

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to firm tone.

In The News: According to Ministry of Agriculture, around 112.24 lakh hectare of area has been sown for cotton this year as on August 08. Following is the State-Wise sown area under cotton crop (in Lakh Ha.):-

State	Sowing Area Till Aug 8,2014.	% Change w.r.t Last Year
Andhra Pradesh	4.79	2.8
Gujarat	28.2	6.46
Haryana	6.39	14.93
Karnataka	6.24	38.67
Madhya Pradesh	5.69	-7.55
Maharashtra	36.3	-5.54
Punjab	4.5	-10.89
Rajasthan	4.16	41.91
Telangana	14.38	-2.59
All India	112.24	1.92

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 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:

According to The News International(Pakistan), Pakistan cotton trade turnover climbed to four month high of 15000 bales (each of 155 Kg), even after the announcement of Karachi Cotton Association to lower the cotton spot rate by Rs.100 per 37.324 Kg to Rs.525 per 37.324 Kg.

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									

Spread	Apr-15		
Spot			

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

*Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14									
Nov-14									
Dec-14									

Spread	Oct-14	Nov-14	Dec-14
Spot			
Oct-14			
Nov-14			
Dec-14			

* Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		9-Aug-14	8-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	5350	-50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5310	5250	60
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	5150	5150	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	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	4955	4850	105

	Kapas	(Rs/Qtl)		
Bijapur	Bunny	-	5269	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4875	4700	175
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4385	4360	25
Muktsar	J-34	4370	4370	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4425	4410	15
Mansa	J-34	NA	NA	-
Sirsa	J-34	4390	4330	60
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		9-Aug-14	8-Aug-14	
Amravati	Mech-1	NA	30	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1800	2150	-350
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	140	299	-159
Bijapur	Bunny	-	168	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	112	120	-8

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
				8-Aug-14	7-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38800	38800	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39300	39300	Unch
J-34(202)	26mm	3.5 - 4.9	23	40400	39900	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39300	39100	200
Shankar-6(105)	29mm	3.5 - 4.9	28	40300	40100	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42200	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43100	200
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 8/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17115	-4
CCIndex(527)	16034	-1
CCIndex(229)	17757	Unch

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

Cotlook Index: As on 8/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.40	-0.25

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

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	66.81	70.56	Nil
North Delta	65.81	68.31	Nil
South Delta	65.81	68.31	Nil
East TX-OK	63	64	8
West Texas	63	63.5	Nil
Desert SW	62.81	69.56	Nil
SJ Valley	63.06	73.71	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 8/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.75	64.15	63.53	63.81	0.24
Dec-14	64.13	64.74	63.75	64.21	0.19
Mar-15	64.93	65.54	64.5	65.03	0.2
May-15	66	66.31	65.64	66.14	0.24
Jul-15	67.25	67.47	67.07	67.3	0.13
Oct-15	67.6	67.6	67.6	67.6	0.13

Pakistan Cotton Spot rates: As on 7/8/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5350	155	5505
Equivalent	40 Kgs	5734	155	5989

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