

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Monday.

In The News: As per the latest estimates released by Ministry of Agriculture (MoA), around 126.55 lakh hectare of area has been sown under cotton this year as on September 29, around 10.64% higher than the previous year, when it was 114.37 lakh hectares during the same period.

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.

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	-5.5	778	782.5	775.5	778	2310	-1913	7597	-197

Spread	Apr-15		
Spot	137	--	--

(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 29-September-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-200	16700	16700	16500	16560	855	1897	822	1840
Nov-14	-70	15960	16020	15900	15970	531	2561	473	2599
Dec-14	0	15890	16020	15840	15980	617	3511	661	3448

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-590		
Nov-14			10	
Dec-14				--

* Updated at 5:00 pm on 29-September-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market

Centre	Variety	Prices		Change
		29-Sep-14	27-Sep-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5000	5000	Unch
Amravati*	Mech-1	4400	4500	-100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	4575	4710	-135
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4300	4300	Unch
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	4325	4550	-225
Adampur*	B.T. Cotton	4200	NA	-
Fatehabad	B.T. Cotton	4060	4205	-145
Dabwali*	B.T. Cotton	4100	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)*	B.T. Cotton	4100	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	4255	4500	-245
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	3723	3911	-188
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4409	4379	30
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3750	3700	50
Abohar*	J-34	3590	3660	-70
Muktsar*	J-34	3500	3675	-175
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	3600	3790	-190
Bhatinda*	J-34	3490	3565	-75
Mansa*	J-34	3490	NA	-
Sirsa*	J-34	3500	3650	-150
Sri-Ganganagar*	J-34	3384	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		29-Sep-14	27-Sep-14	
Amravati	Mech-1	60	45	15
Amravati*	Mech-1	80	55	25
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	1800	1400	400
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	7000	4350	2650
Adampur	B.T. Cotton	340	NA	-
Fatehabad	B.T. Cotton	1500	800	700
Dabwali	B.T. Cotton	400	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)	B.T. Cotton	90	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	715	911	-196
Bijapur	Bunny	24	27	-3
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	630	462	168
Abohar*	J-34	425	340	85
Muktsar*	J-34	170	1340	-1170
Bhatinda*	J-34	5100	3400	1700
Mansa	J-34	510	NA	-
Sirsa*	J-34	1700	1360	340
Sri-Ganganagar*	J-34	510	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
				27-Sep-14	26-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	37000	37000	Unch
Bengal Deshi (SG)(201)	<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	47500	48000	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 29/9/2014

Index	RMB/Ton	Change
CCIndex(328)	15577	-189
CCIndex(527)	14410	198
CCIndex(229)	16117	191

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	61.10	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 27/9/2014 (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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