CORE PURPOSE AND MISSION: To assist cotton farmers in improving yield & quality, helping cotton users locate regular sources of quality cotton at nominal prices and to prevent the arbitrary use of paper and plastic objects where cotton can easily be replaced as a ‘renewable resource’ (e.g. cotton handkerchief vs. tissue paper, cotton bags vs. plastic/paper bags), thereby saving the environment.

=============================================  

Date: 01/08/2017

Quote:  
I never think of the future - it comes soon enough.  
- Albert Einstein

India New Season Arrivals as on 01/08/2017:

<table>
<thead>
<tr>
<th>State wise Arrivals</th>
<th>Just Agri (Lakh Bales)2016-17</th>
<th>Just Agri (Lakh Bales)2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>09.00</td>
<td>05.50</td>
</tr>
<tr>
<td>Haryana</td>
<td>21.00</td>
<td>14.75</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>18.00</td>
<td>16.40</td>
</tr>
<tr>
<td>Gujarat</td>
<td>82.60</td>
<td>76.75</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>96.40</td>
<td>67.60</td>
</tr>
<tr>
<td>M. P.</td>
<td>20.82</td>
<td>18.30</td>
</tr>
<tr>
<td>A.P.</td>
<td>18.70</td>
<td>21.82</td>
</tr>
<tr>
<td>Telegana</td>
<td>49.72</td>
<td>57.62</td>
</tr>
<tr>
<td>Karnataka</td>
<td>16.18</td>
<td>17.22</td>
</tr>
<tr>
<td>Orissa</td>
<td>03.00</td>
<td>03.00</td>
</tr>
<tr>
<td>Other</td>
<td>02.40</td>
<td>06.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>337.82</strong></td>
<td><strong>304.46</strong></td>
</tr>
</tbody>
</table>
Cotton Sowing Report as on 28/07/2017

GUJARAT: The State Agri ministry report showed that on 17th July Cotton Sowing in Gujarat had increased by 39% to 24,46,800 Hectors (17,60,700 hectares same time last year). Last 3 year average was 27,25,800 hectors. IMD reports showed Jun 1-Jul 17 rainfall as294.6 mm, 19% above normal.

In the last week of July, torrential rain and floods in Gujarat has hurt sowing and has resulted in damage to some of the cotton crop where sowing had been completed. Around 25% of land sown with cotton is feared to be affected. Banaskantha, Patan, Surendranagar, Rajkot, Morbi, Amreli and parts of Sabarkantha have witnessed heavy rains and flooding. North Gujarat was the worst affected. The actual damage would be clear only once the water recedes, but in several areas, entire fields have been washed away and will not be worth sowing again, as the top soil has been fully washed away. Cotton being a long duration crop and seeds being costly, most farmers will not again take a further risk with cotton re-sowing. According to Govt. officials, the affected crops are cotton, groundnut, sesame and guar.

RAJASTHAN/M.P.: Some cotton areas of Rajasthan and Madhya Pradesh are also adversely affected to heavy rains and floods.

MAHARASHTRA: While Khandesh and Marathwada zones have received adequate rainfall, parts of Vidarbha still require more rains to compensate for the deficit of June and July.

KARNATAKA: The medium and long staple cotton growing area of Raichur and Bellary have received medium rainfall which may barely sustain the cotton crop. But extra long staple(DCH-32) areas of Hubli to Chitradurga and Bailhongal have received very scanty rainfall and there is fear of drought-like situation. Karnataka badly requires a good round of rainfall.

PUNJAB: Very heavy rains and water-logging in June end and July beginning have caused extensive damage to the cotton crop in 8,125 acres of 20 villages in Mansa (Punjab)compelling the state agriculture department to issue an advisory to the
affected farmers asking them to uproot cotton and cultivate basmati rice. There has been 100% damage in 6,000 acres while 50-75% damage has been reported in another 2,125 acres of the land under cotton cultivation. Cotton has been sown in over 3.82 lakh hectares in Punjab, and in Mansa alone, the area under cotton cultivation is 86,000 hectares.

**Pest Attacks:**
While both sowing and monsoon have been good in North Indian states of Punjab and Haryana, there are reports of white fly attacks in some parts of Fazilka, Bathinda, Muktsar Mansa and Sirsa. Both these states have suffered severely due to white fly attacks in 2015-16 resulting in drop in cotton area in 2016-17. The farmers had shifted back to cotton this year following handsome prices and directives from state Governments on how to control the disease.

Pink ballworm disease has been identified in parts of Maharashtra like Khandesh and Akot. It was observed in Gujarat last year and had caused significant damage to yield and quality in affected areas.

Both these attacks are at the nascent stage but can be very damaging if not rectified immediately.

**Weather Report:**
**IMD weekly weather report 20\textsuperscript{th} to 26\textsuperscript{st} July 2017**

![Rainfall Map](image-url)
Domestic Market Summary:
Gujarat S6 price chart 16th to 31st July 2017

Goods and Services Tax (GST) came into force on 1st July 2017. Since then, the textile industry has not been able to come to terms with the fast-changing situation.

1) Heavy rains in many centres of India (parts of Gujarat, M.P., and Rajasthan), restricted the movement of goods like cotton, yarn and fabric.

2) The cotton sellers are not very keen to off load quality cotton stocked in ware houses. As a result, prices of good quality varieties ruled stronger.

3) Strike and non-compliance to GST in major weaving centres like Surat, Ahmedabad, Bhiwandi, Varanasi, Kolkatta, etc has resulted in fall in demand of yarn. The situation was bad since April but it has worsened post GST as the yarn prices have fallen by Rs 15 to Rs 25 per kg in many counts.

4) Mills with lower cash reserves/lower cotton stocks/ high yarn unsold stocks/ high interest burden have started facing cash losses.

All of the above may compel some of the mills to cut down on production if the current situation does not improve. Prospects for the new season 2017-18 seem good as of now, but the last quarter of season 2016-17 is going to be very challenging for the mills as the physical cotton stocks in India are estimated to be as low as 2 million bales.
International Market Summary:

Upcoming Conferences:

COTTONGURU™ Media is the official Media Partner for the most of the Conferences.

India Textile Sourcing Exhibition, Gandhinagar:
Techtextil India, Mumbai, India:

Techtextil India
International Trade Fair for Technical Textiles and Nonwovens

13 – 15 September 2017
Bombay Convention & Exhibition Centre
Goregaon (East), Mumbai

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sonam.kanala@india.messefrankfurt.com
Nikita Pires +91 22 6144 5917
nikita.pires@india.messefrankfurt.com

Source
Cloth and the city, together in a run for awareness

A first-of-its-kind event brought together the entire textile value chain

THE TEXTILE FACTORY TAKES A MEMORIAL LAP

AGE CORRESPONDENT

As the womenswear label, India Mills in Dadar gets ready for the final demolition for the construction of a grand memorial to Bahauddin Ambade, Bombay 26 July witnessed a nostalgic run of odd runners from across the city. 50 odd runners from across the city went running through the heritage sites of Mumbai, which includes the India Mills Compound. The 10 km run was run by Lord Mayor, with a team of 50 odd runners. The Mayor was followed by four runners who were the heritage run hosted by Saumitra Antharjan, professor of Indian art and architecture. The run was an attempt to run through the heritage mills of Mumbai, India Mills Compound. The 10 km run was run by Lord Mayor, with a team of 50 odd runners. The Mayor was followed by four runners who were the heritage run hosted by Saumitra Antharjan, professor of Indian art and architecture. The run was an attempt to run through the heritage mills of Mumbai, India Mills Compound.

SAP

The event also saw participation of some of the prominent Mumbai黍 and leading designers who have contributed to the textile industry. This event was organized by the Government of India designated Corporate social responsibility program of the textile industry. SAP has expressed its support to the event by providing funds, which will be used to create awareness about the issues faced by the textile industry.
Something Different:

COTTONGURU™ CLUB MEMBER:

COTTON MARKET: WHICH WAY AHEAD ???

* 2016 - Cotton market “jump” by over 40%?
* 2017 - Sellers expect the same.
- Buyers expect fall by 15-20%?

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Risk Management

Risk Management

Financial liabilities from 'Price Risk' are immense, and therefore,
Ginning / Spinning Mill owners and Traders/Exporters need to take
immediate actions to overcome this risk as soon as possible.
Experts from MCX, Kotak Commodities and Team COTTONGURU™
will help you with simple but powerful methods.

What are the immediate steps to take?
- How do you quickly and efficiently determine
  the best way to manage the Price risk?
- Are you updated with all the technical knowledge?

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COTTONGURU™ SUPPLY CHAIN MANAGEMENT:
Workshop on Sustainability of Cotton Supply Chain:
How to make profit in Raw Cotton Ginning & Spinning

A very significant ginner workshop was arranged by M/s Laxmi Cotspin Ltd., Jalna, (Maharashtra, India) with COTTONGURU™ on 27th October, 2016 on the above topic. The main objective of this workshop was to strengthen the supply chain of ginners and spinners.

A majority of ginners and spinners are disconnected with their supply chain.

COTTONGURU™ has full faith that such concrete effort by genuine Spinning Mills will pave the path for more such workshops to strengthen the supply chain and realize our Hon. Prime Minister Mr. Narendra Modi’s dream of “Make in India”.

Reports:
ICAC:
Cotton Prices Uncertain in 2017/18
The Secretariat forecasts that the A Index in 2017/18 will range between 54 cts/lb and 87 cts/lb with a midpoint of 69 cts/lb. The midpoint would be 13 cts/lb lower than in 2016/17. This follows the large increase of 12 cts/lb from 2015/16 to 2016/17, which suggests that such a drop is not unreasonable. However, the season-average A Index in 2016/17 ended up being much higher than the Secretariat initially forecast, and market fundamentals do not explain why this occurred. Given what happened in 2016/17, it is difficult to say whether the current forecast for 2017/18 will hold up well over the season.

In 2017/18, world cotton production is projected to increase by 8% to 24.9 million tons due entirely to an 8% expansion in world cotton area to 31.7 million hectares, which is below the 20-year average of 32.7 million hectares. The world average yield is forecast at 785 kg/ha. India is expected to remain the world’s largest producer in 2017/18 with output increasing by 6% to 6.1 million tons. After falling by 6% in 2016/17, China’s production is projected to rebound by 7% to 5.2 million tons.
Production in the United States is expected to rise by 10% to 4.1 million tons as high prices, sufficient soil moisture in dryland areas and beneficial weather during planting encouraged farmers to expand cotton area by 18% to 4.5 million hectares. After two seasons of contraction, better expected returns for cotton encouraged farmers to expand cotton area in Pakistan by 9% to 2.7 million hectares. Assuming the average yield rises by 8% to 717 kg/ha, Pakistan’s production is projected to increase by 17% to 2 million tons, which is similar to its 15-year average. Cotton production in Brazil is forecast to increase by 5% to 1.6 million tons as high returns in 2016/17, resulting partially from a 17% increase in the average yield, are likely to encourage farmers to expand cotton area.

World cotton consumption in 2017/18 is forecast to rise by 2% to 25 million tons. A modest 1% increase is projected for China, the world’s largest cotton consumer, with its mill use reaching 8.1 million tons in 2017/18. After declining by 3% in 2016/17, consumption in India is forecast to increase by 2% to 5.3 million tons in 2017/18. Pakistan’s mill use is expected to rise by 4% to 2.2 million tons, which follows a 13% decrease in mill use in 2015/16 and stagnation in 2016/17. Consumption in Bangladesh is projected to rise by 5% to 1.5 million tons due to strong demand domestically and internationally, and Turkey’s mill use is expected to remain stable at 1.5 million tons.

World cotton trade is projected to decline by 1% to 7.8 million tons. While the United States is expected to remain the world’s largest exporter, its exports are nevertheless forecast to decrease by 8% to 2.9 million tons. India’s exports are forecast to rise by 2% to 930,000 tons, and Australia’s exports are projected to increase by 8% to 760,000 tons. Bangladesh, Vietnam and China are expected to remain the world’s three largest importers. Bangladesh’s imports are projected to increase by 7% to 1.5 million tons, Vietnam’s by 5% to 1.3 million tons, and China by 4% to 1.1 million tons. World ending stocks are projected to decrease by 1% to 18.8 million tons in 2017/18, with increases outside of China offset by decreases in China’s stocks. China’s stocks are expected to decline by 16% to 8.9 million tons. Ending stocks outside of China are forecast to grow by 19% to 9.8 million tons.

<table>
<thead>
<tr>
<th>WORLD COTTON SUPPLY AND DISTRIBUTION</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>Changes from previous month</th>
<th>Million Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Million Tons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>21.48</td>
<td>23.03</td>
<td>24.89</td>
<td>0.18</td>
<td>0.11</td>
</tr>
<tr>
<td>Consumption</td>
<td>24.18</td>
<td>24.47</td>
<td>25.00</td>
<td>-0.10</td>
<td>0.15</td>
</tr>
<tr>
<td>Imports</td>
<td>7.57</td>
<td>7.88</td>
<td>7.80</td>
<td>0.02</td>
<td>-0.05</td>
</tr>
<tr>
<td>Exports</td>
<td>7.55</td>
<td>7.88</td>
<td>7.80</td>
<td>0.00</td>
<td>-0.05</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>20.33</td>
<td>18.90</td>
<td>18.80</td>
<td>1.66</td>
<td>1.65</td>
</tr>
<tr>
<td>Cotlook A Index</td>
<td>70</td>
<td>83</td>
<td>69*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The price projection for 2017/18 is based on the ending stocks to mill use ratio in the world-less-China in 2015/16 (estimate), 2016/17 (projection) and 2017/18 (projection); on the ratio of Chinese net imports to world imports in 2016/17 (projection) and 2017/18 (projection); and on the price projection of 2016/17. The price projection is the mid-point of the 95% confidence interval: 54 cts/lb to 87 cts/lb.
Expert Views:

Dr. O.A. Cleveland, Mississippi State University: Fundamental and Technical

First fundamentals are important. In fact, it is the fundamentals factors that determine the price season to season and in between. Fundamentals determine price, period. However, during times of market lapses such as “dead fundamental news,” technicals take over and rule the day.

Thus, technical indicators become keys on the road map that traders use for that trip. Sometimes a detour may not make logical sense and at other times it may seem prices might be going the wrong way, but technicals spot these diversions and forks in the road.

Thus, and my fundamental friends cringe with I say this, technicals are the Leading Indicators of Fundamentals. In my personal trading—which I no longer do—most every time I went against the technicals, I was proven wrong.

The market will look for the very low 70’s in August, but will likely move lower into harvest as U.S. crop does hold the 18.6-19.3 million bales range. A smaller crop would support prices at a higher level.

Excerpts from Reinhart report dt 20.7.17:

Physical demand is subdued (but not dead) at current levels and it appears as – short-term – a level below 66.00 is necessary to bring stronger demand back. At the same time, price targets from various origins do not seem to be near current NYF levels. The result is the relatively quiet and consolidative market action which we witnessed during the past 4 weeks. Of course such picture cannot prevail for too long and either side will have to adjust their target levels at some point.

Excerpts of Plexus Report:

Speculators have forced the market lower by selling around 9 million bales net over the last two months and they can’t keep up this kind of selling pressure. While most of this spec selling was long liquidation, there have also been new shorts established, which could provide the fuel for short covering rallies.

The trade has been a net buyer over the last two months and given the depleted inventories and the uncertainty regarding crops, we don’t see merchants or growers as aggressive sellers at this point. The market is going to trade in a range between 66-72 cents in the foreseeable future.

Shri I.J. Dhuria (Director (Materials), Vardhman Spinning Mills Ltd.): 

The crop situation in North India is nothing less than extraordinary. Similar reports are received from Maharashtra and Telangana. The damage in Gujarat due to floods is restricted to a very limited cotton sowing area. Current physical stocks are a concern for spinning mills but the new season looks to be very promising.
Shri Sanjay Jain (MD, TT Ltd):
Spinning mills all over India are in a very difficult situation. Cotton prices refuse to go down while demand in yarn has fallen drastically. Post GST, synthetic yarn will be cheaper by 8-10%, imported fabric will be cheaper by 12.5% and garment imports from Bangladesh are expected to increase which will adversely affect the Indian Textile industry.

COTTONGURU™ Comments:
It is the prerogative of the respective State Governments and the Textile industry to come to the farmers aid immediately so as to minimise the loss due to floods and pest attacks. This is in the best interest of the industry itself as a good cotton crop will help keep cotton prices within reasonable limits.

Simultaneously, the detrimental effects of some of the GST policies need an urgent review as the Textile industry is currently facing an “survival issue”.

Technical Reports:
1) ICE Cotton:

Noted in last update “Cotton now in corrective short to medium term down trend. 66-67 key levels to watch out for supports. Short term traders can look to sell Cotton in all rallies with logical targets of 67-66.” As anticipated and conveyed, downside targets of 66 achieved.

ICE Cotton Futures remain in short term downtrend. But the down move has overstretched, corrective bounce to 75 areas not ruled out in short term. Traders should avoid aggressive bottom fishing; still remains sell in rallies in 75-78 zones for medium term. Key Supports 66.49-65.22-62.30, Key Resistances 75.22 – 77.80 - 78.72.
2) MCX Cotton:

MCX Cotton has held up well as compared to ICE Cotton. Traders should watch for 18700 on upside and 18100 on downside closely. Break out above 18700 or break down below 18100 can bring swift trending move in immediate short term. Key Supports 17740 - 17450 - 16970, Key Resistances 18700 - 19100 - 19500

Top Interviews:
Exclusive Interview with Dr. Kavita Gupta, IAS, Textile Commissioner of India.

https://www.youtube.com/watch?v=rz6BS_g9MsK
Exclusive Interview with Mr. Jose Sette, Ex.Exe Direc, ICAC

https://www.youtube.com/watch?v=Y8h_yvxvaDE

Exclusive interview with thought leader Mr. Suresh Kotak, Chairman of Kotak& Co.

https://www.youtube.com/watch?v=GBJL-gfzLRc
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About the author: Mr. Manish Daga popularly referred by the cotton industry as COTTON GURU™ is a qualified textile technologist.

He is India’s only Cotton Valuer registered by the Indian Institution of Valuers, India. He is the fourth generation in cotton trade, advisory and broking services from his family. The P. R. D. Cottons Group is 113 year old in cotton business uninterrupted.

Call or mail for any information, suggestion, feedback or to know how your Company can benefit from the knowledge and experience of COTTON GURU™.
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