

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone ahead USDA's WASDE report .

In The News: The South-West monsoon rain over the country as a whole during the second half (August-September) of the 2014 is expected to be 95% of LPA i.e. 43.5 cm. The LPA in second half consist of 49% of the average season rainfall.

Due to unpredictable monsoon and fall in the international prices, cotton imports have witnessed the uptrend in the recent weeks. India is mostly importing from West Africa as they are offering the quality product at much competitive prices.

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.

International Fundamentals:

Due to ongoing drought conditions in Australia, the third biggest exporter of cotton in the world, cotton production is likely to fall by 50% in the country. It is believed that if the same condition continues cotton production in Australia could plummet down to 2 million bales in the coming season i.e. 2014-15 from 4 million bales this year. Amid deficit rains, farmers would plant lesser which would reduce the cotton acreage and hence the production.

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.

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	0	833	838	830.5	833	2031	-970	9702	407

Spread	Apr-15		
Spot	237		

(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 12 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-120	18300	18310	18080	18160	773	170	1800	-134
Nov-14	-90	17340	17360	17220	17250	370	43	2445	-105
Dec-14	-90	17150	17160	17020	17040	323	-74	2768	-86

Spread	Oct-14	Nov-14	Dec-14
Spot			
Oct-14		910	
Nov-14			200
Dec-14			

*Updated at 5:00 pm on 12 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		12-Aug-14	11-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5400	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5350	5300	50
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	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	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	4855	4880	-25
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5269	5299	-30
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4850	4900	-50
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4275	4400	-125
Muktsar	J-34	4400	4410	-10
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4360	4430	-70
Mansa	J-34	NA	NA	-
Sirsa	J-34	4300	4400	-100
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		12-Aug-14	11-Aug-14	
Amravati	Mech-1	45	35	10
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2100	1750	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	193	212	-19
Bijapur	Bunny	328	464	-136
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	162	NA	-
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
				11-Aug-14	8-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38500	38800	-300
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39300	-300
J-34(202)	26mm	3.5 - 4.9	23	40500	40400	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39500	39300	200
Shankar-6(105)	29mm	3.5 - 4.9	28	40500	40300	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42400	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43300	200
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 12/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17119	-1
CCIndex(527)	16030	-3
CCIndex(229)	17759	-1

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

Cotlook Index: As on 11/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.65	0.25

USDA Cotton Spot Rates: As on 11/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.13	70.88	Nil
North Delta	66.13	68.63	Nil
South Delta	66.13	68.63	Nil
East TX-OK	63.25	64.25	Nil
West Texas	63.25	63.75	469
Desert SW	63.13	69.88	Nil
SJ Valley	63.38	74.03	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 11/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.92	64.85	63.92	64.13	0.32
Dec-14	64.11	65.05	64.04	64.4	0.19
Mar-15	64.9	65.8	64.85	65.29	0.26
May-15	66.14	66.85	65.95	66.26	0.12
Jul-15	67.11	68	67.11	67.44	0.14
Oct-15	67.77	67.77	67.77	67.77	0.17

Pakistan Cotton Spot rates: As on 11/8/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5300	155	5455
Equivalent	40 Kgs	5626	155	5781

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