

## Domestic Fundamentals:

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

**In The News:** According to the latest report by USDA, cotton exports are likely to fall by 35% to 7.69 million bales following the weak demand from China. Bangladesh and Vietnam are likely to emerge as leading export destination for India as China, the largest importer is likely to import lesser.

Recent rains in Punjab and Haryana threatening cotton farmer of crop loss. Cotton growing districts including Bhatinda, Mansa, Ferozepur, Mukhtsar, Moga, Faridkot, Sangrur, and Barnala districts have been severely affected by the rains, which could affect the yield loss and ultimately the production.

For the country as a whole, cumulative rainfall during this year's monsoon, up to September 7, 2014 has been 11% below the Long Period Average (LPA). The actual rainfall recorded at 675.3 mm against the 761.7 mm of normal rainfall-IMD.

According to Ministry of Agriculture, around 123.71 lakh hectare of area has been sown under pulses (Kharif) this year as on September 05, around 9.2% lower than the previous year, when it was 113.21 lakh hectares during the same period.

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.

### International Fundamentals:

Australia estimated cotton production in the country to be around 580,000 tons, 29% lower than the June estimates which was 820,000 tons, according to a report released by Australian Bureau of Agricultural and Resource Economics and Sciences. Australia produced 890,000 tons of cotton last year whereas output of cotton this year is likely to decline as dry weather condition prevails in the country.

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.

### Outlook

We expect domestic prices to remain weak to sideways in near term.

#### NCDEX Kapas Futures\*: (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-7	819.5	823.5	812	815	3044	203	8438	72

Spread	Apr-15		
Spot	236	--	--

(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 10 Sep 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-70	18100	18100	17970	18010	501	-69	1697	11
Nov-14	-80	17230	17240	17140	17150	381	277	2334	48
Dec-14	-60	16980	16990	16880	16920	548	357	2720	-120

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		860		
Nov-14			260	
Dec-14				--

\*Updated at 5:00pm on 10 Sep 2014

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

Centre	Variety	Prices		Change
		10-Sep-14	9-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Amravati	Mech-1	5400	5200	200
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Maheana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5255	5160	95
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	4600	4700	-100
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4600	4550	50
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	4930	4980	-50
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Bijapur	Bunny	5255	5287	-32
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4559	NA	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4290	4290	Unch
Muktsar	J-34	4300	4310	-10
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4325	4330	-5
Bhatinda	J-34	4080*	4085*	-5
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	Unch
Sirsa	J-34	4050*	4035*	15
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

\*New Crop

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		10-Sep-14	9-Sep-14	
Amravati	Mech-1	100	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1250	1450	-200
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	2000	1500	500
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	25	25	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	-
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	311	741	-430
Bijapur	Bunny	178	99	79
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	240	NA	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda	J-34	102*	102*	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	17*	68*	-51
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

\*New crop

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				9-Sep-14	6-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38300	38300	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38800	38800	Unch
J-34(202)	26mm	3.5 - 4.9	23	39400	39400	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38800	38900	-100
Shankar-6(105)	29mm	3.5 – 4.9	28	39800	39900	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42500	-100
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 10/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16921	-12
CCIndex(527)	15827	-6
CCIndex(229)	17552	-16

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

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

Cotlook Indices	Cents/Pound	Change
A-Index	73.95	0.75

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

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.28	71.03	1032
North Delta	66.28	68.78	NIL
South Delta	66.28	68.78	NIL
East TX-OK	67.00	68.00	1526
West Texas	66.25	66.75	NIL
Desert SW	66.78	73.53	NIL
SJ Valley	67.03	77.68	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 9/9/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	66.56	68.55	66.56	67.78	<b>1.22</b>
<b>Dec-14</b>	65.04	65.87	64.43	65.79	<b>0.74</b>
<b>Mar-15</b>	64.72	65.49	64.17	65.44	<b>0.71</b>
<b>May-15</b>	65.32	65.98	64.95	65.96	<b>0.52</b>
<b>Jul-15</b>	65.85	66.61	65.75	66.61	<b>0.46</b>
<b>Oct-15</b>	67.15	67.15	67.15	67.15	<b>0.41</b>

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