

Domestic Fundamentals:

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

In The News: Cotton Corporation of India (CCI) invited bids to sell 25,300 bales of cotton through E-auction at various centers today. Most of the variety offered was Bunny Brahma (BB), Shankar-6 (S-6) and J-34 DR.

Cotton yarn export started to see decline during the current financial year. Cotton yarn export registration fell to 99.92 million kilograms compared to 115.96 million kilograms during the same period last year.

According to Indian Cotton Advisory board, total demand of cotton for this year would be around 40.1 million bales compared to 38.4 million bales previous year. 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.

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.

International Fundamentals:

Cotton price for December delivery on ICE fell to 72.06 cents per pound on July 3, 2014 the lowest closing price since November 23, 2014. Prices are around 24% lower than highest price recorded in May which was 94.75 cents a pound. Higher prices of cotton in spring motivated US farmer to opt cotton and the area surged to 11.4 million acres for cotton this spring around 9.3% higher than the year season 2013. Now there is ample supply and China, the largest importer of cotton, possesses the enormous stock of cotton and polyester and other fibers are getting more attention due to their price competitiveness. All these factors are forcing prices to move southwards.

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.

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	4.5	974.5	988	974.5	980.5	2995	-402	4347	-414

Spread	Apr-15		
Spot	133.5	--	--

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

*Updated on 07 July, 2014 at 5:00 pm

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	220	19570	19770	19570	19760	876	52	5256	-101
Oct-14	180	19630	19850	19630	19790	860	548	2495	-69
Nov-14	120	18600	18700	18600	18660	98	-36	1062	39
Dec-14	80	18450	18520	18450	18450	120	77	1477	36

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		-30			
Oct-14			1030		
Nov-14				150	

*Updated on 07 July, 2014 at 5:00 pm

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		7-Jul-14	5-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5350	5300	50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5570	5595	-25
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	5750	5850	-100
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	5300	5250	50
Gondal	Shankar-6	5330	5350	-20
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5719	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5400	5150	250
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	4700	4720	-20
Muktsar	J-34	4740	4750	-10
Fazilika	J-34	4700	4780	-80
Bhatinda	J-34	4725	4745	-20
Mansa	J-34	NA	NA	-
Sirsa	J-34	4650	4675	-25
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4700	4730	-30

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		7-Jul-14	5-Jul-14	
Amravati	Mech-1	6000	10000	-4000
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	3100	4400	-1300
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	25500	Unch
Gondal	Shankar-6	1388	1364	24
Bijapur	Bunny	953	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	525	345	180
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	34	34	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
				5-Jul-14	4-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	43500	43700	-200

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40700	40900	-200
Shankar-6(105)	29mm	3.5 – 4.9	28	42400	42600	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43800	43800	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44700	44700	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58300	58300	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 7/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17309	-9
CCIndex(527)	16165	-1
CCIndex(229)	18026	-3

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

Cotlook Index: As on 4/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	86.90	-0.50

USDA Cotton Spot Rates: As on 3/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	76.79	79.54	NIL
North Delta	75.79	78.29	NIL
South Delta	75.79	78.29	NIL
East TX-OK	71.00	73.25	63
West Texas	71.00	73.00	NIL
Desert SW	70.79	77.54	NIL
SJ Valley	71.04	81.69	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 3/7/2014

Contract	Open	High	Low	Close	Change
14-Jul	76.22	76.22	76.22	76.22	-0.47
14-Oct	72.23	72.23	71.52	71.79	-0.47
14-Dec	72.5	72.62	71.52	72.06	-0.41
15-Mar	73.58	73.58	72.59	73.02	-0.48
15-May	74.51	74.52	73.81	74.1	-0.58

Pakistan Cotton Spot rates: As on 5/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6350	155	6505
Equivalent	40 Kgs	6805	155	6960

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