

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed steady to firm tone.

**In The News:** According to Gujarat Agriculture Department, as on 04 August, 2014, around 28.20 lakh hectares of area has been sown for cotton, which was 26.49 lakh hectares last year during the same period, around 6.47% higher year on year.

Government of Tamil Nadu announced the launching of cotton cultivation mission with an initial outlay of Rs 50 crore in order to amplify cotton acreage and hence the production in the state.

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.

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.

### International Fundamentals:

Cotton output in Bangladesh is likely to be around 115,000 and 120,000 bales in Marketing year 2013/14 and 2014/15 respectively due to good weather conditions and increased usage of hybrid seeds. Cotton imports are expected to increase by 8.3% to 3.9 million bales in MY 2013/14 and 7.6% to 4.2 million bales in MY 2014/15.

According to the latest report released by USDA, as on August 03, 2014, 53% of cotton crop in USA is in excellent to good condition compared to 54% a week ago and 45% a year ago. 95% squaring has reported in cotton which was 87% last week and 95% a year ago. 68% of setting bolls reported which was 49% a week and 51% a year ago.

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.

### Outlook

We expect domestic prices to remain firm to sideways in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-4	841	846.5	835.5	836.5	3638	-1404	9384	-292

Spread	Apr-15		
Spot	223.5	--	--

(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 6<sup>th</sup> August, 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	80	18050	18200	18030	18100	886	-22	1892	48
Nov-14	70	17280	17330	17200	17270	289	-342	2518	-78
Dec-14	70	17070	17120	17010	17070	248	-256	2759	-81

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		830	
Nov-14			190
Dec-14			--

\*Updated at 5:00 pm on 6<sup>th</sup> August, 2014

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		6-Aug-14	5-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5200	5200	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5300	5335	-35
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	5100	5100	Unch
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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	4955	4705	250
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5239	5199	40
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4800	4835	-35
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4320	4270	50
Muktsar	J-34	4325	4250	75
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4365	4315	50
Mansa	J-34	NA	NA	-
Sirsa	J-34	4280	4225	55
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		6-Aug-14	5-Aug-14	
Amravati	Mech-1	NA	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2300	1900	400
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	216	172	44
Bijapur	Bunny	244	200	44
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	90	75	15
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
				5-Aug-14	4-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38800	38100	700
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39300	38600	700
J-34(202)	26mm	3.5 - 4.9	23	39100	38700	400

H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38700	38400	300
Shankar-6(105)	29mm	3.5 – 4.9	28	39700	39400	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41800	41500	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42700	42400	300
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 6/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17135	-2
CCIndex(527)	16042	-1
CCIndex(229)	17770	-5

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

#### Cotlook Index: As on 5/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.65	1.00

#### USDA Cotton Spot Rates: As on 5/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	68.46	72.21	Nil
North Delta	66.96	69.46	Nil
South Delta	66.96	69.46	Nil
East TX-OK	63	64	Nil
West Texas	63	63.5	3
Desert SW	62.46	69.21	Nil
SJ Valley	62.71	73.36	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 5/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	64.32	64.37	63.34	63.46	-0.46
Dec-14	64.25	64.49	63.32	63.74	-0.50
Mar-15	65.02	65.22	64.10	64.52	-0.49
May-15	66.03	66.25	65.12	65.54	-0.49
Jul-15	66.88	67.26	66.2	66.65	-0.45
Oct-15	67.04	67.04	67.04	67.04	-0.49

**Pakistan Cotton Spot rates: As on 5/8/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5300	155	5455
<b>Equivalent</b>	40 Kgs	5680	155	5840

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