

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Friday.

In The News: On the continuous downtrend in the cotton prices over the last few weeks, Cotton Corporation of India (CCI) is preparing itself for procurement of cotton in Telangana, Karnataka, Maharashtra and Odisha. MSP for the long staple cotton is Rs. 35,000 a candy and Rs. 32,500 per candy for medium staple, as announced by government for the year 2013-14. Currently cotton prices are moving in the band of 37,000-38,000 per candy as compared to 40,000 per candy last week.

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.

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	784	790.5	783	784	4223	2598	7794	-450

Spread	Apr-15		
Spot	172	--	--

(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 26-September-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	80	16820	16990	16800	16800	822	505	1840	92
Nov-14	70	16180	16210	16080	16080	473	248	2599	87
Dec-14	80	16030	16150	16000	16010	661	262	3448	114

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-720		
Nov-14			-70	
Dec-14				--

* Updated at 5:00 pm on 26-September-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		26-Sep-14	25-Sep-14	
	Kapas	(Rs./Qtl.)		
Amravati	Mech-1	5000	5100	-100
Amravati*	Mech-1	4300	4500	-200
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	4780	4770	10
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4300	4200	100
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4500	4550	-50
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4300	4260	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	4555	4780	-225
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	3899	3889	10
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4561	4671	-110
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3850	3870	-20
Abohar*	J-34	3710	3715	-5
Muktsar	J-34	3915	3910	5
Muktsar*	J-34	3725	3710	15
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4100	3900	200
Bhatinda*	J-34	3740	3740	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	3850	3870	-20
Sirsa*	J-34	3710	3770	-60
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		26-Sep-14	25-Sep-14	
Amravati	Mech-1	70	80	-10
Amravati*	Mech-1	42	70	-28
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1500	1300	200
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4500	4000	500
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	1200	1100	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	456	311	145
Bijapur	Bunny	62	59	3
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	172	170	2
Abohar*	J-34	340	200	140
Muktsar*	J-34	2143	1340	803
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	3060	3060	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	680	400	280
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
				25-Sep-14	24-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	34800	35300	-500
Shankar-6(105)	29mm	3.5 – 4.9	28	35900	36300	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	37800	38300	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39300	39800	-500
DCH-32(107)	34mm	3.0 - 3.8	33	48000	48500	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 26/9/2014

Index	RMB/Ton	Change
CCIndex(328)	15958	-165
CCIndex(527)	14829	-189
CCIndex(229)	16505	-190

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

Cotlook Index: As on 25/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	70.15	-1.1

USDA Cotton Spot Rates: As on 25/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	61.40	65.15	NIL
North Delta	60.90	63.40	NIL
South Delta	60.90	63.40	NIL
East TX-OK	62.00	63.00	NIL
West Texas	61.25	61.75	NIL
Desert SW	60.40	67.15	NIL
SJ Valley	60.65	70.55	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 25/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	61.49	61.49	61.49	61.49	-0.17
Dec-14	61.67	61.8	60.83	61.4	-0.17
Mar-15	60.97	61.1	60.28	61.04	Unch
May-15	61.45	61.82	61.05	61.75	-0.02
Jul-15	62.31	62.47	61.75	62.47	-0.09
Oct-15	63.79	63.79	62.01	63.12	-0.09

Pakistan Cotton Spot rates: As on 25/9/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	Cotton	37.32 Kgs	5050	150
Equivalent	Equivalent	40 Kgs	5412	160

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