

### Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly firm tone on Tuesday.

**In The News:** Delayed monsoon and lower arrival has boosted the cotton prices in most of the markets. Currently good demand is being noticed in the market and supply is lagging due to season ending.

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:

Cotton imports to China fell by 14.6% to 191,500 metric tons in May compared to April this year. China is likely to end its cotton stockpiling policy and hence importing less.

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 firm in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-4.5	955	959	948	951	1709	-1393	3102	-31

Spread	Apr-15		
Spot	121	--	--

(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 17 June, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jun-14	-70	19890	19900	19720	19810	879	-978	4742	-2
Jul-14	-70	20140	20150	19990	20060	758	-402	3064	57
Oct-14	-10	19870	19940	19830	19830	33	-357	1601	3
Nov-14	10	19000	19010	19000	19000	24	10	267	22
Dec-14	-90	18860	19040	18830	18840	29	-7	715	13

Spread	Jun-14	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--				
Jun-14		-250			
Jul-14			230		
Oct-14				830	
Nov-14					160

\*Updated at 5:30 pm on 17 June, 2014

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		17-Jun-14	16-Jun-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5100	5100	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	5250	5250	Unch
Rajkot	B.T. Cotton	5360	5305	55
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	5615	5600	15
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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5125	NA	-
Gondal	Shankar-6	5255	5180	75
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5419	5381	38
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5225	5200	25
	<b>Lint</b>			
Abohar	J-34	4745	4735	10
Muktsar	J-34	4710	4725	-15
Fazilika	J-34	4740	4730	10
Bhatinda	J-34	4760	4740	20
Mansa	J-34	NA	NA	-
Sirsa	J-34	4640	4625	15
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4660	4650	10

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		17-Jun-14	16-Jun-14	
Amravati	Mech-1	20000	12000	8000
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	8000	10000	-2000
Rajkot	B.T. Cotton	2800	4400	-1600
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	2550	NA	-
Gondal	Shankar-6	1274	1163	111
Bijapur	Bunny	864	908	-44
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	417	245	172
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
				16-Jun-14	14-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	43100	43000	100

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40300	40100	200
Shankar-6(105)	29mm	3.5 – 4.9	28	42000	41900	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43700	43700	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44800	45300	-500
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59500	-500

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 17/6/2014

Index	RMB/Ton	Change
CCIndex(328)	17376	-1
CCIndex(527)	16195	Unch
CCIndex(229)	18146	-7

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

#### Cotlook Index: As on 16/6/2014

Cotlook Indices	Cents/Pound	Change
A-Index	91.70	1.25

#### USDA Cotton Spot Rates: As on 16/6/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.40	87.15	NIL
North Delta	83.40	85.90	NIL
South Delta	83.40	85.90	NIL
East TX-OK	78.75	81.00	NIL
West Texas	78.75	80.75	NIL
Desert SW	79.40	86.15	NIL
SJ Valley	80.15	90.80	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 16/6/2014

Contract	Open	High	Low	Close	Change
Jul-14	87.00	88.44	87.00	87.65	0.67
Oct-14	77.75	78.02	76.29	76.67	-1.08
Dec-14	77.75	77.95	77.00	77.12	-0.63
Mar-15	78.88	79.09	78.10	78.23	-0.65
May-15	79.76	79.76	78.88	78.88	-0.61

#### Pakistan Cotton Spot rates: As on 16/6/2014 (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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