

# SEMINAR TOPICS

## A. THE COTTON MARKET

### PART I

- Functions of a Cotton Merchant
- The Leading Cotton Merchants of the World
- U.S./World Supply Demand Statistics
- World Raw Cotton Trade

### PART II

- The Intercontinental Exchange (ICE) and Commodity Exchanges in General
  - Functions
  - Participants
  - Activity of Speculators, Hedge/Index Funds and Option Traders
  - Different Strategies used by participants
  - Effect of Speculators on Prices
  - Hedging of Purchases and Sales
  - What is the "Basis?"
  - 3 Types of Margins
- ICE Weekly, Monthly, and Yearly Price Charts
- Cotlook A Index and its Importance for U.S. Cotton
- New York Futures vs. Cotlook A Index
- Factors Influencing Cotton Prices
- Another Commodity Boom around the Corner?

### PART III

- Technical Aspects of the ICE No. 2 Contract
  - Contract Specifications
  - Daily Trading Limit
  - The Synthetic Close for Futures
  - Open Interest in Futures and Options
  - Delivery Rules, including "Delayed Certification"
  - Certificated Stock
  - Premiums/Discounts
  - Age Penalties
  - Weight Penalties
  - Year-of-Crop Penalties

### PART IV

- Price Outlook for Upland Cotton Prices 2009/10 and Beyond
- Factors that Affect Cotton Prices
  - Bullish Factors
  - Bearish Factors
- "Basis" Levels for Different Qualities/Origins
- Competing Crops/Competing Fibers

- The Impact of the Value of the US\$ on Commodities
- The Importance of an Economic Recovery

## **PART V**

- The 2008/09 – 2012/13 Farm Bill
- Loan and Marketing Loan, Adjusted World Price (AWP)
- "Windows of Opportunity" (the difference between AWP/ICE Futures)
- Competitiveness Formulas
  - Step-1
  - Step-3
- Budget Restraints, Payment Limitations
- WTO Raw Cotton Issues
- Effects of Farm Bill on Cotton Prices
- The Future of U.S. Farm Bills after 2012/13
- The numerous Responsibilities of the USDA

## **PART VI**

- China
- India
- Textiles in NAFTA, Consumption Trends, Who is Who?
- Labor Cost Comparison
- U.S. Textile Trade
- U.S. Textile Consumption at Retail Level
- Shifts in Worldwide Consumption and Buying Patterns
- Outlook for the Textile Industry

# **B. RISK MANAGEMENT AND OPTION STRATEGIES**

## **PART I**

- "On Call" Purchases
  - Advantages
  - Risks
  - How to Place Fixation Orders

## **PART II**

- Hedging of Fixed Price Purchases and Sales
  - Why
  - Mechanics
  - Risks

## **PART III**

- Options in General
- Two Types of Options

- The Difference between Buying and Selling of Options
- The Strike Price, Exercising Options and Expiry
- The Four Factors affecting the Price of an Option
- Who should Buy and Who can Sell Options?

## PART IV

- Cotton Options as a Risk Management Tool for Textile Mills
- Five Strategies Depending on a Mill's Individual Price Outlook
- Buying Options Outright
- Points to Watch When Buying Options
- The Advantages of having your own Brokerage Account

## C. COTTON CLASSING AND COTTON CONTRACTS

### PART I

- Different Ways of specifying the Quality
  - USDA "Green Card" (USDA GC final)
  - Description
  - On type
  - Re-caps
  - Actual Samples

### PART II

- Classing
  - Traditional Method
  - USDA HVI "Green Card"
    - Who
    - Where
    - Different Quality Characteristics
      - Color, including "b+" and "rd" readings
      - Leaf
      - Fiber Length
      - Micronaire
      - Strength
      - Uniformity
      - Trash
      - Extraneous Matters and Remarks ("Reductions")
    - Characteristics not analyzed by the USDA
      - Sugar
      - Short Fiber Content
      - "Neps"
      - Maturity
    - Information available on USDA classing
      - Daily and Weekly AMS Reports
      - Form-R
- The Importance of a Constant Mix

## D. COTTON CONTRACTS

### PART I

- Different ways of Buying
  - Fixed Price vs. "on call"
  - "Forward" vs. "Spot"
- Rights and Obligations of the Parties as per ICA Rules
- Settlement of Disputes
  - Quality
  - Technical Aspects
- Default Lists
- Common Problems and Solutions
- Importance of the Cotton Controller
- PBI (Permanent Bale Identification)

### PART II

- Points to Watch when Purchasing Cotton

### PART III

- What Matters Most when Buying Cotton
  - Know your Supplier and Treat him like a "Partner"
  - Make sure Seller Understands and Hedges his Risks
  - The Timing of the Purchase/Fixation
  - ICE Price Fixation is more important than the "Basis"
  - Price is not the only Factor when deciding from whom to buy
  - Common Sense when finding Solutions to Problems
  - Service, Information and Flexibility given by Seller
  - Integrity of both Parties