

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm tone on Monday.

In The News: Government is likely to increase the incentives associated with labor intensive textile industry in upcoming budget to enhance sector's export.

According to the Ministry of Agriculture (GOI), area planted under kharif cotton 2014-15 reported up to 1.734 million hectare compared to the 1.58 million hectare in last year.

Threat of lesser rain this year due to El Nino is prompting farmers to grow more hybrid seeds, which need lesser water and gives better yield.

Cotton output in India estimated higher at 388.25 lakh bales (of 170 kg each) for season 2013-14, said Cotton Association of India (CAI). Maharashtra is reported with output of 79.25 lakh bales in the current season compared to 72.50 in previous season whereas production in Gujarat stood 120.80 lakh bales in 2013-14 against 83.30 lakh bales in previous season. What causes the cotton production to increase in India is the boosted yield derived by the favorable weather condition and BT cotton.

Cotton acreage in India, the second largest grower in the world, could surge for the first time after 2011, on expectation of higher returns. According to the market participants, cotton area is likely to expand to 12 million hectares in the coming season, noticing a growth of 3.4% compared to the previous year. Global prices which reached a two year high in March are encouraging farmers and other stakeholders to prefer cotton over the other crops. Expectation of El Nino is also a reason farmers are willing to plant cotton instead of other crops which requires more water than fiber crop.

MSP of Kharif crop 2014-15, including cotton would be announced on June 15. A moderate hike of Rs. 50 per quintal in MSP of cotton is reportedly suggested by Agriculture Commission.

International Fundamentals:

According to the latest weekly crop progress released by USDA, 89% of cotton sowing is completed in United States (in major 15 states planted 98% of the 2013 cotton acreage) as on 8 June, 2014. Last year the figure for same was 87% during the corresponding period, slightly lower than the current crop progress. A five year average stands 91%, higher by 2% compared to the current planting figures.

World cotton trade is expected to notice timid sentiments in coming season. The volume of cotton traded worldwide is expected to decline to 8.1 million tons, noticing a fall of 8%, said International cotton advisory committee (ICAC). Reason for the same is fall in shipment to China which was 5.3 million tons in 2011/12 and expected 2.1 million tons in 2014/15. World consumption on other hand is projected to increase by 3% to 24.2 million tons in 2014/15.

Global cotton inventory is expected to surge to the level of 21 million tones by the end of crop season 2014-15, said International cotton advisory committee (ICAC). According to the committee global trade is likely to decline sharply on lower demand from China.

Outlook

We expect domestic prices to remain steady in near term.

NCDEX Kapas Futures*: (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	7	954	964	950	956.5	3102	840	2262	174

Spread	Apr-15		
Spot	98.5	--	--

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5:30 pm on 16 June, 2014

MCX Cotton Futures*: (Prices in Rs/170 kgs)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jun-14	230	19760	19950	19760	19880	1857	812	4744	-412
Jul-14	210	20030	20180	20000	20100	1160	329	3007	112
Oct-14	180	19920	19980	19880	19900	390	307	1598	154
Nov-14	270	18930	19040	18900	18990	14	9	245	-1
Dec-14	150	18870	18970	18860	18910	36	4	702	4

Spread	Jun-14	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--				
Jun-14		-220			
Jul-14			200		
Oct-14				910	
Nov-14					80

*Updated at 5:30 pm on 16 June, 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		16-Jun-14	14-Jun-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5100	5050	50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5250	NA	-
Rajkot	B.T. Cotton	5305	5370	-65
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	5600	5650	-50
Dabwali	B.T. Cotton	NA	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	5180	5180	Unch
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5200	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4735	4720	15
Muktsar	J-34	4725	4700	25
Fazilika	J-34	4730	4700	30
Bhatinda	J-34	4740	4730	10
Mansa	J-34	NA	NA	-
Sirsa	J-34	4625	4620	5
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4650	4630	20

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		16-Jun-14	14-Jun-14	
Amravati	Mech-1	12000	12000	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	10000	NA	-
Rajkot	B.T. Cotton	4400	3000	1400
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	NA	NA	-
Dabwali	B.T. Cotton	NA	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	1163	2068	-905
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	245	NA	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	85	85	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				14-Jun-14	13-Jun-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	39900	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
J-34(202)	26mm	3.5 - 4.9	23	43000	42900	100

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40100	40000	100
Shankar-6(105)	29mm	3.5 – 4.9	28	41900	41800	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43700	43600	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45300	45200	100
DCH-32(107)	34mm	3.0 - 3.8	33	59500	59500	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 16/6/2014

Index	RMB/Ton	Change
CCIndex(328)	17377	Unch
CCIndex(527)	16195	2
CCIndex(229)	18153	Unch

RMB - Renminbi, 1RMB = 0.16 \$U.S.

Cotlook Index: As on 13/6/2014

Cotlook Indices	Cents/Pound	Change
A-Index	90.45	Unch

USDA Cotton Spot Rates: As on 13/6/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	83.73	86.48	NIL
North Delta	82.73	85.23	NIL
South Delta	82.73	85.23	NIL
East TX-OK	78.00	80.25	160
West Texas	78.00	80.00	NIL
Desert SW	78.73	85.48	NIL
SJ Valley	79.48	90.13	NIL

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per Tex and uniformity 80.5 to 81.4

ICE Cotton Futures (Prices in cents/lb.): As on 13/6/2014

Contract	Open	High	Low	Close	Change
Oct-14	77.73	77.78	77.42	77.75	0.02
Dec-14	77.9	77.9	77.23	77.75	-0.08
Mar-15	78.29	78.99	78.11	78.88	0.17
May-15	79.25	79.49	79.25	79.49	0.17
Jul-15	80.15	80.15	79.97	80.06	0.24

Pakistan Cotton Spot rates: As on 14/6/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6800	155	6955
Equivalent	40 Kgs	7288	155	7443

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