

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly steady tone on Tuesday.

**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:

According to the latest report released by USDA, as on September 14, 2014, 49% of cotton crop in USA is in excellent to good condition compared to 43% a year ago. 51% bolls open has reported in cotton which was 39% last week and 34% a year ago. 6% of cotton harvesting reported which was 4% a year ago during the same period.

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.

### 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	2.5	808	813.5	796.5	811	5918	3251	7348	-421

Spread	Apr-15		
Spot	215	--	--

(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 16 September 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	0	17690	17740	17520	17650	831	477	1913	170
Nov-14	-20	16920	16980	16840	16910	396	150	2265	71
Dec-14	-50	16750	16780	16620	16680	373	211	2696	13

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		740		
Nov-14			220	
Dec-14				--

\*Updated at 5:00 pm on 16 September 2014

**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		16-Sep-14	15-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5300	5300	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5130	5180	-50
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	4800	4701	99
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	4830	4905	-75
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5219	5199	20
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4500	4828	-328
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4290	4290	Unch
Muktsar	J-34	4300	4300	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4310	4330	-20
Bhatinda*	J-34	4085	4085	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	Unch
Sirsa*	J-34	4040	4050	-10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		16-Sep-14	15-Sep-14	
Amravati	Mech-1	80	55	25
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1630	1700	-70
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	2000	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	250	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	350	564	-214
Bijapur	Bunny	206	334	-128
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	405	465	-60
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	340	170	170
Mansa	J-34	NA	NA	-
Sirsa*	J-34	102	170	-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
				15-Sep-14	13-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	38000	38500	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	39500	39700	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41700	42000	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43200	43500	-300
DCH-32(107)	34mm	3.0 - 3.8	33	54500	55000	-500

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 16/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16883	-8
CCIndex(527)	15738	-40
CCIndex(229)	17493	-13

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

**Cotlook Index: As on 15/9/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	76.15	0.30

**USDA Cotton Spot Rates: As on 15/9/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.18	70.93	NIL
North Delta	66.68	69.18	NIL
South Delta	66.68	69.18	NIL
East TX-OK	66.75	67.75	2259
West Texas	66	66.5	NIL
Desert SW	67.18	73.93	NIL
SJ Valley	67.43	78.08	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 15/9/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	70.86	70.86	68.18	68.18	<b>-2.43</b>
<b>Dec-14</b>	67.76	67.88	65.71	65.84	<b>-2.16</b>
<b>Mar-15</b>	67.37	67.39	65.58	65.77	<b>-1.66</b>
<b>May-15</b>	67.55	67.8	66.25	66.48	<b>-1.27</b>
<b>Jul-15</b>	67.96	68.35	66.99	67.22	<b>-0.97</b>
<b>Oct-15</b>	67.75	67.75	67.75	67.75	<b>-0.97</b>

**Pakistan Cotton Spot rates: As on 15/9/2014 (in Pakistan Rupees)**

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

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