

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly steady tone on Monday.

In The News: India is expected to surpass China in cotton production by the upcoming crop season, said USDA. India is expected likely to produce 6.53 million tons of cotton compared to 6.75 million tons in the season 2013/14 whereas China's cotton production would be around 6.42 million tons which was 6.96 million tons a season before.

According to Ministry of Agriculture, around 125.29 lakh hectare of area has been sown under cotton this year as on September 12, around 10.3% higher than the previous year, when it was 113.50 lakh hectares during the same period.

For the country as a whole, cumulative rainfall during this year's monsoon, up to September 10, 2014 has been 10.5% below the Long Period Average (LPA). The actual rainfall recorded at 699.0 mm against the 781.5 mm of normal rainfall-IMD.

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.

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.

International Fundamentals:

World production is expected to decline slightly by 0.57% in season 2014/15, according to USDA. Expectation of lower production in China and Brazil is the major cause of declining world production. In the upcoming season, world cotton output is likely to be around 25.69 million tonnes compared to 25.844 million tonnes in the current season.

Cotton acreage in China is expected to fall by 8.7% this season compared to the season 2013. Yield is also expected to fall said Ministry of Agriculture (MoA). China will remain the largest consumer of cotton due to its large population, expanding export demand and increasing incomes. Lower production of the cotton due to declining area and yield could lead to supply gap in future.

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.

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	-5	815	817.5	810	812	2,667	7769	2,577	7704

Spread	Apr-15		
Spot	224	--	--

(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 15 September 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-140	18000	18000	17870	17890	354	1743	428	1829
Nov-14	-80	17200	17200	17080	17100	246	2194	162	2206
Dec-14	-120	16980	16980	16890	16890	162	2683	217	2684

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		790		
Nov-14			190	
Dec-14				--

*Updated at 5:00 pm on 15 September 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		15-Sep-14	13-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	5300	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	5180	5180	Unch
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	4700	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4701	4750	-49
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	4905	4730	175
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	5199	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4828	4798	30
	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	4300	30
Bhatinda*	J-34	4085	4085	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	Unch
Sirsa*	J-34	4050	4050	Unch
Sri-Ganganagar	J-34	NA	NA	-

Hanumangarh	B.T. Cotton	NA	NA	-
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*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		15-Sep-14	13-Sep-14	
Amravati	Mech-1	55	35	20
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1700	1600	100
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	NA	NA	-
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	564	209	355
Bijapur	Bunny	334	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	465	232	233
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	170	34	136
Mansa	J-34	NA	NA	-
Sirsa*	J-34	170	51	119
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
				13-Sep-14	12-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38100	38100	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38600	38600	Unch
J-34(202)	26mm	3.5 - 4.9	23	39400	39400	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38500	38700	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	39700	39800	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42000	42100	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55000	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 15/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16891	-7
CCIndex(527)	15778	-3
CCIndex(229)	17506	-6

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

Cotlook Index: As on 12/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	75.85	0.60

USDA Cotton Spot Rates: As on 12/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	69.61	73.36	85
North Delta	69.11	71.61	11
South Delta	69.11	71.61	14
East TX-OK	69.25	70.25	957
West Texas	68.5	69	NIL
Desert SW	69.61	76.36	NIL
SJ Valley	69.86	80.51	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 12/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	71.15	71.49	69.8	70.61	-0.18
Dec-14	68	68.48	67.51	68	-0.09
Mar-15	66.88	67.79	66.53	67.43	0.47
May-15	67.21	68.11	67.06	67.75	0.37
Jul-15	67.84	68.5	67.62	68.19	0.26
Oct-15	69	68.72	68.72	68.72	0.27

Pakistan Cotton Spot rates: As on 13/9/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5650	150	5800
Equivalent	40 Kgs	6055	160	6215

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