

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments on Thursday.

In The News: Around 116.91 lakh hectare of area has been sown for cotton this year as on August 14 as compared to 110.93 lakh hectares during the corresponding period last year, reported Ministry of Agriculture.

According to the market participants, cotton production in India would be around 400 lakh bales in the upcoming season (Oct'14-Sep'15). Cotton output for the current season ending this month would be around 390 lakh bales, according to the Cotton Advisory Board (CAB).

Commercial Crops (CC) program, under National Food Security Mission (NFSM) is including the Mini Mission-II (MM-II) of Technology Mission on Cotton (TMC) has been implemented (w.e.f. 2014-15) in major cotton growing states including Maharashtra. Also CCI has been mandated to procure entire quantity of FAQ seed cotton offered by farmers without the quantitative limit at the nominated market yards in the event of prevailing Kapas prices touches the MSP.

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.

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.

International Fundamentals:

World cotton production is expected to be around 25.613 million tons during the season 2014/15, which was forecasted 25.34 million tons in July, reported USDA. Cotton production on the global front during the season 2013/14 stood 25.75 million tons.

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.

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	11	837.5	853	834.5	849.5	4372	1833	9468	-230

Spread	Apr-15		
Spot	232.5		

(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 14 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	160	18320	18500	18220	18460	962	483	2004	200
Nov-14	110	17360	17470	17300	17440	590	303	2429	-121
Dec-14	80	17130	17250	17090	17210	413	138	2855	11

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		1020	
Nov-14			210
Dec-14			--

*Updated at 5:00 pm on 14 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		14-Aug-14	13-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	5410	5400	10
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	5150	-50
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	4840	4930	-90
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5309	5309	Unch
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4876	4749	127
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4240	4250	-10
Muktsar	J-34	4225	4270	-45
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4250	4300	-50
Mansa	J-34	NA	NA	-
Sirsa	J-34	4215	4230	-15
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		14-Aug-14	13-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	1700	2300	-600
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	101	252	-151
Bijapur	Bunny	256	323	-67
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	147	80	67
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
				13-Aug-14	12-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38500	38500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39000	Unch
J-34(202)	26mm	3.5 - 4.9	23	39100	39700	-600
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38400	38700	-300
Shankar-6(105)	29mm	3.5 – 4.9	28	39600	39900	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41900	42300	-400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43500	-200
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 14/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17119	-1
CCIndex(527)	16029	-1
CCIndex(229)	17759	2

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

Cotlook Index: As on 13/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	72.95	-0.95

USDA Cotton Spot Rates: As on 13/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	66.02	69.77	NIL
North Delta	65.02	67.52	NIL
South Delta	65.02	67.52	NIL
East TX-OK	62.00	63.00	1924
West Texas	62.00	62.50	NIL
Desert SW	63.02	69.77	NIL
SJ Valley	63.27	73.92	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 13/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.28	64.66	63.28	64.02	1
Dec-14	63.73	65.27	63.46	64.72	1
Mar-15	64.44	65.9	64.38	65.49	1.27
May-15	65.69	66.87	65.66	66.57	1.26
Jul-15	66.8	67.88	66.78	67.66	1.2
Oct-15	67.99	67.99	67.99	67.99	1.19

Pakistan Cotton Spot rates: As on 14/8/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5300	150	5450
Equivalent	40 Kgs	5680	160	5840

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