

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments on Wednesday.

In The News: Government of India has approved Cotton Development Programme as a Sub-scheme under the National Food Security Mission (NFSM) by adopting the cropping system approach, during the current year i.e. 2014-15. Under this sub scheme, assistance would be provided for Front Line Demonstration on High Density Planting System (HDPS), Intercropping, Extra Long Staple (ELS)/ Desi Cotton, besides programme on Insecticides Resistance Management (IRM) and Online Pest Monitoring and Advisory Services (OPMAS). In order to extend technical assistance and benefits to farmers, the programme is implemented through State Department of Agriculture, Indian Council of Agricultural Research (ICAR), State Agriculture Universities (SAUs), Krishi Vigyan Kendras (KVKs) etc. Minister of State for Agriculture and Food Processing Industries, Dr. Sanjeev Kumar Balyan gave this information in a written reply to Lok Sabha questions, reported by Press Information Bureau.

Despite the expectation of deficit rainfall this year, farmers have sown mostly water intensive crops. According to the statistics released by Department of Agriculture, maximum sowing happened for paddy, among the cereals.

Cotton Corporation of India (CCI) invited bids for selling 21900 bales of cotton at various centers through e-auction held on 22 July, 2014. 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.

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.

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	-21	908	912	882	888	7460	2841	7918	181

Spread	Apr-15								
Spot	206		--		--		--		

(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 23 July 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	-40	18610	18710	18520	18620	719	-177	2174	-305
Oct-14	-170	18550	18570	18310	18370	634	-161	2589	-37
Nov-14	-90	17770	17840	17630	17670	249	-148	2022	13
Dec-14	-70	17600	17660	17460	17510	323	-47	2136	-42

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		250			
Oct-14			680		
Nov-14				170	

* Updated at 5:00 pm on 23 July 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		23-Jul-14	22-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5500	-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	5470	5500	-30
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	5500	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	5050	Unch
Gondal	Shankar-6	5080	5080	Unch
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4375	4370	5
Muktsar	J-34	4380	4395	-15
Fazilika	J-34	4405	4430	-25
Bhatinda	J-34	4400	4400	Unch
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
		23-Jul-14	22-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	1700	850	850
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	5950	6800	-850
Gondal	Shankar-6	578	598	-20
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	NA	34	-
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
				22-Jul-14	21-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	39900	40100	-200

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	39900	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	41300	41500	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42800	43000	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43400	43600	-200
DCH-32(107)	34mm	3.0 - 3.8	33	57700	57700	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 23/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17189	-8
CCIndex(527)	16069	-5
CCIndex(229)	17879	-13

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

Cotlook Index: As on 22/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.05	Unch

USDA Cotton Spot Rates: As on 22/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.8	76.55	NIL
North Delta	72.8	75.3	NIL
South Delta	72.8	75.3	NIL
East TX-OK	68	70.25	NIL
West Texas	68	70	202
Desert SW	67.8	74.55	8
SJ Valley	68.05	78.7	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 22/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.65	69.56	68.65	68.8	0.280
Dec-14	67.67	68.54	67.67	67.91	0.220
Mar-15	68.75	69.2	68.49	68.56	0.080
May-15	69.91	70.25	69.69	69.77	0.130
Jul-15	70.8	71.11	70.61	70.72	0.16
Oct-15	71.07	71.07	71.07	71.07	0.08

Pakistan Cotton Spot rates: As on 22/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5900	155	6055
Equivalent	40 Kgs	6323	155	6478

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