

### Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed sentiments on Wednesday.

**In The News:** According to Cotton Association of India, cotton production in India would be around 395 lakh bales in 2013-14 compared to 356.75 lakh bales in 2012-13.

The new government has approved field trials for 21 new varieties of Genetically Modified (GM) crop including cotton, maize, rice and wheat. It is believed that this move would help to boost the yield of crops and stabilizing food prices. Over the concerns of health hazards, the issue is highly controversial in India and so far allowed only BT cotton to be grown commercially.

According to Ministry of Agriculture, around 45.20 lakh hectare of area has been sown for cotton this year as on July 11, around 51.10% lower than the previous year which was 92.44 lakh hectares during the same period.

Following the weak International market and weak overseas demand, prices of cotton are moving southwards in domestic market. Although global production is likely to decline in coming season, on lower import to China supply would lead consumption, which is expected to increase marginally.

Union Budget: Loading/unloading and transportation of cotton exempted from service tax. Union finance minister, Arun Jaitley, in his maiden budget, has proposed setting up of new textile mega clusters in five states. The mega clusters will be set up at Surat and Kutch in Gujarat, Bareilly and Lucknow in Uttar Pradesh, Bhagalpur in Bihar, Mysore in Karnataka and one in Tamil Nadu. A sum of Rs. 200 crores has been allocated for setting up these textile mega clusters.

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.

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:

According to the latest report released by USDA, as on July 15, 2014, 53% of cotton crop in USA is in excellent to good condition compared to 55% a week ago and 42% a year ago. 70 % squaring has reported in cotton which was 53% last week and 66% a year ago.

Cotton futures fell to a two-year low on July 10. The December cotton contract on ICE futures settled at 68.55 cents a pound on Thursday, 1.12 cents or 1.6% lower from the previous day after touching the two year low of 68.50 cents per pound. It is expected that supply would be on higher side in USA, the largest exporter of cotton, due to prospect production in the country and falling import demand from China, the largest importer of cotton.

Lower imports to China and higher ending stocks outside China will lead to the southwards movement in the international prices in 2014/15. Also, world production is expected to lead consumption in 2014/15.

### 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	0	908	909.5	899	906	3266	-2352	6705	339

Spread	Apr-15		
Spot	194	--	--

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

\*Updated on 16 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	120	18930	19080	18910	19060	474	-1769	3519	-186
Oct-14	70	18720	18800	18690	18790	333	-761	2524	-104
Nov-14	50	17660	17800	17660	17790	136	-331	1897	-38
Dec-14	40	17510	17600	17510	17600	146	-125	2010	68

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		270			
Oct-14			1030		
Nov-14				150	

\*Updated on 16 July, 2014 at 5:00 pm

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

Centre	Variety	Prices		Change
		16-Jul-14	15-Jul-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5400	5400	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5500	5535	-35
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	5625	5600	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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5100	5125	-25
Gondal	Shankar-6	5155	5305	-150
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5479	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5323	5000	323
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4565	4580	-15
Muktsar	J-34	4600	4600	Unch
Fazilika	J-34	4555	4600	-45
Bhatinda	J-34	4590	4600	-10
Mansa	J-34	NA	NA	-
Sirsa	J-34	4480	4500	-20
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		16-Jul-14	15-Jul-14	
Amravati	Mech-1	1500	500	1000
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1400	1900	-500
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	11900	13600	-1700
Gondal	Shankar-6	421	1007	-586
Bijapur	Bunny	242	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	90	37	53
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	51	51	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
				15-Jul-14	14-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39200	39200	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39700	39700	Unch
J-34(202)	26mm	3.5 - 4.9	23	41900	41900	Unch

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40300	40300	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	42000	42000	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43400	43400	- Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44300	44300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58300	58300	Unch

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 16/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17248	-17
CCIndex(527)	16127	-2
CCIndex(229)	17940	-3

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

#### Cotlook Index: As on 15/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.55	0.20

#### USDA Cotton Spot Rates: As on 15/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.25	76	NIL
North Delta	72.25	74.75	NIL
South Delta	72.25	74.75	NIL
East TX-OK	68	70.25	NIL
West Texas	68	70	NIL
Desert SW	67.25	74	NIL
SJ Valley	67.5	78.15	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 15/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.6	68.72	67.84	68.25	-0.35
Dec-14	68.26	68.67	67.5	67.75	-0.55
Mar-15	69.18	69.28	68.36	68.54	-0.54
May-15	70.33	70.7	69.64	69.82	-0.5
Jul-15	71.42	71.84	70.77	70.97	-0.46
Oct-15	71.26	71.26	71.26	71.26	-0.54

#### Pakistan Cotton Spot rates: As on 15/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6000	155	6155
Equivalent	40 Kgs	6430	155	6585

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