

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Thursday.

In The News: Annual monsoon in India has started withdrawing from the country's northwest region, said weather official on 23-Sep-2014. The monsoon withdrawal has been delayed due to late revival of rains this month, which has caused flood in some of the regions. According to IMD, country has received 763.1 mm of rainfall till 24 September this year; around 11% lower than the normal rainfall of 858.8 mm.

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.

International Fundamentals:

Cotton futures touched the lowest level in five years on Wednesday on expectation of import quota likely to be imposed by China. China is the top importer and consumer of cotton in the world. 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. The most active December contract on ICE fell by 2.8 % to 61.07 US cents a pound in the early session, its lowest level since October 2009 when it hit 60.67 cents. 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.

China cotton import in August fell to 204500 metric tons, around 26% lower on the Y-o-Y basis, said China Cotton Association. China has imported 1.88 million metric tons of cotton in the first eight months of the year, around 37.9% lower when compared to the same period last year.

According to the latest report released by USDA, as on September 21, 2014, 48% of cotton crop in USA is in excellent to good condition compared to 49% percent a week and 44% a year ago. 58% bolls open has reported in cotton which was 51% last week and 45% a year ago. 8% of cotton harvesting reported which was 5% 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	1.5	780	786.5	780	784.5	1625	-3897	8244	-276

Spread	Apr-15		
Spot	169.5	--	--

(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 25-September-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-80	16800	16800	16730	16750	317	1748	638	1799
Nov-14	-10	15940	16030	15920	16000	225	2512	590	2516
Dec-14	10	15850	15930	15820	15910	399	3334	625	3125

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-750		
Nov-14			-90	
Dec-14				--

* Updated at 5:00 pm on 25-September-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		25-Sep-14	24-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5100	5100	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	4770	4805	-35
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4200	4200	Unch
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4550	4550	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4260	4300	-40
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	4780	4755	25
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	3889	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4671	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3870	3900	-30
Muktsar	J-34	3910	3975	-65
Muktsar*	J-34	3710	3725	-15
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3900	3900	Unch
Bhatinda*	J-34	3740	3735	5
Mansa	J-34	NA	NA	-
Sirsa	J-34	3970	3950	20
Sirsa*	J-34	3770	3760	10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		25-Sep-14	24-Sep-14	
Amravati	Mech-1	80	80	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1300	1400	-100
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4000	4000	Unch
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	1100	1000	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	311	397	-86
Bijapur	Bunny	59	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	170	NA	-
Abohar	J-34	200	150	50
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	3060	2550	510
Mansa	J-34	NA	NA	-
Sirsa	J-34	400	400	Unch
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
				24-Sep-14	23-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	35300	35700	-400
Shankar-6(105)	29mm	3.5 – 4.9	28	36300	36600	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	38300	38900	-600
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39800	40400	-600
DCH-32(107)	34mm	3.0 - 3.8	33	48500	49000	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 25/9/2014

Index	RMB/Ton	Change
CCIndex(328)	16123	-180
CCIndex(527)	15018	-197
CCIndex(229)	16695	-191

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

Cotlook Index: As on 24/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	71.25	0.35

USDA Cotton Spot Rates: As on 24/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	61.57	65.32	NIL
North Delta	61.07	63.57	NIL
South Delta	61.07	63.57	NIL
East TX-OK	62.00	63.00	2444
West Texas	61.25	61.75	NIL
Desert SW	60.57	67.32	NIL
SJ Valley	60.82	70.72	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 24/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	60.58	62.94	60.58	61.66	-1.27
Dec-14	62.65	62.77	61.02	61.57	-1.26
Mar-15	62.36	62.36	60.47	61.04	-1.44
May-15	62.47	62.47	61.27	61.77	-1.51
Jul-15	63.01	63.01	62	62.56	-1.44
Oct-15	63.21	63.21	63.21	63.21	-1.43

Pakistan Cotton Spot rates: As on 24/9/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	Cotton	37.32 Kgs	5250	150
Equivalent	Equivalent	40 Kgs	5626	160

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