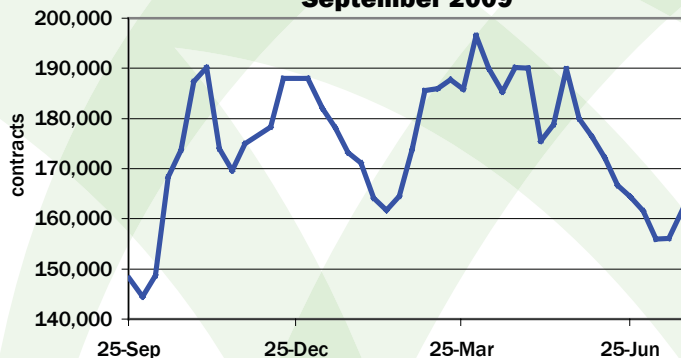




With the July 2010 contract finally off the board, quieter trading was witnessed in New York futures. Open interest continued to fall during the course of the month and, at one stage, dipped as

**Open interest in New York since September 2009**



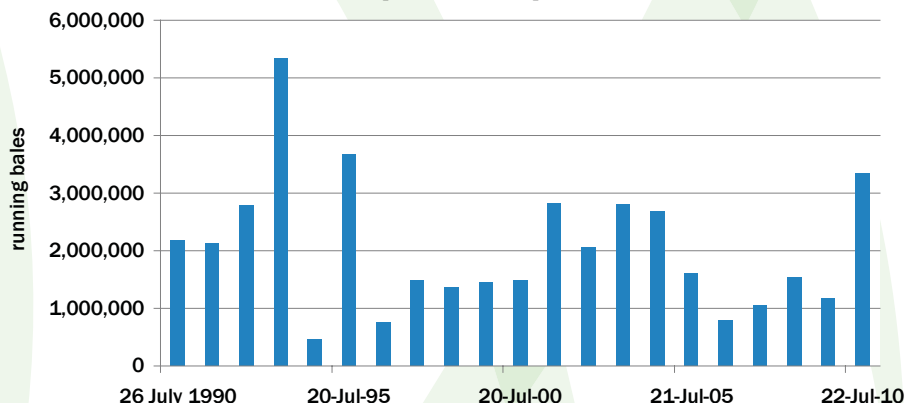
low as 155,000 contracts, its lowest level since last October.

New crop contracts on the New York futures market tended to drift lower during the middle of the month, in slow trading, influenced to some degree by the continued good progress made by the US crop, but also by wider economic concerns. However, the December contract subsequently staged a recovery. Merchants offering with reference to futures tended to keep basis levels, which were already high by historical comparison, reasonably firm. Mills appeared willing to add to their inventories through the first quarter

2011 at prices in the mid-80s cents per lb, CFR Far Eastern ports. The 2010/2011 A Index (it will be recalled that the current crop Index was withdrawn on June 23) hit a low of 82.70 cents per lb on July 21, but had rebounded to over 85.00 cents by the end of July.

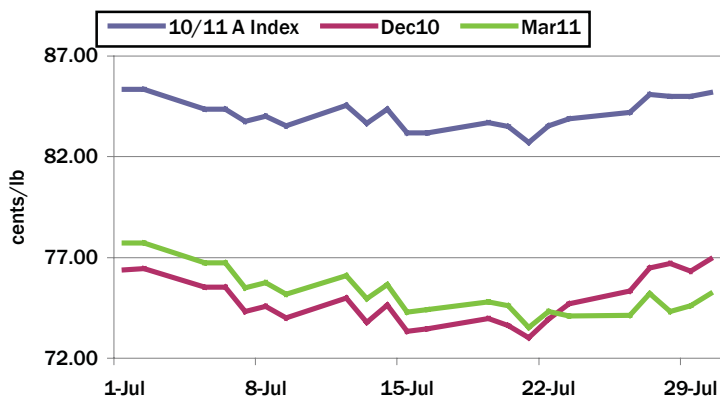
The extent of forward buying interest was reflected in US upland export sales registrations, which rose by 742,000 running bales during the course of the month, to reach 3,333,054 running bales, the largest total before the start of a marketing year since 2005. It was noteworthy that the relationship between the December and March New York contracts became inverted towards the end of the month, despite expectations of a bumper crop in the US, perhaps reflecting the extent of sales for the fourth quarter.

**Forward Upland US Export Sales**



Sales to China, against 2010 'sliding scale' import quotas, which require arrival of shipments by December 25, were thought to be substantial. Despite continuing uncertainty over New Delhi's export policy for the season ahead, significant sales of Indian Shankar-6 were also reported against that specific enquiry from China, as well as to other markets. On China's domestic spot market, prices declined modestly, reversing the long-established trend. Nonetheless, it appeared increasingly likely by the end of the period, that Beijing would shortly release stocks from the state reserves. Some international traders expressed anticipation that the state buying organisation would need to enter the import market to boost reserve stocks ahead of any such auctions, but no clear evidence of such purchasing emerged.

**Forward A Index v New York futures**



Trade confidence in committing to sizeable forward sales was underpinned to some extent by the continued good progress made by the Northern Hemisphere new crops. Water availability and weather conditions remained close to ideal in Texas, as well as other parts of the US cotton belt, prompting many observers to raise their crop estimates for that country. The USDA increased its domestic crop forecast to 18.3 million bales, but by the end of July some private sources suggested production could exceed 19.0 million bales. Cotlook's figure was raised to 18.7 million bales. In India, after a short hiatus, the monsoon regained momentum, bringing rains to the key growing provinces of Gujarat and Maharashtra. Planting expanded rapidly and was well ahead of last season by late July. Private production estimates were adjusted upwards into a range of 32.5 to 35 million bales (even the bottom end of which would represent a new record), compared with the Cotton Advisory Board's revised number for the 2009/2010 season of 29.5 million bales. Weather conditions also remained favourable in Pakistan and in much of Central Asia. The major exception to the overall optimism involved China, where wet conditions

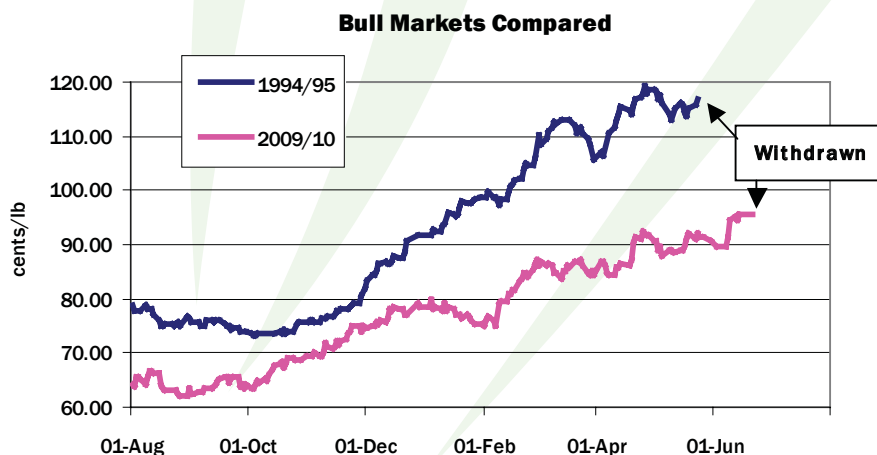
persisted in the Yangtze valley and in southern Xinjiang. Opinion was mixed over the potential impact of the rains on production potential, but an increasingly cautious view of the health of the crop in those regions emerged.

The mood of spinners changed somewhat in July. Following months of very buoyant trading conditions, greater circumspection emerged as to the business outlook for the remainder of the year. Doubts mounted over whether the health of the global economy moving forward and, in particular, retail offtake in the United States and Europe, would be sufficient to support primary textiles offtake and thus help maintain prices at their current levels. Demand for yarn dipped in July and prices faltered, the latter trend raising concerns over future levels of profitability, with high-priced cotton still feeding through the system. Whether the downturn in the yarn market was attributable to seasonal influences, or whether more fundamental factors were at work, remained unclear.

## BULL MARKETS COMPARED

The end of a memorable cotton season invites comparisons with previous bull markets, the most notable of which in recent times took place in the mid-1990's. Until the current season, this was the only occasion in the 44-year history of the Cotlook A Index, on which the global supply had become so severely depleted that the Index had to be withdrawn before the end of the season, for want of offers in the market.

The accompanying graph charts the movement of prices during two seasons in the mid-1990's and the last two campaigns. The demise of the 1994/95 Index came earlier than that of its 2009/10 counterpart, in late May. Between early October 1994 and its high point in late April, the Index gained an astonishing 46 cents, an increase of 63 percent in less than seven months.



### What Happened Next?

A retreat from the lofty heights reached toward the end of 1994/95 was of course inevitable, but prices did not immediately collapse. The average of the A Index during the 1995/96 season was maintained at over 85 cents, and at over 78 cents during the 1996/97 campaign.



**international  
cotton  
association**



### **'Going Global' - event update**

Jordan Lea - President, American Cotton Shippers Association, Ertugrul Tanriverdi - Vice President, Ensar Tekstil and Chris Brett - Senior Vice President, Olam Europe, are set to take to the stage at our 'Going Global' International Trade Event, which takes place on 30 Sep and 1 Oct in Liverpool, UK. Sticking with the event theme, our presenters will focus on the global challenges they face in their respective industry sectors. The event has already attracted sponsorship from 11 major firms - Reinhart, Ecom, Bhadresh, FCStone, Sunrise Resources, Cotton Outlook, Transglobal Inspections, Toyoshima, Plexus, Wakefield Inspection Services and Caparo Wire. In addition to the conference presentations, the two-day event will include plenty of opportunities to network and do business - with two networking receptions, a gala dinner and a post-dinner celebration. Online registration is now open - we expect demand to be high and early booking is recommended.

**Click here** for more information and to book your place.

**Click here** if you would like to become an event sponsor and we will send you more details.

### **Turkish information summit**

More than 125 members of the Turkish cotton community attended our 'Cotton Trade Information Summit' at the Kahramanmaraş Chamber of Industry and Trade on 28 June. Organised in partnership with KASIAD - Kahramanmaraş Business Trade Community and taking the form of a workshop and open forum, the event was staged to engage local firms, hear their views and generate a greater understanding of the principles of contract sanctity, ICA Rules and arbitration procedures. Speaking at the event, ICA Director, Ertugrul Tanriverdi highlighted the fact that cotton production in Turkey does not meet consumption: "If we calculate the difference in volume, it is about \$1.5 billion dollars shortfall. We currently have just four Turkish firms who are members of the ICA. I believe we should definitely increase participation - if we do not participate on the ruling platform, we will not be a voice in the solution."

**Click here** to read the full story and to view photographs from the event.

### **Ugandan cotton standards**

In July we welcomed representatives from the Cotton Development Organisation (CDO) of Uganda who delivered a new set of Ugandan RG and SG cotton standards. We are pleased to confirm that the following standards have been inspected and approved (in line with ICA Bylaws) and have now been adopted as the ICA Official Standards for Ugandan cotton. They replace the set of Ugandan RG and SG Standards which became effective on 31 July 2008: Roller ginned: Grades UCON, UCOB, UCOP, UCOA, UCOM. Saw ginned: Grades UCOSA I, UCOSA II. The ICA holds the largest collection of world-wide Cotton Grade Standards, which represent the current crops of cotton grown in each country. They serve as a benchmark in international trading. Other updates are in progress and we will keep you informed.

**Contact us** if you would like more information.

### **Join us 'down under'**

ICA president, Cliff White will be presenting at this year's Australian Cotton Conference in Broadbeach, Queensland. Cliff's presentation will focus on 'Integrity in World Trade', with a look at what the ICA can do for Australia. Cliff will be in the spotlight at 9:30am on 11 Aug. So, if you are planning to attend the event and would like to show your support or know more about this subject, why not come along?

### **Your chance to become an ICA Arbitrator**

If you would like to become an ICA Arbitrator, then why not take the ICA Arbitrator Exam: Basic Level 1. To sit the exam you will first need to review the course material, which is available as a FREE download from our website. Open to ICA members and non-members, the course will provide you with an introduction to the basic principles of the ICA technical arbitration process. You can sit the exam at a range of locations to coincide with the ICA visit schedule or we can try to arrange a location of your choice. Please contact us for further information regarding dates and locations.

**Click here** for more information and to download the course.

**Click here** to contact us to schedule your exam.

For more information about the ICA and its services

Visit: [www.ica-ltd.org](http://www.ica-ltd.org)

Tel: +44 151 236 6041

Email: [info@ica-ltd.org](mailto:info@ica-ltd.org)

## **ITMA ASIA + CITME 2010 SCORES SUCCESS DESPITE ECONOMIC CHALLENGES**

Despite persistent economic challenges, business sentiment at the second ITMA ASIA + CITME exhibition was buoyant, with many exhibitors clinching orders from Chinese and other Asian buyers.

The show owners, CEMATEX (the European Committee of Textile Machinery Manufacturers) and its partners in China - the Sub-Council of Textile Industry, CCPIT (CCPIT-TEX), China Textile Machinery Association (CTMA) and China Exhibition Centre Group Corporation (CIEC) - were delighted with the positive response.

Mr Edward Roberts, President of CEMATEX, said, "The second ITMA ASIA + CITME has established the reputation of the combined show as the most significant platform for the Asian textile manufacturing community. We are extremely pleased with the outcome and will continue to work towards providing textile machinery manufacturers with a leading-edge showcase."

ITMA ASIA + CITME 2010 welcomed more than 82,000 visitors from 94 countries and regions during the five-day show. Over 20 per cent of the visitors were from overseas. The biggest group was from India, followed by Japan, Taiwan, Thailand and Korea.

A total of 1,171 exhibitors from 28 countries and regions took part in the exhibition.

## ARBITRATION – HOT TOPICS AND FAQS

As part of our daily business, Liverpool Cotton Services Limited handles many enquiries about disputes or problems arising from the performance of international cotton contracts, particularly those governed by International Cotton Association (ICA) jurisdiction. We hope soon to announce an expansion of our services in this area.

Frequently asked arbitration questions of this month include:

**If shipment against a contract is delayed by the seller, despite the availability of an operable Letter of Credit, can the buyer under ICA Rules claim compensation for late delivery or cancel the contract?**

If there is a delay, it will depend upon the terms of the contract as to whether any compensation is due for delay. The parties can freely agree terms to cover this situation. The contract itself cannot be cancelled, even if a breach has occurred and can only be closed by invoicing back and the payment of any applicable market difference.

For more information, or to raise a query, please email [arbitration@cotlook.com](mailto:arbitration@cotlook.com) or visit our website [www.liverpool-cottonservices.com](http://www.liverpool-cottonservices.com).



## ADVERTISING OPPORTUNITIES

### ICAC convenes in the Lone Star State

The **ICAC Plenary Meeting** is no stranger to the United States, but this year's event breaks new ground, since it will take place for the first time in the state of Texas. The Lone Star State's qualifications to host the prestigious gathering of cotton interests from around the world are beyond dispute. This season, Texas produced just over one million tonnes of lint, contributing 38 percent of US cotton output and, were the state an independent country, it would rank sixth in order of world producers. With the benefit of exceptionally good soil moisture and motivated by strong prices, Texas producers are likely to increase output significantly in 2010/2011. Once synonymous with the production of lower grades for coarse count yarn production, Texas cotton has made huge strides in recent seasons, in terms of productivity and quality.

Cotlook's Annual Special Edition, published to coincide with the ICAC Plenary Meeting in Lubbock, will address the role of Texas cotton in the world marketplace, US and world supply and use, cotton fiber research and sustainability along with comment on the growing global acceptance of genetically modified cotton. Contributors include Wally Darneille of Plains Cotton Cooperative Association, Dr. John Robinson of Texas A&M University, ICAC, Cotton Inc., National Cotton Council and others. The publication will also include Cotton Outlook's customary review of recent developments on the world raw cotton market, including the dramatic bull market witnessed over the past few months, and analyse the factors that will shape the outlook for international prices next season and beyond. We will distribute this Annual Edition to all delegates attending the ICAC Plenary Meeting as well as our international subscribers.

**The deadline for advertising orders and artwork is August 13<sup>th</sup>.**



## Uzbek Trade Fair

For the Uzbek Cotton Fair 2010, The Ministry for Foreign Economic Relations, Investments and Trade, which hosts the event, has invited Cotton Outlook to produce a Special Feature to accompany the Fair.



The Special Feature will consider the latest developments in the Uzbek cotton and textile industries, its market diversification efforts, examine the future sustainability of a raw cotton exportable surplus in Uzbekistan and neighbouring Central Asian cotton producing states and cite comments from key consuming markets.

This is an important year for Uzbekistan, as host of the Asian Development Bank's annual meeting as well as the Annual Cotton Fair. The Fair, which will take place in October 2010, will be the sixth since its introduction in 2005 and will retain its customary high profile, in a year that promises to see a recovery in yields, thanks to good spring moisture levels, potentially pushing output back above one million tonnes. Although plans to expand domestic consumption remain on course, the rebound in supply should ensure an adequate exportable surplus of cotton with characteristics that are much favoured in key export markets.

Our Special Feature will be published in Russian, English and Chinese.

We cordially invite you to consider placing your company's advertisement in this Special Feature.

**Deadline for receiving your order and advertising material is August 15th.**

For further details about either of the two advertising opportunities, or to place an order, please contact Richard Butler at [advertising@cotlook.com](mailto:advertising@cotlook.com).

## ACSA COTTON SCHOOL GRADUATION

The American Cotton Shippers Association International Cotton Institute, a comprehensive eight-week study and training course examining all segments of the cotton industry, held its graduation ceremony July 20. All 20 participants, representing 12 countries, passed the program and received certification from the institute. The 2010 class included members of China's AQSIQ staff.



American Cotton Shippers Association  
International Cotton Institute  
at The University of Memphis  
Class of 2010

### Front row, left to right:

*hiru Rungta, Nezihi Aslankeser, Linda Brooks, Zengmei Ma, Bruno Fava, Rodrigo Mariscal, And Rodrigo Cardenas.*

### Second row, left to right:

*Chris Kramedjian, Javier Garza, Charles Harris, Andra Mahendra, Saquib Ahsan, Keje Fu.*

### Back row, left to right:

*Minhee Park, Hector Colio, Bo Li, Anish Koundanya. Takaaki Kai, Edward Tirtadarma and Celso Watanabe.*

There were 20 participants from 12 countries and everyone passed.



## FACT OF THE MONTH

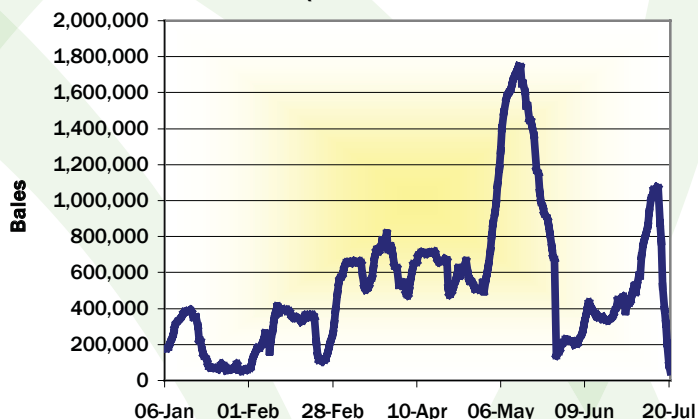
The tight supply situation has also been reflected in US certificated stocks, which by July 27 had fallen to 50,825 bales, their lowest level since December 2004.

Certificated stocks are bales which have been certified as having met the quality standards required for delivery against the No. 2 Futures New York contract.

According to the rules of the Exchange (Rule 10.03) the Official Cotton Standards of the United States existing on the Date of Delivery shall be used as the standards for the grade, staple,

quality or value of all cotton delivered on a contract for future delivery. Cotton must have a Micronaire reading between 3.5 and 4.9 inclusive, a strength value (grams per Tex) of 2.05 or more; deliveries shall be for only Eastern/Memphis/Orleans/Texas (EMOT) Upland growth cotton or Far Western Upland growth cotton and the cotton must be stored in an approved warehouse.

**Certificated Stock  
Tenderable Against NY Futures  
(since Jan 2004)**



## SUDUKO

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