

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Thursday.

In The News: Ministry of Textile with alliance of Department of Agriculture has started reviewing the crop related and other supportive measures to enhance the crop yield. It includes putting restriction on seed varieties and development in seed technology adopted by process of replacement and not by addition.

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.

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	-3	806.5	808.5	801.5	805.5	3389	1330	7384	243

Spread	Apr-15								
Spot	220.5		--		--		--		

(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 18 September 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-90	17640	17640	17500	17540	440	48	2086	120
Nov-14	-70	16900	16900	16810	16850	161	39	2351	75
Dec-14	-80	16690	16690	16600	16630	157	-10	2684	27

Spread	Oct-14		Nov-14		Dec-14				
Spot	--								
Oct-14			690						
Nov-14					210				
Dec-14							--		

*Updated at 5:00 pm on 18 September 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		18-Sep-14	17-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5200	5200	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	5130	5170	-40
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	4550	4700	-150
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4300	4500	-200
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	4855	4905	-50
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5109	5223	-114
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4560	4600	-40
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4180	4270	-90
Muktsar	J-34	4200	4290	-90
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4230	4310	-80
Bhatinda*	J-34	3925	4085	-160
Mansa	J-34	NA	NA	-
Sirsa	J-34	4100	4250	-150
Sirsa*	J-34	3900	4000	-100
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		18-Sep-14	17-Sep-14	
Amravati	Mech-1	65	60	5
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1700	1830	-130
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	3000	3000	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	500	300	200
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	492	421	71
Bijapur	Bunny	177	166	11
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	330	82	248
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	510	425	85
Mansa	J-34	NA	NA	-
Sirsa*	J-34	255	117	138
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
				17-Sep-14	16-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37500	37500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38000	38000	Unch
J-34(202)	26mm	3.5 - 4.9	23	38900	38900	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	37500	37700	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	39000	39300	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41300	41500	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42800	43000	-200
DCH-32(107)	34mm	3.0 - 3.8	33	54500	54500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 18/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16866	-12
CCIndex(527)	15727	-6
CCIndex(229)	17469	-13

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

Cotlook Index: As on 17/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.95	-0.35

USDA Cotton Spot Rates: As on 17/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.68	69.43	5
North Delta	65.18	67.68	NIL
South Delta	65.18	67.68	NIL
East TX-OK	64.75	65.75	1720
West Texas	64.00	64.50	NIL
Desert SW	64.68	71.43	NIL
SJ Valley	64.93	74.83	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 17/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	68.87	70.3	68.6	69.9	1.62
Dec-14	65.46	66.2	65.4	65.68	0.13
Mar-15	65.35	65.92	65.25	65.58	0.19
May-15	66.2	66.6	66.11	66.33	0.17
Jul-15	66.96	67.15	66.67	66.95	0.09
Oct-15	67.49	67.49	67.49	67.49	0.09

Pakistan Cotton Spot rates: As on 17/9/2014 (in Pakistan Rupees)

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

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