

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly weak tone on Wednesday.

**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	2	793	801.5	787	798.5	6668	3941	8619	552

Spread	Apr-15		
Spot	66.5	--	--

(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 08 October 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-10	16590	16600	16460	16600	416	49	1380	-135
Nov-14	-60	16200	16200	16050	16180	374	176	2453	-22
Dec-14	-50	16250	16260	16120	16230	294	103	3961	193

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-420		
Nov-14			50	
Dec-14				--

\* Updated at 5:00 pm on 08 October 2014

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

Centre	Variety	Prices		Change
		8-Oct-14	7-Oct-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	4600	4700	<b>-100</b>
Khandwa	Mech-1	NA	NA	-
Khargaoon	Mech-1	NA	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4250	4375	<b>-125</b>
Rajkot	B.T. Cotton	4325	NR	-
Patan	B.T. Cotton	4240	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4200	4300	<b>-100</b>
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	4400	4480	<b>-80</b>
Adampur*	B.T. Cotton	4475	4480	<b>-5</b>
Fatehabad	B.T. Cotton	4400	4425	<b>-25</b>
Dabwali*	B.T. Cotton	4295	4370	<b>-75</b>
Jind	B.T. Cotton	NR	4400	-
Uchana (Jind)*	B.T. Cotton	NR	NR	-
Rawatsar (Hanumangarh)*	B.T. Cotton	4200	4150	<b>50</b>
Hubli	B.T. Cotton	NA	NA	-
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4250	4125	<b>125</b>
Gondal	Shankar-6	4430	4450	<b>-20</b>
	<b>Kapas</b>			
Bijapur	Bunny	NA	4101	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4080	-
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3600	3640	<b>-40</b>
Abohar*	J-34	3550	3590	<b>-40</b>
Muktsar*	J-34	3550	3611	<b>-61</b>
Fazilika	J-34	NR	NR	-
Bhatinda	J-34	3550	3585	<b>-35</b>
Mansa*	J-34	3545	3590	<b>-45</b>
Sirsa*	J-34	3540	3550	<b>-10</b>
Sri-Ganganagar*	J-34	3666	3384	<b>282</b>
Hanumangarh	B.T. Cotton	4210	4300	<b>-90</b>

\*New crop

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		8-Oct-14	7-Oct-14	
Amravati	Mech-1	--	--	--
Amravati*	Mech-1	100	125	<b>-25</b>
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	2500	2500	<b>Unch</b>
Rajkot	B.T. Cotton	2625	NR	-
Patan	B.T. Cotton	4293	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NR	NR	-
Bhiwani	B.T. Cotton	3000	8000	<b>-5000</b>
Adampur	B.T. Cotton	510	510	<b>Unch</b>
Fatehabad	B.T. Cotton	1000	1000	<b>Unch</b>
Dabwali	B.T. Cotton	850	800	<b>50</b>
Jind	B.T. Cotton	NR	383	-
Uchana (Jind)	B.T. Cotton	NR	NR	-
Rawatsar (Hanumangarh)	B.T. Cotton	200	100	<b>100</b>
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	8500	8500	<b>Unch</b>
Gondal	Shankar-6	1379	980	<b>399</b>
Bijapur	Bunny	NA	114	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	1099	-
Abohar*	J-34	850	1020	<b>-170</b>
Muktsar*	J-34	2040	340	<b>1700</b>
Bhatinda*	J-34	20400	15300	<b>5100</b>
Mansa	J-34	1275	1190	<b>85</b>
Sirsa*	J-34	1700	2040	<b>-340</b>
Sri-Ganganagar*	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	100	100	<b>Unch</b>

\*New crop

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				7-Oct-14	6-Oct-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	32800	32700	100
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	45500	Unch

**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 7/10/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	71.20	1.05

**USDA Cotton Spot Rates: As on 7/10/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.21	68.96	293
North Delta	64.71	67.21	NIL
South Delta	64.71	67.21	NIL
East TX-OK	66.50	67.50	2605
West Texas	65.50	66.00	NIL
Desert SW	64.21	70.96	NIL
SJ Valley	64.46	74.36	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 7/10/2014**

Contract	Open	High	Low	Close	Change
<b>Oct-14</b>	65.83	65.83	65.83	65.83	<b>0.85</b>
<b>Dec-14</b>	64.46	65.29	64.22	65.21	<b>0.83</b>
<b>Mar-15</b>	62.28	62.76	62.16	62.57	<b>0.29</b>
<b>May-15</b>	62.86	63.27	62.81	63.16	<b>0.38</b>
<b>Jul-15</b>	63.45	63.8	63.35	63.75	<b>0.43</b>
<b>Oct-15</b>	64.49	64.49	64.49	64.49	<b>0.4</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

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