

**Domestic Fundamentals:**

**Market Outlook:** Cotton market noticed mixed tone on Tuesday.

**In The News:** Indian cotton mills are likely to get affected badly on China's decision to raise spending on farm subsidies by 10 per cent. Following this decision, yarn production in China will enhance as it will provide cheaper cotton to the spinning mills in the country. It should be noted that China is the largest importer of cotton yarn and export destination for around 50% of overall export of cotton from India.

In Gujarat, around 2,972,800 hectare of area has been sown for cotton this year as on August 25, nearly 11% higher when compared to 2,678,500 hectares of area sown during the corresponding period last year and approximately 9.4% higher when compared to normal area (average of last three years) of 2,717,100 hectares, reported State Agriculture Department.

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.

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.

### 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	6.5	791	806.5	791	805.5	3481	-1986	8214	150

Spread	Apr-15		
Spot	249.5	--	--

(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 02 Sept 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	40	17600	17710	17570	17680	513	-249	1775	-28
Nov-14	30	16960	17050	16920	17010	453	25	2241	-79
Dec-14	30	16760	16850	16750	16800	376	-36	2859	-64

Spread	Oct-14	Nov-14	Dec-14
Spot	--		
Oct-14		670	
Nov-14			170
Dec-14			--

\*Updated at 5:00 pm on 02 Sept 2014

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

Centre	Variety	Prices		Change
		2-Sep-14	1-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5300	5200	<b>100</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	5275	5300	<b>-25</b>
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	4500	4580	<b>-80</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	NA	NA	-
Gondal	Shankar-6	4955	5105	<b>-150</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5333	5400	<b>-67</b>
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4650	4589	<b>61</b>
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4300	4300	<b>Unch</b>
Muktsar	J-34	4300	4290	<b>10</b>
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4330	<b>Unch</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
		2-Sep-14	1-Sep-14	
Amravati	Mech-1	55	50	5
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1300	1710	-410
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	25	15	10
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	448	441	7
Bijapur	Bunny	180	600	-420
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	112	30	82
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
				1-Sep-14	28-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	39600	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38900	39000	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	39900	39900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42500	42600	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43600	-100
DCH-32(107)	34mm	3.0 - 3.8	33	56000	56200	-200

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 02/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16952	-35
CCIndex(527)	15879	-26
CCIndex(229)	17620	-17

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

**Cotlook Index: As on 1/9/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	75.30	Unch

**USDA Cotton Spot Rates: As on 29/8/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	68.60	72.35	Nil
North Delta	67.60	70.10	Nil
South Delta	67.60	70.10	Nil
East TX-OK	65.75	66.75	440
West Texas	65.00	65.50	Nil
Desert SW	66.60	73.35	Nil
SJ Valley	66.85	77.50	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 1/9/2014

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	67.32	68.03	66.57	67.60	<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 1/9/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5600	150	5750
<b>Equivalent</b>	40 Kgs	6002	160	6162

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