

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone.

In The News: The withdrawal line of Southwest Monsoon continues to pass through Rajasthan. For the country as a whole, cumulative rainfall during this year's monsoon has so far upto September 26, 2014 has been 12% below the Long Period Average (LPA). The actual rainfall recorded at 769.2 mm against the 869.4.8 mm of normal rainfall-IMD.

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.

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	-	-	-	-	-	-	-	-	-

Spread	Apr-15		
Spot	-	-	-

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

*Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-	-	-	-	-	-	-	-	-
Nov-14	-	-	-	-	-	-	-	-	-
Dec-14	-	-	-	-	-	-	-	-	-

Spread	Oct-14	Nov-14	Dec-14	
Spot	-	-	-	-
Oct-14	-	-	-	-
Nov-14	-	-	-	-
Dec-14	-	-	-	-

* Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		27-Sep-14	26-Sep-14	
	Kapas	(Rs./Qtl.)		
Amravati	Mech-1	5000	5000	Unch
Amravati*	Mech-1	4500	4300	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	4710	4780	-70
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4300	4300	Unch
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4550	4500	50
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4205	4300	-95
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	4500	4555	-55
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	3911	3899	12
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4379	4561	-182
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3700	3850	-150
Abohar*	J-34	3660	3710	-50
Muktsar	J-34	3650	3915	-265
Muktsar*	J-34	3675	3725	-50
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3790	4100	-310
Bhatinda*	J-34	3565	3740	-175
Mansa	J-34	NA	NA	-
Sirsa	J-34	NA	NA	-
Sirsa*	J-34	3650	3750	-100
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		27-Sep-14	26-Sep-14	
Amravati	Mech-1	45	70	-25
Amravati*	Mech-1	55	42	13
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1400	1500	-100
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4350	4500	-150
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	800	1200	-400
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	911	456	455
Bijapur	Bunny	27	62	-35
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	462	142	320
Abohar*	J-34	340	340	Unch
Muktsar*	J-34	1340	2143	-803
Bhatinda	J-34	NA	NA	-
Bhatinda*	J-34	3400	3060	340
Mansa	J-34	NA	NA	-
Sirsa	J-34	1360	680	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
				26-Sep-14	25-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	34800	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	35900	35900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	37800	37800	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39300	39300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	48000	48000	Unch

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 26/9/2014

Cotlook Indices	Cents/Pound	Change
A-Index	70.15	Unch

USDA Cotton Spot Rates: As on 26/9/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	61.89	65.64	NIL
North Delta	61.39	63.89	NIL
South Delta	61.39	63.89	NIL
East TX-OK	63.00	64.00	3309
West Texas	62.25	62.75	NIL
Desert SW	60.89	67.64	NIL
SJ Valley	61.14	71.04	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 26/9/2014

Contract	Open	High	Low	Close	Change
Oct-14	63.68	63.68	62	62	0.99
Dec-14	61.19	63.25	61	62	Unch
Mar-15	61.1	62.6	61	61	Unch
May-15	61.89	63.12	61.47	62	0.44
Jul-15	63.53	63.87	62.2	63	0.36
Oct-15	63.56	63.56	63.56	63.56	0.44

Pakistan Cotton Spot rates: As on 26/9/2014 (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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