

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak movement.

In The News: Cotton farmers in India have requested the Union Government to impose import ban on cotton and issue measures to revive cotton export. Vidarbha Janandolan Samiti has said that prices of cotton have declined drastically since the new government has formed. Farmers urged the government to increase the Minimum Support Prices (MSP) from the existing Rs.4050 per quintal to Rs 6500 per quintal.

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.

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.

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:

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

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	-13	812	825.5	806	808	6109	2509	9537	-88

Spread	Apr-15		
Spot	227	--	--

(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 31 July, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jul-14	370	18650	19050	18450	19050	494	245	425	-378
Oct-14	-70	17340	17400	17280	17290	904	224	2203	-240
Nov-14	-40	16680	16750	16650	16650	281	-125	2453	285
Dec-14	-30	16530	16620	16520	16520	273	-11	2828	197

Spread	Jul-14	Oct-14	Nov-14	Dec-14	
Spot	--				
Jul-14		1760			
Oct-14			630		
Nov-14				130	

*Updated at 5:00 pm on 31 July, 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		31-Jul-14	30-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5250	5300	-50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5175	5250	-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	5050	5100	-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	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4750	5000	-250
Gondal	Shankar-6	4855	4855	Unch
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5150	5199	-49
Hubli	D.C.H.	-	-	-
Raichur	H-44 Cotton	4300	4520	-220
	Lint	(Rs./Mauud of 37.32kg each)		
Abohar	J-34	4200	4180	20
Muktsar	J-34	4250	4250	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4265	4240	25
Mansa	J-34	NA	NA	-
Sirsa	J-34	4140	4130	10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		31-Jul-14	30-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	1100	1700	-600
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	1700	Unch
Gondal	Shankar-6	166	454	-288
Bijapur	Bunny	186	344	-158
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	25	25	Unch
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
				30-Jul-14	29-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	38300	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38700	39000	-300
Shankar-6(105)	29mm	3.5 – 4.9	28	39700	40000	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41500	42000	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42400	42900	-500
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59500	-500

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 30/7/2014

Index	RMB/Ton	Change
CCIndex(328)	17147	-19
CCIndex(527)	16048	-3
CCIndex(229)	17798	-27

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

Cotlook Index: As on 30/7/2014

Cotlook Indices	Cents/Pound	Change
A-Index	80.4	-0.60

USDA Cotton Spot Rates: As on 29/7/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	70.44	74.19	NIL
North Delta	68.44	70.94	728
South Delta	68.44	70.94	NIL
East TX-OK	63.25	65.5	NIL
West Texas	63.25	65.25	NIL
Desert SW	63.44	70.19	NIL
SJ Valley	63.69	74.34	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 30/7/2014

Contract	Open	High	Low	Close	Change
Oct-14	64.76	64.76	63.07	63.34	-1.1
Dec-14	65.25	65.25	63.76	64	-1.01
Mar-15	65.87	66.08	64.65	64.84	-1.07
May-15	67.09	67.3	65.89	65.99	-1.18
Jul-15	68.21	68.4	66.99	67.1	-1.24
Oct-15	68.46	68.46	68.46	68.46	-1.15

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

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

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