

## Domestic Fundamentals:

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

**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 4<sup>th</sup> 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:

To enhance cotton production in the country, Bangladesh has approved a Taka 105 crore proposal, which is likely to raise cotton production by seven folds in 2018. Bangladesh produces only one lakh bale of cotton, which fulfills only 3% of the annual requirement of textile mills. It is believed if this project gets properly implemented; It would help to achieve the production target of 7 lakh bales, which will quench the 20% of the cotton demand of the country. It should be noted that Bangladesh is the second largest cotton importer after China.

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.

### 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	-6	843.5	846	831.5	837.5	4289	-452	8817	-64

Spread	Apr-15		
Spot	247.5		

(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 22 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-100	18370	18400	18270	18300	684	-57	1819	-66
Nov-14	-120	17500	17500	17390	17390	409	-55	2294	6
Dec-14	-70	17150	17170	17100	17100	358	7	3047	81

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		910		
Nov-14			290	
Dec-14				--

\*Updated at 5:00 pm on 22 August 2014

**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		22-Aug-14	21-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5450	5450	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5425	5500	-75
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	5200	5250	-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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	5105	4930	175
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5397	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5011	4950	61
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4290	4290	Unch
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4350	4325	25
Mansa	J-34	NA	NA	-
Sirsa	J-34	4265	4260	5
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		22-Aug-14	21-Aug-14	
Amravati	Mech-1	NA	25	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2100	1100	1000
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	211	93	118
Bijapur	Bunny	416	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	75	105	-30
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
				21-Aug-14	20-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	39500	39300	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38600	38400	200
Shankar-6(105)	29mm	3.5 - 4.9	28	39800	39600	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42300	42100	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43400	43200	200
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58000	Unch

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 22/8/2014**

Index	RMB/Ton	Change
CCIndex(328)	17001	-
CCIndex(527)	15928	-1
CCIndex(229)	17653	-9

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

**Cotlook Index: As on 21/8/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	74.9	1.4

**USDA Cotton Spot Rates: As on 21/8/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.50	71.25	Nil
North Delta	66.50	69.00	Nil
South Delta	66.50	69.00	Nil
East TX-OK	65.25	66.25	1131
West Texas	64.25	64.75	Nil
Desert SW	65.50	72.25	Nil
SJ Valley	65.75	76.40	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 21/8/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	65.64	67.64	65.64	66.5	<b>1.18</b>
<b>Dec-14</b>	66.09	66.67	65.3	65.92	<b>0.11</b>
<b>Mar-15</b>	66.66	67.2	65.89	66.42	<b>-0.09</b>
<b>May-15</b>	67.67	68.16	66.95	67.4	<b>-0.15</b>
<b>Jul-15</b>	68.63	69	68.3	68.38	<b>-0.14</b>
<b>Oct-15</b>	68.67	68.67	68.67	68.67	<b>-0.15</b>

**Pakistan Cotton Spot rates: As on 21/8/2014 (in Pakistan Rupees)**

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

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