

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments.

In The News: According to Ministry of Agriculture, around 56 lakh hectare of area has been sown for cotton this year as on July 18, around 44.30% lower than the previous year, when it was 100.55 lakh hectares during the same period.

The Cotton Textile Promotion Council (Texprocil) said it has urged the ministry for higher incentives including 5 per cent duty reduction for exports of cotton fabrics and home textiles to China.

NAFED issue tender to sell the 4800 bales of FP cotton crop year 2012-13) from its various warehouse in Andhra Pradesh. The sell tender of the Lint cotton (loose) from various godowns also issued.

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.

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	--	--	--	--	--	--	--	--	--

Spread	Apr-15		
Spot	--	--	--

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

*Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	--	--	--	--	--	--	--	--	--
Oct-14	--	--	--	--	--	--	--	--	--
Nov-14	--	--	--	--	--	--	--	--	--
Dec-14	--	--	--	--	--	--	--	--	--

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

*Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		19-Jul-14	18-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5400	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5355	5290	65
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	5550	5550	Unch
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	5000	5050	-50
Gondal	Shankar-6	5150	5130	20
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5369	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	5259	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4458	4495	-37
Muktsar	J-34	4450	4525	-75
Fazilika	J-34	4520	4500	20
Bhatinda	J-34	4450	4500	-50
Mansa	J-34	NA	NA	-
Sirsa	J-34	4380	4400	-20
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		19-Jul-14	18-Jul-14	
Amravati	Mech-1	500	1000	-500
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1400	1500	-100
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	8500	6800	1700
Gondal	Shankar-6	311	259	52
Bijapur	Bunny	NA	237	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	150	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	43	43	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
				18-Jul-14	17-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39000	39000	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39500	39500	Unch
J-34(202)	26mm	3.5 - 4.9	23	40800	41200	-400

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39700	39900	-200
Shankar-6(105)	29mm	3.5 – 4.9	28	41400	41600	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42800	43100	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43700	44000	-300
DCH-32(107)	34mm	3.0 - 3.8	33	57700	58000	-300

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 18/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17214	-17
CCIndex(527)	16118	-4
CCIndex(229)	17933	-1

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

Cotlook Index: As on 18/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.05	Unch

USDA Cotton Spot Rates: As on 18/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.63	76.38	NIL
North Delta	72.63	75.13	NIL
South Delta	72.63	75.13	NIL
East TX-OK	68.25	70.5	NIL
West Texas	68.25	70.25	NIL
Desert SW	67.63	74.38	NIL
SJ Valley	73.63	78.53	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 18/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.35	68.63	68.35	68.63	0.18
Dec-14	67.79	67.98	67.28	67.74	0.09
Mar-15	68.25	68.57	67.87	68.39	0.16
May-15	69.1	69.65	69.1	69.6	0.12
Jul-15	70.53	70.66	70.26	70.66	0.05
Oct-15	70.91	70.91	70.91	70.91	-0.07

Pakistan Cotton Spot rates: As on 18/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6100	155	6255
Equivalent	40 Kgs	6537	155	6692

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