

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Wednesday.

In The News: The Government of Telangana has proposed to develop an industrial corridor along NH-44 between Hyderabad and Nagpur in Maharashtra. This proposal is likely to bring prosperity in cotton industry in Adilabad. Around 134 cotton ginning, pressing and cottonseed oil mills are located in Adilabad district, which are likely to be benefited by developing this corridor.

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 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.

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.

International Fundamentals:

According to the latest report released by USDA, as on August 31, 2014, 50% of cotton crop in USA is in excellent to good condition compared to 51% a week ago and 45% a year ago. 96% setting bolls has reported in cotton which was 90% last week and 94% a year ago. 31% of bolls opening reported which was 19% a week and 15% a year ago.

World inventories are likely to surge to 22.25 million tonnes by the end of season 2014/15, estimated International Cotton Advisory Committee (ICAC). Global production is expected to be around 26.05 million tonnes this year slightly lower than production in 2013/14 which stood around 25.53 26.09 million tonnes.

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).

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	0	803.5	806.5	781	802	4762	1281	8101	-113

Spread	Apr-15		
Spot	248	--	--

(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 03 Sept 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	60	17690	17850	17650	17710	438	-75	1733	-42
Nov-14	50	17010	17080	16980	17010	237	-216	2243	2
Dec-14	50	16790	16870	16770	16810	212	-164	2909	50

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		700		
Nov-14			210	
Dec-14				--

*Updated at 5:00 pm on 03 Sept 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		3-Sep-14	2-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5250	5300	-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	5250	5275	-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	4540	4500	40
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	5030	4955	75
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5333	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4850	4650	200
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4280	4300	-20
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4330	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4260	4260	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		3-Sep-14	2-Sep-14	
Amravati	Mech-1	55	55	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2600	1300	1300
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	20	25	-5
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	336	448	-112
Bijapur	Bunny	NA	180	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	90	112	-22
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
				2-Sep-14	1-Sep-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	38900	38900	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	39900	39900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42500	42500	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	56000	56000	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 03/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16952	Unch
CCIndex(527)	15872	-7
CCIndex(229)	17615	-5

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

Cotlook Index: As on 2/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	75.30	Unch

USDA Cotton Spot Rates: As on 2/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.34	71.09	NIL
North Delta	66.34	68.84	NIL
South Delta	66.34	68.84	NIL
East TX-OK	64.50	65.50	NIL
West Texas	63.75	64.25	NIL
Desert SW	65.34	72.09	NIL
SJ Valley	65.59	76.24	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 2/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	66.55	66.55	66.05	66.34	-1.26
Dec-14	66.26	66.36	65.05	65.31	-1.26
Mar-15	66.70	66.70	65.17	65.28	-1.73
May-15	67.34	67.34	66.38	66.50	-1.64
Jul-15	68.20	68.20	67.27	67.42	-1.54
Oct-15	67.97	67.97	67.97	67.97	-1.34

Pakistan Cotton Spot rates: As on 2/9/2014 (in Pakistan Rupees)

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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.