throughout the world.

The grade standards for American Upland Cotton were officially formulated for the first time

in 1909. Nine standards for white grade cotton were then established and received statutory recognition on December 15, 1914 under the United States Cotton Futures Act of 1914. Subsequently, more standards were established for colour, grade, staple lengths and leaf contents. The United States Cotton Standards Act was passed on March 4, 1923 to establish and promote the use of the official cotton standards in interstate and foreign commerce, and to prevent deception therein. By then as many as 32 grade standards were established, of which 20 were represented in physical form and 12 were descriptive.

After entering into the Universal Standards Agreement with the European cotton trade organizations in 1923, the first Universal Cotton Standards Conference was held in Washington D.C. in March 1925 to examine and approve copies of the original standards. Initially, it was agreed to hold biennial conferences, but at the Sixth Universal Cotton Standards Conference, it was decided to hold such meets at three-year intervals. This practice has continued since then. From 1965, the conferences began to be held at Memphis in Tennessee, i.e. in the heartland of the U.S. cotton growing tracts, instead of at Washington D.C.

The grade standards for American Upland Cotton are revised from time to time by the U.S. Department of Agriculture, because of the changing varietal characteristics and the harvesting and ginning practices. While physical standards are provided for certain grades in practical forms, descriptive standards are prescribed for other grades. Physical standards are maintained in sample boxes.

Besides the European cotton organizations, the United States has been signing triennially the Universal Standards Agreement with several Asian and African cotton trade and industry organizations. The East India Cotton Association became a signatory to the Agreement for the first time in 1953 at the instance of late Mr. R.G. Saraiya who had participated in the plenary session of the International Cotton Advisory Committee held at Washington in 1950, and learned for the first time about this Agreement. Since then the E.I.C.A.'s representatives have been participating in the triennial conferences. These conferences provide fora for all the segments of the cotton trade and industry in the world to discuss the changes proposed by the U.S.D.A. in the Universal Cotton Grade Standards, and examine and approve the official sets of standards, on which American cotton is traded around the world.

(To be continued)

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

(In Mn. Kgs.)

MONTH / YEAR	PRODUCTION				STOCK			
	COTTON	BLENDED	100% N.C.	G. TOTAL	COTTON	BLENDED	100% N.C.	G. TOTAL
2010-11	3126.34	789.29	457.08	4372.72	110.87	42.20	20.44	173.51
2011-12	3582.68	828.19	456.75	4867.61	107.92	40.37	21.38	169.67
2012-13	3928.26	896.19	484.99	5309.45	133.80	51.33	23.40	208.53
2013-14	4054.51	920.20	512.92	5487.64	140.60	48.30	22.48	211.38
2014-15	4137.83	972.50	554.79	5664.93	140.68	49.46	22.99	213.13
2015-16	4060.99	1033.50	572.02	5666.51	147.61	57.99	25.47	231.08
2016-17 (P)	3403.26	904.5	465.69	4773.45	137.71	64.53	24.55	226.79
2017-18 (P) (Apr.-Jan.)	2670.61	714.39	370.50	3755.49	159.57	65.38	27.61	252.55
2015-16								
April-15	349.38	77.11	44.07	472.51	141.19	51.45	21.33	213.98
May-15	348.14	80.02	44.74	472.90	153.07	52.34	23.79	229.21
June-15	346.72	79.68	45.27	471.66	158.57	55.72	23.93	238.22
July-15	356.36	82.15	47.48	485.98	160.33	61.25	26.62	248.20
Aug.-15	354.67	82.24	49.97	486.88	166.34	63.73	27.88	257.95
Sept.-15	338.53	79.51	45.41	463.45	165.96	62.33	26.16	254.46
Oct.-15	342.12	83.61	47.35	473.08	170.07	64.46	25.69	260.23
Nov.-15	320.06	77.67	43.27	441.01	173.96	61.59	24.17	259.72
Dec.-15	353.31	81.30	49.86	484.31	158.66	58.22	25.34	242.22
Jan.-16	343.98	83.34	46.84	474.26	158.52	57.55	25.10	241.18
Feb.-16	336.55	80.94	43.12	460.60	155.36	52.18	22.81	230.35
Mar.-16	348.01	83.87	46.35	477.03	140.68	49.46	22.99	213.13
2016-17 (P)								
April-16	334.30	80.55	46.49	461.35	127.63	48.99	24.26	200.88
May-16	360.75	85.95	53.50	500.20	132.43	54.79	26.25	213.47
June-16	352.00	89.10	50.87	491.97	130.99	50.84	21.46	203.30
July-16	343.34	88.21	48.26	479.81	135.93	56.50	23.91	216.34
Aug.-16	334.43	91.29	49.75	475.47	155.65	54.65	22.55	232.85
Sept.-16	326.58	88.40	51.75	466.73	153.30	59.84	24.04	237.19
Oct.-16	310.67	83.67	49.21	443.55	167.46	63.94	28.84	260.23
Nov.-16	326.48	85.28	44.98	456.74	166.74	70.98	32.91	270.63
Dec.-16	342.33	84.16	43.75	470.25	165.62	69.09	28.62	263.32
Jan.-17	345.69	86.11	44.49	476.29	147.10	61.40	26.95	235.44
Feb.-17	330.98	83.40	42.34	456.73	154.12	61.57	26.75	242.44
Mar.-17	353.44	87.37	46.61	487.42	147.61	57.99	25.47	231.08
2017-18 (P)								
April-17	339.75	86.83	46.12	472.71	136.53	58.50	25.40	220.43
May-17	344.97	85.48	46.24	476.69	146.95	58.55	24.76	230.26
June-17	337.96	84.47	48.16	470.59	155.54	50.83	22.25	228.61
July-17	341.83	87.85	44.91	474.59	181.75	61.53	26.72	270.00
Aug.-17	330.68	97.92	46.80	475.40	191.44	61.60	31.95	284.98
Sept.-17	326.03	91.75	47.49	465.27	185.84	66.58	34.46	286.88
Oct.-17	326.14	92.32	46.63	465.08	166.53	66.91	29.81	263.25
Nov.-17	350.79	91.30	44.91	487.00	145.07	64.50	26.67	236.24
Dec.-17	355.33	94.40	47.98	497.71	136.88	65.90	25.15	227.93
Jan.-18	349.78	92.18	46.45	488.41	137.71	64.53	24.55	226.79

P - Provisional

Source : Office of the Textile Commissioner



Since 1921, we are dedicated to the cause of Indian cotton.

Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

LABORATORY LOCATIONS

Current locations : • **Maharashtra :** Mumbai; Akola; Aurangabad • **Gujarat :** Rajkot; Mundra; Ahmedabad • **Andhra Pradesh :** Guntur, Warangal
• **Madhya Pradesh :** Indore • **Karnataka :** Hubli • **Punjab :** Bathinda
Upcoming locations : • **Telangana:** Adilabad



**COTTON
ASSOCIATION
OF INDIA**

Established 1921

COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES							(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2017-18 Crop MARCH 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	19th	20th	21st	22nd	23rd	24th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11979 (42600)	11895 (42300)	11923 (42400)	11923 (42400)	11923 (42400)	11923 (42400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	12120 (43100)	12035 (42800)	12063 (42900)	12063 (42900)	12063 (42900)	12063 (42900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	7930 (28200)	7705 (27400)	7564 (26900)	7508 (26700)	7424 (26400)	7367 (26200)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9420 (33500)	9336 (33200)	9308 (33100)	9280 (33000)	9251 (32900)	9223 (32800)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10348 (36800)	10264 (36500)	10264 (36500)	10264 (36500)	10151 (36100)	10067 (35800)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	11248 (40000)	11164 (39700)	11192 (39800)	11192 (39800)	11192 (39800)	11192 (39800)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9251 (32900)	9026 (32100)	8886 (31600)	8773 (31200)	8689 (30900)	8633 (30700)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	9758 (34700)	9673 (34400)	9589 (34100)	9505 (33800)	9476 (33700)	9448 (33600)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	11473 (40800)	11389 (40500)	11417 (40600)	11417 (40600)	11417 (40600)	11417 (40600)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	9533 (33900)	9308 (33100)	9167 (32600)	9083 (32300)	9026 (32100)	8998 (32000)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10123 (36000)	9898 (35200)	9758 (34700)	9758 (34700)	9729 (34600)	9701 (34500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	11585 (41200)	11501 (40900)	11529 (41000)	11529 (41000)	11529 (41000)	11529 (41000)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	10573 (37600)	10432 (37100)	10320 (36700)	10236 (36400)	10236 (36400)	10236 (36400)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11192 (39800)	11135 (39600)	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	10995 (39100)	10911 (38800)	10967 (39000)	10967 (39000)	10967 (39000)	10967 (39000)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	11417 (40600)	11360 (40400)	11417 (40600)	11417 (40600)	11417 (40600)	11417 (40600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	11276 (40100)	11192 (39800)	11248 (40000)	11248 (40000)	11248 (40000)	11248 (40000)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	11698 (41600)	11585 (41200)	11670 (41500)	11670 (41500)	11670 (41500)	11642 (41400)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12148 (43200)	12063 (42900)	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15129 (53800)	15072 (53600)	15100 (53700)	15100 (53700)	15100 (53700)	15072 (53600)

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