

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly weak tone on Monday.

**In The News:** Cotton Corporation of India (CCI) invited bids to sell 17680 bales of cotton through e-auction today. Varieties offered at various branches were Bunny Brahma (BB), Shankar-6 (S-6) and J-34 DR.

Around 118.81 lakh hectare of area has been sown for cotton this year as on August 22, nearly 6.7% higher when compared to 111.34 lakh hectares of area sown during the corresponding period last year, reported Ministry of Agriculture.

According to the cotlook, China's cotton yarn import during January to July 2014 was slightly lower to 996,670 tonne from 999,340 tonne imported during same corresponding period in previous year. India exports 316848 tonne, followed by Pakistan's 277,148 tonne, Vietnam's 185,451 tonne. Meanwhile, country's raw cotton import during July totalled at 280,200 tonne; raising the China's 2013-14 cotton year total import to 3074753 tonne. In the month of July, China import 137,669 tonne from Australia, 42389 tonne from USA, 29639 tonne from Uzbekistan, 23232 tonne from India, 17063 from Brazil and 11742 tonne from Burkina Faso.

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.

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.

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.

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 cotlook, China's cotton yarn import during January to July 2014 was slightly lower to 996,670 tonne from 999,340 tonne imported during same corresponding period in previous year. India exports 316848 tonne, followed by Pakistan's 277,148 tonne, Vietnam's 185,451 tonne. Meanwhile, country's raw cotton import during July totalled at 280,200 tonne; raising the China's 2013-14 cotton year total import to 3074753 tonne. In the month of July, China import 137,669 tonne from Australia, 42389 tonne from USA, 29639 tonne from Uzbekistan, 23232 tonne from India, 17063 from Brazil and 11742 tonne from Burkina Faso.

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.

### 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	-9	841	843.5	825	835	4190	-99	8847	30

Spread	Apr-15		
Spot	250	--	--

(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 25 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-30	18370	18440	18280	18350	374	-310	1834	15
Nov-14	-10	17580	17600	17480	17530	180	-229	2331	37
Dec-14	0	17240	17300	17200	17240	140	-218	3024	-23

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		820		
Nov-14			280	
Dec-14				--

\* Updated at 5:00pm on 25 August 2014

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		25-Aug-14	23-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5400	5450	<b>-50</b>
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	Closed	5425	-
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	5200	<b>Unch</b>
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	Closed	NA	-
Gondal	Shankar-6	Closed	5355	-
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4280	4290	<b>-10</b>
Muktsar	J-34	4290	4300	<b>-10</b>
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4340	<b>-10</b>
Mansa	J-34	NA	NA	-
Sirsa	J-34	4260	4270	<b>-10</b>
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		25-Aug-14	23-Aug-14	
Amravati	Mech-1	45	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	Closed	2200	-
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	Closed	NA	-
Gondal	Shankar-6	Closed	300	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	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
				23-Aug-14	22-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	39400	100
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39100	38800	300
Shankar-6(105)	29mm	3.5 – 4.9	28	40000	40000	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42500	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43700	43600	100
DCH-32(107)	34mm	3.0 - 3.8	33	57200	57500	-300

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 25/8/2014**

Index	RMB/Ton	Change
CCIndex(328)	17000	-1
CCIndex(527)	15925	-3
CCIndex(229)	17646	-7

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

**Cotlook Index: As on 22/8/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	74.9	Unch

**USDA Cotton Spot Rates: As on 22/8/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	68.46	72.21	1
North Delta	67.46	69.96	Nil
South Delta	67.46	69.96	Nil
East TX-OK	65.75	66.75	580
West Texas	64.75	65.25	Nil
Desert SW	66.46	73.21	Nil
SJ Valley	66.71	77.36	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 22/8/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	66.6	67.5	66.55	67.46	<b>0.96</b>
<b>Dec-14</b>	65.89	66.29	65.39	66.18	<b>0.26</b>
<b>Mar-15</b>	66.53	66.68	65.85	66.57	<b>0.15</b>
<b>May-15</b>	67.18	67.75	67.18	67.7	<b>0.3</b>
<b>Jul-15</b>	68.2	68.65	68.2	68.62	<b>0.24</b>
<b>Oct-15</b>	68.94	68.94	68.94	68.94	<b>0.27</b>

**Pakistan Cotton Spot rates: As on 23/8/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5450	155	5605
<b>Equivalent</b>	40 Kgs	5841	155	5996

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