

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm tone on Wednesday.

In The News: According to the market participants cotton output in north India, would be around 55 lakh bales in the upcoming season Oct'14-Sep'15, said market participants. Yield could get enhanced if region receives the rainfall in the coming days and production could reach to 60 lakh bales. Cotton growing states in north India are Punjab, Haryana and Rajasthan which have sown 15.05 lakh hectare of area for cotton.

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 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.

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.

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:

Sri Lanka has recorded growth of 25% in its income from the textile export in June 2014, revealed by Central Bank of Sri Lanka (CBSL).

According to the latest report released by USDA, as on August 24, 2014, 51% of cotton crop in USA is in excellent to good condition compared to 50% a week ago and 47% a year ago. 90% setting bolls has reported in cotton which was 88% last week and 89% a year ago. 19% of bolls opening reported which was 12% a week and 10% a year ago.

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 | -3 | 840 | 842.5 | 834.5 | 837.5 | 2245 | -288 | 8583 | -268 |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | 231.5 | -- | -- |

(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 27 August 2014

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-14 | -40 | 18290 | 18360 | 18240 | 18270 | 404 | -33 | 1832 | 59 |
| Nov-14 | -30 | 17590 | 17590 | 17440 | 17470 | 138 | -94 | 2333 | -16 |
| Dec-14 | -10 | 17210 | 17270 | 17190 | 17220 | 107 | -221 | 3158 | -1 |

| Spread | Oct-14 | Nov-14 | Dec-14 | |
|--------|--------|--------|--------|----|
| Spot | -- | | | |
| Oct-14 | | 800 | | |
| Nov-14 | | | 250 | |
| Dec-14 | | | | -- |

* Updated at 5:00pm on 27 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|-----------|--------|
| | | 27-Aug-14 | 26-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 | 5345 | 5350 | -5 |
| 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 | 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 | 5130 | 5105 | 25 |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | 5380 | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | NA | 4700 | - |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4285 | 4285 | Unch |
| Muktsar | J-34 | 4315 | 4300 | 15 |
| Fazilika | J-34 | NA | NA | - |
| Bhatinda | J-34 | 4320 | 4335 | -15 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4270 | 4270 | Unch |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|-----------|--------|
| | | 27-Aug-14 | 26-Aug-14 | |
| Amravati | Mech-1 | 25 | 20 | 5 |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 2400 | 2100 | 300 |
| 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 | 221 | 227 | -6 |
| | | | | |
| Bijapur | Bunny | 424 | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | NA | 37 | - |
| | | | | |
| 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 |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 26-Aug-14 | 25-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 | 39700 | 39500 | 200 |
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 39100 | 39100 | Unch |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 40000 | 40000 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 42700 | 42700 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 43700 | 43700 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 56700 | 56700 | Unch |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 27/8/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 16997 | Unch |
| CCIndex(527) | 15910 | -2 |
| CCIndex(229) | 17646 | Unch |

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

Cotlook Index: As on 26/8/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 75.1 | 0.20 |

USDA Cotton Spot Rates: As on 26/8/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 69.26 | 73.01 | Nil |
| North Delta | 68.26 | 70.76 | Nil |
| South Delta | 68.26 | 70.76 | Nil |
| East TX-OK | 66.5 | 67.5 | 300 |
| West Texas | 65.5 | 66 | Nil |
| Desert SW | 67.26 | 74.01 | Nil |
| SJ Valley | 67.51 | 78.16 | 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 26/8/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|-------------|
| Oct-14 | 67.66 | 68.31 | 67.53 | 68.26 | 0.6 |
| Dec-14 | 66.11 | 66.95 | 65.83 | 66.89 | 0.74 |
| Mar-15 | 66.63 | 67.25 | 66.34 | 67.24 | 0.61 |
| May-15 | 67.87 | 68.45 | 67.55 | 68.44 | 0.64 |
| Jul-15 | 68.8 | 69.34 | 68.72 | 69.34 | 0.63 |
| Oct-15 | 69.71 | 69.71 | 69.71 | 69.71 | 0.61 |

Pakistan Cotton Spot rates: As on 26/8/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5600 | 155 | 5755 |
| Equivalent | 40 Kgs | 6002 | 155 | 6157 |

Disclaimer

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