

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Thursday.

In The News: According to International Cotton advisory Committee (ICAC), production of cotton in India could fall to 6.35 million tons in the upcoming season 2014-15 from 6.63 million tons estimated for the current season.

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.

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:

China's cotton acreage is expected to fall by 9.4% to 4.23 million hectares this year, as reflected in the latest survey by China Cotton Association (CCA). The CCA raised its projection for cotton acreage, which was earlier expected to fall by 12.6%, as cotton area surged higher in Xinjiang Uygur Autonomous Region following the Government's direct subsidy policy.

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.

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	843.5	845	838.5	841.5	1714	-531	8537	-46

Spread	Apr-15		
Spot	226.5	--	--

(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 28 August 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-120	18330	18340	18200	18230	727	323	1878	46
Nov-14	-110	17530	17530	17450	17470	223	85	2351	18
Dec-14	-120	17290	17310	17220	17220	171	64	3080	-78

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		760	
Nov-14			230
Dec-14			--

* Updated at 5:00pm on 28 August 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		28-Aug-14	27-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	5340	5345	-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	5155	5130	25
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5353	5380	-27
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4275	4285	-10
Muktsar	J-34	4300	4315	-15
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4320	10
Mansa	J-34	NA	NA	-
Sirsa	J-34	4265	4270	-5
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		28-Aug-14	27-Aug-14	
Amravati	Mech-1	55	25	30
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2200	2400	-200
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	235	221	14
Bijapur	Bunny	361	424	-63
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
				27-Aug-14	26-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	39700	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39000	39100	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	39900	40000	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42700	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43700	-100
DCH-32(107)	34mm	3.0 - 3.8	33	56200	56700	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 28/8/2014

Index	RMB/Ton	Change
CCIndex(328)	16995	-2
CCIndex(527)	15910	Unch
CCIndex(229)	17643	-3

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

Cotlook Index: As on 26/8/2014

Cotlook Indices	Cents/Pound	Change
A-Index	75.75	0.65

USDA Cotton Spot Rates: As on 27/8/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	69.30	73.05	Nil
North Delta	68.30	70.80	Nil
South Delta	68.30	70.80	Nil
East TX-OK	66.25	67.25	10492
West Texas	65.50	66.00	Nil
Desert SW	67.30	74.05	Nil
SJ Valley	67.55	78.20	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 27/8/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.26	68.48	67.68	68.3	0.04
Dec-14	66.84	67.72	66.58	67.46	0.57
Mar-15	67.19	68	66.82	67.81	0.57
May-15	68.34	69.14	68.02	69.04	0.6
Jul-15	69.26	70.08	69.1	69.91	0.57
Oct-15	70.23	70.23	70.23	70.23	0.52

Pakistan Cotton Spot rates: As on 27/8/2014 (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

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