

## Domestic Fundamentals:

**Market Outlook:** Cotton spot market prices were noticed to firm on Monday.

**In The News:** Gujarat cotton prices of 29 mm, remained between 43800 to 44850 Rs/ candy.

All India cotton arrivals remain daily 40000 to 45000 bales. With limited arrivals ginneries are willing to close factory.

Cotton exports are expected to increase around 30 per cent in 2017-18 from its last year's level and may reach a four-year high of 7.5 million bales. The rise in shipment can be attributed to a soaring global prices and a weaker rupee (the rupee has fallen more than 6 per cent in 2018, making Indian cotton cheaper for overseas buyers).

Farmers in the country had sown cotton across 781,600 ha as of Thursday (24May) for the kharif season, down 30.5% on year, according to data from the farm ministry.

The fall in area under cotton can be attributed to a lag in sowing due to a delay in the harvest of rabi crops, following thunderstorms and rains in northern and eastern parts of the country. Cotton sowing is in its initial stages, with growers awaiting monsoon rains, traders said.

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.

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.

### International Fundamentals

In 2017/18, world cotton production is estimated at 26.6 million tonnes while world mill use is projected at 25.5 million tonnes, which represents the third consecutive season of growth in demand for cotton.

As a result, world ending stocks are forecasted to decrease to 18.3 million tonnes representing the fourth consecutive season of diminishing global reserves.

The decline occurs within China where stocks at the end the 2017/18 season are projected down to 8 million tonnes. Stocks held outside of China are projected up to 10.3 million tonnes, a continuous increase over the past four consecutive seasons.

At International front there is expected fall in acreages in Pakistan this season. Further the crop development is also not satisfactory which is indicating y-o-y lower crop from Pakistan. In Uzbekistan another leading cotton producer has witnessed cool and drier conditions which has depressed the cotton production estimates. In US too persistent drought has resulted in market speculations of the y-o-y lower crop.

Thus early estimates of lower global production for the coming marketing year is expected to remain supportive for prices in coming months.

The China Cotton Association sought to calm market volatility on Monday, telling investors supplies were sufficient and revealing government plans to allow for more imports in the near future. The comments from the association, which lobbies the government on behalf of cotton farmers and processors, follow a rally that has driven domestic cotton futures up nearly 18 percent since early April.

China will from Monday ban non-textile companies from buying cotton from 2017/18 state reserve auctions, the country's cotton industry website cottonchina.org said on the weekend.

Data obtained from the Sindh agriculture department shows that only around 45 per cent (269,000 hectares) of the cotton sowing target had been achieved by end May while Sindh was pursuing a cotton cultivation target of 620,000ha.

Cotton price experienced extreme volatility without a major change in cotton supply/demand recently. This is quickly followed by a jump in reserve selling and a growing tension in the market. China Cotton Association, after investigation and communication with relevant departments, has concluded that government has sufficient reserve supplies for auction, and at the meantime, it is also workable to maintain a steady cotton supply by issuing additional import quota. There is no supply tension in China.

Cotton production will be stable in 2018. Cotton sowing areas is steady in 2018 and acreage will increase further in Xinjiang. Recent inclement weathers are largely comparable to previous years and given an earlier-than-usual outbreak, the general impact on crop size should be limited. By the end of May, cotton replanting has completed and new crop is progressing normally with a better emergence compared with a year ago. Given a normal weather condition in the coming months, Xinjiang will still harvest a big crop.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jun-18	190	22460	22620	22380	22550	1609	-1539	7358	15
July-18	190	22800	22910	22680	22840	454	-939	1712	-164

Spread	June 18		-	-	--	--
Spot				-	-	-
jun-18	-290			-	-	-

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

\* Updated at 05:00 pm as on 04-June 2018

**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	4-Jun-18	2-Jun-18	
Gujarat	Ahmedabad	Shankar-6	5750	5750	Unch
	Gondal	Shankar-6	5600	5675	-75
	Rajkot	B.T. Cotton	5855	5610	245
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5250	5250	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	5100	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5450	5250	200
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	5525	NA	-
	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	5800	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5400	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	4-Jun-18	2-Jun-18	
Punjab	Bhatinda	J-34	4670	4630	40
	Abohar	J-34	4670	4630	40
	Mansa	J-34	4650	4600	50
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4665	4620	45
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	4-Jun-18	2-Jun-18	
Gujarat	Ahmedabad	Shankar-6	13600	13600	Unch
	Gondal	Shankar-6	537	240	297
	Rajkot	B.T. Cotton	3800	5000	-1200
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	1000	2000	-1000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	NR	19	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	300	100	200
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NR	NR	-
	Fatehabad	B.T. Cotton	100	NA	-
	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	1311	-
	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>4-Jun-18</b>	<b>2-Jun-18</b>	
Punjab	Bhatinda	J-34	NA	340	-
	Abohar	J-34	NA	NA	-
	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
				2-Jun-18	1-Jun-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	43200	43000	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43700	43500	200
J-34(202)	26mm	3.5 - 4.9	23	44200	43900	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41800	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	44500	44200	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45500	45500	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46300	46300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	57800	57800	Unch

**Cotton Seed Oil Prices**

Centre	Unit	Price		Change
		4-Jun-18	2-Jun-18	
Rajkot	Rs. /10 Kg.	730	740	-10
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
		4-Jun-18	2-Jun-18	
Mahesana (Kadi)	Rs./Qtl	1533	1463	70
Akola	Rs./Qtl	1426	1395	31

**INTERNATIONAL PRICES AND INDICES**

<u><b>China Cotton Index: As on 4-June-2018</b></u>		
Index	RMB/Ton	Change
CCIndex(328)	16900	148
CCIndex(527)	15501	96
CCIndex(229)	17399	133
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u><b>China Foreign Cotton (FCE) Index : As on 4-June-2018</b></u>		
Index	Cents/lb	Change
FC Index (S)	104.49	0.22
FC Index (M)	101.10	0.22
FC Index (L)	100.27	0.25

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

<u><b>USDA Cotton Spot Rates: As on 1-June-2018</b></u>			
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.): Ason1-June-2018</b>					
<b>Contract</b>	<b>Open</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Change</b>
<b>18-May</b>	93.16	94.49	92.72	93.30	<b>0.15</b>
<b>18-Jul</b>	93.00	93.81	92.95	93.36	<b>0.01</b>
<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 on4-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

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