

### Domestic Fundamentals:

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

**In The News:** According to Ministry of Agriculture (MoA), area sown for cotton stood around 35.42 lakh hectares as on 7 July, 2014 compared to 81.73 lakh hectares last year during the same period.

Monsanto is likely to start selling of cotton hybrid seeds in India under “Deltapine”, its global brand, from the current kharif season.

The powerloom weavers in surat have stopped purchasing yarn material as front line spinners have raised the prices of yarn due to Iraq crisis and concerns of delayed monsoon.

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.

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.

### 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   | -2.5 | 976  | 981.5 | 965 | 971   | 3484   | 489    | 4124 | -223   |

|        |        |    |    |
|--------|--------|----|----|
| Spread | Apr-15 |    |    |
| Spot   | 160    | -- | -- |

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

\*Updated on 08 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   | 20  | 19540 | 19620 | 19500 | 19530 | 1006   | 130    | 5247 | -9     |
| Oct-14   | 60  | 19530 | 19610 | 19530 | 19560 | 559    | -301   | 2609 | 114    |
| Nov-14   | 20  | 18410 | 18480 | 18380 | 18400 | 257    | 159    | 1308 | 246    |
| Dec-14   | 20  | 18240 | 18320 | 18180 | 18230 | 160    | 40     | 1542 | 65     |

|        |        |        |        |        |
|--------|--------|--------|--------|--------|
| Spread | Jul-14 | Oct-14 | Nov-14 | Dec-14 |
| Spot   | --     |        |        |        |
| Jul-14 |        | -30    |        |        |
| Oct-14 |        |        | 1150   |        |
| Nov-14 |        |        |        | 200    |

\*Updated on 08 July, 2014 at 5:00 pm

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

| Centre                 | Variety      | Prices                             |          | Change |
|------------------------|--------------|------------------------------------|----------|--------|
|                        |              | 8-Jul-14                           | 7-Jul-14 |        |
|                        | <b>Kapas</b> | <b>(Rs/Qtl)</b>                    |          |        |
| Amravati               | Mech-1       | 5350                               | 5350     | Unch   |
| Khandwa                | Mech-1       | NA                                 | NA       | -      |
| Khargaon               | Mech-1       | NA                                 | NA       | -      |
|                        | <b>Kapas</b> |                                    |          |        |
| Mahesana(Kadi)         | B.T. Cotton  | NA                                 | NA       | -      |
| Rajkot                 | B.T. Cotton  | 5655                               | 5570     | 85     |
| 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  | 5650                               | 5750     | -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       | -      |
|                        | <b>Kapas</b> | <b>(Rs/Qtl)</b>                    |          |        |
| Ahmedabad              | Shankar-6    | 5300                               | 5300     | Unch   |
| Gondal                 | Shankar-6    | 5255                               | 5330     | -75    |
|                        | <b>Kapas</b> | <b>(Rs/Qtl)</b>                    |          |        |
| Bijapur                | Bunny        | NA                                 | 5719     | -      |
| Hubli                  | D.C.H.       | NA                                 | NA       | -      |
| Raichur                | H-44 Cotton  | 5200                               | 5400     | -200   |
|                        | <b>Lint</b>  | <b>Rs./Maund (of 37.32kg each)</b> |          |        |
| Abohar                 | J-34         | 4685                               | 4700     | -15    |
| Muktsar                | J-34         | 4710                               | 4740     | -30    |
| Fazilika               | J-34         | 4700                               | 4700     | Unch   |
| Bhatinda               | J-34         | 4715                               | 4725     | -10    |
| Mansa                  | J-34         | NA                                 | NA       | -      |
| Sirsa                  | J-34         | 4620                               | 4650     | -30    |
| Sri-Ganganagar         | J-34         | NA                                 | NA       | -      |
| Hanumangarh            | B.T. Cotton  | 4630                               | 4700     | -70    |

**Cotton Arrivals in Key Centers:**

| Centre                 | Variety     | Arrivals (Qtl) |          | Change |
|------------------------|-------------|----------------|----------|--------|
|                        |             | 8-Jul-14       | 7-Jul-14 |        |
| Amravati               | Mech-1      | 5000           | 6000     | -1000  |
| Khandwa                | Mech-1      | NA             | NA       | -      |
| Khargaon               | Mech-1      | NA             | NA       | -      |
|                        |             |                |          |        |
| Mahesana(Kadi)         | B.T. Cotton | NA             | NA       | -      |
| Rajkot                 | B.T. Cotton | 2800           | 3100     | -300   |
| 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   | 18700          | 25500    | -6800  |
| Gondal                 | Shankar-6   | 1482           | 1388     | 94     |
|                        |             |                |          |        |
| Bijapur                | Bunny       | NA             | 953      | -      |
| Hubli                  | D.C.H.      | NA             | NA       | -      |
| Raichur                | H-44 Cotton | 75             | 525      | -450   |
|                        |             |                |          |        |
| Abohar                 | J-34        | NA             | NA       | -      |
| Muktsar                | J-34        | NA             | NA       | -      |
| Bhatinda               | J-34        | NA             | NA       | -      |
| Mansa                  | J-34        | NA             | NA       | -      |
| Sirsa                  | J-34        | 85             | 34       | 51     |
| Sri-Ganganagar         | J-34        | NA             | NA       | -      |
| Hanumangarh            | B.T. Cotton | NA             | NA       | -      |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple        | Micronaire | Strength/<br>GPT | Rs. Per<br>Candy | Rs. Per<br>Candy | Change |
|---------------------------------------|---------------|------------|------------------|------------------|------------------|--------|
|                                       |               |            |                  | 7-Jul-14         | 5-Jul-14         |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below<br>22mm | 5.0 - 7.0  | 15               | 40400            | 40400            | Unch   |
| Bengal Deshi (SG)(201)                | Below         | 5.0 - 7.0  | 15               | 40900            | 40900            | Unch   |

|                     |      |           |    |       |       |      |
|---------------------|------|-----------|----|-------|-------|------|
|                     | 22mm |           |    |       |       |      |
| J-34(202)           | 26mm | 3.5 - 4.9 | 23 | 43500 | 43500 | Unch |
| H-4/ MECH-1(105)    | 28mm | 3.5 – 4.9 | 27 | 40700 | 40700 | Unch |
| Shankar-6(105)      | 29mm | 3.5 – 4.9 | 28 | 42400 | 42400 | Unch |
| 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 8/7/2014

| Index        | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 17306   | -3     |
| CCIndex(527) | 16163   | -2     |
| CCIndex(229) | 18020   | -6     |

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

#### Cotlook Index: As on 7/7/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 86.90       | Unch   |

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

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | bales    |
| Southeast   | 75.23               | 77.98               | NIL      |
| North Delta | 74.23               | 76.73               | NIL      |
| South Delta | 74.23               | 76.73               | NIL      |
| East TX-OK  | 69.50               | 71.75               | NIL      |
| West Texas  | 69.23               | 71.50               | NIL      |
| Desert SW   | 69.48               | 75.98               | NIL      |
| SJ Valley   | 77.98               | 80.13               | 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 7/7/2014

| Contract | Open  | High  | Low   | Close | Change |
|----------|-------|-------|-------|-------|--------|
| 14-Jul   | 75.64 | 75.64 | 74.83 | 74.83 | -1.39  |
| 14-Oct   | 71.64 | 71.64 | 70.00 | 70.23 | -1.56  |
| 14-Dec   | 72.00 | 72.06 | 70.00 | 70.21 | -1.85  |
| 15-Mar   | 72.90 | 73.16 | 71.17 | 71.30 | -1.72  |
| 15-May   | 74.35 | 74.35 | 71.70 | 72.48 | -1.62  |

#### Pakistan Cotton Spot rates: As on 7/7/2014 (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              | 6907              |

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