

## In this issue

October Market Review	1 - 2
ITMF's Annual Conference	2 - 3
International Cotton Fair	3
Chinese delegation to US	3
People in the News	3/4
ICA Newsreel	4
Singapore Conference	4 - 5
Subscription Offer	5
Cotlook's 2010 Special Features	5 - 6
Fact of the Month	6
Sudoku	6

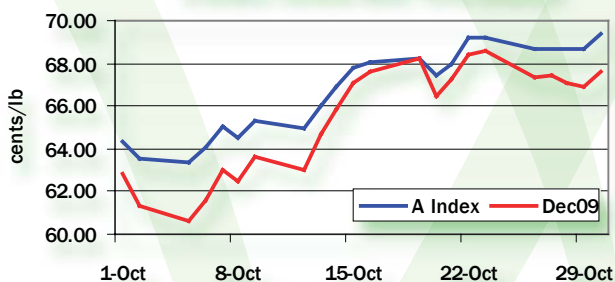
Bullish price movements, mounting crop concerns and improving yarn demand were all factors that combined to make October an explosive month in the global raw cotton market. There were also plenty of opportunities to discuss market developments, as October was packed full of international gatherings. We try to give you a flavour of all this news in the latest Cotlook Monthly, along with our usual industry round-ups and the ICA Newsreel.

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## OCTOBER MARKET REVIEW

Driven mainly by speculative buying, the December 2009 New York futures contract broke out to the upside of its well-established range of between roughly 57.50 and 65.00 cents per lb, in force since the end of June. The upper end of that range was breached on October 13, and December reached a peak of 68.55 cents per lb, on October 22. The rise in futures prompted a general strengthening of international offering rates for upland cotton, but the increase was met with strong resistance on the part of spinners.

**A Index versus New York futures**



Open interest in futures increased sharply during the period. Having fluctuated between 100,000 and 150,000 contracts during the first nine months of the year, it had risen to in excess of 180,000 by the end of the month. This was the highest level since October 2008, at which time open interest was falling sharply as institutional investors were leaving the market as the global, financial crisis took hold.

**Open Interest in New York Futures**



The rise of the A Index, although substantial, lagged significantly behind that of futures during October. Exceptionally, the December contract at times during the month traded at close to parity with the former value. The extent of the upturn in the A Index was again restricted by the tendency of offers of some 'outside' growths to be more closely aligned with price developments at origin, than to move 'one-for-one' with New York futures. The Indian and Tanzanian components fall into this bracket, but it was the Pakistan quotation in particular

that came to appear increasingly competitive relative to New York futures, and against other growths. However, after very active purchasing by local mills and exporters, as well as the international trade, offers of Type 1503 at origin had become much scarcer by the end of the month, leaving mainly offers out of merchants' long positions.

Although the upward momentum of futures was attributable principally to speculative buying (closely linked, it would seem to the weakness of the US dollar), fundamental supply and developments also influenced market sentiment during October, an important month for the Northern Hemisphere harvests.

The production outlook in the United States continued to deteriorate, both in terms of quantity and quality, as more untimely rains were received in various parts of the cotton belt, the Memphis Territory having been most seriously affected. By late October, harvest progress was less than half the average rate.

In China too, production forecasts fell progressively during the course of the month. The lateness of the crop, the restricted volume of cotton offered at the daily state reserves auctions and the limited quantity of 2009 import quotas still available, all contributed to a tight supply situation, which influenced local prices (for both lint and seed cotton from the new crop) to rise sharply. The China Cotton Index, which measures Type 328 delivered mill values, rose by 875 yuan during the month, to reach 14,022 yuan per tonne, its highest level since September 2007. At the end of the month, a further tranche of 500,000 tonnes of cotton for release from the state reserves cotton was announced, but without a starting date for the next round of auctions. No mention was made of any new initiative regarding additional import quotas.

Internationally, the strong price undertone was supported by a substantial improvement in the yarn market climate in some countries, most notably in south Asia. Many spinners reported full order books through to the end of the year, and were maximising operating rates in order to meet their commitments. However, as raw cotton replacement costs rose sharply, growing unease was discernible as to whether the latest price hikes could be absorbed, once existing stocks had been spun. Furthermore, a number of currencies in large textile producing nations appreciated against a weak US dollar, raising questions over export competitiveness and sales potential in the months ahead.

## Production and consumption

Significant changes were made to our global production estimates during October, principally reflecting mounting pessimism over crop prospects in China

and the United States. Our new figure for China of 6.7 million tonnes, reflects the less optimistic forecast promulgated by the China Cotton Association, and is no less than 550,000 tonnes below our September forecast. Our projection for the US is 12.95 million bales (480 lbs), slightly lower than the USDA's reduced assessment, released on October 9, and takes into account further unwelcome rainfall in southern growing states.

Our global production figure at the end of October stood at 22,404,000 tonnes, 444,000 less than our projection on September 25. We placed world consumption at 23,244,000 tonnes, 20,000 higher than a month earlier. As a consequence, the net drawdown in world stocks foreseen during the course of the season is almost equal to the addition to the balance sheet recorded in 2008/09.

## Long staple market

A rapid change in market climate was also discernible in the niche long staple/extra-long staple (LS/ELS) sector during October. In contrast to the upland market, however, where speculative forces were at work, the rise in long staple prices was driven almost exclusively by supply and demand considerations. After a long period of stagnant trading conditions, demand for LS/ELS varieties revived, with US Pima in particular demand. Significant inroads were made into the substantial stocks carried into the 2009/2010 marketing year. In addition, estimates of LS/ELS production in China have been significantly curtailed and it was this market that was the principal source of import enquiry. For some time it had been clear that production in the main exporting countries, the United States and Egypt, would this season slump to record lows, leaving the market exposed to a potentially very tight supply situation. Cotlook's US Pima quotation rose by an impressive fifteen cents per lb during the course of the month.

Within the past few days, Cotlook has published its latest quarterly update of developments in the long staple market. The Cotlook Long Staple Update provides a detailed analysis of price trends and supply and demand in this specialised sector of the cotton market. For access to our latest bulletin, and to receive this free, electronic publication on a regular basis, please email [subscriptions@cotlook.com](mailto:subscriptions@cotlook.com)

## ITMF'S ANNUAL CONFERENCE

### ITMF Annual Conference, Shanghai

Former German Chancellor, Gerhard Schröder, gave the keynote address to the Annual Conference of the International Textile Manufacturers Federation, which took place this year for the first time in mainland China, following the entry into the organisation last year of the China National Textiles and

Apparel Council (CNTAC). Over 130 international delegates (including speakers) were registered for the event, together with around 170 Chinese participants.



Gerhard Schröder addresses the ITMF conference

east, Mid-South and Southwest, with local cotton industry hosts and NCC leadership. The two organizations signed a memorandum of understanding in 2006, since when a Chinese delegation has visited the US on an annual basis.



CCA delegation meets US cotton industry

## UZBEKISTAN 2009 INTERNATIONAL COTTON FAIR

This year, contracts involving over 600,000 tonnes of 2009/2010 crop cotton had been put in place by the end of the event, thus absorbing a major part of the 2009/2010 season's prospective exportable surplus. The event attracted the largest ever attendance from the biggest number of companies, including a strong contingent from China.



## PEOPLE IN THE NEWS

### ACSA elects Jordan Lea as President



Jordan Lea

The American Cotton Shippers Association has announced the resignation of President John Dunavant, and the board's election of First Vice President Jordan Lea of Greenville, South Carolina-based Eastern Trading Company as successor. "John, his brother Bill (William B. Dunavant III), and father Billy (William B. Dunavant, Jr.) each served as ACSA Presidents and have made significant contributions both to ACSA and the cotton industry over the years," said ACSA Executive Vice President William E. May. "Their active participation in the industry will be missed." Dunavant's resignation comes as Dunavant Enterprises is in the final stages of merging its long-time cotton operations with those of Allenberg Cotton Company, a subsidiary of Louis-Dreyfus Commodities.

## CHINESE DELEGATION TO US

Between October 17 and 23, a delegation from the China Cotton Association visited the United States, at the invitation of Cotton Council International and the National Cotton Council. The CCA's itinerary included Washington, Cary (NC), Memphis and Lubbock. The group was led by Mr Wang Zhengwei, deputy president of CCA, Chairman of CNCE, and comprised representatives of farmers, cotton cooperatives, merchants and mills. Eight leaders from the Chinese association participated in regional industry seminars in the South-



**international  
cotton  
association**



### **Standing room only at ICA Trade Event**

It was standing room only as delegates packed the auditorium to hear Joe Nicosia, CEO of Allenberg Cotton Co., speak at our annual trade conference and dinner. The event attracted over 450 delegates and provided an ideal opportunity to focus on the international business of cotton with other leading industry professionals. Thank you to everybody who joined us - we hope you enjoyed it and we would love to hear your feedback via our online survey, where you could win a FREE place at next year's event.

[Click here](#) to find out more and to view the photos.

### **Advanced training for ICA Arbitrators**

Advanced training for technical arbitrators is currently in production at the ICA. Due to go live in the new year, the training builds on the ICA basic level course, which is recognised throughout the industry. The advanced course will further develop the knowledge and skills of existing ICA Arbitrators and provide a new development opportunity for anybody wishing to arbitrate. If you want to become an ICA Arbitrator you will first need to take the basic level course and exam. The course material is available as a FREE download from our website and you can contact us to arrange a date to sit the exam.

[Click here](#) for more information and to download the course.

### **Good trading practices**

The ICA Good Trading Practices Committee recently met with the Brazilian Ethics Committee to explore more ways to work together. They first met in 2008, which resulted in the ICA Bylaws & Rules and arbitration documents being translated in to Portuguese. This second meeting was equally productive - focusing on decreasing the number of Brazilian firms on the ICA Default List and increasing the enforcement of awards.

### **Developing new links in Bangladesh and Pakistan**

High on our agenda are the problems facing mills in Bangladesh and Pakistan and the issues preventing them from joining the ICA. Discussions at our October Board meeting have led to an invitation from ICA Directors, Mr Hai Sarker - President, Bangladesh Textile Mills Association and Mr Atif Dada - Director, Karachi Cotton Association to visit both nations to conduct workshops and hear, first hand, the views of mill owners. Kai Hughes, ICA Managing Director says: "We see this is a very positive step forward. The ICA exists to promote contract sanctity and protect the legitimate interests of all those who trade cotton. Only by gaining the support of everybody involved in the supply chain can this be achieved."

[Click here](#) to register your interest and we will send you more details

### **A new date for your diary**

Join us in Singapore this spring for an all-new event that will enable you to meet potential customers in one location, learn how to minimise your trading risk and hear top international speakers. Providing an ideal opportunity for the cotton community in Asia to come together to debate the important issues affecting the industry, 'Singapore 2010' is a joint initiative brought to you by the ICA and Cotton Outlook. Open to anybody with an interest in the cotton trade, full details, including ticket price and online registration, will go live in November.

[Click here](#) to register your interest.

For more information about the ICA and its services

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Tel: +44 151 236 6041

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

### **CITI Chairman**

The Committee of the Confederation of Indian Textile Industry (CITI) at its meeting held on September 18, 2009 unanimously elected Shri Shishir Jaipuria as Chairman, Shri S.V. Arumugam as Deputy Chairman and Shri Prem Malik as Vice Chairman of CITI for the year 2009/10. Shri Shishir Jaipuria M. Com., L.L.B. is an eminent industrialist, with nearly 25 years' experience in company management. Presently, he has business interests in Textiles and Education. He is Managing Director of Ginni Filaments Ltd., a 100% Export-Oriented Unit, producing combed cotton yarn and knit fabrics from state-of-the-art, imported machines. It has also commissioned a modern non-woven and converting plant.

## **SINGAPORE CONFERENCE**



Since last month, considerable interest has been generated in our Singapore 2010 event, organised jointly with the International Cotton Association (see the ICA Newsreel). On-line registration will open during November.

The choice of Singapore as the meeting's venue reflects the ever-greater importance of Asia - particularly South East Asia - in the world of cotton. The rise of Asia has resulted in the realignment of business strategies, and created a need for close cooperation between buyers, sellers and established institutions in the marketplace.

Protecting your cotton business is essential in today's volatile market. 'Singapore 2010' will provide a unique opportunity for the cotton community in South East Asia to come together to debate the important issues affecting the cotton industry - including trading



in the marketplace in conjunction with rising output, and the country's spinners have been at the forefront of the recovery in yarn and textile markets, following last year's financial crisis. This Special Feature will consider ways in which both the cotton and textile sectors might be expected to interact and develop in the short to medium term.

All Cotlook Special Features are translated into Mandarin and made available to readers in China's cotton and textile sectors

**Cotlook's 2010 Annual Special Edition** – Our Annual Special Edition will focus on the country or region in which the 2010 Plenary Meeting of the International Cotton Advisory Committee is held. Following the withdrawal of the invitation for next year of the Government of the Republic of Uzbekistan, the ICAC is working hard to find a substitute location. Further details of our 2010 Special Edition will be made known, once that decision has been taken.

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## FACT OF THE MONTH

The phenomenon commonly described as *El Niño*, or sometimes as the El Niño Southern Oscillation (ENSO), is an atmospheric/oceanic anomaly, whose most noteworthy manifestation is a warming of the waters of the tropical Pacific Ocean, off the coast of Peru and Ecuador. Such episodes occur irregularly, typically once every 3 to 8 years, and are of varying intensity. Although its repercussions for global weather



patterns are imperfectly understood, El Niño has been associated with a dislocation of normal conditions in several parts of the world. Amongst the effects sometimes attributed to the phenomenon are increased rainfall in South America and in the southern United States, and below-average rainfall in parts of Asia, Oceania and Southern Africa.

## SUDOKU

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