

## Domestic Fundamentals:

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

**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:

According to the latest report released by USDA, as on September 28, 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.

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.

### 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
		4-Oct-14	1-Oct-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	--	5050	--
Amravati*	Mech-1	4600	4500	100
Khandwa	Mech-1	NA	NA	-
Khargaoon	Mech-1	NA	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4050	4000	50
Rajkot	B.T. Cotton	4360	4465	-105
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4000	4050	-50
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	4300	4400	-100
Adampur*	B.T. Cotton	4315	4250	65
Fatehabad	B.T. Cotton	4280	4200	80
Dabwali*	B.T. Cotton	4285	4150	135
Jind	B.T. Cotton	4550	--	-
Uchana (Jind)*	B.T. Cotton	4300	4250	50
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4125	4125	Unch
Gondal	Shankar-6	4405	4005	400
	<b>Kapas</b>			
Bijapur	Bunny	NA	3289	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4131	-
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3625	3600	25
Abohar*	J-34	3540	3490	50
Muktsar*	J-34	3530	3525	5
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	3540	3530	10
Mansa*	J-34	3535	3525	10
Sirsa*	J-34	3490	3510	-20
Sri-Ganganagar*	J-34	3290	3290	Unch
Hanumangarh	B.T. Cotton	NA	NA	-

\*New crop

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		4-Oct-14	1-Oct-14	
Amravati	Mech-1	--	70	--
Amravati*	Mech-1	125	90	35
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	2500	200	2300
Rajkot	B.T. Cotton	1850	1550	300
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	6000	6000	Unch
Adampur	B.T. Cotton	510	595	-85
Fatehabad	B.T. Cotton	1000	1000	Unch
Dabwali	B.T. Cotton	650	600	50
Jind	B.T. Cotton	255	-	-
Uchana (Jind)	B.T. Cotton	400	125	275
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	4250	3400	850
Gondal	Shankar-6	925	478	447
Bijapur	Bunny	NA	6	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	525	-
Abohar*	J-34	340	340	Unch
Muktsar*	J-34	85	170	-85
Bhatinda*	J-34	11900	8500	3400
Mansa	J-34	680	765	-85
Sirsa*	J-34	1700	1360	340
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
				30-Sep-14	29-Sep-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	36500	36500	Unch
Bengal Deshi (SG)(201)	<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 30/09/2014**

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 1/10/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	69.70	-0.50

**USDA Cotton Spot Rates: As on 1/10/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.16	65.91	NIL
North Delta	61.66	64.16	NIL
South Delta	61.66	64.16	NIL
East TX-OK	64.25	65.25	588
West Texas	63.25	63.75	NIL
Desert SW	61.16	67.91	92
SJ Valley	61.41	71.31	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 3/10/2014

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	63.07	63.07	63.07	63.07	<b>0.62</b>
<b>Dec-14</b>	61.65	62.71	61.65	62.47	<b>0.62</b>
<b>Mar-15</b>	60.41	61.22	60.29	61.1	<b>0.57</b>
<b>May-15</b>	61.35	61.7	60.98	61.58	<b>0.43</b>
<b>Jul-15</b>	61.95	62.22	61.56	62.14	<b>0.33</b>
<b>Oct-15</b>	62.88	62.88	62.88	62.88	<b>0.32</b>

Pakistan Cotton Spot rates: As on 1/10/2014 (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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