

**Domestic Fundamentals:**

**Market Outlook:** Cotton market noticed mixed sentiments on Thursday.

**In The News:** Ministry of Textile is willing to allow FDI in single brand and multi brand retail through automatic route but restricting the scope to Indian apparel brands only.

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 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:

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	-4	807	812	799	803	2457	-2305	8440	339

Spread	Apr-15		
Spot	237	--	--

(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 04 Sept 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	30	17840	17940	17830	17860	346	-92	1719	-14
Nov-14	20	17180	17250	17140	17140	163	-74	2255	12
Dec-14	-20	16970	17040	16910	16910	236	24	2848	-61

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		720		
Nov-14			230	
Dec-14				--

\*Updated at 5:00 pm on 04 Sept 2014

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

Centre	Variety	Prices		Change
		4-Sep-14	3-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5300	5250	50
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	5200	5250	-50
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	4850	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4550	4540	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	-
Hathras	Desi	4950	4900	50
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	5055	5030	25
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5370	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5046	4850	196
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4290	4280	10
Muktsar	J-34	4325	4300	25
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4325	4330	-5
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4260	-10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		4-Sep-14	3-Sep-14	
Amravati	Mech-1	45	55	-10
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1400	2600	-1200
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	700	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	20	20	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	-
Hathras	Desi	200	150	50
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	311	336	-25
Bijapur	Bunny	269	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	117	90	27
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
				3-Sep-14	2-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38000	38500	<b>-500</b>
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	39000	<b>-500</b>
J-34(202)	26mm	3.5 - 4.9	23	39400	39600	<b>-200</b>
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38900	38900	<b>Unch</b>
Shankar-6(105)	29mm	3.5 – 4.9	28	39900	39900	<b>Unch</b>
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42500	42500	<b>Unch</b>
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43500	<b>Unch</b>
DCH-32(107)	34mm	3.0 - 3.8	33	56000	56000	<b>Unch</b>

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 04/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16947	<b>-5</b>
CCIndex(527)	15859	<b>-13</b>
CCIndex(229)	17583	<b>-32</b>

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

**Cotlook Index: As on 3/9/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	74.35	<b>-0.95</b>

**USDA Cotton Spot Rates: As on 3/9/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.70	71.45	<b>NIL</b>
North Delta	66.70	69.20	<b>NIL</b>
South Delta	66.70	69.20	<b>NIL</b>
East TX-OK	65.00	66.00	<b>1626</b>
West Texas	64.25	64.75	<b>NIL</b>
Desert SW	65.70	72.45	<b>NIL</b>
SJ Valley	65.95	76.60	<b>NIL</b>

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 3/9/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	66.26	66.70	66.05	66.70	<b>0.36</b>
<b>Dec-14</b>	65.74	66.17	65.15	65.96	<b>0.65</b>
<b>Mar-15</b>	65.50	65.95	65.08	65.77	<b>0.49</b>
<b>May-15</b>	66.61	67.03	66.22	66.83	<b>0.33</b>
<b>Jul-15</b>	67.51	67.92	67.15	67.62	<b>0.20</b>
<b>Oct-15</b>	68.17	68.17	68.17	68.17	<b>0.20</b>

**Pakistan Cotton Spot rates: As on 3/9/2014 (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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