

## Domestic Fundamentals:

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

**In The News:** With the revival of monsoon, cotton sowing in the key central regions of the country is picking up. Although continuous rains in Maharashtra slowed down the planting pace, the sowing is likely to gain momentum in coming days. According to the Central Institute of Cotton Research (CICR), despite the delayed sowing, cotton acreage would be around 110 lakh hectares this season, which was 115 lakh hectares last season.

Cotton Corporation of India (CCI), a public sector undertaking which carries out market intervention in order to support cotton farmers, has signed a Memorandum of Understanding (MoU) with National Textile Corporation (NTC) to set up a Ginning cum Pressing (GNP) mill in the Telangana. Also CCI plans to set up a warehouse with storage capacity of 100,000 tonnes.

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.

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 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:

As reported by Vietnam Plus, the Government of Vietnam will assist cultivation of cotton in its provinces by allocating around 13,600 kg of cotton seeds to the cotton growers.

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.

### 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	10	877	887	875	886	2879	-1270	8011	190

Spread	Apr-15		
Spot	188	--	--

(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 25 July 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	60	18130	18310	18100	18240	576	-13	1647	-239
Oct-14	30	17920	18070	17910	17940	487	-178	2537	3
Nov-14	20	17330	17360	17270	17290	168	-8	2075	4
Dec-14	20	17170	17200	17100	17140	263	-1	2339	127

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		300			
Oct-14			640		
Nov-14				170	

\* Updated at 5:00 pm on 25 July 2014

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

Centre	Variety	Prices		Change
		25-Jul-14	24-Jul-14	
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Amravati	Mech-1	5300	5300	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5370	5410	-40
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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5050	NA	-
Gondal	Shankar-6	5000	5030	-30
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5269	5319	-50
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4700	NA	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4325	4375	-50
Muktsar	J-34	4380	4380	Unch
Fazilika	J-34	4350	4405	-55
Bhatinda	J-34	4350	4400	-50
Mansa	J-34	NA	NA	-
Sirsa	J-34	4270	4310	-40
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		25-Jul-14	24-Jul-14	
Amravati	Mech-1	100	60	40
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1100	1200	-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	5100	NA	-
Gondal	Shankar-6	134	515	-381
Bijapur	Bunny	316	680	-364
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	40	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
				24-Jul-14	23-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38000	38500	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	39000	-500
J-34(202)	26mm	3.5 - 4.9	23	39600	39900	-300

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	39900	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	40900	41100	-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	58700	57700	1000

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 25/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17173	-10
CCIndex(527)	16065	-3
CCIndex(229)	17849	-8

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

#### Cotlook Index: As on 24/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	83.15	Unch

#### USDA Cotton Spot Rates: As on 24/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	71.4	74.15	360
North Delta	70.4	72.9	NIL
South Delta	70.4	72.9	NIL
East TX-OK	65.25	67.5	21
West Texas	65.25	67.25	NIL
Desert SW	65.4	72.15	NIL
SJ Valley	65.65	76.3	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 24/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.88	68.88	66.1	66.4	-2.37
Dec-14	68.22	68.24	65.66	66.05	-2.03
Mar-15	68.78	68.83	66.66	66.98	-1.75
May-15	69.93	69.96	68	68.3	-1.6
Jul-15	70.84	70.84	68.85	69.46	-1.38
Oct-15	69.68	69.68	69.68	69.68	-1.51

#### Pakistan Cotton Spot rates: As on 24/7/2014 (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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