

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm tone.

In The News: First quarter of current fiscal year witnessed timid sentiments in the textile industry. The reason for the same is decline in cotton yarn export to China and lackluster demand for fabrics and made-up from European countries. There is a situation of leading supplies and hence depending on the counts, prices of cotton yarn fell by Rs. 10 to Rs. 25 per Kg.

According to Ministry of Agriculture, around 104.84 lakh hectare of area has been sown for cotton this year as on August 01, around 3.39% lower than the previous year, when it was 108.52 lakh hectares during the same period.

According to the State Agriculture Department, as on July 28, sowing of cotton in Gujarat has reached to 2.58 million hectares, 95.11% of the total area sown last year which was 2.61 million hectares.

Cotton farmers in India have requested the Union Government to impose import ban on cotton and issue measures to revive cotton export. Vidarbha Janandolan Samiti has said that prices of cotton have declined drastically since the new government has formed. Farmers urged the government to increase the Minimum Support Prices (MSP) from the existing Rs.4050 per quintal to Rs 6500 per quintal.

The Government of India has reduced insurance premium on cotton crop from 17.19% to 6%, giving relief to farmers in cotton-growing states like Gujarat and Maharashtra, after fears of weak monsoon gripped farmers.

The worries of cotton farmers are likely to be continued throughout the season though the rainfall has revived significantly. Situation for cotton is getting critical as delayed sowing has increased the sowing expenditure on one hand and expectation of less remunerative prices of cotton on other hand. The late sowing has pushed back the season by about 40 days hence new crop is likely to come in November or early December.

China's cotton import demand between September and December is likely to surge to low inventories and a lack of high-quality cotton in the huge state reserves. Currently, prices are dwindling on Uncertainty over a policy shift to crop subsidies in China and record production in USA and India-Jernigan Commodities.

With the revival of monsoon, cotton sowing in the key central regions of the country is picking up. Although continuous rains in Maharashtra slowed down the planting pace, the sowing is likely to gain momentum in coming days. According to the Central Institute of Cotton Research (CICR), despite the delayed sowing, cotton acreage would be around 110 lakh hectares this season, which was 115 lakh hectares last season.

According to Ministry of Agriculture and Ministry of Textile, cotton output in India during season 2014-15 is expected to decline to five year low to 30 million bales (of 170 kg. each), measuring a decline of 17% from the current year's production which is 36.5 million bales, as estimated in third advance estimate by Department of Agriculture and Co-operation.

Cotton imports are expected to notice a two-fold rise in the current season due to higher domestic prices than abroad. As estimated by Confederation of Indian Textile Industry (CITI), cotton imports would stand around 1.5 million bales (of 170 kg each) this season (Oct'13-Sep'14) compared to 0.7 million bales last season.

International Fundamentals:

Cotton planting area in China has been falling gradually in recent years as a result of declining planting profit and rising production cost, said National Development and Reform Commission (NDRC). As predicted by China Cotton Association, cotton area is expected to fall to 4.08 million hectares, 12.6 percent down year on year.

Morgan Stanley expects USA cotton crop production at 17.2 Million Bales; 4.2% higher than the USDA's estimates.

As reported by Vietnam Plus, the Government of Vietnam will assist cultivation of cotton in its provinces by allocating around 13,600 kg of cotton seeds to the cotton growers.

According to the latest report released by USDA, on July 20, 2014, 52% of cotton crop in USA was in excellent to good condition compared to 53% a week ago and 44% a year ago. 76 % squaring has reported in cotton which was 70% last week and 85% a year ago.

Outlook

We expect domestic prices to remain sideways in near term.

NCDEX Kapas Futures*: (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|-------|-----|-------|--------|--------|------|--------|
| Apr-15 | 1.5 | 827 | 832.5 | 820 | 831 | 4279 | 1095 | 9789 | -116 |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | 225 | -- | -- |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5:00 pm on 4th August, 2014

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-14 | 200 | 17620 | 17890 | 17550 | 17850 | 1122 | 424 | 2059 | -191 |
| Nov-14 | 210 | 16870 | 17150 | 16850 | 17130 | 347 | -52 | 2759 | 85 |
| Dec-14 | 210 | 16730 | 16960 | 16680 | 16950 | 375 | 73 | 2936 | -42 |

| Spread | Oct-14 | Nov-14 | Dec-14 | |
|--------|--------|--------|--------|--|
| Spot | -- | | | |
| Oct-14 | | 720 | | |
| Nov-14 | | | 170 | |
| Dec-14 | | | | |

*Updated at 5:00 pm on 4th August, 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|----------|-------------|
| | | 4-Aug-14 | 2-Aug-14 | |
| | Kapas | (Rs./Qtl.) | | |
| Amravati | Mech-1 | 5200 | 5300 | -100 |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 5280 | 5215 | 65 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Muktsar | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 5200 | 5100 | 100 |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Ahmedabad | Shankar-6 | NA | NA | - |
| Gondal | Shankar-6 | 4775 | 4805 | -30 |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | 5169 | 4869 | 300 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | NA | 4615 | - |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4250 | 4230 | 20 |
| Muktsar | J-34 | 4225 | 4200 | 25 |
| Fazilika | J-34 | NA | NA | - |
| Bhatinda | J-34 | 4275 | 4260 | 15 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4200 | 4160 | 40 |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|----------|--------|
| | | 4-Aug-14 | 2-Aug-14 | |
| Amravati | Mech-1 | NA | 50 | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 2100 | 1400 | 700 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | NA | NA | - |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | | | | |
| Ahmedabad | Shankar-6 | NA | NA | - |
| Gondal | Shankar-6 | 148 | 168 | -20 |
| | | | | |
| Bijapur | Bunny | 78 | 78 | Unch |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 60 | 60 | Unch |
| | | | | |
| Abohar | J-34 | NA | NA | - |
| Muktsar | J-34 | NA | NA | - |
| Bhatinda | J-34 | NA | NA | - |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | NA | NA | - |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 2-Aug-14 | 1-Aug-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 37400 | 37400 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 37900 | 37900 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 38300 | 38200 | 100 |

| | | | | | | |
|---------------------|------|-----------|----|-------|-------|------|
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 38000 | 38000 | Unch |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 39000 | 39000 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 41100 | 40800 | 300 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 42000 | 41700 | 300 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 58500 | 58500 | Unch |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 4/8/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 17137 | -1 |
| CCIndex(527) | 16045 | -1 |
| CCIndex(229) | 17780 | -2 |

RMB - Renminbi, 1RMB = 0.16 \$U.S.

Cotlook Index: As on 1/8/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 72.15 | -1.10 |

USDA Cotton Spot Rates: As on 1/8/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 67.49 | 71.24 | 20 |
| North Delta | 65.99 | 68.49 | Nil |
| South Delta | 65.99 | 68.49 | Nil |
| East TX-OK | 62.00 | 63.00 | 14 |
| West Texas | 62.00 | 62.50 | 43 |
| Desert SW | 61.49 | 68.24 | Nil |
| SJ Valley | 61.74 | 72.39 | 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

ICE Cotton Futures (Prices in cents/lb.): As on 1/8/2014

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Oct-14 | 62.33 | 62.97 | 61.34 | 62.49 | 0.40 |
| Dec-14 | 62.74 | 63.97 | 62.02 | 63.27 | 0.40 |
| Mar-15 | 63.51 | 64.59 | 62.70 | 63.91 | 0.40 |
| May-15 | 64.55 | 65.66 | 63.82 | 65.02 | 0.36 |
| Jul-15 | 65.71 | 66.70 | 65.02 | 66.17 | 0.30 |
| Oct-15 | 66.60 | 66.60 | 66.60 | 66.60 | 0.30 |

Pakistan Cotton Spot rates: As on 2/8/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5700 | 155 | 5855 |
| Equivalent | 40 Kgs | 6109 | 155 | 6264 |

Disclaimer

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