

## Domestic Fundamentals:

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

**In The News:** Cotton area in Gujarat is around 12% higher compared to the previous season as on 15 September this year, according to State Agriculture Department. Area sown for cotton as on date is 30.07 lakh hectares this year which was 26.86 lakh hectares last year during the same period.

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.

### International Fundamentals:

Cotton area in Brazil is likely to fall by 11 percent to one million hectares in year 2014/15 compared to the previous year. Weak domestic prices are making cotton less lucrative for the Brazilian farmers. In response to the situation, Government of Brazil has approved the allocation of approx. USD 134 million to finance the Equalization Premium Paid to the Producers Program (PEPRO) in order to support cotton producers in the country.

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).

### 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	1.5	810	817	808.5	812.5	2059	-3859	7141	-207

Spread	Apr-15		
Spot	221.5	--	--

(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 17 September 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	70	17600	17740	17580	17680	392	-439	1966	53
Nov-14	90	16870	16990	16850	16970	122	-274	2276	11
Dec-14	80	16640	16780	16640	16750	167	-206	2657	-39

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		710		
Nov-14			210	
Dec-14				--

\*Updated at 5:00 pm on 17 September 2014

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

Centre	Variety	Prices		Change
		17-Sep-14	16-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5200	5300	<b>-100</b>
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	5170	5130	<b>40</b>
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	<b>Unch</b>
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4500	4800	<b>-300</b>
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	4905	4830	<b>75</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5223	5219	<b>4</b>
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4600	4500	<b>100</b>
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4270	4290	<b>-20</b>
Muktsar	J-34	4290	4300	<b>-10</b>
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4310	4310	<b>Unch</b>
Bhatinda*	J-34	4085	4085	<b>Unch</b>
Mansa	J-34	NA	NA	-
Sirsa	J-34	4250	4250	<b>Unch</b>
Sirsa*	J-34	4000	4040	<b>-40</b>
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		17-Sep-14	16-Sep-14	
Amravati	Mech-1	60	80	-20
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1830	1630	200
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	3000	2000	1000
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	300	250	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	-
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	421	350	71
Bijapur	Bunny	166	206	-40
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	82	405	-323
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	425	340	85
Mansa	J-34	NA	NA	-
Sirsa*	J-34	117	102	15
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
				16-Sep-14	15-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37500	38100	<b>-600</b>
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38000	38600	<b>-600</b>
J-34(202)	26mm	3.5 - 4.9	23	38900	39400	<b>-500</b>
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	37700	38000	<b>-300</b>
Shankar-6(105)	29mm	3.5 - 4.9	28	39300	39500	<b>-200</b>
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41500	41700	<b>-200</b>
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43000	43200	<b>-200</b>
DCH-32(107)	34mm	3.0 - 3.8	33	54500	54500	<b>Unch</b>

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 17/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16878	<b>-5</b>
CCIndex(527)	15733	<b>-5</b>
CCIndex(229)	17482	<b>-11</b>

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

**Cotlook Index: As on 16/9/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	74.30	<b>-1.85</b>

**USDA Cotton Spot Rates: As on 16/9/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	67.28	71.03	<b>NIL</b>
North Delta	66.78	69.28	<b>NIL</b>
South Delta	66.78	69.28	<b>NIL</b>
East TX-OK	66.75	67.75	<b>2111</b>
West Texas	66	66.5	<b>NIL</b>
Desert SW	67.28	74.03	<b>NIL</b>
SJ Valley	67.53	78.18	<b>NIL</b>

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 16/9/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	68.29	68.3	67.76	68.28	<b>0.1</b>
<b>Dec-14</b>	66.17	66.17	65.26	65.55	<b>-0.29</b>
<b>Mar-15</b>	65.9	66	65.33	65.39	<b>-0.38</b>
<b>May-15</b>	66.31	66.4	66.1	66.16	<b>-0.32</b>
<b>Jul-15</b>	67.1	67.1	66.83	66.86	<b>-0.36</b>
<b>Oct-15</b>	67.4	67.4	67.4	67.4	<b>-0.35</b>

**Pakistan Cotton Spot rates: As on 16/9/2014 (in Pakistan Rupees):**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5550	150	5700
<b>Equivalent</b>	40 Kgs	5948	160	6108

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