

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Friday.

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 weak in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-5.5	796.5	797	789	791.5	5468	2079	8038	654

Spread	Apr-15		
Spot	232	--	--

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated on 19 September, 2014 at 5:00 pm

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-70	17430	17430	17310	17340	459	19	2108	22
Nov-14	-130	16730	16740	16630	16630	311	150	2448	97
Dec-14	-130	16540	16560	16440	16440	348	191	2719	35

Spread	Oct-14	Nov-14	Dec-14		
Spot	--				
Oct-14		710			
Nov-14			190		
Dec-14				--	

*Updated on 19 September, 2014 at 5:00 pm

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		19-Sep-14	18-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	4950	5130	-180
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4500	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4400	4550	-150
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4280	4300	-20
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	4855	Unch
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5109	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4800	4560	240
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4000	4180	-180
Muktsar	J-34	4200	4200	Unch
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4000	4230	-230
Bhatinda*	J-34	3700	3925	-225
Mansa	J-34	NA	NA	-
Sirsa	J-34	4000	4100	-100
Sirsa*	J-34	3725	3900	-175
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		19-Sep-14	18-Sep-14	
Amravati	Mech-1	45	65	-20
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1800	1700	100
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	1500	3000	-1500
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	600	500	100
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	402	492	-90
Bijapur	Bunny	NA	177	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	202	330	-128
Abohar	J-34	300	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	595	510	85
Mansa	J-34	NA	NA	-
Sirsa*	J-34	340	255	85
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
				18-Sep-14	17-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37000	37500	-500

Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37500	38000	-500
J-34(202)	26mm	3.5 - 4.9	23	38400	38900	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	37300	37500	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	38800	39000	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41000	41300	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42500	42800	-300
DCH-32(107)	34mm	3.0 - 3.8	33	54000	54500	-500

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 19/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16825	-41
CCIndex(527)	15652	-75
CCIndex(229)	17433	-36

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

Cotlook Index: As on 18/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	74.05	0.10

USDA Cotton Spot Rates: As on 18/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.05	68.80	131
North Delta	64.55	67.05	NIL
South Delta	64.55	67.05	NIL
East TX-OK	64.50	65.50	7320
West Texas	63.75	64.25	NIL
Desert SW	64.05	70.80	NIL
SJ Valley	64.30	74.20	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 18/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	69.19	69.19	66.9	66.9	-3.00
Dec-14	65.55	65.83	64.67	65.05	-0.63
Mar-15	65.45	65.62	64.62	64.96	-0.62
May-15	65.95	65.95	65.42	65.67	-0.66

Jul-15	66.51	66.51	66.1	66.37	-0.58
Oct-15	66.91	66.92	66.91	66.91	-0.58

Pakistan Cotton Spot rates: As on 18/9/2014 (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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