

## Domestic Fundamentals:

**Market Outlook:** Cotton spot market prices gained today over hangover of yesterday's impulsive rallies in international market. Today's ICE cotton futures are witnessing aggressive selling where traders are in profit booking mode. MCX 29 mm cotton was also trading low till the time the report was written.

### **In The News:**

Speculative buying has resulted in single day rally in US cotton without any immediate fundamentals. Drought over US has already been in the market for the past two weeks and this rally hasn't been supported by any immediate fundamentals in US nor other parts of the world. However a steady rise in prices is expected and all depends on the coming day's crop development and weather.

The south-west monsoon arrived in Kerala on Tuesday, three days ahead of its normal arrival date, even as the IMD warned of heavy to very heavy rainfall in parts of the state in the coming days.

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 1<sup>st</sup> 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.

### International Fundamentals

In US the crop on Mississippi is doing well against Texas due to much favorable weather. Cotton acreage has increased as the farmers has switched from grains. Further uncertainty over tariff on sorghum also has resulted in increase in cotton acreages.

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	22250	22250	22250	21500	857	509	95	-399
June-18	120	22500	22630	22630	21800	2549	-939	1086	-6733

Spread	Apr 18			-	-	--	--
Spot					-	-	-
May-18					-	-	-

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

\* Updated at 5:05 PM 30-May 2018

**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	30-May-18	29-May-18	
Gujarat	Ahmedabad	Shankar-6	5750	5750	Unch
	Gondal	Shankar-6	5580	5400	180
	Rajkot	B.T. Cotton	5645	5125	520
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NR	NR	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	5295	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5400	5250	150
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	5270	-
	Fatehabad	B.T. Cotton	5460	5360	100
	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	NA	-
	Jamner	Medium Staple	NR	NR	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	4320	4320	Unch
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	5798	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5300	-
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	30-May-18	29-May-18	
Punjab	Bhatinda	J-34	4670	4600	70

	Abohar	J-34	4670	4580	90
	Mansa	J-34	4650	4600	50
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4660	4580	80
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	30-May-18	29-May-18	
Gujarat	Ahmedabad	Shankar-6	17000	17000	Unch
	Gondal	Shankar-6	268	371	-103
	Rajkot	B.T. Cotton	950	900	50
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NR	NR	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	14	-
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	3000	-
	Fatehabad	B.T. Cotton	300	200	100
	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	NA	-
	Jamner	Medium Staple	NR	NR	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
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	2070	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	480	-

Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	30-May-18	29-May-18	
Punjab	Bhatinda	J-34	680	680	Unch
	Abohar	J-34	170	170	Unch
	Mansa	J-34	170	255	-85
Haryana	Sirsa	J-34	340	255	85
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
				29-May-18	28-May-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	42900	42400	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43400	42900	500
J-34(202)	26mm	3.5 - 4.9	23	43800	43000	800
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40800	40500	300
Shankar-6(105)	29mm	3.5 - 4.9	28	43700	43300	400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45000	44800	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45900	45900	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	57000	56600	400

**Cotton Seed Oil Prices**

Centre	Unit	Price		Change
		30-May-18	29-May-18	
Rajkot	Rs. /10 Kg.	745	750	-5
New Delhi	Rs. /10 Kg.	730	730	Unch
Hyderabad	Rs. /10 Kg.	NR	NR	-
Mumbai	Rs. /10 Kg.	760	765	-5

**Cotton Seed Oil Seed Cake Prices**

Centre	Unit	Price		Change
		30-May-18	29-May-18	
Mahesana (Kadi)	Rs./Qtl	1403	1407	-4
Akola	Rs./Qtl	1358	1356	2

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 30-May-2018</u>		
Index	RMB/Ton	Change
CCIndex(328)	16398	262
CCIndex(527)	15140	175
CCIndex(229)	16961	258
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 30-May-2018</u>		
Index	Cents/lb	Change
FC Index (S)	104.39	4.00
FC Index (M)	100.93	4.00
FC Index (L)	100.30	4.00

<u>Cotlook Index: As on 29-May-2018</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	96.70	1.75

<u>USDA Cotton Spot Rates: As on 29-May-2018</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	93.71	95.96	NIL
North Delta	92.21	93.96	NIL
South Delta	92.21	93.96	NIL
East TX-OK	81.75	83.50	4970
West Texas	81.25	83.00	78
Desert SW	88.21	92.21	NIL
SJ Valley	88.71	97.61	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

<u>ICE Cotton Futures (Prices in cents/lb.): As on 29-May-2018</u>					
Contract	Open	High	Low	Close	Change
18-May	89.69	93.21	89.57	93.21	4.00
18-Jul	90.07	91.52	90.07	91.52	4.00
18-Oct	86.90	90.65	86.85	90.65	4.00

<b>18-Dec</b>	86.45	90.24	86.43	90.24	<b>4.00</b>
<b>19-Mar</b>	86.24	90.07	86.24	90.07	<b>4.00</b>
<b>19-May</b>	86.10	89.97	86.10	89.97	<b>4.00</b>

<b>Pakistan Cotton Spot rates: As on 29-May-2018</b>				<b>(in Pakistan Rupees)</b>
<b>Product</b>	<b>Rate for</b>	<b>Ex-Gin Price</b>	<b>Up Country Sales</b>	<b>Spot Rate Karachi</b>
<b>Cotton</b>	<b>37.32 Kgs</b>	7400	145	7545
<b>Equivalent</b>	<b>40 Kgs</b>	7931	155	8086

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