

## Domestic Fundamentals:

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

**In The News:** Cotton prices have declined by 7.5% in the last four days following the weak demand from yarn mills and arrival of new crop in Punjab and Haryana.

Demand of Indian textile is expected to increase in the coming days in domestic as well as international market, said the Confederation of Indian Textile Industry (CITI). Export to China though decreased earlier due to the lower demand of cotton yarn but the same is picking pace and the monthly registration of cotton yarn has already crossed 124 million kilograms, according to CITI.

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.

### 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	-8.5	787	787.5	772	780.5	5,522	8520	3,309	8289

Spread	Apr-15		
Spot	180.5	--	--

(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 24-September-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-150	16840	16850	16700	16730	638	-112	1799	-32
Nov-14	-220	16050	16060	15900	15910	590	-3	2516	165
Dec-14	-280	15990	15990	15800	15800	625	6	3125	202
Jan-15	0	20410	20520	20270	20460	310	310	473	473

Spread	Oct-14	Nov-14	Dec-14	Jan-15
Spot	--			
Oct-14		-820		
Nov-14			-110	
Dec-14				4660

\* Updated at 5:00 pm on 24-September-2014

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

Centre	Variety	Prices		Change
		24-Sep-14	23-Sep-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5100	5300	<b>-200</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	4805	4895	<b>-90</b>
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4200	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4550	4500	<b>50</b>
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4300	4250	<b>50</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	4755	4250	<b>505</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	NA	3819	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4635	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3900	3900	<b>Unch</b>
Muktsar	J-34	3975	4000	<b>-25</b>
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3900	3930	<b>-30</b>
Bhatinda*	J-34	3735	3720	<b>15</b>
Mansa	J-34	NA	NA	-
Sirsa	J-34	3950	3950	<b>Unch</b>
Sirsa*	J-34	3760	3750	<b>10</b>
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

\*New crop

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		24-Sep-14	23-Sep-14	
Amravati	Mech-1	80	65	15
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1400	1550	-150
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4000	3000	1000
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	1000	2000	-1000
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	397	941	-544
Bijapur	Bunny	NA	69	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	202	-
Abohar	J-34	150	400	-250
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	2550	2550	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	400	680	-
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
				23-Sep-14	22-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	37000	37000	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37500	37500	Unch
J-34(202)	26mm	3.5 - 4.9	23	36000	36000	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	35700	36200	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	36600	37400	-800
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	38900	39700	-800
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40400	41200	-800
DCH-32(107)	34mm	3.0 - 3.8	33	49000	50000	-1000

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 24/9/2014**

Index	RMB/Ton	Change
CCIndex(328)	16303	-162
CCIndex(527)	15215	-185
CCIndex(229)	16886	-191

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

**Cotlook Index: As on 23/9/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	70.90	-1.95

**USDA Cotton Spot Rates: As on 23/9/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.83	66.58	NIL
North Delta	62.33	64.83	NIL
South Delta	62.33	64.83	NIL
East TX-OK	62.75	63.75	1125
West Texas	62.00	62.5	NIL
Desert SW	61.83	68.58	NIL
SJ Valley	62.08	71.98	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 23/9/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	64.85	64.85	62.93	62.93	<b>-1.93</b>
<b>Dec-14</b>	62.93	63.29	62.06	62.83	<b>0.24</b>
<b>Mar-15</b>	62.04	62.60	61.60	62.48	<b>0.53</b>
<b>May-15</b>	62.65	63.28	62.32	63.28	<b>0.60</b>
<b>Jul-15</b>	63.45	64.05	63.07	64.00	<b>0.48</b>
<b>Oct-15</b>	64.64	64.64	64.64	64.64	<b>0.57</b>

**Pakistan Cotton Spot rates: As on 23/9/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	5350	150	5500
<b>Equivalent</b>	40 Kgs	5734	160	5894

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