

Domestic Fundamentals:

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

In The News: The worries of cotton farmers are likely to be continued throughout the season though the rainfall has revived significantly. Situation for cotton is getting critical as delayed sowing has increased the sowing expenditure on one hand and expectation of less remunerative prices of cotton on other hand. The late sowing has pushed back the season by about 40 days hence new crop is likely to come in November or early December.

According to Ministry of Agriculture, around 76.15 lakh hectare of area has been sown for cotton this year as on July 25, around 27.5% lower than the previous year, when it was 105.06 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.

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	-14	879	882	861	863.5	4226	1347	9511	1500

Spread	Apr-15		
Spot	192.5	--	--

(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 28 July, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	390	18280	18600	18040	18590	680	104	1213	-434
Oct-14	-90	17890	17930	17640	17770	1110	623	2541	4
Nov-14	0	17170	17220	17050	17120	278	110	2090	15
Dec-14	20	17030	17030	16900	16970	262	-1	2494	155

Spread	Jul-14	Oct-14	Nov-14	Dec-14
Spot	--			
Jul-14		820		
Oct-14			590	
Nov-14				150

*Updated at 5:00 pm on 28 July, 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		28-Jul-14	26-Jul-14	
	Kapas	(Rs./Qtl.)		
Amravati	Mech-1	5300	5300	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahešana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5280	5355	-75
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	4950	5000	-50
Gondal	Shankar-6	4505	5105	-600
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5237	5527	-290
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4919	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4240	4270	-30
Muktsar	J-34	4250	4300	-50
Fazilika	J-34	4335	NA	-
Bhatinda	J-34	4280	4300	-20
Mansa	J-34	NA	NA	-
Sirsa	J-34	4170	4210	-40
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		28-Jul-14	26-Jul-14	
Amravati	Mech-1	NA	50	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1700	1800	-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	3400	1700
Gondal	Shankar-6	288	313	-25
Bijapur	Bunny	244	154	90
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	102	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
				26-Jul-14	25-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37500	37500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38000	38000	Unch
J-34(202)	26mm	3.5 - 4.9	23	38800	39000	-200

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39400	39400	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	40400	40400	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42300	42300	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43200	42900	300
DCH-32(107)	34mm	3.0 - 3.8	33	60000	59700	300

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	-2

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	5
North Delta	69.16	71.66	NIL
South Delta	69.16	71.66	NIL
East TX-OK	64	66.25	NIL
West Texas	64	66	106
Desert SW	64.16	70.19	NIL
SJ Valley	64.41	75.06	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 25/7/2014

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

Pakistan Cotton Spot rates: As on 26/7/2014 (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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