

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly mixed tone on Thursday.

In The News: Cotton Advisory Board (CAB) has estimated cotton production higher for the current season (Oct'13-Sep'14) to 390 lakh bales which was earlier estimated 375 lakh bales in November.

Better minimum support price (MSP) of paddy as compared to cotton is forcing farmers to shift to paddy from cotton in Punjab. MSP of cotton seen only 1.25% increase to Rs. 4050 this year from Rs. 4000, whereas MSP of paddy increased to Rs. 1400 from Rs. 1345 noticing an increase of 4%. MSP of paddy has increased by 63% to Rs.1400 in 2014 from Rs. 880 in 2008, while cotton has noticed a rise of 35% to Rs. 4050 this year from Rs. 3000 in 2008. Also paddy is getting government subsidies like free of cost power which is not applicable for cotton.

Cotton Corporation of India (CCI) sold 2,300 bales at Rs. 43,900/candy at Guntur region, 1000 bales at Rs. 43600/candy at Adilabad region, 300 bales at Rs. 43900/candy at Warangal and 300 bales at Rs. 43700/candy at Hubli on 01 July through E-Auction.

The deficit rainfall this year has created havoc among the farmers of Vidarbha region of Maharashtra. Farmers who had sowed cotton are now in fear of crop loss as scanty rainfall is expected this year. According to a report monsoon is likely to set in Maharashtra around July 05, delayed by around five weeks.

According to Ministry of Agriculture, Kharif sowing has reached to 131 lakh hectares as on 27 June, 2014. Cotton sowing is in progress, around 29.07 lakh hectares of cotton has been sown so far.

According to Maharashtra Agriculture State Department, cotton sowed area till June 27 was down by 37% to 5.42 lakh hectares against 8.54 lakh hectares sown last year during corresponding year.

The Union Government has announced MSP of Kharif crops (season 2014-15), including cotton on June 25. The MSP of cotton has been raised to Rs. 3750 per quintal for medium staple and Rs. 4000 for long staple, which were Rs. 3700 and Rs. 4050 respectively last year.

Expectation of Below-than-normal rainfall is threatening farmers about yield loss in cotton. 60 percent farmers in Adilabad have sown cotton in dry lands. Last year almost 41 cm rainfall was recorded during June whereas currently it around 5 cm. The actual rainfall required for cotton is 60-70 cm.

International Fundamentals:

China is likely to hold 60% of world cotton reserve, mostly held by government reserve. The secretariat estimated that Chinese government will hold around 11.5 million tons of cotton by the end of current season 2013-14.

According to the market participants, new cotton crop is not in good condition in China, the largest producer of cotton. The daily temperature remained lower by 6-10 degree Celsius during 20-26 June compared to previous year during the corresponding period.

Cotton prices in international market are tumbling down on lackluster trading activities. The most active December'14 contract on ICE has witnessed around 30 month lowest open interest on June 27. Cotlook A

index fell to 89.30 cents/pound on June 27, lower by 2.15 points on weekly basis. The cotton market is now awaiting the USDA planting report and world demand and supply report.

Outlook

We expect domestic prices to remain weak to steady in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	18.5	963	984	959.5	979.5	4761	999	3762	363

Spread	Apr-15								
Spot	134.5				--		--		

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

*Updated on 5:00 pm on 03 July, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	20	19570	19750	19370	19640	2347	591	5361	-505
Oct-14	50	19630	19850	19450	19740	1237	318	2676	97
Nov-14	20	18480	18720	18380	18600	212	103	930	-25
Dec-14	50	18300	18520	18280	18460	286	138	1430	52

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		-100			
Oct-14			1070		
Nov-14				100	

*Updated on 5:00 pm on 03 July, 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		3-Jul-14	2-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5250	5150	100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5500	5600	-100
Rajkot	B.T. Cotton	5570	5705	-135
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	5800	5825	-25
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	5400	5500	-100
Gondal	Shankar-6	5380	5455	-75
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5731	5719	12
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5400	5250	150
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	4750	4780	-30
Muktsar	J-34	4800	4800	Unch
Fazilika	J-34	4780	4780	Unch
Bhatinda	J-34	4770	4800	-30
Mansa	J-34	NA	NA	-
Sirsa	J-34	4720	4740	-20
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4780	4780	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		3-Jul-14	2-Jul-14	
Amravati	Mech-1	10000	12000	-2000
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	5000	6000	-1000
Rajkot	B.T. Cotton	3200	2800	400
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	25500	22100	3400
Gondal	Shankar-6	916	1482	-566
Bijapur	Bunny	790	542	248
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	860	572	288
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	17	34	-17
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
				2-Jul-14	1-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	40900	Unch
J-34(202)	26mm	3.5 - 4.9	23	44100	44200	-100

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	41200	41200	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	42900	42900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44100	44100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45000	45000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59000	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 3/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17323	-5
CCIndex(527)	16166	1
CCIndex(229)	18032	-1

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

Cotlook Index: As on 2/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	88.40	Unch

USDA Cotton Spot Rates: As on 2/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	77.26	80.01	94
North Delta	76.26	78.76	NIL
South Delta	76.26	78.76	NIL
East TX-OK	71.50	73.75	NIL
West Texas	71.50	73.50	NIL
Desert SW	71.26	78.01	NIL
SJ Valley	71.51	82.16	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 2/7/2014

Contract	Open	High	Low	Close	Change
Jul-14	76.75	76.75	76.69	76.69	-0.39
Oct-14	72.74	72.98	71.85	72.26	-0.34
Dec-14	73.40	73.40	72.38	72.47	-0.93
Mar-15	73.95	74.19	73.40	73.50	-1.00
May-15	74.94	75.17	74.56	74.68	-0.87

Pakistan Cotton Spot rates: As on 2/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6300	155	6455
Equivalent	40 Kgs	6752	155	6905

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