

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Tuesday.

In The News: According to International Cotton Advisory Committee (ICAC) , prices of cotton are expected to notice two year low in the coming season 2014-15 as a result of 1.8 million ton surplus in cotton production and revised cotton policy of China.

The Cotton Corporation of India (CCI) would execute a new procedure in the current season for lifting cotton from farmers and fixing its price in Telangana. CCI will conduct its operation from Warangal instead of Guntur, on the emergence of new state, Telangana.

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.

International Fundamentals:

According to the latest report released by USDA, as on October 05, 2014, 47% of cotton crop in USA is in excellent to good condition compared to 49% percent a week. 73% bolls open has reported in cotton which was 64% last week and 79% as five year average. 15% of cotton harvesting reported which was 10% a week ago and 18% as a 5 year average.

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	-9	800.5	802	792	794	2727	-411	8067	555

Spread	Apr-15		
Spot	99	--	--

(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 07 October 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-150	16760	16810	16620	16620	367	-137	1515	-59
Nov-14	-60	16270	16290	16190	16190	198	9	2475	-41
Dec-14	-30	16260	16270	16200	16200	191	-34	3768	100

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-430		
Nov-14			10	
Dec-14				--

* Updated at 5:00 pm on 07 October 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		7-Oct-14	6-Oct-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	4700	4600	100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl)		
Mahesana(Kadi)	B.T. Cotton	4375	4500	-125
Rajkot	B.T. Cotton	NR	NR	-
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4300	4200	100
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	4480	4450	30
Adampur*	B.T. Cotton	4480	4440	40
Fatehabad	B.T. Cotton	4425	4360	65
Dabwali*	B.T. Cotton	4370	4340	30
Jind	B.T. Cotton	4400	4550	-150
Uchana (Jind)*	B.T. Cotton	NR	4405	-
Rawatsar (Hanumangarh)*	B.T. Cotton	4150	NA	-
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl)		
Ahmedabad	Shankar-6	4125	NR	-
Gondal	Shankar-6	4450	NR	-
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	4101	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4080	NA	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3640	3625	15
Abohar*	J-34	3590	3560	30
Muktsar*	J-34	3611	3540	71
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	3585	3560	25
Mansa*	J-34	3590	3555	35
Sirsa*	J-34	3550	3550	Unch
Sri-Ganganagar*	J-34	3384	3314	70
Hanumangarh	B.T. Cotton	4300	NA	-

*New crop

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		7-Oct-14	6-Oct-14	
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	125	85	40
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	2500	2000	500
Rajkot	B.T. Cotton	NR	NR	-
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	8000	8000	Unch
Adampur	B.T. Cotton	510	510	Unch
Fatehabad	B.T. Cotton	1000	1000	Unch
Dabwali	B.T. Cotton	800	1050	-250
Jind	B.T. Cotton	383	NR	-
Uchana (Jind)	B.T. Cotton	NR	150	-
Rawatsar (Hanumangarh)	B.T. Cotton	100	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	8500	NR	-
Gondal	Shankar-6	980	NR	-
Bijapur	Bunny	114	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	1099	NA	-
Abohar*	J-34	1020	850	170
Muktsar*	J-34	340	340	Unch
Bhatinda*	J-34	15300	17000	-1700
Mansa	J-34	1190	1020	170
Sirsa*	J-34	2040	2550	-510
Sri-Ganganagar*	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	100	NA	-

*New crop

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Oct-14	4-Oct-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	37000	36500	500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	37500	37000	500
J-34(202)	26mm	3.5 - 4.9	23	32700	32300	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32600	32600	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33800	33800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	36000	36000	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	37500	37500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	45500	45200	300

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 6/10/2014

Cotlook Indices	Cents/Pound	Change
A-Index	70.15	0.45

USDA Cotton Spot Rates: As on 6/10/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	64.38	68.13	NIL
North Delta	63.88	66.38	NIL
South Delta	63.88	66.38	NIL
East TX-OK	65.75	66.75	872
West Texas	64.75	65.25	NIL
Desert SW	63.38	70.13	NIL
SJ Valley	63.63	73.53	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 6/10/2014

Contract	Open	High	Low	Close	Change
Oct-14	64.98	64.98	64.98	64.98	1.91
Dec-14	62.70	64.99	62.32	64.38	1.91
Mar-15	61.15	62.37	61.00	62.28	1.18
May-15	61.76	62.87	61.76	62.78	1.20
Jul-15	62.27	63.49	62.27	63.32	1.18
Oct-15	64.09	64.09	64.09	64.09	1.21

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

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