

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to weak tone on Thursday.

In The News: The Cotton Association of India (CAI) has revised its estimates for the cotton production in the country. According to CAI cotton output in India would be around 40.37 million bales (6.86 million tonnes) in season 2014/15 which was earlier estimated 39.62 million bales in August for the same season. Consumption of cotton in the coming season is likely to be around 30 million bales, said CAI.

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.

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.

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	-10.5	817	817	807	808.5	4985	1941	8183	-255

Spread	Apr-15		
Spot	228.5	--	--

(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 11 Sep 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-170	18170	18180	18000	18050	440	-61	1769	72
Nov-14	-140	17240	17250	17100	17140	218	-163	2187	-147
Dec-14	-180	17070	17070	16910	16940	401	-147	2707	-13

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		910		
Nov-14			190	
Dec-14				--

*Updated at 5:00pm on 11 Sep 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		11-Sep-14	10-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5400	Unch
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	5255	-70
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	4700	4600	100
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4500	4600	-100
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	5055	4930	125
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5255	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4900	4559	341
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4290	4290	Unch
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4325	5
Bhatinda	J-34	4075*	4080*	-5
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	Unch
Sirsa	J-34	4030*	4050*	-20
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New Crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		11-Sep-14	10-Sep-14	
Amravati	Mech-1	75	100	-25
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1600	1250	350
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	600	2000	-1400
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	50	25	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	-
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	399	311	88
Bijapur	Bunny	NA	178	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	255	240	15
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda	J-34	170*	102*	68
Mansa	J-34	NA	NA	-
Sirsa	J-34	17*	17*	Unch
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
				10-Sep-14	9-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38200	38300	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38700	38800	-100
J-34(202)	26mm	3.5 - 4.9	23	39400	39400	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38700	38800	-100
Shankar-6(105)	29mm	3.5 – 4.9	28	39800	39800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42400	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55800	56000	-200

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 11/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16910	-11
CCIndex(527)	15802	-25
CCIndex(229)	17539	-13

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

Cotlook Index: As on 10/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	74.15	0.20

USDA Cotton Spot Rates: As on 10/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	69.64	73.39	NIL
North Delta	68.64	71.14	NIL
South Delta	68.64	71.14	NIL
East TX-OK	69.50	70.50	277
West Texas	68.75	69.25	NIL
Desert SW	69.14	75.89	NIL
SJ Valley	69.39	80.04	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 10/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	67.78	70.48	67.78	70.14	2.36
Dec-14	65.80	67.39	65.33	67.14	1.35
Mar-15	65.30	66.36	64.96	66.33	0.89
May-15	65.58	67.20	65.58	66.77	0.81
Jul-15	66.24	67.90	66.24	67.44	0.83
Oct-15	67.97	67.97	67.97	67.97	0.82

Pakistan Cotton Spot rates: As on 10/9/2014 (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.