

### Domestic Fundamentals:

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

**In The News:** Cotton Corporation of India (CCI) invited bids for selling 21900 bales of cotton at various centers through e-auction held today. Varieties offered were mostly BB followed by S-6 and J-34.

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.

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:

According to the latest report released by USDA, on July 20, 2014, 52% of cotton crop in USA was in excellent to good condition compared to 53% a week ago and 44% a year ago. 76 % squaring has reported in cotton which was 70% last week and 85% a year ago.

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.

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 in near term.

### NCDEX Kapas Futures\*: (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	13.5	898	914	897.5	912.5	4619	2143	7737	550

Spread	Apr-15		
Spot	187.5	--	--

(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 22 July 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	-90	18770	18780	18660	18670	896	58	2479	-439
Oct-14	100	18260	18600	18260	18560	795	59	2626	9
Nov-14	140	17350	17800	17350	17770	397	174	2009	51
Dec-14	150	17550	17600	17440	17580	370	198	2178	21

Spread	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--			
Jul-14		110		
Oct-14			910	
Nov-14				-90

\* Updated at 5:00 pm on 22 July 2014

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

Centre	Variety	Prices		Change
		22-Jul-14	21-Jul-14	
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Amravati	Mech-1	5500	5500	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahešana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5500	5500	Unch
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	5500	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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5050	5050	Unch
Gondal	Shankar-6	5080	5050	30
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4370	4400	-30
Muktsar	J-34	4395	4410	-15
Fazilika	J-34	4430	4510	-80
Bhatinda	J-34	4400	4425	-25
Mansa	J-34	NA	NA	-
Sirsa	J-34	4320	4320	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		22-Jul-14	21-Jul-14	
Amravati	Mech-1	NA	500	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	850	2100	-1250
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	6800	Unch
Gondal	Shankar-6	598	528	70
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	34	26	8
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
				21-Jul-14	19-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38500	38500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39000	Unch
J-34(202)	26mm	3.5 - 4.9	23	40100	40400	-300

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	39600	300
Shankar-6(105)	29mm	3.5 – 4.9	28	41500	41300	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43000	42700	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43600	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	57700	57700	Unch

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 22/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17197	-12
CCIndex(527)	16074	-27
CCIndex(229)	17892	-35

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

#### Cotlook Index: As on 21/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.05	Unch

#### USDA Cotton Spot Rates: As on 21/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.52	76.27	NIL
North Delta	72.52	75.02	NIL
South Delta	72.52	75.02	NIL
East TX-OK	68.00	70.25	NIL
West Texas	68.00	70	25
Desert SW	67.52	74.27	8
SJ Valley	67.77	78.42	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 21/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.39	68.77	68.39	68.52	-0.110
Dec-14	67.76	68.14	67.4	67.69	-0.050
Mar-15	68.39	68.72	68.2	68.48	0.090
May-15	69.64	69.95	69.5	69.64	0.040
Jul-15	70.61	70.75	70.42	70.56	-0.100
Oct-15	70.99	70.99	70.99	70.99	0.060

#### Pakistan Cotton Spot rates: As on 21/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6050	155	6205
Equivalent	40 Kgs	6484	155	6639

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