

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 market is closed today and thus there is limited cues from overseas market. However MCX 29 mm cotton futures continue to rally with initial fall in acreages from Northern part of India.

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 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-18	130	21190	21260	21020	21370	738	226	1152	-893
June-18	120	21480	21580	21320	21650	1463	221	7909	3487

Spread	Apr 18								
Spot									
May-18									

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

* Updated at 5:05 PM 28-May 2018

NCDEX Stock & Fed Position					
Stocks	Grade	Demat	In-Process	Total	FED
		26-May-18	26-May-18	26-May-18	21-May-18
Delhi	M	-	-	-	-
Sangli	M	-	-	-	-
Sholapur	M	-	-	-	-
Kolhapur	M	-	-	-	-
Belgaum	M	-	-	-	-
Delhi	S	-	-	-	-
Sangli	S	-	-	-	-
Sholapur	S	-	-	-	-
Kolhapur	S	50	0	50	50
Belgaum	S	-	-	-	-

Sugar Futures ICE& LIFFE as on 25 th May,2018					
ICE Sugar Futures (In Cents/Pound)					
Contract	Open	High	Low	Close	+/-
July-18	12.22	12.48	12.16	12.46	0.08
Oct-18	12.56	12.78	12.49	12.76	0.06
Mar-19	13.41	13.62	13.34	13.60	0.05
LCE Sugar Futures (In US\$/MT)					
Contract	Open	High	Low	Close	+/-
Aug-18	351.30	353.00	347.20	351.40	Unch
Oct-18	346.60	348.00	342.40	347.20	0.60
Dec-18	351.20	352.80	347.30	352.40	1.10

Sugar Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			28-May-18	26-May-18	
Sugar	Delhi	M-Grade	3000	2950	50
	Delhi	S-Grade	2980	2930	50
Uttar Pradesh	Khatauli	M-Grade	2950	2970	-20
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	2800	2900	-100
	Dhampur	S-Grade Ex-Mill	2780	2880	-100
	Dhampur	L-Grade Ex-Mill	2850	2950	-100
Maharashtra	Mumbai	M-Grade	2980	2960	20
	Mumbai	S-Grade	2800	2780	20
	Nagpur	M-Grade	2875	2825	50

	Nagpur	S-Grade	2775	2725	50
	Kolhapur	M-Grade	2750	2700	50
	Kolhapur	S-Grade	2650	2600	50
Assam	Guhawati	S-Grade	2954	2903	51
Meghalaya	Shillong	S-Grade	2970	2920	50
Andhra Pradesh	Vijayawada	M-Grade	3140	3140	Unch
	Vijayawada	S-Grade	3080	3080	Unch
West Bengal	Kolkata	M-Grade	3130	3240	-110
Tamil Nadu	Chennai	S-Grade	2950	2900	50
Chattisgarh	Ambikapur	M-Grade (Without Duty)	NR	NR	-
	Ambikapur	S-Grade (Without Duty)	NR	NR	-

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

Jaggery (Gur) Prices at Key Spot Markets:					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			28-May-18	26-May-18	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2778	2750	28
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	2500	1500	1000
	Muzaffarnagar	Khurpa (Fresh)	2500	2463	38
	Muzaffarnagar	Laddoo (Fresh)	2750	2713	38
	Muzaffarnagar	Rascut (Fresh)	2513	2500	13
	Hapur	Chaurasa	Closed	2313	-
	Hapur	Balti	Closed	2500	-
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4400	4400	Unch
	Belgaum	Mudde (Average)	3000	3000	Unch
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur/Vijayapura	Achhu	2800	2800	Unch
	Gulbarga/Kalaburgi	Other (Average)	NA	2550	-
	Mahalingapura	Penti (Average)	NA	NA	-
	Mandya	Achhu (Medium)	3400	3400	Unch
	Mandya	Kurikatu (Medium)	3250	3250	Unch
	Mandya	Other (Medium)	3300	3300	Unch
	Mandya	Yellow (Medium)	NA	NA	-
	Shimoga/Shivamogga	Achhu (Average)	3700	3750	-50

Spot Prices of Sugar at NCDEX Delivery Centers:					
Centre	% Change over previous year	Today	Week ago	Month Ago	Year Ago
		28-May-18	21-May-18	28-Apr-18	27-May-17
Sugar S Grade					
Erode	-	NA	NA	NA	3970
Kolhapur	-29.49	2644	2550	2705	3750

Kolkata	-	NA	NA	NA	NA
Vashi	-	NA	NA	NA	NA
Sugar M Grade					
Delhi	-26.39	2895	2668	2695	3933
Erode	-	NA	NA	NA	4045
Kanpur	-28.25	2924	2725	2772	4075
Kolhapur	-28.86	2738	2550	2705	3849
Kolkata	-26.26	3005	2838	2857	4075
Muzaffar Nagar	-27.14	2840	2697	2719	3898
*NA: Not Available					

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