

## Domestic Fundamentals:

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

**In The News:** Cotton Corporation of India (CCI) invited bids to sell 12,022 F.P. bales of cotton on 30 September 2014. 5,000 bales at Ahmedabad branch, 5,008 bales at Rajkot branch and 2014 bales at Sri-Ganganagar branch were offered for the auction.

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   | -4  | 792  | 792.5 | 785 | 789   | 3138   | 579    | 7512 | -551   |

| Spread | Apr-15 |    |    |
|--------|--------|----|----|
| Spot   | 104    | -- | -- |

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

\*Updated at 5:30 pm on 01-October-2014

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

| Contract | +/- | Open  | High  | Low   | Close | Volume | Change | OI  | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|-----|--------|
| Oct-14   | -10 | 16520 | 16570 | 16400 | 16530 | 504    | 1574   | 756 | 1738   |
| Nov-14   | 20  | 15920 | 16060 | 15920 | 16050 | 189    | 2516   | 348 | 2558   |
| Dec-14   | 0   | 15960 | 16130 | 15960 | 16110 | 225    | 3668   | 221 | 3625   |

| Spread | Oct-14 | Nov-14 | Dec-14 |    |
|--------|--------|--------|--------|----|
| Spot   | --     |        |        |    |
| Oct-14 |        | -480   |        |    |
| Nov-14 |        |        | 60     |    |
| Dec-14 |        |        |        | -- |

\* Updated at 5:30 pm on 01-October-2014

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

| Centre                 | Variety      | Prices                            |           | Change |
|------------------------|--------------|-----------------------------------|-----------|--------|
|                        |              | 1-Oct-14                          | 30-Sep-14 |        |
|                        | <b>Kapas</b> | <b>(Rs./Qtl)</b>                  |           |        |
| Amravati               | Mech-1       | 5050                              | 5000      | 50     |
| Amravati*              | Mech-1       | 4500                              | 4400      | 100    |
| Khandwa                | Mech-1       | NA                                | NA        | -      |
| Khargaon               | Mech-1       | NA                                | NA        | -      |
|                        | <b>Kapas</b> | <b>(Rs./Qtl)</b>                  |           |        |
| Mahesana(Kadi)         | B.T. Cotton  | 4000                              | NA        | -      |
| Rajkot                 | B.T. Cotton  | 4465                              | 4655      | -190   |
| Patan                  | B.T. Cotton  | NA                                | NA        | -      |
| Deesa                  | B.T. Cotton  | NA                                | NA        | -      |
| Muktsar                | B.T. Cotton  | 4050                              | 4000      | 50     |
| Fazilika               | B.T. Cotton  | NR                                | NR        | -      |
| Bhiwani                | B.T. Cotton  | 4400                              | 4350      | 50     |
| Adampur*               | B.T. Cotton  | 4250                              | 4150      | 100    |
| Fatehabad              | B.T. Cotton  | 4200                              | 4150      | 50     |
| Dabwali*               | B.T. Cotton  | 4150                              | 4150      | Unch   |
| Jind                   | B.T. Cotton  | 5150                              | NA        | -      |
| Uchana (Jind)*         | B.T. Cotton  | 4250                              | 4200      | 50     |
| Rawatsar (Hanumangarh) | B.T. Cotton  | NA                                | NA        | -      |
| Hubli                  | B.T. Cotton  | NA                                | NA        | -      |
|                        | <b>Kapas</b> | <b>(Rs./Qtl)</b>                  |           |        |
| Ahmedabad              | Shankar-6    | 4125                              | NA        | -      |
| Gondal                 | Shankar-6    | 4005                              | 4380      | -375   |
|                        | <b>Kapas</b> |                                   |           |        |
| Bijapur                | Bunny        | 3289                              | 3809      | -520   |
| Hubli                  | D.C.H.       | NA                                | NA        | -      |
| Raichur                | H-44 Cotton  | 4131                              | 4300      | -169   |
|                        | <b>Lint</b>  | <b>Rs./Maund of 37.32kg each)</b> |           |        |
| Abohar                 | J-34         | 3600                              | 3575      | 25     |
| Abohar*                | J-34         | NA                                | 3490      | -      |
| Muktsar*               | J-34         | 3525                              | 3500      | 25     |
| Fazilika               | J-34         | NR                                | NR        | -      |
| Bhatinda               | J-34         | 3530                              | 3625      | -95    |
| Mansa*                 | J-34         | 3525                              | 3500      | 25     |
| Sirsa*                 | J-34         | 3510                              | 3470      | 40     |
| Sri-Ganganagar*        | J-34         | 3290                              | NA        | -      |
| Hanumangarh            | B.T. Cotton  | NA                                | NA        | -      |

\*New crop

**Cotton Arrivals in Key Centers:**

| Centre                 | Variety     | Arrivals (Qtl) |           | Change |
|------------------------|-------------|----------------|-----------|--------|
|                        |             | 1-Oct-14       | 30-Sep-14 |        |
| Amravati               | Mech-1      | 70             | 55        | 15     |
| Amravati*              | Mech-1      | 90             | 65        | 25     |
| Khandwa                | Mech-1      | NA             | NA        | -      |
| Khargaon               | Mech-1      | NA             | NA        | -      |
|                        |             |                |           |        |
| Mahesana(Kadi)         | B.T. Cotton | 200            | NA        | -      |
| Rajkot                 | B.T. Cotton | 1550           | 1400      | 150    |
| Patan                  | B.T. Cotton | NA             | NA        | -      |
| Deesa                  | B.T. Cotton | NA             | NA        | -      |
| Fazilika               | B.T. Cotton | NR             | NR        | -      |
| Bhiwani                | B.T. Cotton | 6000           | 7000      | -1000  |
| Adampur                | B.T. Cotton | 595            | 510       | 85     |
| Fatehabad              | B.T. Cotton | 1000           | 2000      | -1000  |
| Dabwali                | B.T. Cotton | 600            | 500       | 100    |
| Jind                   | B.T. Cotton | 139            | NA        | -      |
| Uchana (Jind)          | B.T. Cotton | 125            | 90        | 35     |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA             | NA        | -      |
| Hubli                  | B.T. Cotton | NA             | NA        | -      |
|                        |             |                |           |        |
| Ahmedabad              | Shankar-6   | 3400           | NA        | -      |
| Gondal                 | Shankar-6   | 478            | 409       | 69     |
|                        |             |                |           |        |
| Bijapur                | Bunny       | 6              | 38        | -32    |
| Hubli                  | D.C.H.      | NA             | NA        | -      |
| Raichur                | H-44 Cotton | 525            | 697       | -172   |
|                        |             |                |           |        |
| Abohar*                | J-34        | 340            | 340       | Unch   |
| Muktsar*               | J-34        | 170            | 153       | 17     |
| Bhatinda*              | J-34        | 8500           | 4250      | 4250   |
| Mansa                  | J-34        | 765            | 680       | 85     |
| Sirsa*                 | J-34        | 1360           | 2040      | -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/<br>GPT | Rs. Per<br>Candy | Rs. Per<br>Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
|                                       |            |            |                  | 30-Sep-14        | 29-Sep-14        |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 36500            | 36500            | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 37000            | 37000            | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 33200            | 34600            | -1400  |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 33800            | 34000            | -200   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 34700            | 34900            | -200   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 36800            | 37000            | -200   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 38300            | 38500            | -200   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 46200            | 46500            | -300   |

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 01/10/2014**

| Index        | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 15378   | -199   |
| CCIndex(527) | 14217   | -193   |
| CCIndex(229) | 15921   | -196   |

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

**Cotlook Index: As on 30/9/2014**

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 69.95       | -0.50  |

**USDA Cotton Spot Rates: As on 30/9/2014**

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | bales    |
| Southeast   | 61.37               | 65.12               | NIL      |
| North Delta | 60.87               | 63.37               | NIL      |
| South Delta | 60.87               | 63.37               | NIL      |
| East TX-OK  | 63.25               | 64.25               | 768      |
| West Texas  | 62.25               | 62.75               | NIL      |
| Desert SW   | 60.37               | 67.12               | NIL      |
| SJ Valley   | 60.62               | 70.52               | 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 30/9/2014

| Contract      | Open  | High  | Low   | Close | Change       |
|---------------|-------|-------|-------|-------|--------------|
| <b>Oct-14</b> | 61.96 | 61.96 | 61.96 | 61.96 | <b>-0.10</b> |
| <b>Dec-14</b> | 61.87 | 62.07 | 61.01 | 61.37 | <b>-0.10</b> |
| <b>Mar-15</b> | 61.26 | 61.43 | 60.29 | 60.45 | <b>-0.62</b> |
| <b>May-15</b> | 62.00 | 62.00 | 61.25 | 61.25 | <b>-0.67</b> |
| <b>Jul-15</b> | 62.62 | 62.71 | 62.00 | 62.00 | <b>-0.62</b> |
| <b>Oct-15</b> | 62.75 | 62.75 | 62.75 | 62.75 | <b>-0.54</b> |

Pakistan Cotton Spot rates: As on 30/9/2014 (in Pakistan Rupees)

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 5150         | 150              | 5300              |
| Equivalent | 40 Kgs    | 5519         | 160              | 5679              |

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