

Hello NICANS,

The market is stable to weak with no fireworks. The buyers are all on the sidelines waiting for something to happen. However, some buying is seen from mills who have little stocks.

The arrivals have slowed down. The All India arrivals are around 8,000-10,000 bales/day . The daily arrivals are creating about little pressure on the prices. The prices have also started differentiating these days of the poor quality of cotton arrivals. The estimated All India arrivals so far is given below:-

State	Arrivals up to 1 st Sept. 2014	Arrivals up to 1 st Sept. 2013
Punjab	13.00	22.00
Haryana	20.00	25.00
Rajasthan	13.00	17.00
Gujarat	123.00	90.00
Maharashtra	96.00	75.00
Madhya Pradesh	21.00	20.00
Andhra Pradesh	76.00	84.00
Karnataka	31.00	15.00
Tamil Nadu	04.00	03.00
Orissa	06.00	04.00
Others	02.00	02.00
Total	405.00	357.00

The International Cotton Advisory Committee slashed hopes for cotton prices to a five-year low, citing the prospect of a jump in inventories in exporting nations to a record high. The ICAC cut by 5 cents to 80 cents a pound its forecast for the average 2014-15 cotton price, as measured by the Cotlook A index of physical values which, in including an element for transport, typically trades at a premium to New York futures. The downgrade, to the lowest since the 78 cents a pound recorded for 2009-10, came as the intergovernmental group lifted by 530,000 tonnes its forecast for world production in the season. It raised by 620,000 tonnes its estimate for inventories at the close of the marketing year, to an all-time high of 22.25m tonnes (102m bales).

'Negative pressure on prices': Signally, this inventory figure comprises record stocks outside China, of 9.7m tonnes (44.6m bales) - in contrast to recent seasons when the relatively low supplies available to the world market have supported prices. ICAC world cotton forecasts, change on previous and (year on year)

Production:	26.05m tonnes,	+530,000 tonnes,	(-40,000 tonnes)
Consumption:	24.37m tonnes,	-130,000 tonnes,	(+40,000 tonnes)
Imports:	7.97m tonnes,	+40,000 tonnes,	(-1.05m tonnes)
Exports:	7.97m tonnes,	+40,000 tonnes,	(-1.04m tonnes)
Ending stocks:	22.25m tonnes,	+620,000 tonnes,	(+1.69m tonnes)

The 2014-15 expansion in world ending stocks outside China "will put negative pressure on prices this season as China continues to liquidate its significant stocks", the ICAC said. Previously, world stocks have been concentrated in China, where a programme of guaranteed prices to farmers prompted a huge build in government inventories, essentially removing these supplies from the world market. This season, a rejig in China's farm support regime is leading to some selling of state inventories, reducing the country's need for imports.

Production upgrades: The committee's upgraded production estimate reflected increased hopes crops in all the big-three producing countries -- China, India and the US -- but particularly for India, for which the estimate was lifted by some 300,000 tonnes to 6.3m tonnes. "Due to the late arrival of the monsoon, the planting season was extended and area in India is estimated at 11.8m hectares, up by 1.3% from 2013-14," the ICAC said. Separately, the US Department of Agriculture's New Delhi bureau pegged Indian output at 29.5m bales (6.4m tonnes), citing a rise of 3.4% to 12.1m hectares in sowings, besides improved yield expectations. "This is due better agronomic practices adopted by farmers coupled with renewed efforts by the government to provide assistance and improve yields under the National Food Security Mission," the bureau said.

'Vie for the title': However, it is as yet unclear whether India will take the crown of top world cotton producer from China, for which the ICAC lifted its production forecast by 200,000 tonnes to 6.4m tonnes. "China and India will vie for the title of largest producer of cotton, as the full impact of this year's monsoon on India's yields is unknown," the committee said. The ICAC, citing "much-needed rain", lifted its forecast for US production by 200,000 tonnes to 3.7m tonnes (17.0m bales), although this remains below a USDA estimate of 3.81m tonnes. In New York, the benchmark December cotton contract was 0.4% higher at 65.55 cents a pound in early deals. Source: agrimoney.com

India's cotton output in the new season beginning October is expected at 39.63 million bales on a likely record acreage, but the figure is slightly lower than the previous year, a top trade body said. India, the world's second-largest cotton grower, produced 40 million bales of the fibre in the 2013/14 crop year, according to the Cotton Association of India (CAI). Although the CAI has pegged next year's output at 39.63 million bales, some believe production could touch 41 million bales, as the area under cultivation has gone up. Despite a slow start to the monsoon season, farmers in India are expected to have raised cotton acreage to a record in 2014/15 year as the crop is less water-intensive. Growers plant cotton in the rainy months of June and July, with harvests in end-September. A bumper harvest in India, also the world's second-biggest exporter, for a second straight year could put downward pressure on benchmark New York cotton futures which hit a near five-year low of 62.02 cents on Aug. 1. If rainfall improves in coming months, India's crop size will be substantially higher than what is being estimated now, said Dhiren Seth, president of the CAI. As of Aug. 8, farmers had sown cotton on 11.22 million hectares, compared with 11.01 hectares a year before. "Due to the delayed rains, farmers increased the area under cotton cultivation, as it requires less water. Initial estimates show higher output but a lot will depend on yields," said Arun Kumar Dalal, a trader from the western city of Ahmedabad. Despite expectations of rising production, exports are expected to be lower in coming years, as local mills have been buying more, while China is purchasing less. (1 bale = 170 kg) (Reporting by Meenakshi Sharma; editing by Mayank Bhardwaj and Pravin Char) Source: Reuters.

Punjab, which is a well-irrigated state, has witnessed 60% deficient rains while Haryana saw 57% lesser rains during the kharif sowing season. "Deficient" rains have had no impact on sowing of paddy - a major Kharif crop -in Punjab and Haryana, even as the input cost of paddy growers went up significantly for watering the crop. Though crop sowing in Haryana almost remained insulated from the "weak" monsoon, sowing of cotton and maize was hit in Punjab in the wake of poor rains. Punjab, which is a well-irrigated state, has witnessed 60 per cent deficient rains while Haryana saw 57 per cent lesser rains during the kharif sowing season, officials said here. Even as apprehensions were expressed over lesser area coverage under paddy because of deficient rains, the area under paddy crossed the targeted area to 2.82 million hectares in Punjab. An official of the Punjab Agriculture Department said here on Thursday, "Area under paddy has finally reached 2.82 million hectares. Crop sowing is over now." A target of 2.65 million hectares was set for paddy during the current season as the state government had proposed to bring down area by 200,000 hectares under "water guzzling" crop as part of crop diversification programme. However, that could not take place. Punjab paddy growers' cost is expected to increase by Rs 6,000 to Rs 7,000 per acre because of "deficient" rains as farmers had to spend extra money on diesel and deepening of tubewells for irrigating paddy in the wake of lesser rains. In Haryana, 1.13 million hectares were brought under paddy against the target of 1.15 million hectares, said an official of the Haryana Agriculture Department. As far as other kharif crops are concerned, cotton area in Punjab could not reach the targeted 520,000 hectares, which will lead to lesser cotton output this year. "Area under cotton could reach only 450,000 hectares as against target of 520,000 hectares," he said. Cotton area in Haryana zoomed to 642,000 hectares, surpassing the target of 600,000 hectares. Area under maize, which was being promoted by the Punjab government as an alternative crop to paddy, was also not up to the mark as only 163,000 hectares could be brought under it against the target of 200,000 hectares. Source: Business Standard.

In response to its draft action plan for apparels sector brought out by the Union Ministry suggestions the CII (Tirupur district council), and Sripuram Trust (a body of textile sector representatives) has put up proposal for creation of a 'Textile Bank,' a separate policy for manmade fibres and polyester, a processing zone for dyeing sector, and direct marketing facilities for power loom weavers. CII (Tirupur district council) chairman Raja Shanmugam said that the creation of a Textile Bank is similar on the lines of the recently approved small banks project, which would help the sector to get low cost funds for capacity expansion, and value-addition. The cluster want the Ministry to have a mechanism by which assured institutional credit linkage facilities are made available with all the textile park projects. If a textile park project is linked to certain banks as in the case of residential building projects, it will be easy for entrepreneurs to open their units immediately after the allocation of space, said Mr. Shanmugam. A significant suggestion that came from the Tirupur entrepreneurs was the need for a separate policy for manmade fibres and polyester. The sector recommended for opening outlets similar to the 'Uzhavar Sandhai' (farmers' market) to help power loom weavers market the fabrics directly to apparel makers avoiding middlemen. The suggestions put forward are the joint result of the views expressed by various associations and entrepreneurs in Tirupur bearing in mind the difficulties faced by the textile sector. Source: yarnsandfibres.

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Pakistan's all high power consuming sectors weaving and spinning registered a drop in exports by 2.37 percent in July due to power supply and instability prevailing in Pakistan. But the share of textiles in total exports of Pakistan has improved to 64 percent in July, according to textile trade body. In the first month (July) of this fiscal year exports was \$1.929 billion from \$2.094 in July 2013, a drop by 7.8 percent. The monthly textile exports slid to \$1.169 billion from \$1.197 billion. The European Union's generalised scheme of preferences status saved the exports from a plunge, according to SM Tanveer, chairman of All Pakistan Textiles Mills Association. Yarn exports dived by

35.32 percent to \$211.58 million in July 2014. Exports of fabric dropped 43 percent in quantity and 8.13 percent in value. Since weaving sector operated at 60 percent of production capacity due to power supply shortfall, fabric production plunged. Exports of knitwear, bed wear, towels and readymade garments increased by 21.66 percent, 14.54 percent, 7.43 percent and 3.76 percent, respectively, in July; the surge was owing to zero-rated access the value-added textile sector got from EU this year. If the basic textile sector is not revived, the value-added sectors of textiles would come under pressure, which buy raw materials from the former. The ongoing political turmoil in the country would badly impact the exports in August. However, the first 20 days of this month, the exports have been nominal. But container owners are diffident to enter Punjab fearing their containers could be impounded by the provincial government. Pakistan is losing a huge exports' opportunity since there is no dearth of orders from the foreign buyers. The government needs to take firm steps to improve its power management to ensure better supplies to the exporting industries and restore peaceful and calm situation in Pakistan. Source: yarnsandfibres.

Cotton is set to fall to the lowest in five years as demand slows in China, the world's biggest consumer, and India heads for a record crop, Arvind Ltd. (ARVND) said. Prices are poised to retreat to a range of 55 cents to 60 cents a pound by December, said Sanjay Lalbhai, chairman of India's biggest denim maker, which retails Gap Inc. and Tommy Hilfiger Corp. brands. The harvest in the South Asian nation, the world's second-largest grower, may jump to a record 40 million bales of 170 kilograms (375 pounds) each in the 12 months starting Oct. 1 from 37 million bales this year, he said. Futures slumped 21 percent in New York this year, making it one of the worst performers on the Bloomberg Commodity Index of 22 raw materials, as global stockpiles increase to a record high. Lower prices would help reduce costs for Gap and Levi Strauss & Co. as the U.S. government predicts the country's inventories will expand at the fastest pace in three decades. "Cotton has an oversupply situation both in the global market as well as the domestic market," Harish Galipelli, head of commodities and currencies at Inditrade Derivatives and Commodities Ltd., said by phone from Hyderabad. "The demand dynamics are also weakening as countries like China have got a lower appetite." Futures have declined 31 percent from a two-year high of 97.35 cents reached on March 26 and traded at 67.15 cents on ICE Futures U.S. today.

Chinese Imports: China's imports fell 39 percent to 1.67 million tons in the first seven months from a year earlier, according to data from the General Administration of Customs. The country holds more than half of the global inventory, the U.S. Department of Agriculture estimated on Aug. 12. Slowing demand from China would reduce India's exports next year even as the harvest increases, Lalbhai said in an interview in Mumbai on Aug. 22. Shipments are estimated at 11.4 million bales this year, he said. "It's going to be a challenge to export the same amount of cotton next year," Lalbhai said. Prospects for yarn exports, mostly shipped to China, may also be hurt by weakening demand in the Asian country, he said. Stockpiles in the U.S., the world's biggest exporter, will probably more than double to 5.6 million bales of 480 pounds each by July 2015, the biggest increase since 1986, the USDA said Aug. 12. Global reserves are poised to reach an all-time high of 105 million bales, the USDA estimates. Declining cotton prices are "good news" for Gap and will benefit the company, Chief Financial Officer Sabrina Simmons said in an earnings call on Aug. 22. Futures will probably find support in a range of 55 cents to 60 cents which equals the rate at which Chinese traders can import without government quota restrictions, according to Paul Reinhart AG. The price is equivalent to 65 cents including shipping and insurance at Chinese ports, Thomas Paul Reinhart, who is head of sourcing and marketing China, said in an interview on Aug. 5. Source: Bloomberg.

Technical Textile sector is one of the most innovative branch of the industry in the world, ranking as one the five high tech sectors with the greatest potential for development. In India also technical textiles is one of the fastest growing segment of the Indian economy registering compounded annual rate of growth of 11% during 11th five year plan and the working group. T. Rajkumar, chairman of Southern India Mills' Association on Friday inaugurating a conference organised by PSG College of

Technology Centre of Excellence (Indutech), said that entrepreneurs interested in investing in technical textiles should look at opportunities related to cotton woven and knitted fabric, as more than 70 per cent of technical textiles needs man-made fibre and filaments. With levy of excise duty, import duty, special additional duty, etc, the cost of the fibres and filaments in India is 20 to 30 percent higher to competing countries such as China and Indonesia. The country is producing nearly 390 lakh bales of cotton a year and textile industry in Tamil Nadu is predominantly cotton-based. The State has units across the textile value chain from spinning to garmenting. Considering the huge investment needed for non-woven and lack of technical know-how, entrepreneurs should focus on cotton-based technical textiles. Technical textiles requires special knowledge, research and development, technical know-how, technology, marketing and branding initiatives to tap market opportunities both in domestic and international market. Since the industries will need a longer duration to develop local brands, it becomes very important that they tie-up with international brands to have a higher market share. The association and Indian Technical Textiles Association will extend all support to companies in their effort to develop cotton-based technical textile products. Though the textile industry in the country grew 10 percent ever year during the tenth five year plan period, growth declined to less than seven per cent a year during 2007-2012. The units faced volatility in cotton prices, withdrawal of export incentives, and problems in getting benefits under the Technology Upgradation Fund scheme. Mr. Rajkumar urged the Union Government to study the vision document that the industry will submit soon, remove the bottle necks, and announce proactive policies to revive the textile industry. However, the ability of technical textiles to combine with each other and with others to create a new functional products offer unlimited opportunity to growth. Source: yarnsandfibres.

In the interim results released for the first six months of 2014, net profit at the biggest cotton textiles producer in China, Weiqiao Textile Company Ltd plunged 21.1% over first six months of 2013. Net profit at Weiqiao Textile slipped to RMB 210 million in the first half of 2014, down 21.1% over the corresponding period of last year. In the period January to June 2014, revenue too fell to RMB 5,973 million, a decline of 10.9% from the first half of 2013. In the half-year under review, gross profit totalled to RMB 506 million, also down 15.9%, from a year earlier. Gross profit margin too fell 0.5 percentage points to 8.5% year-on-year. Weiqiao said it recorded a year-on-year decrease in sales volume of cotton yarn and grey fabric as well as lower average selling price, leading to a drop in revenue and net profit, primarily impacted by changes in China's cotton reserves policy. During the first half of 2014, cotton yarn, grey fabric and denim contributed 34.0%, 52.4% and 13.6%, respectively to Weiqiao's revenues. For six months ended 30 June 2014, Weiqiao was able to reduce selling and distribution expenses by RMB 80 million or 22.3%, mainly by reduced transportation costs. Sales staff salaries and sales commissions also fell 35.3% and 50.0%, respectively. All the declines in selling and distribution expenses are attributed to lower sales volumes and resultant fall in revenues in the period, Weiqiao admitted. However, finance costs surged 23.9% year-on-year to RMB 268 million in first six month of 2014, mainly from interest expenses heaving 20.8% from a year earlier. The textile group said it will optimize its product portfolio towards middle to high-end products and boost operational efficiency, both of which will allow it to respond to changes in both domestic and overseas markets. Weiqiao Textile has four plants and employs around 83,000 people. As of June 30 2014, it produced around 208,000 tons of cotton yarn, 474,000,000 meters of grey fabric and 37,000,000 meters of denim. Source: fibre2fashion.

Cotton yarn producers face a tough time as exports have dropped and subsidies under technology upgradation fund scheme (TUFS) have been overdue for the past few months. Yarn prices too have dipped 15 per cent. The demand for cotton yarn from China, the largest importer of Indian yarn, has slowed down since April. In April, cotton yarn exports stood at 99.92 million kg down 14 per cent against 115.96 million kg in the same month last year. According to industry insiders, exports during May to July too have been down by around four per cent from 375 million kg during the same period

last year. However, official data on exports is not out yet. "Domestic demand too is low during this time. With the decline in exports, inventories are 30 per cent higher than last year's levels. Prices too have dropped 15 per cent," said K Selvaraju, secretary general, Southern India Mills Association. Combed cotton yarn prices stood at Rs 221 per kg this August, down from Rs 261 in August last year and 11 per cent from February levels. Prices have been on a decline since February after cotton prices went into a bearish mode. The importers expect cotton yarn prices to soften further as the outlook on cotton prices is still bearish. The new Chinese policy has put pressure on prices of both cotton and yarn. China has been procuring and stocking cotton from farmers in order to control prices. As per the new policy, the subsidies are directly given to the farmer and stockpiles are being cleared. Subsequently, yarn imports too have come down, said D K Nair, secretary general of Confederation of Indian Textile Industry. "Chinese textile industry has not been growing like in previous years. Part of the manufacturing too is being outsourced to low-cost countries like Vietnam," he said. Meanwhile, mills have also not received interest subsidies under TUFs since December. "For investments to the tune of Rs 65,000 crore made by over 1,000 units since 2010, interest subsidy of around Rs 3,000 crore is pending. This has put further pressure on the working capital of the mills," said Selvaraju. Source:mydigitalic.com

China's new policy urges consumption of domestic raw cotton and yarn by its textile industry. If the June quarter results are to be taken as a benchmark, cotton spinning mills are looking at a tough year ahead. Data from about 105 listed entities shows a 67% drop in average net profit from a year ago. This is because of weak realizations that cascaded into poor operating performance, as average operating margin was down 240 basis points to 9.9%. One basis point is one-hundredth of a percentage point. The slowdown comes after nearly six robust quarters, where net sales and revenues were rising. The main reason for this sudden turn in fortunes is the weakening global demand for cotton yarn. The latest available data with the Directorate General of Foreign Trade for the month of April shows that yarn exports, at 99.9 million tonnes, were 11% lower than the previous month and nearly 30% lower than in January. Large business groups are pessimistic and believe that cotton yarn exports in the current year will be 25% lower than the previous year. Yarn prices have suddenly softened on falling volumes. Obviously, falling international prices and demand have an effect on domestic yarn prices too, which have been sliding in the last few months. In June there was a substantially higher stockpile of cotton yarn in the country when compared with a year back, which in turn will keep prices soft. But, this sudden mayhem is closely linked to China's new cotton policy, which urges consumption of domestic raw cotton and yarn by its textile industry. In other words, China, which is the largest importer of cotton yarn, will cut back imports, hurting Indian exports. Also, as the Chinese government offloads its two-year reserve stock of cotton, mills will get access to cheaper cotton from the market. Hence, with lower cotton prices, Chinese spinning mills will be able to offer yarn at cheap prices internationally. Both these factors will stymie any rise in global yarn prices. Further, if yarn prices are subdued and exports fall further, Indian mills, which are operating at peak capacity, may have stocks piling up. This in turn will increase holding cost and therefore impact profitability. Source: livemint.

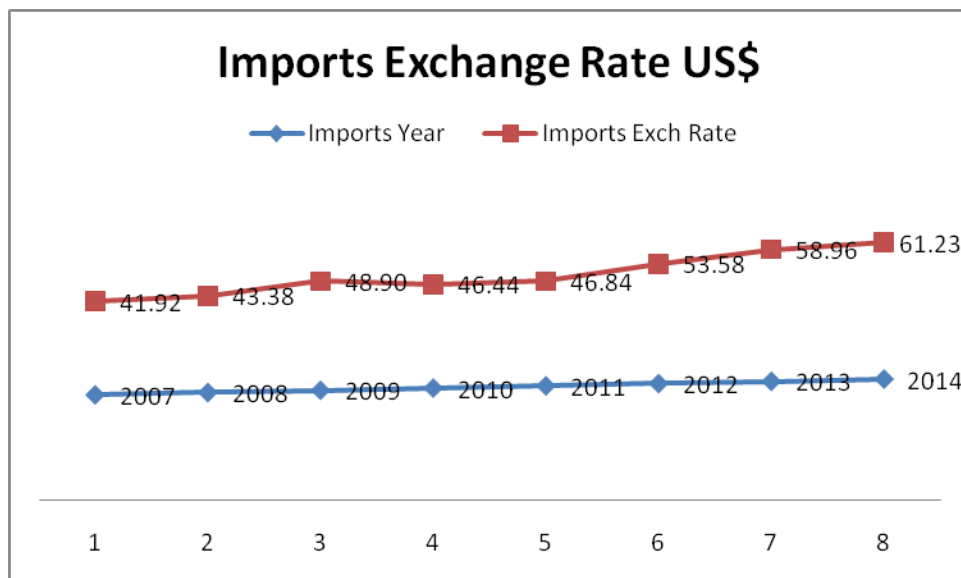
The arrivals are about 13.45% more than last year's arrivals.

The prices are range bound and the market moves within a narrow band currently.

The Prices of Indian Cotton are shown below with comparative prices:-

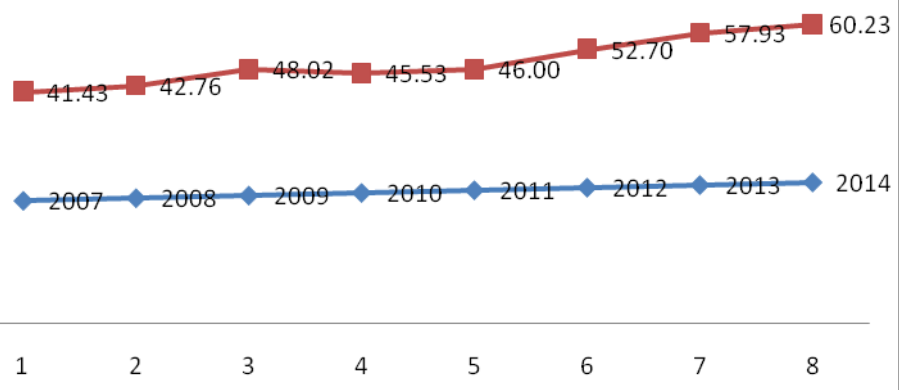
Quality	01/09/2014	01/09/2013	01/09/2012	01/09/2011	01/09/2010
	Rs. Candy	Rs. Candy	Rs. Candy	Rs. Candy	Rs. Candy
P/H/R	40,700	43,800	33,250	38,050	34,600
Guj (S-6)	40,000	46,900	35,700	39,450	37,200
Guj.(V797)	26,500	29,500	28,150	24,650	25,440
M.P./Mah	40,500	47,300	35,000	36,700	36,050
A.P.	43,500	47,500	39,300	41,800	40,400

The Indian Rupee has weakened against the US Dollar in the recent times and this has brought temporary relief in the export earnings. The Indian Rupee was around Rs. 60.45 against the US Dollar last Sept. 2013 and today its hovering around Rs. 61.18 against the US Dollar. With the new Government sworn in, expectations are that Rupee will further strengthen against the US Dollar. Many Financial Experts are of the opinion that it will take some time to gain confidence in the new Government at New Delhi.



Exports Exchange rate US\$

Exports Year Exports Exch Rate



The Cotton Yarn Quotes from Indian Mills are as follows. The prices are in line with the current firmness shown by the Indian rupee against the US Dollar:-

Count	Quality	Type	FOB Price/Kg in USD, Indian Port	
20/1	Carded	Hosiery	\$ 2.80	
20/1	Combed	Hosiery	\$ 3.10	
30/1	Carded	Hosiery	\$ 3.05	
30/1	Combed	Hosiery	\$ 3.30	
40/1	Combed	Hosiery	\$ 3.80	
40/1	Carded	Weaving	\$ 3.40	
30/1	Combed Compact	Weaving	\$ 3.65	
40/1	Combed Compact	Weaving	\$ 4.05	

30S combed warp is available at Rs.196/- to Rs.206/- per kg in Mumbai Markets and at Rs.194/- to Rs. 204/- in Gujarat Markets and at Rs.200- to Rs. 208/- per kg in Ludhiana Markets. The export markets are quoting US \$ 3.30 per kg for 30's Combed Hosiery Cotton yarn and about US \$ 3.40 per kg for 30's Combed Weaving Yarn.

The anticipated sowing of cotton across is estimated below:-

STATE	Current 2014-15	Last Year 2013-14	BT 2014-15
Punjab	4.50	5.05	4.30
Haryana	6.39	5.56	6.31
Rajasthan	4.16	2.93	3.95
Gujarat	29.81	26.63	27.08
Maharashtra	39.22	38.62	37.40
M.P.	5.73	6.21	5.45
A.P.	20.23	19.61	18.56
Karnataka	7.15	5.08	6.52
TN	0.50	0.30	0.40
UP	0.26	0.23	0
WB	0	0	0
Orissa	1.24	1.21	1.22
Others	0.40	0.27	0.33
Total	119.59	111.70	111.52

The International Monetary Fund cut its global economic growth forecast for this year to 3.4% from an April forecast of 3.7%, damping sentiment in the market. Cotton prices are particularly sensitive to economic data, since demand for the fiber is tied to consumer spending on items such as apparel, bed sheets and towels.

Leading commodity exchange National Commodity & Derivatives Exchange Limited (NCDEX) today announced the launch of a long staple (29 mm) cotton bales contract. The exchange will facilitate delivery of 29 mm cotton bales through Comtrack, its proprietary electronic commodity accounting system. The delivery centres are located in Maharashtra and Gujarat, the two main cotton producing states, NCDEX said in a statement here. With this the NCDEX cotton basket now spans the entire product line from kapas and bales to cotton seed and cotton seed oil-cake. This will give players across the value chain an opportunity to hedge their price risk. "We provide the largest marketplace for the cotton industry. With this contract, we have plugged the only missing piece. So, the industry can now use all hedging and price discovery solutions on a single platform," NCDEX MD and CEO Samir Shah said. Cotton is India's largest cash crop with total annual production of around 330 lakh bales of 170 kg each. The long staple varieties have a 78 per cent share. The 29 mm cotton is a fine grade long staple variety of cotton (29 mm refers to the staple length). It is mainly grown in Gujarat, followed by Maharashtra, Andhra Pradesh, Madhya Pradesh and Karnataka. Source: The Economic Times.

Chinese Vice Premier Wang Yang has urged efforts to improve the experiment on a target price system for home-grown cotton. On an inspection tour to northwest China's Xinjiang Uygur Autonomous Region, Wang said the experiment will help improve the country's agricultural products pricing mechanism and give full play to the market's role in allocating resources. China started the experiment for cotton in Xinjiang earlier this year. Under the target price system, the government will subsidize farmers to ensure their earnings when market prices fall below a preset target price. The vice premier visited households, farms and companies in Xinjiang to solicit opinions for improving the pilot program. The government must strive to make the pilot program easy to implement, decide the subsidy amounts in a scientific way and optimize the procedure for handing out the subsidies, Wang said. Confronted with shortage in cotton supply, China should make the information about cotton imports and sales of government cotton reserves more transparent in order to stabilize market expectation, he said. The country should also support companies to purchase cotton and encourage growers to sell cotton at satisfactory prices, Wang added. Source: china.org

Despite deficit rainfall in half the country, sowing of Kharif crops is nearing last year's coverage. Sowing has been completed over 96.6 million hectare (ha) of land, marginally lower than the 99.8 million ha sown by this time last year, the farm ministry said on Friday. At the beginning of August, sowing was 14% below last season's figure. Normally, the sowing area for Kharif, the country's main agricultural season which depends on monsoon rainfall, is 105.9 million ha. A delayed onset of monsoon had impacted sowing of crops in June and July but picked up pace with the narrowing of the rainfall deficit in August. Rice has been sown on 35 million ha, crossing last year's acreage of 34.9 million ha. The area under cotton, at 12.2 million ha, shows an increase of 9.7% compared with the area sown by this time last year. However, the area sown under coarse cereals, oilseeds and pulses shows a dip of 10.4%, 7.8% and 5.2% respectively. On 29 August, the overall monsoon deficit for the entire country had narrowed down to 18% of the long-period average. June had recorded a deficit of 43%, triggering fears of a drought. However, 13 of the 36 meteorological subdivisions in the country are experiencing monsoon deficits ranging between 20% and 59%, while two subdivisions have recorded scanty rainfall with a seasonal deficit of over 60%. In view of the deficit monsoon in different parts of the country, the central government on 7 August declared diesel subsidy for farmers in areas facing over 50% rainfall deficit. Besides raising the subsidy ceiling to buy seeds for resowing, the union government has also announced a special package of Rs35,000 per ha for horticulture farmers, and Rs100 crore for additional fodder development programme to ensure availability of fodder. Source: livemint.

The resurgence in demand of yarn from China has given a boost to textile exports, giving a sigh of relief to exporters who fretted over the waning global demand during the past one year. "The revival of demand is a good omen," Seth Akber, senior vice chairman of All Pakistan Textile Mills Association (Aptma) said on Friday. Recalling the recent past, he said low Chinese demand along with power shortages, high power tariffs and rupee depreciation against dollar had caused the shutdown of a number of spinning mills in the country. However, spinners said this trend is at the expense of cotton farmers as phutti rates started to decline amidst rebound in yarn demand in the foreign market. "Though lower cotton rates might benefit the industry for the time being, yet farmers would not be able to recover cultivation cost at those prices," Hamid Malhi, director of Farmers Associates of Pakistan said. Cotton production in Pakistan has remained stagnant for the last two decades. Around two million cotton bales had to be imported to meet the shortfall. Depressed cotton rates would discourage the farmers that might result in lower cotton acreage next year. Power tariff hike and shortage have already led to the decline of spinning and fabric sector. Chairman Aptma Punjab SM Tanveer said the main problem faced by the spinners and weaver was the high cost of electricity. The industry together operated at 60 percent of production capacity in December-June 2014 because the cost of power mix from self-generation through gas and state-supplied power was not viable. Lower cotton rates, said Tanveer would definitely help the spinners and downstream industry. However, he said the local cotton prices are reflective of the global cotton rates. China is sitting on a huge cotton stocks enough to feed its industry for 18 months, leading to reduction in cotton prices in India, US and Australia -- the three largest cotton suppliers in the world. Economist Faisal Qamar said another positive for exporters is the increase in the value of dollar during the last four weeks. When the rupee was revalued from Rs108 to Rs97 about nine months, back the exporters did suffer badly. Qamar said the payments received on shipments already made were 10 to 12 percent less. Spinners particularly suffered more because they had huge stocks of cotton bought on global rates based on high dollar rate. Those stocks have now been consumed, he said. Source: International, The News.

China's decision to raise spending on farm subsidies 10 per cent is likely to boost yarn production in that country, as cotton will be available to Chinese spinning mills at a cheaper rate. This is likely to hit Indian mills catering to the Chinese market. In the past three years, consistent growth has been recorded in cotton yarn export to China, as so far, mills in that country have secured cotton at higher prices. China is the largest importer of cotton yarn in the international market. It is estimated in the recent past, cotton yarn export to China accounted for half of India's overall exports of the commodity. S P Oswal, chairman of Oswal Group, expects a fall of about 20 per cent in yarn export to China this year. "The demand for cotton yarn from China might come at razor-thin margins, which many Indian companies might find unviable. Those who cannot afford to export at such prices might not be able to sustain. Our mills have sufficient capacities but are underutilised due to power shortages," he says. In anticipation of high demand from China, Indian millers ramped up capacities in the past three years and, consequently, dwindling demand will hit their bottom lines, he adds. For 2014-15, cotton yarn exports are projected at 1,000 million kg, and this is expected to decline in 2015-16 if demand from China is low. Hardyal Singh Cheema, managing director of Cheema Spintex, a major yarn exporter, is keeping his fingers crossed. Though a record cotton crop of 40 million bales (one bale=170 kg), compared with 37 million bales in 2013-14, could benefit the spinning sector, mills will record losses if demand from other countries declines. Now, Cheema is considering other destinations such as Vietnam, Cambodia and Latin America, though he feels their volumes cannot match demand from the Chinese market. The Confederation of Indian Textile Industry (CITI) recommends companies focus on the domestic market. D K Nair, secretary-general, told Business Standard it might be an uphill task, as despite a good cotton crop this year, opportunities will be few. There is, however, a silver lining: The Centre has, in the revised technology upgrade scheme for the 12th five-year Plan, stressed revival of the fabric sector. As garment exports rise, the right strategy and attention to fabric manufacturing could help consolidate the entire value chain. "We export

about a third of our cotton and an equal proportion of cotton yarn. This could be used in the domestic sector to raise our share of garment exports in the global market," says Nair. Domestic demand for cotton has been increasing five-seven per cent a year. An analyst said though millers might see supplies exceeding demand in the short term, resulting in lower recoveries, emerging markets might present new opportunities in the long run. Source: Business Standard.

Cotton acreage this kharif has touched a new high with the fibre crop gaining area from crops such as soyabean and corn in key growing States of Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Tamil Nadu. Area under cotton has risen to a record 12.25 million hectares, an increase of 12 per cent over last year's 11.16 million ha and is poised to touch 12.5 million ha with plantings still on in coastal Andhra Pradesh and Tamil Nadu. "Cotton acreage this year is at a new record. The sowing is still on in Andhra and Tamil Nadu and the overall acreage could increase by two to three lakh ha more," said KR Kranthi, Director at the Nagpur-based Central Institute of Cotton Research (CICR). Previously, the cotton acreage had touched a high of 12.19 million ha in 2011. Kranthi mainly attributed the increase in cotton acreage this year mainly to the high cost of soyabean seeds and the impact of delayed monsoon on its plantings that prompted the farmers to switch over to the fibre crop. The switchover to the fibre crop by farmers has boosted cottonseed sales, bringing cheers to the hybrid seed industry. M Prabhakara Rao, Chairman National Seed Association of India and CMD of Hyderabad-based Nuziveedu Seeds Ltd estimates a 10-12 per cent growth in seed sales at around 47 million packets (each 450 gram) this year. However, the seed sales of other crops such as corn and rice were a bit subdued. "The delay in monsoon prompted farmers to switch over to cotton, which is more resilient to drought," Rao said. M Ramasami, Chairman and Managing Director of Rasi Seeds, expects growth at 20-25 per cent to around 38 lakh packets this year. He expects the acreage in Tamil Nadu to increase by 20-25 per cent as sowing would go on till mid-September. Increase in acreage would mean a higher crop, this year too. However, experts say its too early to comment on the crop size. "Rains in September and October are crucial for the crop. A clearer picture on the crop size would emerge by October-end," said MB Lal of Shail Exports. In 2013-14, cotton output stood at a record 395 lakh bales of 170 kg each according to the Cotton Association of India. Another high crop this year would keep the prices under pressure, experts said. Source: The Hindu Business Line.

Indian mills catering to the Chinese market likely to get hit with china taking decision to increase spending on farm subsidies by 10 percent to boost yarn production as cotton will be available to Chinese spinning mills at a cheaper rate. China is the largest importer of cotton yarn in the international market. It is estimated in the recent past, cotton yarn export to China accounted for half of India's overall exports of the commodity. In fact, in the past three years, consistent growth has been recorded in cotton yarn export to China, as so far, mills in that country have secured cotton at higher prices. According to S P Oswal, chairman of Oswal Group, there could be a fall of about 20 percent in yarn export to China this year. The demand for cotton yarn from China might come at razor- thin margins, which many Indian companies might find unviable. Those who cannot afford to export at such prices might not be able to sustain. Mills in India have sufficient capacities but are underutilised due to power shortages. In anticipation of high demand from China, Indian millers ramped up capacities in the past three years and, consequently, dwindling demand will hit their bottom lines, he adds. For 2014-15, cotton yarn exports are projected at 1,000 million kg, and this is expected to decline in 2015-16 if demand from China is low. Hardy Singh Cheema, managing director of Cheema Spintex, a major yarn exporter, is keeping his fingers crossed. Though a record cotton crop of 40 million bales (one bale=170 kg), compared with 37 million bales in 2013-14, could benefit the spinning sector, mills will record losses if demand from other countries declines. Now, Cheema is looking out for new destinations such as Vietnam, Cambodia and Latin America, though their volumes cannot match demand from the Chinese market. The Confederation of Indian Textile Industry (CITI) recommends companies focus on the domestic market. D K Nair, secretary-general, said that it might be an uphill task, as despite a good cotton crop this year, opportunities will be few.

There is, however, a silver lining: The Centre has, in the revised technology upgrade scheme for the 12th five-year Plan, stressed revival of the fabric sector. As garment exports rise, the right strategy and attention to fabric manufacturing could help consolidate the entire value chain. India exports about a third of their cotton and an equal proportion of cotton yarn. This could be used in the domestic sector to increase share of garment exports in the global market. While analysts are of the view that though millers might see supplies exceeding demand in the short term, resulting in lower recoveries, emerging markets might present new opportunities in the long run as domestic demand for cotton has been increasing five-seven percent a year. Source: yarnsandfibres.

India is set to challenge China's numero uno position in world cotton production. Thanks to genetically modified or BT cotton, India's cotton sowing has surged to a record high led by a sharp increase in cotton acreage in Gujarat, Maharashtra, Karnataka and Andhra Pradesh. As per the latest data available from government departments and industry sources, total cotton sowing in the country stood at 122.5 lakh hectares this year (2014-15) against about 115 lakh hectares last year (2013-14). Farmer and trader sources peg India's cotton production at 403 lakh bales this year. India's biggest cotton producer, Gujarat's data on September 1 showed cotton sowing in the State has crossed 30 lakh hectares this kharif season against the three years average of 27.17 lakh hectares, showing an increase of 10.5 per cent. With a rise in demand from yarn millers and new capacities coming on stream, cotton consumption in India has increased. This attracted more farmers to prefer the fibre crop over others. On his visit to Gandhinagar on Thursday for a National Seminar on Farm Income Insurance, Union Agriculture Minister, Radha Mohan Singh congratulated the State Chief Minister Anandiben Patel for achieving record cotton sowing in the State. "In spite of late monsoon by one month, farmers in Gujarat have shown their mettle as cotton sowing is done on over 100 per cent area." Due to monsoon getting delayed by over a month, farmers preferred cotton over other crops like groundnut and pulses. "Cotton prices have already come under pressure due to higher stocks. Spot rates are quoting in the range of Rs. 39,000 per candy (356 kg), but one month forward rates have slipped to about Rs. 34,000 per candy," said N K Sharma, managing director, Gujarat State Cooperative Cotton Federation Ltd (Gujcot). International cotton prices too have come under pressure at around 76 cents per pound. In its latest report, International Cotton Advisory Committee (ICAC) noted, that in 2014-15, world cotton industry may witness fifth consecutive surplus season. "World production is forecast to decline by 4 lakh tonnes to 26.05 million tonnes while consumption could grow by 4 per cent to 24.4 million tonnes, resulting in a surplus of 1.65 million tons." According to initial industry and farmer body estimates, India's cotton output is set to touch 403 lakh bales, out of which 144 lakh bales may come from Gujarat. Industry experts maintained that at cotton production above 400 lakh bales, India will surpass China, which grows about 400 lakh bales of cotton. This will make India world's largest cotton grower in the world. However, trade body, Cotton Association of India (CAI) has convened a meeting on Thursday to decide the sowing and production estimates. Farmer sources and insiders maintained that cotton sowing has seen a sharp surge in States such as Maharashtra, Rajasthan and Karnataka against last year. But with new spinning units coming on stream and exports set to surge to around 100 lakh bales, cotton balance will be maintained in the country, which would not let prices drop significantly. Currently, minimum support price (MSP) on cotton (raw) is fixed at Rs. 4,000 per quintal. Farmers believe in the scenario of excess production, the Cotton Corporation of India (CCI) would have to be prepared to intervene if prices fall below Rs. 4,000. Source: The Hindu Business Line.

The area under cotton cultivation in India has reached a record high of 12.25 million hectares and is expected to go up further to 12.5 mha, as sowing is still on in Andhra Pradesh and Karnataka. This is set to push production to a new high, too. At the moment, however, those in the industry do not foresee a glut in the market, since they expect a rise in domestic consumption and of buying by other countries. Also, cotton traders and textile mills believe the record production would not lead

mainly from Australia and Africa. Conceding that there was supply hurdles, especially due to quality issues, Poppat said currently 10,000 bales (170 kg each) of cotton are arriving every day in Gujarat markets. "Farmers in Gujarat had held back their produce. Stocks with them now could easily be five lakh bales," said Poppat.

Delayed new crop: Importing cotton up to the year-end is crucial for mills since the arrival of new crop will be delayed this year. "Currently, the crop is in the third stage of development, getting its last round of rain. Arrivals are likely to be delayed by 30-40 days and may not peak until the second fortnight of November," said Poppat. "Imports could slow down once arrivals peak," said Thulasidharan. "Prices could drop to levels of ₹36,000 when crop begins to arrive," said Poppat.

Prices under pressure: Cotton prices are seen under pressure since domestic production next season is seen at a new high of over 375 lakh bales by the Cotton Advisory Board. Data from the Agriculture Ministry showed that the area under cotton has increased to a record 122.50 lakh hectares this year against 115.5 lakh hectares last year. "Production can easily top 400 lakh bales with production in Gujarat likely to be over 135 lakh bales," said Poppat. Once domestic prices drop to levels of ₹36,000, then Indian cotton could turn competitive in the global market. "Prospects for exports are good, though they may not match this season's level," said Poppat. About 90 lakh bales are projected to have been exported this season against 101.43 lakh bales last season. "China has ended auctioning its stocks. Auctions will not take place till March since it will buy the fibre from farmers. So, it will import cotton," said Poppat. With Australia's crop seen falling 50 per cent this year to 117 lakh bales (170 kg) and the area under the fibre in China down nine per cent, India and the US, which is likely to harvest a record crop, will remain the main sources for cotton this year. Cotton prices, as a result, will continue to be under pressure. Source: the Hindu Business Line.

The most dramatic price differential exists in China at the moment, where the ZCE futures contract for September rallied to over 17'400 yuan/ton today (128 cents/lb), which is more than 2'600 yuan/ton (19 cents/lb) above the November contract and over 3'400 yuan/ton (25 cents/lb) more than January delivery.

Brazil is another origin that has seen its basis for nearby delivery strengthen considerably, as merchants and mills are scrambling to meet shipping deadlines and new export demand. Logistical delays as well as quality issues in Bahia have apparently made it more difficult get this crop moving.

We feel that the market has been misjudging the speed at which this potential bear market is expected to unfold. Looking at the statistics, which show an increase in ROW stocks of over 10% and global inventories in excess of 105 million bales, it is understandable why traders have been so frantic in pushing prices to their lowest level in five years.

However, as the market is finding out, it may take more time than anticipated to fill this nearly empty supply pipeline, as growers are quite reluctant to sell at these depressed levels. Furthermore, some origins have price support mechanism in place, like the US and India for example, which may defer price pressure into early next year.

Another factor to consider is the weather. Although most Northern Hemisphere crops are getting close to harvest and the size of the crop is probably not going to vary by much anymore, wet weather could still affect quality and delay the crop movement by several weeks. Weakening El Niño readings in August have allowed the Indian Monsoon to make a strong comeback, but they have also set the stage for an active finish to the hurricane

season in the US, which could impact crops from Texas to the Southeast during September and October.

Climate prediction models expect El Niño to gain strength over the winter months though, lasting through the first half of 2015, which would be excellent news for drought-stricken California and the US Southwest, possibly setting the stage for another decent cotton crop in West Texas.

Last week's CFTC report confirmed that speculators were swapping their short positions with the trade during the market's recent run towards 68 cents. During the week ending August 26, the trade had increased its net short position by 0.7 million to 4.0 million bales, while specs reduced their net short holdings by 0.6 million to 1.4 million bales. On the other side of the ledger we have index funds with a 5.4 million bales net long position. Although the trade has made some progress in increasing its net short position, it remains considerably underhedged given the size of the various Northern Hemisphere crops that are about to hit the market.

So where do we go from here? The market seems to be stuck in the middle of nowhere at the moment, as traders are not willing to sell December below 64 cents given the nearby supply constraints, while spec short covering has fizzled out due to a lack of upside momentum. Today's volume of less than 10'000 lots has been the lowest since July 23 and is indicative of the market's lackluster mood. Although traders may shy away from shorting December at this level, they feel confident to do so in March and May, which has been fueling the inversion and this dynamic is likely to continue. The market needs fresh impetus to get it out of its rut, which is likely to come from the weather front and/or the Chinese subsidy announcement. In the meantime we don't see an easy escape from this dull sideways pattern.

Best Regards