

**Domestic Fundamentals:**

**Market Outlook:** Cotton market noticed steady tone on Monday.

**In The News:** According to the Deccan Chronicle, the Cotton Corporation of India (CCI) will follow a new procedure this season in lifting cotton from farmers and fixing its price in Telangana. Instead of Guntur, the CCI will co-ordinate its operations in Telangana from Warangal, in the wake of the formation of the new state. Farmers will have to open all bags of cotton and show it to the CCI officials for testing the quality. Earlier, the CCI officials used to check the quality of cotton by opening bags at random. But from now, the farmers will have to open all the bags and get them checked for quality. The CCI officials will not lift cotton kept concealed in bags. The CCI officials would check the farmers' produce and then fix the price. Farmers should also carry a copy of the pattadar passbook or copy of the pahani, issued by Mee Seva centres, when they want to sell their produce at CCI counters.

The cotton crop has started arriving in the domestic market and is expected to pick up momentum in the coming days, yet the dull buying demand in the domestic markets would weigh on the prices in coming months.

The U.S. cotton harvest was 10% complete as of Sept. 28, according to the U.S. Department of Agriculture, which estimates this season's crop will be 28% larger than the previous year.

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
		6-Oct-14	4-Oct-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	4600	4600	Unch
Khandwa	Mech-1	NA	NA	-
Khargaoon	Mech-1	NA	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4500	4050	450
Rajkot	B.T. Cotton	NR	4360	-
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4200	4000	200
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	4450	4300	150
Adampur*	B.T. Cotton	4440	4315	125
Fatehabad	B.T. Cotton	4360	4280	80
Dabwali*	B.T. Cotton	4340	4285	55
Jind	B.T. Cotton	NR	4550	-
Uchana (Jind)*	B.T. Cotton	4405	4300	105
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
	<b>Kapas</b>			
Ahmedabad	Shankar-6	NR	4125	-
Gondal	Shankar-6	NR	4405	-
	<b>Kapas</b>			
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3625	3625	Unch
Abohar*	J-34	3560	3540	20
Muktsar*	J-34	3540	3530	10
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	3560	3540	20
Mansa*	J-34	3555	3535	20
Sirsa*	J-34	3550	3490	60
Sri-Ganganagar*	J-34	3314	3290	24
Hanumangarh	B.T. Cotton	NA	NA	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		6-Oct-14	4-Oct-14	
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	85	125	<b>-40</b>
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	2000	2500	<b>-500</b>
Rajkot	B.T. Cotton	NR	1850	-
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	8000	6000	<b>2000</b>
Adampur	B.T. Cotton	510	510	<b>Unch</b>
Fatehabad	B.T. Cotton	1000	1000	<b>Unch</b>
Dabwali	B.T. Cotton	1050	650	<b>400</b>
Jind	B.T. Cotton	NR	255	-
Uchana (Jind)	B.T. Cotton	150	400	<b>-250</b>
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	NR	4250	-
Gondal	Shankar-6	NR	925	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
Abohar*	J-34	850	340	<b>510</b>
Muktsar*	J-34	340	85	<b>255</b>
Bhatinda*	J-34	17000	11900	<b>5100</b>
Mansa	J-34	1020	680	<b>340</b>
Sirsa*	J-34	2550	1700	<b>850</b>
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
				4-Oct-14	30-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	32300	33200	-900
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32600	33800	-1200
Shankar-6(105)	29mm	3.5 - 4.9	28	33800	34700	-900
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	36000	36800	-800
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	37500	38300	-800
DCH-32(107)	34mm	3.0 - 3.8	33	45200	46200	-1000

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 30/10/2014**

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 1/10/2014**

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

**USDA Cotton Spot Rates: As on 2/10/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.47	66.22	NIL
North Delta	61.97	64.47	NIL
South Delta	61.97	64.47	NIL
East TX-OK	64.75	65.75	440
West Texas	63.75	64.25	NIL
Desert SW	61.47	68.22	NIL
SJ Valley	61.72	71.62	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 4/10/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5050	150	5200
Equivalent	40 Kgs	5412	160	5572

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.