

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed sentiments on Friday.

In The News: Cotton imports in India will be 12-year high this season as international prices are ruling lower compared to the domestic prices. Prices on ICE US falling below 90 cents per pound since May, which is making domestic prices in India less competitive. Millers signed to buy cotton from overseas and most of the inbound shipments are reported after May. In domestic market Shankar-6 is ruling at around Rs.39,000-40,000 per candy (of 356 each) whereas the same for December delivery is available at 65.75 cents a pound, which is approximately Rs.31,500 per candy. Cotton Import is expected to surpass 17 lakh bales by the end of this season 2013/14. It was season 2002/03 when the country witnessed 17.67 lakh bales of cotton import.

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.

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	-4.5	794.5	799	791	791.5	3394	937	8561	121

Spread	Apr-15		
Spot	245.5	--	--

(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 05 Sept 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-70	17740	17760	17610	17660	390	44	1743	24
Nov-14	-130	16980	16990	16840	16880	283	120	2251	-4
Dec-14	-160	16780	16790	16600	16640	324	88	2861	13

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		780		
Nov-14			240	
Dec-14				--

*Updated at 5:00 pm on 05 Sept 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		5-Sep-14	4-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5350	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	5185	5200	-15
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	4850	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4525	4550	-25
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	4950	Unch
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	4955	5055	-100
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	5276	5370	-94
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4650	5046	-396
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4300	4290	10
Muktsar	J-34	4330	4325	5
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4350	4325	25
Mansa	J-34	NA	NA	-
Sirsa	J-34	4230	4250	-20
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		5-Sep-14	4-Sep-14	
Amravati	Mech-1	70	45	25
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	800	1400	-600
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	700	700	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	5	20	-15
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	150	200	-50
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	300	311	-11
Bijapur	Bunny	217	269	-52
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	167	117	50
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
				4-Sep-14	3-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38000	38000	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	38500	Unch
J-34(202)	26mm	3.5 - 4.9	23	39400	39400	Unch
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 05/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16936	11
CCIndex(527)	15841	-18
CCIndex(229)	17570	-13

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

Cotlook Index: As on 4/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	74.95	0.60

USDA Cotton Spot Rates: As on 4/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.27	71.02	NIL
North Delta	66.27	68.77	NIL
South Delta	66.27	68.77	NIL
East TX-OK	65.00	66.00	851
West Texas	64.25	64.75	NIL
Desert SW	65.77	72.52	NIL
SJ Valley	66.02	76.67	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 4/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	66.92	66.98	66.75	66.77	0.07
Dec-14	66.11	66.45	65.38	65.45	-0.51
Mar-15	65.74	66.18	65.05	65.10	-0.67
May-15	66.74	67.05	66.18	66.18	-0.65
Jul-15	67.74	67.74	66.97	66.97	-0.65
Oct-15	67.53	67.53	67.53	67.53	-0.64

Pakistan Cotton Spot rates: As on 4/9/2014 (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.