

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Tuesday.

In The News: According to the market participants, cotton production is likely to be around 40 million bales, around 8% higher than the previous year. Deficit rainfall during the Kharif sowing period has forced the farmers to plant cotton instead of the other crops which requires more water, which has stretched the cotton acreage in this season.

As per the latest estimates released by 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.

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:

China's announcement of allowing only minimum tax free imports of cotton has hit the cotton futures adversely. The country has the huge stockpile of the fiber and now it wishes to release this to fulfill the domestic demands, instead of importing from the other nations. China, under the terms negotiated with WTO, obliged to imports 894,000 tons of cotton every year, which would be the tax free import limit for the year 2015 too, whereas China imported around 3.08 m tons of cotton in 2013-14. Any imports beyond the quota limit would be liable for 40% import duty. Amid this situation, the international market is noticing the timid sentiments and cotton futures are likely remain weak.

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.

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	3.5	784.5	792	783	787.5	3309	-1476	8289	263

Spread	Apr-15		
Spot	191.5	--	--

(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 23-September-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	80	16860	17150	16860	16950	750	-533	1831	-39
Nov-14	50	16090	16270	16090	16120	593	-639	2351	20
Dec-14	30	16050	16190	16020	16030	619	-292	2923	178

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		830		
Nov-14			70	
Dec-14				--

* Updated at 5:00 pm on 23-September-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		23-Sep-14	22-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	5300	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	4895	4905	-10
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	4500	4480	20
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4250	4300	-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	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	4250	4780	-530
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	3819	4389	-570
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4635	4668	-33
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3900	3900	Unch
Muktsar	J-34	4000	3975	25
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3930	4000	-70
Bhatinda*	J-34	3720	3725	-5
Mansa	J-34	NA	NA	-
Sirsa	J-34	3950	4000	-50
Sirsa*	J-34	3750	3750	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		23-Sep-14	22-Sep-14	
Amravati	Mech-1	65	75	-10
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1550	1650	-100
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	2000	1200	800
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	941	428	513
Bijapur	Bunny	69	123	-54
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	202	285	-83
Abohar	J-34	400	400	Unch
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	2550	2040	510
Mansa	J-34	NA	NA	-
Sirsa	J-34	680	510	170
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
				22-Sep-14	20-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37000	36500	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37500	37000	500
J-34(202)	26mm	3.5 - 4.9	23	36000	36200	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	36200	36700	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	37400	38000	-600
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39700	40200	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	41200	41700	-500
DCH-32(107)	34mm	3.0 - 3.8	33	50000	52500	-2500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 23/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16465	-185
CCIndex(527)	15400	-127
CCIndex(229)	17077	-170

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

Cotlook Index: As on 22/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	72.85	-0.65

USDA Cotton Spot Rates: As on 22/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.59	66.34	NIL
North Delta	62.09	64.59	NIL
South Delta	62.09	64.59	NIL
East TX-OK	62.50	63.50	730
West Texas	61.75	62.25	NIL
Desert SW	61.59	68.34	NIL
SJ Valley	61.84	71.74	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 22/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	65.00	65.00	63.25	64.86	-1.13
Dec-14	64.40	64.40	62.22	62.59	-1.80
Mar-15	64.30	64.30	61.76	61.95	-2.34
May-15	64.38	64.38	62.54	62.68	-2.34
Jul-15	65.09	65.09	63.50	63.52	-2.19
Oct-15	65.23	65.23	64.07	64.07	-2.19

Pakistan Cotton Spot rates: As on 22/9/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5450	150	5600
Equivalent	40 Kgs	5841	160	6001

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