

Domestic Fundamentals:

Market Outlook: Cotton spot market prices gained today amidst report of record low end stocks at the end of the season. US Cotton No 2 futures gained by more than 2% at the end of session 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:

According to the latest data from the department of Agriculture and Cooperation cotton sowing has so far come down by 30 per cent to 7.82 lha from 11.24 lakh hectare in 2017. The precariously low water storage levels in reservoirs used for irrigation could be one of the main reasons for tepid improvement in sowing. According to data released by the Central Water Commission, on Thursday the average water storage in 91 reservoirs monitored by it was 18 per cent as compared to around 20 per cent during the corresponding period last year.

Haryana has sown 4.5 lakh hectares against 5.078 lakh hectares of 5 year average as on date and 5.83 lakh hectares last year. Punjab has sown 2.48 lakh hectares against 3.648 of last 5 years and 3.44 in 2017. Both these states may result in net fall in acreages by nearly 1.5 lakh hectares against last year.

According to USDA's Prospective Planting report indicated acreage is going to be up 7% nationwide at 13.5 million acres. Kansas, Alabama and Oklahoma which are grain belts has seen crop shift towards cotton due to unprofitable wheat. Especially Kansas has witnessed 40% rise in cotton acreages.

China sells 30,008 tonnes of cotton at auction of state reserves on Friday at average price of 15,342 yuan (\$2,402) per tonne, according to industry website. Sale represents 100 percent of cotton available for auction.

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 ginneries 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 severe drought conditions despite of recent rains. However supportive prices are 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-18	100	21050	21180	21020	21120	512	-1056	2045	326
June-18	120	21340	21500	21320	21440	1242	-1101	4422	-3245
Spread	Apr 18			-	-	-	--	-	--
Spot					-	-	-	-	-
May-18					-	-	-	-	-

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

* Updated at closing 26-May 2018

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	26-May-18	25-May-18	
Gujarat	Ahmedabad	Shankar-6	5650	5600	50
	Gondal	Shankar-6	5445	5310	135
	Rajkot	B.T. Cotton	5555	5500	55
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5255	5125	130
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	5210	-
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	5230	5150	80
	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	NA	5250	-
	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	5485	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5250	-
Commodity	Lint		Prices (Rs./Maud)		Change
State	Centre	Variety	26-May-18	25-May-18	
Punjab	Bhatinda	J-34	4500	4450	50
	Abohar	J-34	4500	4460	40
	Mansa	J-34	4450	4425	25
	Muktsar	J-34	NR	NR	-

	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4490	4435	55
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	26-May-18	25-May-18	
Gujarat	Ahmedabad	Shankar-6	20400	23800	-3400
	Gondal	Shankar-6	379	482	-103
	Rajkot	B.T. Cotton	900	1000	-100
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	10000	15000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	33	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	300	200	100
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	400	400	Unch
	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	NA	700	-
	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	2024	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	307	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	26-May-18	25-May-18	
Punjab	Bhatinda	J-34	680	680	Unch

	Abohar	J-34	213	213	Unch
	Mansa	J-34	255	170	85
Haryana	Sirsa	J-34	340	170	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
				25-May-18	24-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	42300	42100	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39800	39500	300
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42400	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44300	44000	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45400	45100	300
DCH-32(107)	34mm	3.0 - 3.8	33	56000	55700	300

Cotton Seed Oil Prices

Centre	Unit	Price		Change
		26-May-18	25-May-18	
Rajkot	Rs. /10 Kg.	750	745	5
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
		26-May-18	25-May-18	
Mahesana (Kadi)	Rs./Qtl	1338	1336	2
Akola	Rs./Qtl	1320	1308	12

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 25-May-2018		
Index	RMB/Ton	Change
CCIndex(328)	16043	31
CCIndex(527)	14880	2
CCIndex(229)	16616	16
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 25-May-2018		
Index	Cents/lb	Change
FC Index (S)	98.67	0.50
FC Index (M)	95.23	0.50
FC Index (L)	94.28	0.50

Cotlook Index: As on 25-May-2018		
Cotlook Indices	Cents/Pound	Change
A-Index	94.95	0.50

USDA Cotton Spot Rates: As on 25-May-2018			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	89.71	91.96	NIL
North Delta	88.21	89.96	NIL
South Delta	88.21	89.96	NIL
East TX-OK	77.75	79.50	3387
West Texas	77.25	79.00	816
Desert SW	84.21	88.21	NIL
SJ Valley	84.71	93.61	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-May-2018					
Contract	Open	High	Low	Close	Change
18-May	87.69	89.69	87.15	89.21	1.75
18-Jul	86.05	87.73	86.05	87.52	1.22
18-Oct	85.40	86.85	85.35	86.65	1.10
18-Dec	85.15	86.34	84.92	86.24	1.10
19-Mar	84.90	86.15	84.86	86.07	1.11

19-May	84.78	85.98	84.75	85.97	1.17
--------	-------	-------	-------	-------	------

Pakistan Cotton Spot rates: As on 25-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

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2018 Indian Agribusiness Systems Pvt. Ltd.