

COTTON COVERAGE

A comprehensive review of global market conditions

The 2018 season is off to a much better start than last year with timely rain and good prices meaning most growers are heading into the festive season in high spirits. Rain during November and early December has saved an irrigation across most Valleys and will likely spur some late planted cotton across the Macintyre, Gwydir and possibly further west. Cotton prices have also firmed over the past few weeks with the freight advantaged Downs seeing \$550 per bale and Central Valley pricing not too far behind. The futures market has been buoyed by aggressive spec buying prompted by a bullish technical picture. However growers should be cautious as the fundamental picture is far from bullish – there is plenty of available cotton to meet demand, and a change in spec activity could see things change very quickly.

Picking in the US is nearing completion with the crop around 90 per cent picked. There has been quite a lot of discussion regarding the quality of the US crop this season. Parts of the South have been affected by high leaf grades, while low micronaire seems to have affected the Texas crop this season. Industry experts aren't sure if the low mic is a variety or seasonal problem, or a combination of

the two. While quality has plagued US merchants and their forward sales program the general consensus is that with a 21+ million bale crop there is still plenty of high grade US cotton in the mix. The USDA will release its finally supply and demand update for the year next week.

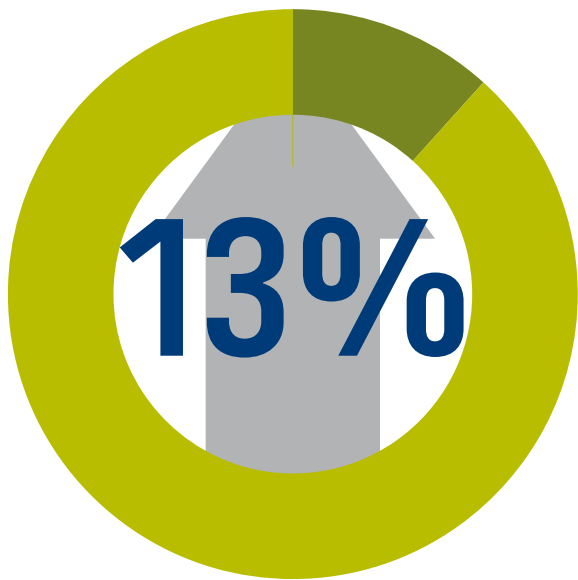
In India domestic cotton prices have rallied on increasing concerns of pink bollworm damage. The largest cotton growing state (Maharashtra) appears to have been badly affected, though Gujarat and other growing regions have been largely unaffected. It's thought that the early picked crops were more badly impacted so perhaps the damage isn't as bad as some reports. The Indian crop is currently pegged at 30.0 million bales and any changes will have implications on the global export trade.

We'd like to take the opportunity to wish our valuable customers a very Merry Christmas and Happy New Year.

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World production
expected to increase to
120.86 million bales in
2017/18

World consumption
expected to increase to
118.01.75 million bales in
2017/18

