

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Monday.

In The News: According to Ministry of Agriculture, around 125.75 lakh hectare of area has been sown under cotton this year as on September 22, around 10.69% higher than the previous year, when it was 113.60 lakh hectares during the same period.

China, the world's top consumer of cotton, will slash its import quotas to 894,000 tonnes for 2015 to boost demand for domestic fibre. Non-quota imports are subject to a 40 per cent tariff, so the restricted availability of import quotas will inevitably dampen Chinese demand for foreign cotton. These restriction further add pressure on cotton prices. (Source- The Hindu, Business Line)

According to the first advance estimates for season 2014-15 released by Department of Agriculture and Co-operation, production of cotton is likely to be around 34.62 million bales (of 170 kgs. each), approximately 1.97 million bales lower than the production in season 2013-14, which stood around 36.59 million bales and around 2.02 million tonnes higher when compared to the normal production.

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.

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 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	-4	783	788	779	786	4785	8038	8026	5947

Spread	Apr-15		
Spot	206	--	--

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

*Last Update 5:30 PM

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-270	17110	17110	16700	16930	1283	824	1870	-238
Nov-14	-300	16390	16390	15960	16150	1232	921	2331	-117
Dec-14	-190	16170	16230	15900	16110	911	563	2745	26

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		780		
Nov-14			60	
Dec-14				--

* Last Update 5:30 PM

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		20-Sep-14	19-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	4960	5130	-170
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	4450	4550	-100
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4225	4300	-75
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	4629	5109	-480
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4739	4560	179
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3950	4180	-230
Muktsar	J-34	4050	4200	-150
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3940	4230	-290
Bhatinda*	J-34	3700	3925	-225
Mansa	J-34	NA	NA	-
Sirsa	J-34	NA	4100	-
Sirsa*	J-34	3725	3900	-175
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		20-Sep-14	19-Sep-14	
Amravati	Mech-1	100	65	35
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1750	1700	50
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	2000	3000	-1000
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	0	NA	-
Gondal	Shankar-6	329	492	-163
Bijapur	Bunny	133	177	-44
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	127	330	-203
Abohar	J-34	400	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	850	510	340
Mansa	J-34	NA	NA	-
Sirsa	J-34	250	255	-5
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
				19-Sep-14	18-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	36500	37000	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37000	37500	-500
J-34(202)	26mm	3.5 - 4.9	23	37200	38400	-1200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	37000	37300	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	38500	38800	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40700	41000	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42200	42500	-300
DCH-32(107)	34mm	3.0 - 3.8	33	54000	54000	Unch

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 19/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	73.50	-0.55

USDA Cotton Spot Rates: As on 19/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	64.39	68.14	NIL
North Delta	63.89	66.39	NIL
South Delta	63.89	66.39	NIL
East TX-OK	64.25	65.25	1581
West Texas	63.5	64	NIL
Desert SW	63.39	70.14	NIL
SJ Valley	63.64	73.54	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 19/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	65.51	65.99	65.38	65.99	-0.91
Dec-14	64.88	65.12	63.7	64.39	-0.66
Mar-15	64.97	64.97	63.55	64.29	-0.67
May-15	65.43	65.43	64.34	65.02	-0.65
Jul-15	66.04	66.04	65.01	65.71	-0.66
Oct-15	66.26	66.26	66.26	66.26	-0.65

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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