

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments on Monday.

In The News: Cotton imports are expected to notice a two-fold rise in the current season due to higher domestic prices than abroad. As estimated by Confederation of Indian Textile Industry (CITI), cotton imports would stand around 1.5 million bales (of 170 kg each) this season (Oct'13-Sep'14) compared to 0.7 million bales last season. Reason for the same the higher domestic prices and lower transportation cost. The sea transport cost from Africa to southern Indian ports is fairly lower than the surface transport cost from central and western states of India. The landed cost of benchmark variety, Shankar-6 at southern port is 11,000 quintal compared to Rs 11,642 which is traded domestically.

The Cotton Textile Export Promotion Council of India (Texprocil) has urged government to request China to reduce its import duties on Indian textiles from 10 percent to 5 percent. According to the officials, China is willing to lower the import duty to the half if Indian government approaches it. If the same request is met India would be able to increase its export to China to USD 7 billion which is currently USD 3.5 billion.

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.

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.

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.

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 crop in China is witnessing a slower and dull growth this year compared to previous year due to unfavorable weather conditions and pest damage, said China Cotton Association (CCA). The CCA also forecasted that China's cotton planting area would fall to 4.08 million hectares in 2014, lower 12.6 percent year on year basis.

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	5	896	905	893	902	2476	-1373	7187	215

Spread	Apr-15		
Spot	198	--	--

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

*Updated at 5:00 pm on 21 July 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	-70	18950	19040	18810	18830	838	428	2918	-370
Oct-14	50	18490	18600	18440	18550	736	18	2617	-2
Nov-14	60	17630	17710	17630	17680	223	-30	1958	20
Dec-14	70	17440	17510	17440	17490	172	18	2157	68

Spread	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--			
Jul-14		280		
Oct-14			810	
Nov-14				190

* Updated at 5:00 pm on 21 July 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		21-Jul-14	19-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5500	5400	100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5500	5355	145
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	5500	5550	-50
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	5050	5000	50
Gondal	Shankar-6	5050	5150	-100
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5283	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4950	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	4400	4458	-58
Muktsar	J-34	4410	4450	-40
Fazilika	J-34	4510	4520	-10
Bhatinda	J-34	4425	4450	-25
Mansa	J-34	NA	NA	-
Sirsa	J-34	4320	4380	-60
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		21-Jul-14	19-Jul-14	
Amravati	Mech-1	500	500	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2100	1400	700
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	6800	8500	-1700
Gondal	Shankar-6	528	311	217
Bijapur	Bunny	NA	28	-
Hubli	D.C.H.	NA	0	-
Raichur	H-44 Cotton	NA	72	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	26	43	-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
				19-Jul-14	18-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38500	39000	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39500	-500
J-34(202)	26mm	3.5 - 4.9	23	40400	40800	-400

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39600	39700	-100
Shankar-6(105)	29mm	3.5 – 4.9	28	41300	41400	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42700	42800	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43700	-100
DCH-32(107)	34mm	3.0 - 3.8	33	57700	57700	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 21/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17209	-5
CCIndex(527)	16101	-17
CCIndex(229)	17927	-5

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 19/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6150	155	6305
Equivalent	40 Kgs	6591	155	6746

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.