

Domestic Fundamentals:

Market Outlook: Cotton spot market prices edged lower over lack of demand at higher levels. US Cotton No 2 futures gained by more than 1% till the time the report was written on the back of persisting dryness in the South west US. As there are good chance that the Haryana and Punjab will fall short of acreages as compared to last year MCX CPO 29mm Cotton futures also followed international prices.

In The News:

The weakening rupees is expected to propel the exports of cotton to 4 years as per estimate by CAI. India is expected to exports 7.5 million bales of cotton a 30% y-o-y rise. Bullishness in international prices has made Indian cotton more competitive. Till now from Oct 1st 2017 India has exported 6.3 billion bales. Last year India exported 5.82 million bales. Indian cotton is cheaper by 6-8 cents per pound in Vietnam and Bangladesh on CIF basis. Traders are estimating record low stocks of cotton at the end of the season and estimating to be at 2 million bales.

With Indian shipping industry relaxing the cabotage law the industry is expecting the cost of transportation to fall. The major benefit will be the textile industry in Coimbatore and they will be able to enjoy price discount of at least iNR 200 per bale against road transport. It is going to help in increase the textile production as well as the exports of yarn, textiles and garments.

In bid to circumvent the pink bollworm cycle Maharashtra state government is allowing seeds to be marketed which are of shorter duration. Further the state official is touring the main cotton area to look into sanitation for the fields before the sowing commence.

Sowing progress in Haryana is off mark and With ideal time for sowing already over by more than a week, Haryana has so far been able to achieve only 76 per cent of its target of cotton sowing. As on May 22 cotton had been sown on 4.97 lakh hectares against the target of 6.48 lakh. The sowing is low in Punjab as well as Haryana due to lower supplies of water in canal.

The BT cotton seed demand is not going to be impacted after recent rows of Monsanto with GOI. The substitutes is not readily available and farmers are more comfortable with BT seeds.

Maharashtra is ginners and pressing bales association are aggressively extension services to contain the pink boll worm attack after seeing Gujarat effectively managing the menace. The ginners association is availing help from major cotton institutes, including the South Asia Biotechnology Centre (SABC). We can expect better yield if the pest is managed properly.

At the demand prospects with Pakistan mulling over importing 20000 tons of cotton from Afghanistan, Indian exporters may face a setback. However aggressive imports demand from Bangladesh is expected to overshadow any fall in demand. Overall we can still expect year on year higher exports at the end of cotton season.

Pakistan is India's one of the major importers of cotton. The Pakistan govt lifted ban on Indian cotton last year after brief period of ban on political tensions. Pakistan is expected to import 460 thd bales in July and August. In 2017-18 Pakistan has imported 3.2 million bales. The annual requirement is around 15 million bales whereas production is around 10 million bales.

All India arrivals remain 50,000 to 60,000 bales per day. With limited arrivals ginners are willing to close mills for the season.

looking at the cotton arrival pace of around 45 k daily and also CAI report of 311 lk till 30 April i assume May arrival to be 15-16 lk bales and also reports coming from most of the cotton growing states that crop is coming to end.

Karnataka is targeting kharif cotton output of 1,541,000 bales in 2018-19 (Jul-Jun), higher than 1,178,000 bales produced a year ago, an official with the state farm department said.

International Fundamentals

In Pakistan the sowing of new season has been very slow due to lack of water. By end of mid may the sowing has been completed only in 1 third of the intended area. As per Pakistani officials the cotton was sowed on about 1.07 million hectares against the national target of 2.95 million hectares, showing progress of nearly 35 percent. In Punjab, cotton was sowed on only 31 percent of 2.31 million hectares, which was over 41 percent area planted in the corresponding period of last year. Cotton sowing should ideally be completed by mid-May in Sindh and by the end of the month in Punjab. Otherwise, cotton plants are susceptible to heat waves and attack of diseases, insects, and pests, which can impact yield.

The ministry of agriculture has set a target of producing 14.37 million bales from an area of 2.95 million hectares. Due to lower snow in the winter season the Indus river canals system is facing one of the worst water scarcity this season.

In US too there has been sever drought conditions despite of recent rains. However supportive prices is expected to witness acreages reaching to around 13.5 million acres a high by 7% from last year, but the same might not reflect in production due to yield compromise over drought conditions. The latest U.S. Drought Monitor showed nearly 13 percent of Texas is facing extreme drought. 4.6 percent is seeing exceptional drought, and the majority of that is parked in West Texas and the Panhandle.

China sold 30002.91 tons average price at 15385 Yuan/ ton, up 546 Yuan/ ton from previous day.

One of the world's largest cotton exporters, Uzbekistan is looking at Indian textiles companies for a possible collaboration. The former Soviet republic is likely to ink an agreement with the Union Textiles Ministry in this regard.

In US the planting has been done in 36% of the intended planting acreages ahead of 31% of last year and 5 year average as on 13th May. Last week rains in the South US region bettered the prospects of fast sowing of the season's cotton crop. This year the cotton acreages is expected to be up by 7% against last year and 35% up from 2016. Kansas, Oklahoma and Texas are projected to increase cotton acres this year by 40%, 16% and 6%, respectively. In its March Prospective Plantings Report, the USDA is estimating there will be 13.5 million acres of cotton. This is due to lower grain prices, lower availability of water and cotton re-entry in farm bill. In response the ginner are expanding capacity in US.

China sells 18,200 tonnes of cotton at auction of state reserves at average price of 14,450 yuan (\$2,280.76) per tonne, according to industry website cncotton.com. Sale represents 60.74 percent of total cotton available at the auction.

In Pakistan, Punjab Agriculture Department has asked farmers to grow cotton on maximum area as its demand is set to increase in 2018-19 due to various factors. In Pakistan sowing is underway amidst the shortage of irrigation water.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-18	130	21050	21180	21020	211510	1568	949	1719	-886
June-18	140	21340	21500	21320	21460	2343	1591	7667	937
Spread	Apr 18			-	-	-	-	-	-
Spot					-	-	-	-	-
May-18					-	-	-	-	-

(NB: Spread Basis = Spot- Near Month Future)

* Updated at 05:00 pm as on 22-May 2018

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	25-May-18	24-May-18	
Gujarat	Ahmedabad	Shankar-6	5600	5600	Unch
	Gondal	Shankar-6	5310	5250	60
	Rajkot	B.T. Cotton	5500	5490	10
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5125	5125	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	5315	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5250	5250	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	5150	5100	50
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	NA	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	NA	NA	-
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NR	NR	-
Maharashtra	Amravati	Mech-1	5250	5250	Unch
	Jamner	Medium Staple	NR	NR	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NR	5456	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5275	-
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	25-May-18	24-May-18	
Punjab	Bhatinda	J-34	4450	4430	20
	Abohar	J-34	4460	4440	20
	Mansa	J-34	4425	4415	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-

Haryana	Sirsa	J-34	4435	4415	20
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	25-May-18	24-May-18	
Gujarat	Ahmedabad	Shankar-6	23800	23800	Unch
	Gondal	Shankar-6	482	337	145
	Rajkot	B.T. Cotton	1000	1050	-50
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	15000	15000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	24	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	200	200	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	400	450	-50
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	NA	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	NA	NA	-
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NR	NR	-
Maharashtra	Amravati	Mech-1	700	900	-200
	Jamner	Medium Staple	NR	NR	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NR	2286	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	645	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	25-May-18	24-May-18	
Punjab	Bhatinda	J-34	680	680	Unch
	Abohar	J-34	213	255	-43

	Mansa	J-34	170	170	Unch
Haryana	Sirsa	J-34	170	340	-170
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				24-May-18	23-May-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	42400	42400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	42900	42900	Unch
J-34(202)	26mm	3.5 - 4.9	23	42100	41900	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39500	39400	100
Shankar-6(105)	29mm	3.5 - 4.9	28	42400	42300	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44000	43900	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45100	45000	100
DCH-32(107)	34mm	3.0 - 3.8	33	55700	55600	100

Cotton Seed Oil Prices

Centre	Unit	Price		Change
		25-May-18	24-May-18	
Rajkot	Rs. /10 Kg.	745	747	-2
New Delhi	Rs. /10 Kg.	735	735	Unch
Hyderabad	Rs. /10 Kg.	NR	NR	-
Mumbai	Rs. /10 Kg.	765	765	Unch

Cotton Seed Oil Seed Cake Prices

Centre	Unit	Price		Change
		25-May-18	24-May-18	
Mahesana (Kadi)	Rs./Qtl	1336	1309	27
Akola	Rs./Qtl	1308	1295	13

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 24-May-2018</u>		
Index	RMB/Ton	Change
CCIndex(328)	16012	-11
CCIndex(527)	14878	Unch
CCIndex(229)	16600	-2
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 24-May-2018</u>		
Index	Cents/lb	Change
FC Index (S)	98.17	-0.44
FC Index (M)	94.73	-0.45
FC Index (L)	93.78	-0.50

<u>Cotlook Index: As on 24-May-2018</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	94.45	-0.45

<u>USDA Cotton Spot Rates: As on 24-May-2018</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	87.96	90.21	54
North Delta	86.46	88.21	258
South Delta	86.46	88.21	NIL
East TX-OK	77.50	79.25	3167
West Texas	76.75	78.50	595
Desert SW	82.46	86.46	NIL
SJ Valley	82.96	91.86	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

<u>ICE Cotton Futures (Prices in cents/lb.): As on 24-May-2018</u>					
Contract	Open	High	Low	Close	Change
18-May	87.18	87.85	86.64	87.46	0.50
18-Jul	85.71	86.49	85.31	86.30	1.09
18-Oct	84.00	85.74	83.75	85.55	1.50
18-Dec	83.63	85.26	83.43	85.14	1.51
19-Mar	84.00	85.18	83.75	84.96	1.12
19-May	84.63	85.25	84.62	84.80	0.76

Pakistan Cotton Spot rates: As on 24-May-2018				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	7500	145	7645
Equivalent	40 Kgs	8038	155	8193

Disclaimer

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