

## Domestic Fundamentals:

**Market Outlook:** Kapas prices remained unchanged whereas cotton continued to gain in the back of cues from international market. Both ICE cotton and MCX cotton closed positive at the end of last day of trading session of this week.

### **In The News:**

Cotton-sowing season is almost over in Punjab, but the state is 30% short of its targeted area under the crop. Till May 29, sowing was recorded over only 2.83 lakh hectares, against the of 4-lakh-hectare target. Till the ideal time only 37% crop was sown thus making the rest of the crop vulnerable for white flies attack. This season the acreages is expected to reach 3 lakh hectares.

The agriculture ministry is weighing an option to mandate the textile industry to buy cotton and jute from farmers at least at the minimum support prices (MSPs) fixed by the Centre. The move is part of the efforts to make the government's promise of ensuring a 50.

Two options has been in discussion: 1. the Cotton Corporation of India (CCI) and the Jute Corporation have to buy the two crops at MSP everywhere and later sell it in the open market, 2. The mills are asked to buy at MSP and in return get some incentives.

Districts	Target Area	Sown are as on 29th May
Bathinda	140	110
Mansa	88.5	40
Muktasar	70	50
Fazilka	80	72
Sangrur	12	6.6
Barnala	6	4.4
Faridkot	3	1.1
Moga	0.5	0.64
Total	400	284
Thd Hectarers		

In 2017-18 season (October-September), the CCI has so far purchased 3,88,758 bales of cotton whereas it didn't procure any last year as prices were generally higher than MSPs.

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 Uzbekistan cold and dry weather has delayed the crop development as against last year and thus down the line is expected to negatively impact yield. Last year the country collected more than 2.9 million tons of raw cotton and is one of the top producers of cotton. This year the country's cotton was planted more than 1.7 million hectares, which is 135 thousand and 184 thousand hectares less than in 2017 and 2016. The reduction was due to the refusal of cultivation of this crop unprofitable for farmers fields with yields less than 15% per hectare.

In Pakistan according to official data, from a national target set of 7.28 million acres, around 62 percent could barely be brought under cotton crop till May 28th, 2018. Cotton plantation in Punjab wasn't as severely impacted by water shortage but could only be sown at 4.39 million acres or 77 percent of the targeted area set at 5.70 million acres. However, the cotton plantation in Sindh province has been hit hard by the water shortage and from a target of 1.50 million acres, around 0.68 million acres saw cotton sowing, posting a progress of around 46 percent. With most of the crop sown delayed the yield is expected to be compromised this season.

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 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
Jun-18	300	22010	22560	21960	22360	3148	1805	7343	-175
July-18	300	22300	22840	22250	22650	1393	820	1576	171

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

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

\* Updated at 5:05 PM 1-Jun 2018

**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	2-Jun-18	1-Jun-18	
Gujarat	Ahmedabad	Shankar-6	5750	5750	Unch
	Gondal	Shankar-6	5675	5620	55
	Rajkot	B.T. Cotton	5610	5665	-55
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5250	NR	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5100	5330	-230
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muksar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5250	5300	-50
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	NA	5380	-
	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	5729	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5380	-
<b>Commodity</b>	<b>Lint</b>		<b>Prices (Rs./Maund)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>2-Jun-18</b>	<b>1-Jun-18</b>	
Punjab	Bhatinda	J-34	4630	4610	20
	Abohar	J-34	4630	4610	20
	Mansa	J-34	4600	4600	Unch
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4620	4590	30
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

<b>Commodity</b>	<b>Kapas</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>2-Jun-18</b>	<b>1-Jun-18</b>	
Gujarat	Ahmedabad	Shankar-6	13600	17000	-3400
	Gondal	Shankar-6	240	402	-162
	Rajkot	B.T. Cotton	5000	1000	4000
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	2000	NR	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	19	57	-38
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	100	100	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	NA	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	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	1711	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	352	-
<b>Commodity</b>	<b>Lint</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>2-Jun-18</b>	<b>1-Jun-18</b>	
Punjab	Bhatinda	J-34	340	510	-170
	Abohar	J-34	NA	34	-
	Mansa	J-34	170	170	Unch
Haryana	Sirsa	J-34	NA	NA	-
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
				1-Jun-18	31-May-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	43000	42900	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43500	43400	100
J-34(202)	26mm	3.5 - 4.9	23	43900	43600	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41300	500
Shankar-6(105)	29mm	3.5 - 4.9	28	44200	44000	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45500	45200	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46300	46000	300
DCH-32(107)	34mm	3.0 - 3.8	33	57800	57500	300

Cotton Seed Oil Prices

Centre	Unit	Price		Change
		2-Jun-18	1-Jun-18	
Rajkot	Rs. /10 Kg.	740	740	Unch
New Delhi	Rs. /10 Kg.	730	730	Unch
Hyderabad	Rs. /10 Kg.	NR	NR	-
Mumbai	Rs. /10 Kg.	757	757	Unch

Cotton Seed Oil Seed Cake Prices

Centre	Unit	Price	Change
--------	------	-------	--------

		2-Jun-18	1-Jun-18	
Mahesana (Kadi)	Rs./Qtl	1463	1446	17
Akola	Rs./Qtl	1395	1387	8

### INTERNATIONAL PRICES AND INDICES

<b>China Cotton Index: As on 1-June-2018</b>			
Index		RMB/Ton	Change
CCIndex(328)		16752	141
CCIndex(527)		15405	88
CCIndex(229)		17266	117
RMB -Renminbi, 1RMB =0.16 \$U.S.			

<b>China Foreign Cotton (FCE) Index : As on 1-June-2018</b>		
Index	Cents/lb	Change
FC Index (S)	104.27	0.62
FC Index (M)	100.88	0.69
FC Index (L)	100.02	0.74

<b>Cotlook Index: As on 1-June-2018</b>		
Cotlook Indices	Cents/Pound	Change
A-Index	100.7	0.75

<b>USDA Cotton Spot Rates: As on 1-June-2018</b>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	93.80	96.05	NIL
North Delta	92.30	94.05	NIL
South Delta	92.30	94.05	NIL
East TX-OK	82.25	84.00	4383
West Texas	81.75	83.50	2217
Desert SW	88.30	92.30	NIL
SJ Valley	88.80	97.70	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			

<b>ICE Cotton Futures (Prices in cents/lb.): As on 1-June-2018</b>					
Contract	Open	High	Low	Close	Change
18-May	93.16	94.49	92.72	93.30	0.15
18-Jul	93.00	93.81	92.95	93.36	0.01

<b>18-Oct</b>	91.62	93.00	91.21	92.36	<b>0.72</b>
<b>18-Dec</b>	90.86	92.22	90.45	92.00	<b>1.14</b>
<b>19-Mar</b>	90.18	91.80	90.15	91.64	<b>1.16</b>
<b>19-May</b>	89.98	91.56	89.95	91.35	<b>1.10</b>

<b>Pakistan Cotton Spot rates: As on 1-June-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

### 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.