

### Domestic Fundamentals:

**Market Outlook:** Cotton market noticed weak to range-bound movement.

#### **In The News:**

According to Ministry of Agriculture, around 76.15 lakh hectare of area has been sown for cotton this year as on July 25, around 26% lower than the previous year, when it was 102.23 lakh hectares during the same period.

At ICE, cotton futures fell by 23% in this year on the concern that harvests will exceed consumption for a fifth straight year. The prices fell 3.5% in this week, 12th straight weekly drop, and longest decline since July 1959. Cotton for December delivery lost 1.1 percent today to settle at 65.35 cents a pound after touching 64.53 cents, the lowest since Oct. 13, 2009. (Source-ICE Exchange Via Bloomberg)

China's cotton import demand between September and December is likely to surge to low inventories and a lack of high-quality cotton in the huge state reserves. Currently, prices are dwindling on Uncertainty over a policy shift to crop subsidies in China and record production in USA and India-Jernigan Commodities.

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.

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.

### 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 in expectation of higher production in this season.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Apr-15		
Spot	--	--	--

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

\* Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	--	--	--	--	--	--	--	--	--
Oct-14	--	--	--	--	--	--	--	--	--
Nov-14	--	--	--	--	--	--	--	--	--
Dec-14	--	--	--	--	--	--	--	--	--

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--	--	--	--	
Jul-14	--	--	--	--	
Oct-14	--	--	--	--	
Nov-14	--	--	--	--	

\* Market Closed

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		26-Jul-14	25-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	5355	5370	-15
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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5000	NA	-
Gondal	Shankar-6	5105	5000	105
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5527	5269	258
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4700	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4270	4325	-55
Muktsar	J-34	4300	4380	-80
Fazilika	J-34	4300	4350	-50
Bhatinda	J-34	4300	4350	-50
Mansa	J-34	NA	NA	-
Sirsa	J-34	4210	4270	-60
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		26-Jul-14	25-Jul-14	
Amravati	Mech-1	50	100	-50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1800	1100	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	3400	NA	-
Gondal	Shankar-6	313	134	179
Bijapur	Bunny	154	316	-162
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
				25-Jul-14	24-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37500	38000	<b>-500</b>
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38000	38500	<b>-500</b>
J-34(202)	26mm	3.5 - 4.9	23	39000	39600	<b>-600</b>
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39400	39900	<b>-500</b>
Shankar-6(105)	29mm	3.5 - 4.9	28	40400	40900	<b>-500</b>
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42300	42800	<b>-500</b>
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42900	43400	<b>-500</b>
DCH-32(107)	34mm	3.0 - 3.8	33	59700	58700	<b>1000</b>

**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 25/7/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	81.15	<b>-2</b>

**USDA Cotton Spot Rates: As on 25/7/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	70.16	72.91	<b>5</b>
North Delta	69.16	71.66	<b>NIL</b>
South Delta	69.16	71.66	<b>NIL</b>
East TX-OK	64	66.25	<b>NIL</b>
West Texas	64	66	<b>106</b>
Desert SW	64.16	70.19	<b>NIL</b>
SJ Valley	64.41	75.06	<b>NIL</b>

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 25/7/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	66.54	66.71	64.4	65.16	<b>-1</b>
<b>Dec-14</b>	66.06	66.45	64.53	65.35	<b>-1</b>
<b>Mar-15</b>	67.29	67.31	65.43	66.03	<b>-0.95</b>
<b>May-15</b>	68.6	68.6	66.8	67.35	<b>-0.95</b>
<b>Jul-15</b>	69.71	69.8	68.39	68.55	<b>-0.91</b>
<b>Oct-15</b>	68.84	68.84	68.84	68.84	<b>-0.84</b>

**Pakistan Cotton Spot rates: As on 25/7/2014 (in Pakistan Rupees)**

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

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