

## Domestic market summary

**Domestic market Scenario:** Cotton spot markets mostly noticed firm during the month. Average price of Lint at Sirsa during the month was Rs. 4743 per maund (of 37.32 Kg each), compared to the previous month price of Rs 4406. Cotton fiber (Shankar-6) prices noticed firm tone this month. Average price was Rs 46253 per candy (of 355.6 kg each) during the month, which was Rs 42246 per candy previous month.

**Monthly Price Outlook :** In the coming month we expect Kapas price to remain to firm with the price band of Rs 5500-6600 per quintal in the Rajkot market. Lint price at Sirsa is likely to be in range of Rs 4000-5000 per maund.

### **Major Market Highlights:**

- Agriculture Ministry Raised Cotton MSP by Rs 1130/ quintal for 2018-19 season for long staple it is Rs 5450/Qtl and Rs 5150 for Medium staple cotton.
- The rise in cotton MSP may be good news for farmers, but raises concerns for the consuming industry, considering that the base price of the white fibre will go up in the next cotton year. Cotton acreage is bound to go up by 10-15 per cent in the next season, an industry source opined.
- The projected yearly Balance Sheet for the Season 2017-18 drawn by the CAI has estimated total cotton supply till end of the season i.e. upto 30<sup>th</sup> September 2018 at 416 lakh bales of 170 kgs. each which includes opening stock of 36 lakh bales at the beginning of the season. The CAI has estimated domestic consumption for the season at 324 lakh bales while the exports are estimated to be 70 lakh bales. The carry-over stock at the end of the 2017-18 season is estimated by the CAI at 22 lakh bales.
- Gujarat cotton prices of 29 mm remained between 47,100 to 47,400 Rs/candy.
- All India arrivals remain daily 10,000 to 13,000 bales. With limited arrivals most ginning mills are closed.
- Sowing of Cotton has been completed 0.46 lakh hectares in Andhra Pradesh till June 27. Last year the crop was sown in 1.45 Lakh hectares in the same time frame. Lull period post monsoon arrival didn't help in providing enough moisture to hasten the sowing. In Southern peninsular India the sowing window extends up to September depending on the rainfall. Any delay in sufficient rain also delays the sowing campaign of cotton.
- According to trade sources, at the moment mills in Gujarat are running with very low stock of cotton and few mills are running hands to mouth. Only few mills have 10 to 60 days stocks as per their financial capacity. Even if one considers 35-40 days average stock with Gujarat mills, it implies that current stock will run up to 30 July.
- As per Gujarat government records, as on today there are 40 lakh new spindles and 15 lakh old spindles so in total 55 lakh spindles of spinning mills are running on cotton. As per one Gujarat spinning mill owner, in Gujarat mills yearly consumption of cotton is around 70-72 lakh bales and monthly consumption is 6 lakh bales, now few more mills are in under construction.
- As per CAB latest report, last year India's cotton export was 58.21 lakh bales and cotton import was 30.94 lakh bales. So last year's export and import deficit was 27.27 lakh bales, but this year export expected is



70.00 lakh bales and import is 15.00 lakh bales so this year deficit will be doubled at 55.00 lakh bales. So for Indian mills the availability of 55.00 lakh bales will be less this year and this is the reason for Indian market to go up 40000 to 48000/candy.

- The total cotton sown area as on 29<sup>th</sup> June 2018, as per reports received from States, stands at 32.20 lakh hectare as compared to 46.10 lakh hectare at this time last year. Cotton exports crossed 65 lakh bales up to 17 June and still there is good demand for Indian cotton at 93 to 95 cents ie 51000 fob. Even now everyday 5-10 thousand bales are going in exports per day.
- Punjab though has witnessed fall in y-o-y acreages and sowing has been carried out in 2.84 lakh hectares against 3.82 lakh hectares last year. Sowing window in Haryana and Punjab is closed. Thus the acreages have significantly recovered against initial apprehensions.
- Cotton prices are on the upswing in country, having moved up by Rs. 100 to 300 per quintal in past 10 days on the back of good export demand and rising international rates of the commodity precipitated by adverse weather conditions in US and China.
- According to Joint Director, Agriculture Department Punjab, the state has registered only 2.84 lakh hectares under cotton acreage till May 28. The acreage in the state may barely touch 3 lakh hectares as compared to 3.83 lakh hectares last year and much below the agriculture department's target of 4 lakh hectares.

#### Domestic Cotton Balance sheet

Supply	2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Opening Stock	36.50	30.00	30.00	97.06	163.23	109.84
Production	337.25	362.00	163.80	152.88	34.76	15.56
Imports	27.00	22.00	3.00	9.00	4.00	6.00
Total Supply	400.75	414.00	196.80	258.94	201.99	131.40
<b>Demand</b>						
Mill	265.00	275.00	65.53	69.77	70.45	69.63
Small mill	27.00	30.00	6.86	7.50	7.85	7.70
Non Mill	15.75	15.00	3.75	3.75	3.75	3.75
Total Consumption	307.75	320.00	76.14	81.02	82.05	81.08
Exports	63.00	70.00	23.60	14.70	10.10	6.60
Total Consumption	370.75	390.00	99.74	95.72	92.15	87.68
<b>Ending Stocks</b>	30.00	24.00	97.06	163.23	109.84	43.71

Annual Production, consumption and Export figures are sourced from Cotton Association of India (CAI).

\*\*Quarterly Balance Sheet figures estimated by Agriwatch.

#### Balance Sheet Highlight (2017-18):

As per the latest estimates by CAI, cotton output in country during the season 2017-18 would be around 362 lakh bales (of 170 kg each) which is higher compared to production of last season.

Following higher production, cotton imports will rise marginally to 22 lakh bales compared to 27 lakh bales in previous season.



Due to lower opening stock, imports, and higher production of cotton availability would be standing higher this season at 414 lakh bales compared to 400 lakh bales during the previous season.

Total domestic consumption (Including mill, small mill and non-mill consumption) would be around 320 lakh bales compared to 307 lakh bales during the previous season.

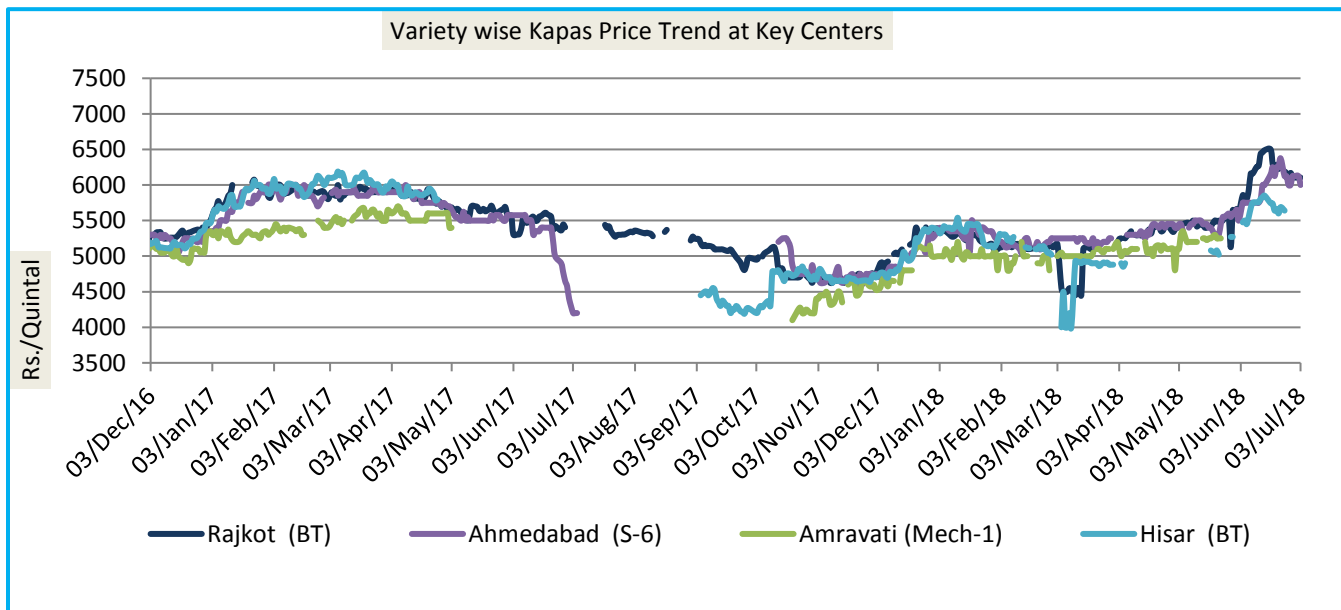
Cotton exports are expected to remain higher as that of previous year. It is expected that country would export around 70 lakh bales of cotton in the season 2017-18.

Ending stocks are expected to be around 24 lakh bales, it is lower compared to the ending stocks of previous season.

## Domestic Cotton Prices Scenario

### Domestic Cotton Prices Scenari

### Kapas (Raw Cotton) Weekly Price Scenario



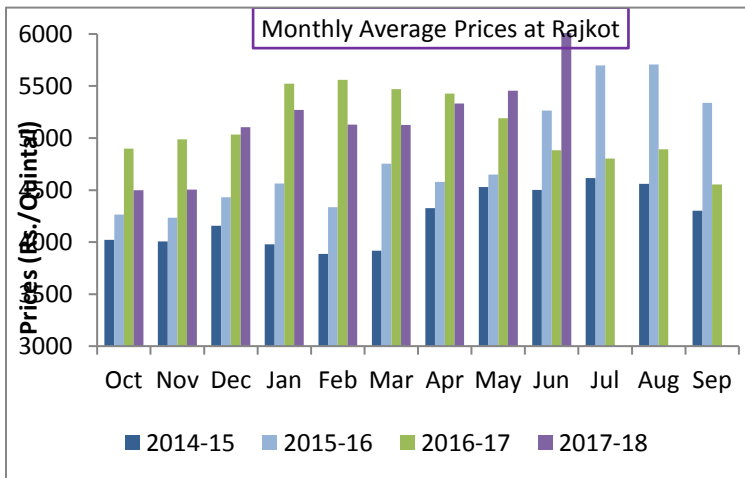
**Monthly Price Review:** Monthly kapas average price at Rajkot rose from Rs 6136 /quintal this month.

According to latest report of USDA attaché, India's 2017/18 cotton production forecast is 30.00 million 480 lb. bales on higher acreage of 12.20 million hectares. Higher yields are expected through a combination of better crop, pest, and weed management practices and assuming a normal monsoon

**Monthly Price Outlook:** Kapas prices are expected to remain range-bound to firm in coming days. The expected range for Kapas at Rajkot is Rs 5500-6500 per quintal for the coming month.



### Kapas Monthly Y-o-Y Price Scenario

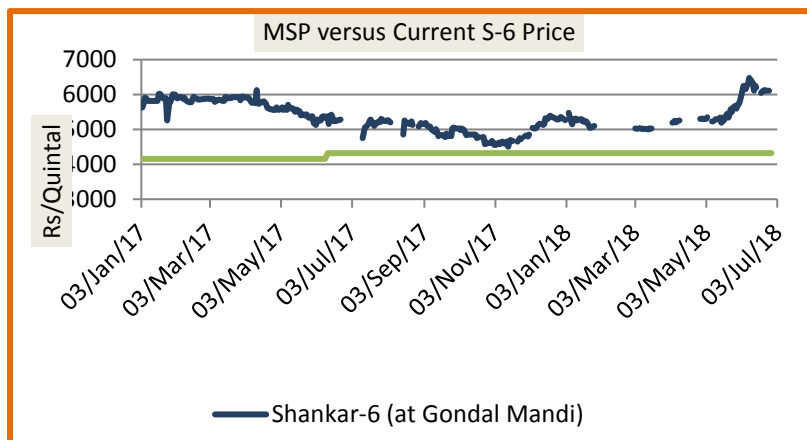


Kapas(seed cotton) prices in country noticed firm tone during the June month when compared to the previous month, and the same is ruling higher compared to the prices during the corresponding month of the previous season.

Monthly average price of Kapas at Rajkot remained Rs.6136 per quintal during May, which was Rs. 5445 during previous month and Rs. 4882 per quintal during the corresponding month last year. We expect Kapas prices to remain to

firm in the coming month. The expected price range for July month is likely to be Rs 5500-6500 per quintal.

### Spot Price versus MSP

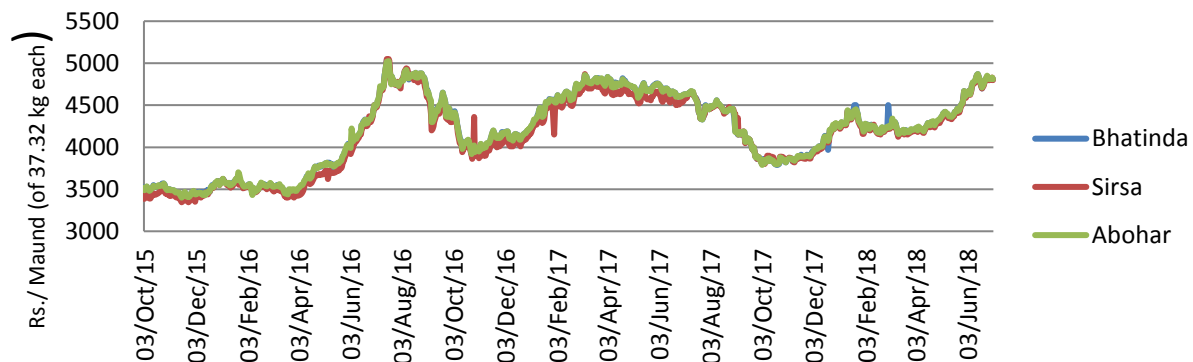


The Kapas prices are ruling above the MSP so far. The gap between the two prices has increased this month. The average gap between the prices was Rs 1746 compared to Rs 1006 a month earlier. This indicates prices are increasing.

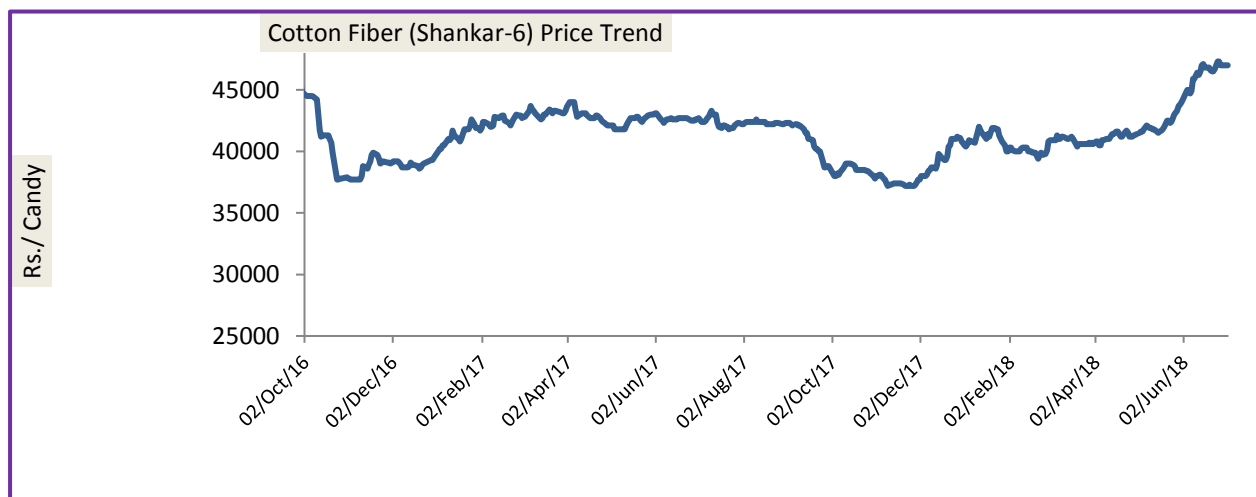
### Lint price Outlook

Lint prices remained firm during the month owing to tight tone prevailing in market. Monthly average price of Lint at Sirsa remained Rs.4743 per maund of 37.32 kg each, higher compared to the previous month price of Rs. 4406 per maund.

### Lint Price Trend at Key Centers



### Cotton Fiber price Outlook



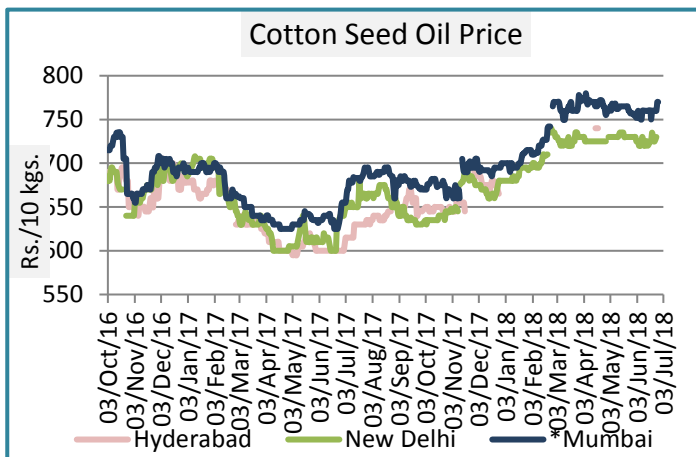
Cotton fiber noticed up trend in this month compared to the previous month amid good demand in domestic and international market. Monthly average price of Shankar-6 during was Rs. 46253 per candy, which was Rs. 42246 previous month and around Rs 42648 per candy during the corresponding month previous season. We expect cotton fiber to remain in range of Rs 43000 -47000 per candy in the coming month.



## Cotton Seed Oil and Cotton Seed Oil Cake

### Cotton Seed Oil monthly Price Scenario

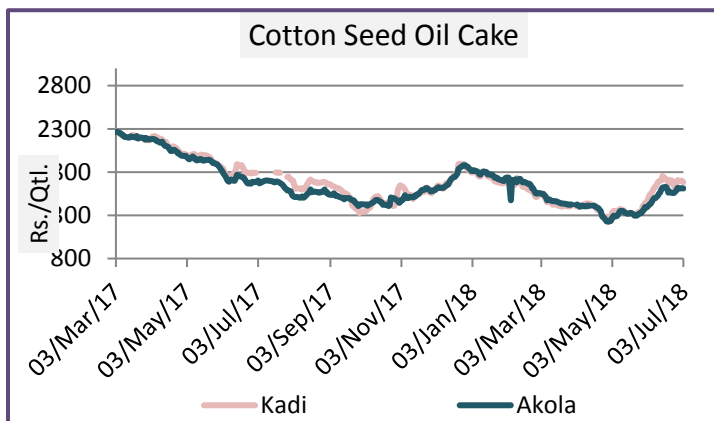
Cotton seed oil price noticed firm tone during the month. monthly average price in New Delhi is Rs729 per 10 Kg, higher compared to the monthly average price of Rs 727 per 10 Kg in previous month.



Centers	Weekly Average Price as on (Rs/10 kg.)		% Change
	June	May	
New Delhi	726	729	-0.41
Rajkot	740	745	-0.67
Hyderabad	NA	NA	NA
Mumbai*	756	763.52	-0.98

### Cotton Seed Oil Cake Monthly Price Scenario

Cotton seed oil cake price noticed firm tone during this month. Monthly average price in Akola remained Rs 1540 per quintal, lower compared to the monthly average price of Rs 1315 per quintal in the previous month



Centers	Monthly Average Price as on (Rs/quintal.)*		% Change
	June	May	
Kadi	1647	1342	22.73
Akola	1540	1315	17.11

\*Source: NCDEX

### International Market Scenario

International cotton prices remained firm during the month. Cotlook A index monthly average stood at 97.52cents/pound this month, which was 94.48 cents/pound during last month.

**Major Market Highlights:**

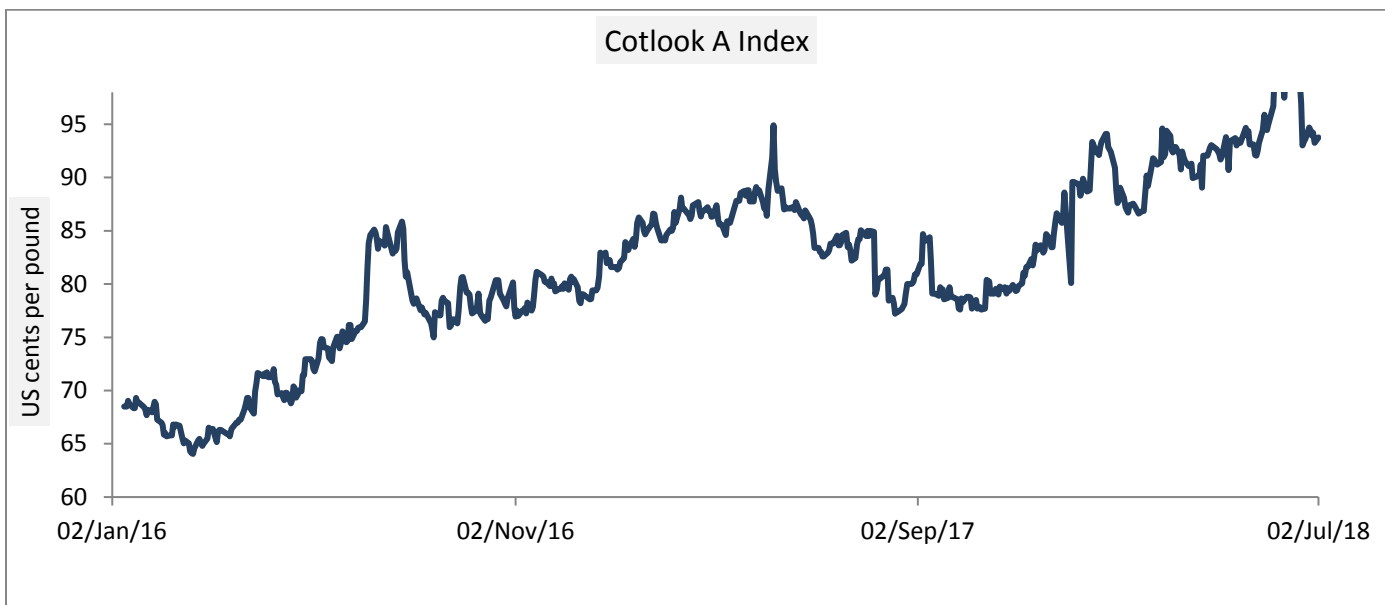
- In 2017/18, world cotton production is estimated at 26.6 million tonnes while world mill use is projected at 25.5 million tonnes, which represents the third consecutive season of growth in demand for cotton. As a result, world ending stocks are forecasted to decrease to 18.3 million tonnes representing the fourth consecutive season of diminishing global reserves. The decline occurs within China where stocks at the end of 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.
- According to China Cotton Association survey, China cotton plantings are seen falling by 4% in 2018-19 to 2.8 million hectares as farmers respond to lower prices of last year. Pakistan has missed cotton sowing targets, largely in Sindh, due to acute water shortage amid climate change. The situation may lead to low cotton production compared to the target of 14 million bales in the next season (2018-19) as well. Farmers have so far sown cotton seeds over 2.31 million hectares in the country, which is around 22% short of the target of 2.95 million hectares as on June 1, according to government statistics.
- In Pakistan raw cotton exports from the country during 11 months of current financial year grew by 32.66 percent as against the exports of the corresponding period of last year. According to the latest data released by the Pakistan Bureau of Statistics, during the period from July-May, 2017-18, country exported about 34,969 metric tons of raw cotton as compared to the exports of 25,349 metric tons last year.
- U.S. President Donald Trump announced that the United States would put a 25% tariff on \$50 billion of Chinese goods. In retaliation China has said it will impose import duty of 25% on 659 U.S. goods, ranging from soybeans and autos to seafood, worth \$50 billion in annual trade. The list includes cotton as well. This has resulted in an aggressive fall in US Cotton in the past week and also led to weakness in Indian cotton as it is benchmarked with the former.
- Weakness in Indian cotton prices given the above scenario seems temporary, as the trade spat between US and China is going to benefit export prospects of Indian cotton. Trade bodies are expecting exports in 2018-19 in the tune of 10 million bales and in the current season they are eyeing exports of 7 million bales.
- Further with Chinese inventories of cotton down, the country has granted permission for additional import of 800,000 tonnes of cotton over its quota for the first time in 5 years. The import in China fell from 5 million tons to 1 million tons after phased release of state cotton stockpiles. However in 2019-20 China is expected to import 2-3 million tons (10-15 million bales). In 2018-19 the country is expected to import 5 million bales. A weak Indian rupee also has kept the Indian cotton export prospects bright.



## Cotlook A Index

Cotlook A index remained firm during the month.

Cotlook A Index	Monthly Average Price as on		% Change
	June	May	
Prices	97.52	94.48	3.22
Prices in US cents per Pound			



## China Cotton Index and Foreign Cotton Index

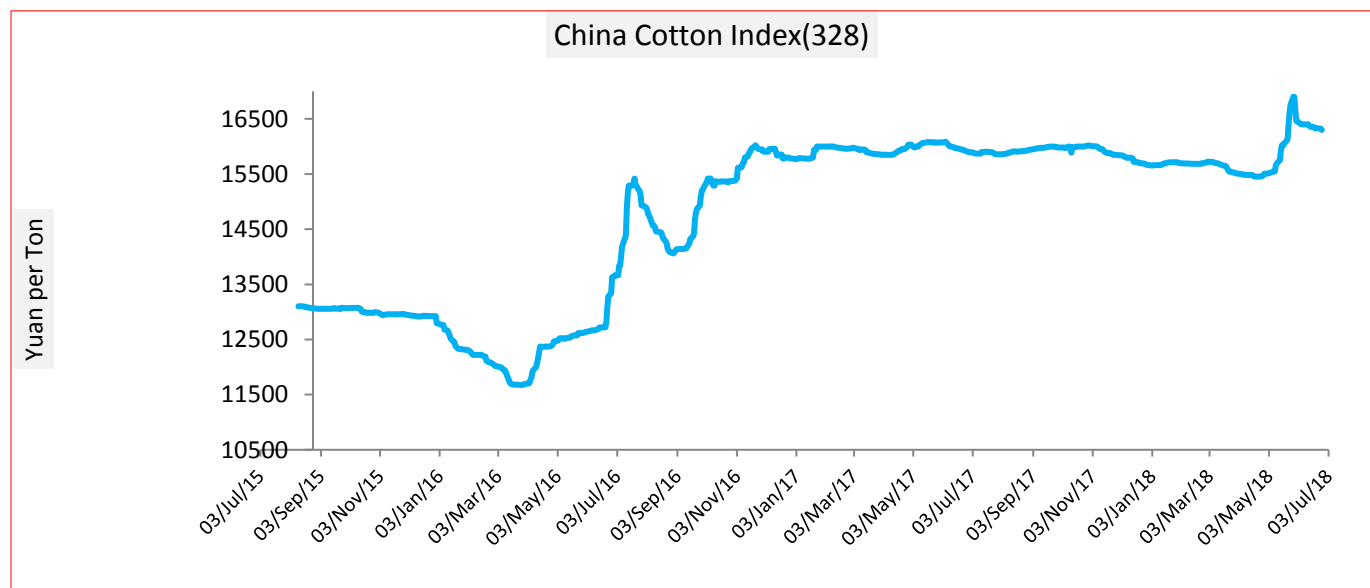
According to the National Bureau of Statistics, cotton production in China declined by 4.6 per cent in 2017 to 5.34 million tons compared to the previous year. Production has declined amid decline in acreage and yields. Acreage has declined by 11.1 per cent to 3.38 million hectares. Yields of cotton declined by 260,000 tons to 5.34 million tons. In 2017, China's cotton yarn import declined by 30 per cent y-o-y to 960 mkg worth US\$2430 million. According to report released by [www.yarnsandfibers.com](http://www.yarnsandfibers.com) (YarnsandFibers), imports from India declined by 49 per cent to US\$560 million for 231 mkg. Price-wise, Pakistan was the cheapest supplier of cotton yarn for China, followed by India and then by Vietnam.



Cotton Index	Monthly Average Price as on		% Change
	June	May	
FC (S)	102.26	98.56	3.75
FC (M)	99.58	95.4	4.38
FC (L)	98.32	94.44	4.11
Prices in US cents per Pound			

China Index remained firm during the month. CC Index (328) remained 16462 Yuan per ton during the week. Average was 15768 Yuan per ton during previous week.

Cotton Index	Monthly Average Price as on		% Change
	June	May	
CCIndex(328)	16462	15768	4.40
CCIndex(527)	15209	14713	3.37
CCIndex(229)	17040	16381	4.02
Prices in Yuan per ton			

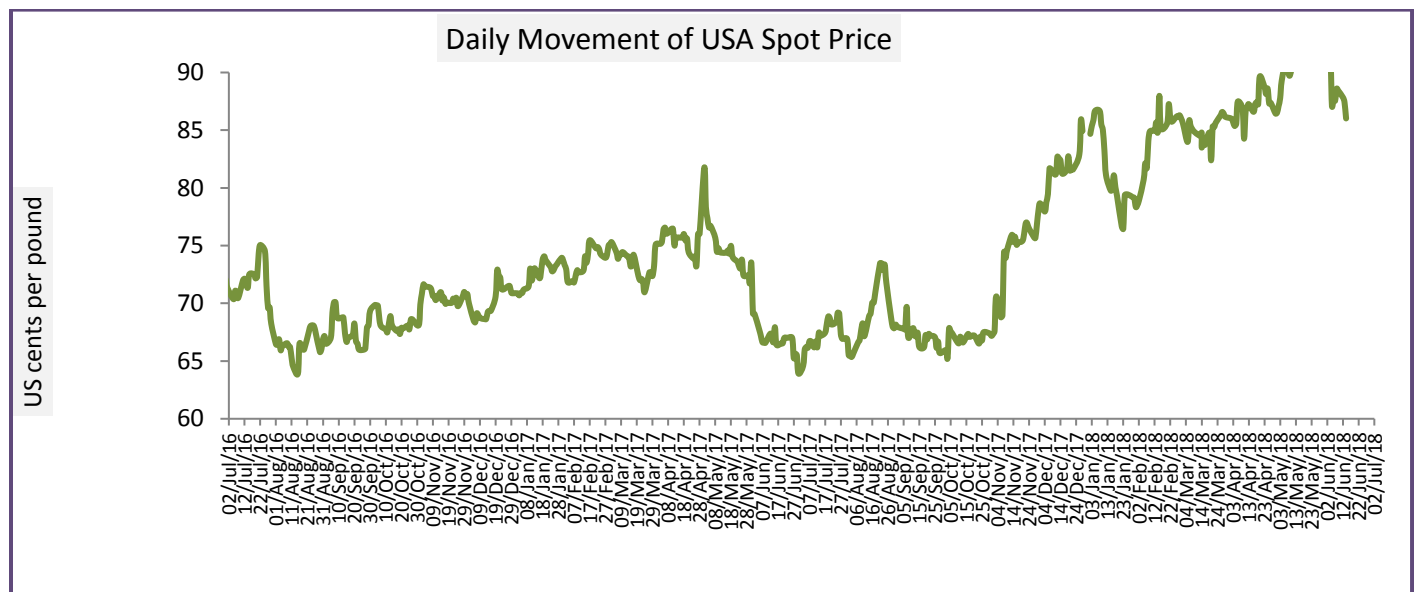




### USA Spot Prices

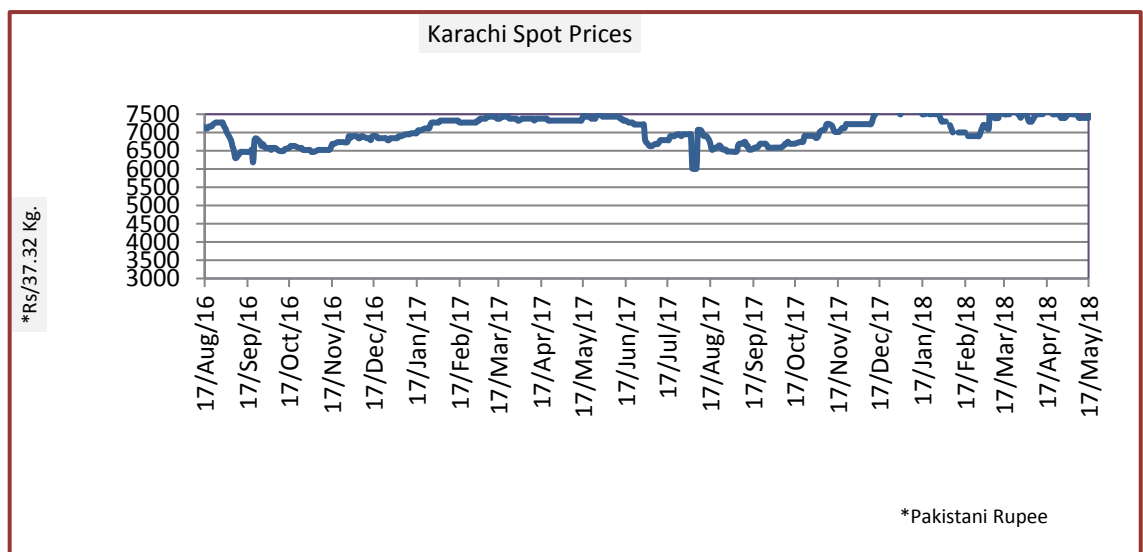
As per the United States Department of Agriculture (USDA) estimates, India has surpassed China's cotton production to become the largest cotton producing country with 365 lakh bales of production. India is followed by China (353 lakh bales), the U.S. (273 lakh bales), Pakistan (105 lakh bales) and Brazil (103 lakh bales).

USA Spot Prices	Monthly Average Price as on		% Change
	June	May	
Prices	92.54	89.2	3.74
Prices in US cents per Pound			



### Pakistan Spot Prices

Annual growth output of Cotton in Pakistan has increased to 12.3 per cent amid higher arrivals of seed cotton during the period October 01-15, 2017. Pakistan has harvested 8.134 million bales of cotton up to October 31,

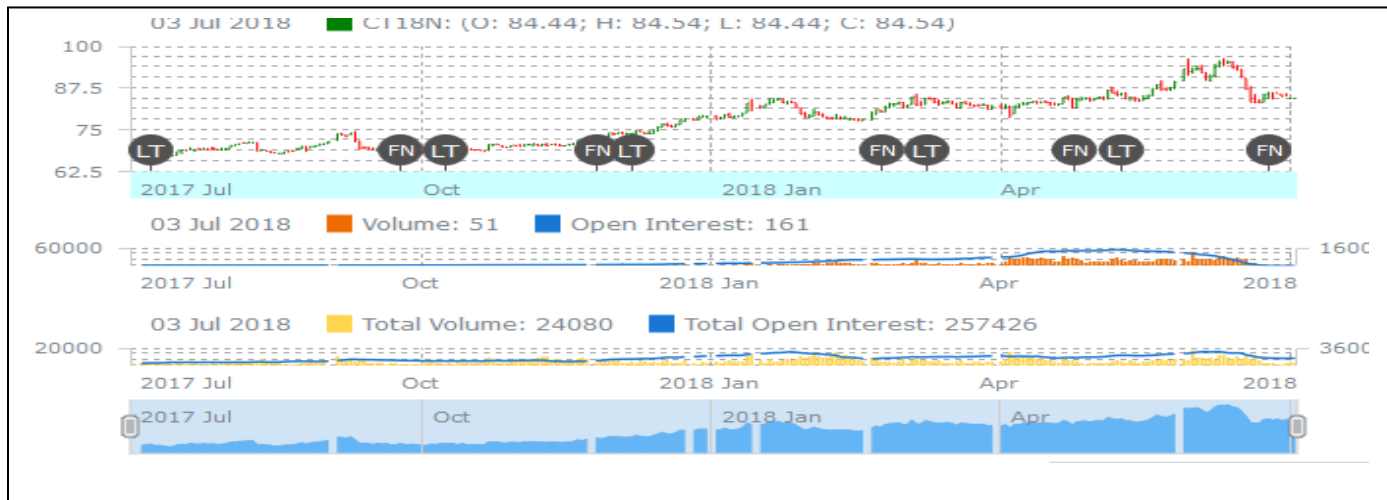




2017 according to data released by the Pakistan Cotton Ginners Association. Seed cotton arrivals during the same period increased by 3 per cent to 389,490 bales. According to the latest estimates, Pakistan is expected to produce 9.15 million bales during the current season.

Karachi Spot Prices	Monthly Average Price as on		% Change
	June	May	
Prices	7681	7521	2.13
Prices in Rs per 37.32 Kg			

### Technical Analysis of Cotton Future (July '18 Contract) at ICE



#### Weekly Technical Outlook:

- Candlesticks denote bullish movement in the market.
- Volume decreased while Open Interest increased.
- We expect cotton prices to remain sideways to weak in the coming month.

#### Expected Price Range During Coming month

Expected Trend	Expected Trading Band
Range bound to Bearish Momentum	80.00-95.00

#### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
80.00	70.00	110.00	100.00
Figures in US cents/pound			

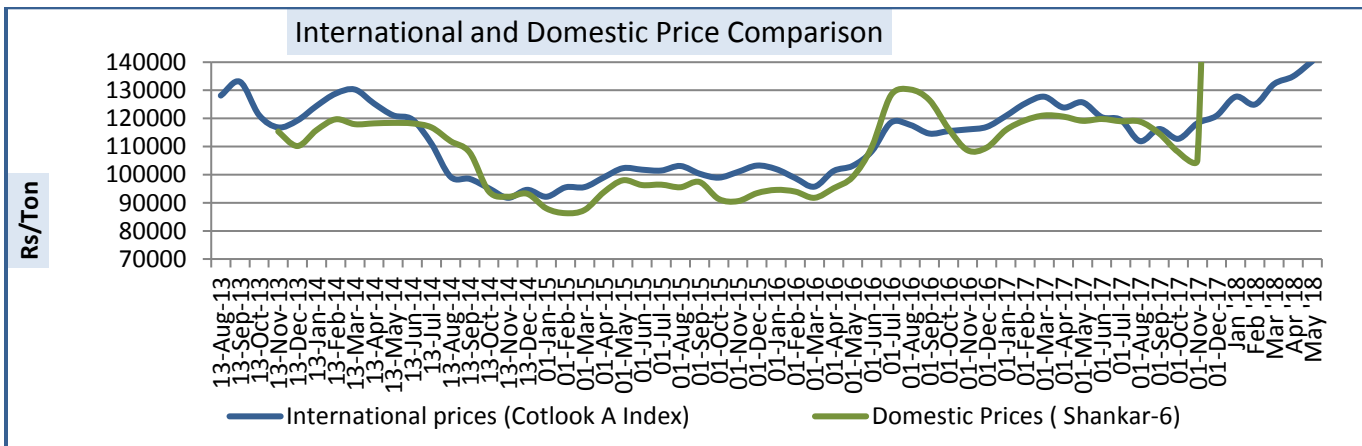


## Cotton Future Prices at IC

### Cotton Future Prices

Contracts	27-June-18	Week Ago	Month ago	Year Ago	%W-o-W change	%M-o-M change	%Y-o-Y change
01-Jul-18	85.75	83.21	89.21	68.49	3.05	-3.88	25.20
01-Oct-18	85.96	85.36	87.52		0.72	-1.78	
01-Dec-18	84.87	84.18	86.65		0.81	-2.05	
01-Mar-19	84.41	83.99	86.24		0.50	-2.12	
01-May-19	84.39	84.04	86.07		0.42	-1.95	
01-Jul-19	84.44	84.15	85.97		0.35	-1.78	

### International and Domestic Price Comparison



### Domestic Cotton Prices and Arrivals at Key Centers

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Monthly Prices Average (Rs./Quintal)		Change
State	Centre	Variety	June,2018	May,2018	
Gujarat	Ahmedabad	Shankar-6	6028	5506	522
	Gondal	Shankar-6	6066	5327	739
	Rajkot	B.T. Cotton	6136	5455	681
	Patan	B.T. Cotton	NA	5412	-
	Kadi	B.T. Cotton	5425	5210	215
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5634	5113	521
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	5740	5163	577
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5716	5097	619
	Fatehabad	B.T. Cotton	5780	5145	636
	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	5200	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	NA	5201	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	4306	4454	-149
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	6054	5439	615
	Hubli	D.C.H.	3833	3251	583
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5581	5254	326



Commodity	Lint		Monthly Prices Avg. (Rs./Maund of 37.32kg each)		Change
State	Centre	Variety	June,2018	May,2018	
Punjab	Bhatinda	J-34	4755	4426	329
	Abohar	J-34	4759	4431	328
	Mansa	J-34	4738	4396	342
	Muktsar	J-34	NA	NA	-
	Fazilika	J-34	NA	NA	-
Haryana	Sirsa	J-34	4743	4407	337
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

#### Cotton Arrivals in Key Centers:

Commodity	Kapas		Monthly Sum Arrivals (Quintal)		Change
State	Centre	Variety	June,2018	May,2018	
Gujarat	Ahmedabad	Shankar-6	213010	678300	-465290
	Gondal	Shankar-6	6734	8024	-1290
	Rajkot	B.T. Cotton	22712	30100	-7388
	Patan	B.T. Cotton	NA	27653	-
	Kadi	B.T. Cotton	34500	490000	-455500
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	360	590	-230
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	5500	6050	-550
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	3427	30200	-26772
	Fatehabad	B.T. Cotton	3060	10500	-7440
	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	1000	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	NA	19100	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	1556	-
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	26316	27033	-717
	Hubli	D.C.H.	11	57	-46
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	4697	7075	-2378
Commodity	Lint		Monthly Sum Arrivals (Quintal)		Change
State	Centre	Variety	June,2018	May,2018	
Punjab	Bhatinda	J-34	3128	20825	-17697
	Abohar	J-34	93.5	5176.5	-5083
	Mansa	J-34	2278	4629.1	-2351
Haryana	Sirsa	J-34	1675	7820	-6145
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

#### Cotton Association of India Cotton Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				June,2018	May,2018	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	44108	42081	2027
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	44608	42581	2027
J-34(202)	26mm	3.5 - 4.9	23	45200	41896	3304
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42748	39300	3448
Shankar-6(105)	29mm	3.5 - 4.9	28	46112	42146	3966
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	47004	43554	3450
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	47900	44808	3092
DCH-32(107)	34mm	3.0 - 3.8	33	59208	55977	3231

#### 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 <http://www.agriwatch.com/Disclaimer.asp> © 2017 Indian Agribusiness Systems Pvt Ltd.