

Domestic Fundamentals:

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

In The News: According to the Central Water Commission (CWC), current live storage of water in main reservoirs of India as on 11 September this year is 119.785 BCM, which is 77% of the live capacity at Full Reservoir Level (FRL). Due to weak monsoon rains this year the same has fallen by 6% compared to the previous year which was 83% during the same period. Although the late revival of monsoon has raised the storage by 6% compared to the previous week and 5% compared to 10 years average.

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.

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 sideways to weak in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	4	813	821	810.5	815.5	2577	-2408	7704	-479

Spread	Apr-15		
Spot	210.5	--	--

(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 12 Sep 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	60	17950	18070	17950	18050	428	-12	1829	60
Nov-14	-40	17150	17200	17110	17140	162	-56	2206	19
Dec-14	-40	17000	17020	16920	16960	217	-184	2684	-23

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

*Updated at 5:00pm on 12 Sep 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		12-Sep-14	11-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	5400	-100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5130	5185	-55
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	4500	4700	-200
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4800*	4500	300
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	5005	5055	-50
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5269	5255	14
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4800	4900	-100
	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	4330	Unch
Bhatinda	J-34	4075*	4075*	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	Unch
Sirsa	J-34	4040*	4030*	10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New Crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		12-Sep-14	11-Sep-14	
Amravati	Mech-1	55	75	-20
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1200	1600	-400
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	1000	600	400
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	80	50	30
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	324	399	-75
Bijapur	Bunny	201	195	6
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	225	255	-30
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda	J-34	85*	170*	-85
Mansa	J-34	NA	NA	-
Sirsa	J-34	85*	17*	68
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
				11-Sep-14	10-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38100	38200	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38600	38700	-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	38700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	39800	39800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42100	42400	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55300	55800	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 12/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16898	-12
CCIndex(527)	15781	-21
CCIndex(229)	17512	-27

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

Cotlook Index: As on 11/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	75.25	1.10

USDA Cotton Spot Rates: As on 11/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	70.29	74.04	15
North Delta	69.29	71.79	22
South Delta	69.29	71.79	NIL
East TX-OK	69.75	70.75	2476
West Texas	69.00	69.50	NIL
Desert SW	69.79	76.54	NIL
SJ Valley	70.04	80.69	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 11/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	70.14	71.15	69.98	70.79	0.65
Dec-14	67.00	68.18	66.33	68.09	0.95
Mar-15	66.14	67.02	65.63	66.96	0.63
May-15	66.55	67.44	66.33	67.38	0.61
Jul-15	67.23	67.98	67.15	67.93	0.49
Oct-15	68.45	68.45	68.45	68.45	0.48

Pakistan Cotton Spot rates: As on 11/9/2014 (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

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