

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed steady to weak tone on Saturday.

**In The News:** Around 122.51 lakh hectare of area has been sown for cotton this year as on August 29, nearly 9.7% higher when compared to 111.65 lakh hectares of area sown during the corresponding period last year, reported Ministry of Agriculture.

National Commodities and Derivatives Exchange (NCDEX) announced the launch of long staple (29 mm) cotton bales contract, which would be available for trading from September 01, 2014. The delivery centers are located in Kadi, Yavatmal, Aurangabad and Akola. It should be noted that 29 mm cotton futures contract will be available for trading with modified contract specification and the delivery would be settled through COMTRACK.

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.

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.

### 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	--	--	--	--	--	--	--	--	--

Spread	Apr-15		
Spot	--	--	--

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

\* Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	--	--	--	--	--	--	--	--	--
Nov-14	--	--	--	--	--	--	--	--	--
Dec-14	--	--	--	--	--	--	--	--	--

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		--	
Nov-14			--
Dec-14			--

\* Market Closed

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

Centre	Variety	Prices		Change
		30-Aug-14	29-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5400	Closed	-
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	5325	5300	25
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	5300	-100
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	NR	5205	-
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5119	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	4280	Unch
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4350	-20
Mansa	J-34	NA	NA	-
Sirsa	J-34	4270	4265	5
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		30-Aug-14	29-Aug-14	
Amravati	Mech-1	25	Closed	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1900	2250	<b>-350</b>
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	NR	548	-
Bijapur	Bunny	5119	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
				28-Aug-14	27-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	39600	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39000	39000	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	39900	39900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42600	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43600	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	56200	56200	Unch

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 29/8/2014**

Index	RMB/Ton	Change
CCIndex(328)	16992	-3
CCIndex(527)	15910	Unch
CCIndex(229)	17637	-6

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

**Cotlook Index: As on 29/8/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	75.30	-0.75

**USDA Cotton Spot Rates: As on 28/8/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	68.14	71.89	Nil
North Delta	67.14	69.64	Nil
South Delta	67.14	69.64	Nil
East TX-OK	65.75	66.75	1304
West Texas	65.00	65.50	13
Desert SW	66.14	72.89	Nil
SJ Valley	66.39	77.04	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 29/8/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	67.32	68.03	66.57	67.6	<b>0.46</b>
<b>Dec-14</b>	66.61	66.66	65.76	66.57	<b>-0.01</b>
<b>Mar-15</b>	67.18	67.18	66.22	67.01	<b>-0.17</b>
<b>May-15</b>	68.19	68.22	67.43	68.14	<b>-0.23</b>
<b>Jul-15</b>	69.08	69.12	68.38	68.96	<b>-0.22</b>
<b>Oct-15</b>	69.31	69.31	69.31	69.31	<b>-0.22</b>

**Pakistan Cotton Spot rates: As on 28/8/2014 (in Pakistan Rupees)**

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

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