

Domestic Fundamentals:

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

In The News: According to Ministry of Agriculture and Ministry of Textile, cotton output in India during season 2014-15 is expected to decline to five year low to 30 million bales (of 170 kg. each), measuring a decline of 17% from the current year's production which is 36.5 million bales, as estimated in third advance estimate by Department of Agriculture and Co-operation. Reason for the expected fall in production is steep decline in the cotton area due to the deficit rainfall. The cotton sowing is lagging by 44%, as on July 18 only 5.6 lakh hectares of cotton was sown, which was 10.0 lakh hectares last year during the corresponding period.

Cotton Corporation of India (CCI) is planning for a forward integration by setting up its first ginning and pressing factory with capacity of 60,000 bales at Adoni, in Kurnool district of Andhra Pradesh.

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.

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.

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.

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	1	884	890	877	885.5	4149	-3311	7821	-97

Spread	Apr-15		
Spot	196.5	--	--

(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 24 July 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	-40	18400	18480	18370	18410	589	-130	1886	-288
Oct-14	-40	18240	18240	18140	18200	665	31	2534	-55
Nov-14	-30	17600	17600	17520	17570	176	-73	2071	49
Dec-14	0	17390	17460	17350	17410	264	-59	2212	76

Spread	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--			
Jul-14		210		
Oct-14			620	
Nov-14				170

* Updated at 5:00 pm on 24 July 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		24-Jul-14	23-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	5400	-100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahešana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5410	5470	-60
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	NA	5050	-
Gondal	Shankar-6	5030	5080	-50
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5319	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4375	4375	Unch
Muktsar	J-34	4380	4380	Unch
Fazilika	J-34	4405	4405	Unch
Bhatinda	J-34	4400	4400	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4310	4320	-10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		24-Jul-14	23-Jul-14	
Amravati	Mech-1	60	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1200	1700	-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	NA	5950	-
Gondal	Shankar-6	515	578	-63
Bijapur	Bunny	680	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	NA	-
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
				23-Jul-14	22-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	39900	Unch

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	39900	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	41100	41300	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42800	42800	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43400	43400	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	57700	57700	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 24/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17183	-6
CCIndex(527)	16068	-1
CCIndex(229)	17857	-22

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

Cotlook Index: As on 23/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.15	0.10

USDA Cotton Spot Rates: As on 23/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.77	76.52	NIL
North Delta	72.77	75.27	NIL
South Delta	72.77	75.27	NIL
East TX-OK	67.75	70	NIL
West Texas	67.75	69.75	34
Desert SW	67.77	74.52	20
SJ Valley	68.02	78.67	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 23/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.8	68.88	68.77	68.77	-0.030
Dec-14	67.97	68.4	67.55	68.08	0.170
Mar-15	68.49	68.98	68.19	68.73	0.170
May-15	69.75	70.05	69.39	69.9	0.130
Jul-15	70.77	70.98	70.72	70.84	0.12
Oct-15	71.19	71.19	71.19	71.19	0.12

Pakistan Cotton Spot rates: As on 23/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5800	155	5955
Equivalent	40 Kgs	6216	155	6371

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