

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments on Tuesday.

In The News: According to the 4th advance estimates released by Department of Agriculture and co-operation (DAC), Ministry of Agriculture, total production of cotton in the country would be around 365.90 lakh bales in the season 2013-14, against the target of 350 lakh bales.

In Tamil Nadu, cotton mills have requested the state government to relax the cabotage rules. By relaxing the cabotage rules foreign flag vessels could be used for transporting cotton from Gujarat and Maharashtra to Tamil Nadu, which will reduce the freight charges.

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.

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	9.5	837	847	837	846	2884	-1488	9534	66

Spread	Apr-15		
Spot	236		

(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 19 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	80	18270	18270	18200	18240	228	-734	1705	-299
Nov-14	70	17300	17330	17260	17310	143	-447	2329	-100
Dec-14	50	17030	17060	16980	17030	173	-240	2981	126

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		930	
Nov-14			280
Dec-14			--

*Updated at 5:00 pm on 19 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		19-Aug-14	16-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5450	5400	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	Closed	Closed	-
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	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	Closed	Closed	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5209	5285	-76
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4889	4900	-11
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4300	4280	20
Muktsar	J-34	4280	4270	10
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4350	4330	20
Mansa	J-34	NA	NA	-
Sirsa	J-34	4260	4235	25
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		19-Aug-14	16-Aug-14	
Amravati	Mech-1	45	60	-15
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	Closed	Closed	-
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	23	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	Closed	Closed	-
Bijapur	Bunny	314	417	-103
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	45	87	-42
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
				18-Aug-14	14-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	39600	39000	600
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38500	38500	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	39800	39800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42200	42200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 18/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17119	-2
CCIndex(527)	16021	-7
CCIndex(229)	17753	-6

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

Cotlook Index: As on 18/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.6	-0.50

USDA Cotton Spot Rates: As on 18/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.34	69.09	NIL
North Delta	64.34	66.84	NIL
South Delta	64.34	66.84	NIL
East TX-OK	61.5	62.5	799
West Texas	61.5	62	NIL
Desert SW	62.34	69.09	NIL
SJ Valley	62.59	73.24	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 18/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.55	63.73	63.17	63.34	-0.26
Dec-14	64.75	64.75	63.78	63.84	-0.51
Mar-15	65.6	65.6	64.66	64.74	-0.51
May-15	66	66.11	65.82	65.86	-0.43
Jul-15	67	67.19	66.96	66.97	-0.43
Oct-15	67.36	67.36	67.36	67.36	-0.44

Pakistan Cotton Spot rates: As on 16/8/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5400	150	5550
Equivalent	40 Kgs	5787	160	5947

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