

## Domestic Fundamentals:

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

### **In The News:**

The Government of India has reduced insurance premium on cotton crop from 17.19% to 6%, giving relief to farmers in cotton-growing states like Gujarat and Maharashtra, after fears of weak monsoon gripped farmers.

China state reserve sold 10916 tonne of cotton Monday July 30, 2014. Cotton sales since April 1 totaled at 1568976 tonne, including 1500,964 tonne of domestic cotton.

Morgan Stanley expects USA cotton crop production at 17.2 Million Bales; 4.2% higher than the USDA's estimates.

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	-5	852	855	843.5	846.5	3600	-626	9625	114

Spread	Apr-15								
Spot	203.5				--		--		

(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 30 July, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	+80.00	18600	18750	18510	18710	249	-431	803	-410
Oct-14	+30.00	17610	17670	17540	17620	680	-430	2443	-98
Nov-14	+10.00	17040	17050	16940	17000	406	128	2168	78
Dec-14	0	16850	16860	16780	16820	284	22	2631	137

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		1090			
Oct-14			600		
Nov-14				160	

\*Updated at 5:00 pm on 30 July, 2014

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

Centre	Variety	Prices		Change
		30-Jul-14	28-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	5250	5280	-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	5100	5550	-450
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	4950	50
Gondal	Shankar-6	4855	4505	350
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	-	5237	-
Hubli	D.C.H.	-	NA	-
Raichur	H-44 Cotton	-	4919	-
	<b>Lint</b>	<b>(Rs./Maunder of 37.32kg each)</b>		
Abohar	J-34	4180	4240	-60
Muktsar	J-34	4250	4250	Unch
Fazilika	J-34	NA	4335	-
Bhatinda	J-34	4240	4280	-40
Mansa	J-34	NA	NA	-
Sirsa	J-34	4130	4170	-40
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		30-Jul-14	28-Jul-14	
Amravati	Mech-1	NA	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1700	1700	Unch
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	1700	5100	-3400
Gondal	Shankar-6	454	288	166
Bijapur	Bunny	-	244	-
Hubli	D.C.H.	-	NA	-
Raichur	H-44 Cotton	-	102	-
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
				28-Jul-14	26-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	38300	38800	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39000	39400	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	40000	40400	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42000	42300	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42900	43200	-300
DCH-32(107)	34mm	3.0 - 3.8	33	59500	60000	-500

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 29/7/2014**

Index	RMB/Ton	Change
CCIndex(328)	17166	-1
CCIndex(527)	16051	-6
CCIndex(229)	17825	-12

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

**Cotlook Index: As on 29/7/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	81	+0.50

**USDA Cotton Spot Rates: As on 28/7/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	71.36	75.11	321
North Delta	69.36	71.86	NIL
South Delta	69.36	71.86	NIL
East TX-OK	64.25	66.5	NIL
West Texas	64.25	66.25	NIL
Desert SW	64.36	71.11	NIL
SJ Valley	64.61	75.26	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 29/7/2014

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	65.3	65.3	63.97	64.44	<b>-0.92</b>
<b>Dec-14</b>	65.99	65.99	64.6	65.01	<b>-0.87</b>
<b>Mar-15</b>	66.72	66.72	65.49	65.91	<b>-0.72</b>
<b>May-15</b>	67.72	67.72	66.79	67.17	<b>-0.73</b>
<b>Jul-15</b>	68.9	68.94	68	68.34	<b>-0.72</b>
<b>Oct-15</b>	69.7	69.7	69.61	69.61	<b>0.45</b>

Pakistan Cotton Spot rates: As on 28/7/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5700	155	5855
<b>Equivalent</b>	40 Kgs	6109	155	6264

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