

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to firm sentiments on Thursday.

In The News: India is expected to become largest cotton producer, replacing China in the coming season i.e. 2014-15. According to Cotton Association of India (CAI), India is likely to produce 39.62 million bales of cotton which is equivalent to 6.74 million tonnes in the upcoming season 2014-15 starting from October. On other hand China's cotton output would be around 6.22 million tonnes as estimated by International Cotton Advisory Council (ICAC) and 6.42 million tonnes as projected by USDA.

Cotton prices are under pressure on expectation of higher production in current and upcoming season. According to the market participants, cotton production in India would be around 400 lakh bales in the upcoming season (Oct'14-Sep'15) whereas same would be around 395 lakh bales in the current season, against 356.75 lakh bales last year, according to the Cotton Advisory Board (CAB).

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.

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.

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.

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:

According to the latest report released by USDA, as on August 17, 2014, 50% of cotton crop in USA is in excellent to good condition compared to 52% a week ago and 46% a year ago. 88% setting bolls has reported in cotton which was 83% last week and 83% a year ago. 12% of bolls opening reported which was 7% a week and 8% a year ago.

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.

Outlook

We expect domestic prices to remain range bound in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	3.5	865	871.5	861	869	4741	196	8881	-231

Spread	Apr-15		
Spot	231		

(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 21 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	190	18540	18700	18520	18690	741	454	1885	103
Nov-14	220	17630	17780	17570	17760	464	225	2288	-56
Dec-14	200	17280	17420	17240	17410	351	196	2966	-57

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		930	
Nov-14			330
Dec-14			--

*Updated at 5:00 pm on 21 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		21-Aug-14	20-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5450	5450	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	5500	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	5250	5100	150
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	4930	Closed	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5330	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4950	4879	71
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4290	4280	10
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4325	4320	5
Mansa	J-34	NA	NA	-
Sirsa	J-34	4260	4260	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		21-Aug-14	20-Aug-14	
Amravati	Mech-1	25	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1100	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	9	18	-9
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	93	Closed	-
Bijapur	Bunny	NA	710	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	105	127	-22
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
				20-Aug-14	19-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	39300	39500	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38400	38400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	39600	39700	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42100	42100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43200	43200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58500	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 21/8/2014

Index	RMB/Ton	Change
CCIndex(328)	17001	-6
CCIndex(527)	15929	-2
CCIndex(229)	17662	-30

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

Cotlook Index: As on 20/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.50	0.25

USDA Cotton Spot Rates: As on 20/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	66.32	70.07	62
North Delta	65.32	67.82	NIL
South Delta	65.32	67.82	NIL
East TX-OK	63.75	64.75	972
West Texas	63.25	63.75	170
Desert SW	64.32	71.07	NIL
SJ Valley	64.57	75.22	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 20/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.59	65.48	63.59	65.32	1.85
Dec-14	64.16	66.2	64.13	65.81	1.65
Mar-15	65.04	66.83	65	66.51	1.48
May-15	66.15	67.7	66.14	67.55	1.47
Jul-15	67.18	68.75	67.15	68.52	1.4
Oct-15	68.82	68.82	68.82	68.82	1.26

Pakistan Cotton Spot rates: As on 20/8/2014 (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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