

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Monday.

In The News: According to the latest report of USDA, countries could face fall in the export of cotton and its products including yarn and textiles due to lack of price competitiveness if they support the policies that support prices above the world market.

In Warangal (Khammam division), Cotton Corporation of India (CCI) refuses to procure cotton on high moisture content and farmers sold their produce to private traders at Rs.3500 per quintal against the MSP of Rs.4050 per quintal. Daily Arrivals are picking up pace with over 15000 bags of cotton reported in local market in last two days.

According to latest weekly update by International Cotton Advisory Committee (ICAC), cotton production in India would stand around 6.56 million tonnes in the current season (Oct'14-Sep'15) compared to 6.634 million tonnes in the previous season.

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 October 10, around 10.64% higher than the previous year, when it was 114.37 lakh hectares during the same period.

Cotton production in India during the current season (Oct'14-Sep'15), would be around 400 lakh bales (of 170 kgs. each), as estimated by consultative committee of the Cotton Advisory Board (CAB). According to the latest estimates of Agriwatch, output of cotton in the country would stand around 395 lakh bales compared to 366 lakh bales in previous season.

YSR congress party (YSRCP) has requested centre and Telangana Government to raise the cotton MSP to Rs. 5,500 per quintal and urged to procure cotton through Cotton Corporation of India (CCI) or the government authorised agencies in order to eliminate middle man margins.

According to the United States Department of Agriculture (USDA), India is likely to produce 6.750 million tonnes of cotton this season (Oct'14-Sep'15), unchanged from estimated output of the previous season. World production is likely to be around 25.990 million tonnes this season compared to 26.039 million tonnes previous season.

India is likely to witness drop of 46.8% in the cotton exports this year due to weak global import demand. According to USDA India is expected to export 1.089 million tonnes of cotton this season (Oct'14-Sep'15) compared to 2.047 million tonnes a season before. World cotton export is expected to fall to 7.490 million tonnes in 2014/15 which was 8.908 million tonnes in 2013/14.

Gujarat has decided not to give no objection certificate (NOC) for open field trials of any genetically modified food crop including wheat, maize, brinjal and mustard, though it has no problem with the trial of non food crops like cotton. Although Genetic Engineering Appraisal Committee (GEAC), the central regulator, gave nod to the seed companies but it cannot be practiced without getting the NOC from the respective states. Rajasthan, Madhya Pradesh, Chhattisgarh, Bihar, West Bengal, Odisha, Tamil Nadu, Kerala, Andhra Pradesh and Telangana are the other states who denied to provide NOC for open field trial to seed companies. Cotton output in India is likely to be around 6.56 million tonnes, marginally lower this season compared to 6.63 million tonnes in 2013/14, said ICAC in its latest weekly report.

International Fundamentals:

Cotton production in Pakistan is lagging behind the target set for the current season due to flood that has damaged the standing crop badly, said Cotton Crop Assessment Committee (CCAC). Cotton production in the country would stand around 13.539 bales (of 170 kg each) in the season 2014/15 against the target of 15.1 million bales earlier expected by the Government of Pakistan.

Cotton output in West Africa is likely to surge by 19 percent to 25.70 lakh tonnes for the season 2014/15 as government has fixed high prices for the commodity, which has attracted more growers, as revealed by data compiled by Reuters.

Bangladesh is expected to lower its imports from Uzbekistan by 12% in 2014 compared to 2013 up to 175 thousand tons, but it will remain the largest export destination for Uzbekistan. The top importers of Uzbekistan cotton are Bangladesh (35%), China (25%) and South Korea (7%).

China imports are projected to diminish to half this season on announcement of revision on import quota policies. The country is likely to import 1.524 million tonnes of cotton this season 50.4% lower when compared to 3.075 million tonnes in 2013/14.

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	-10.5	787	789	776.5	780.5	5073	3185	9518	222

Spread	Apr-15		
Spot	84.5	-	-

(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 20 Sep 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	-90	16160	16240	16120	16160	304	106	924	-143
Nov-14	-130	15870	15880	15680	15770	727	536	2206	81
Dec-14	-110	15840	15870	15680	15790	509	345	4756	144

Spread	Oct-14	Nov-14	Dec-14	
Spot	--			
Oct-14		-390		
Nov-14			20	
Dec-14				--

*Updated at 5:00 pm on 20 Sep 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		20-Oct-14	18-Oct-14	
	Kapas	(Rs./Qtl)		
Amravati*	Mech-1	4550	4500	50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4100	4325	-225
Rajkot	B.T. Cotton	4180	4325	-145
Patan	B.T. Cotton	NA	4195	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4000	4050	-50
Fazilika	B.T. Cotton	4050	4020	30
Bhiwani	B.T. Cotton	4300	4250	50
Adampur*	B.T. Cotton	4225	4200	25
Fatehabad	B.T. Cotton	4250	4150	100
Dabwali*	B.T. Cotton	4055	4070	-15
Jind	B.T. Cotton	4299	4260	39
Uchana (Jind)*	B.T. Cotton	NA	NR	-
Rawatsar (Hanumangarh)*	B.T. Cotton	4035	NR	-
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4100	4150	-50
Gondal	Shankar-6	NA	4255	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	4089	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4200	4220	-20
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	4250	NA	-
Krishna	Un-Ginned	4000	4000	Unch
East Godavari	Un-Ginned	NA	4000	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar*	J-34	3450	3465	-15
Muktsar*	J-34	3550	3575	-25
Fazilika	J-34	3450	3450	Unch
Bhatinda	J-34	3455	3475	-20
Mansa*	J-34	3450	3450	Unch
Sirsa*	J-34	3400	3410	-10
Sri-Ganganagar*	J-34	3196	3243	-47
Hanumangarh	B.T. Cotton	4000	4000	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		20-Oct-14	18-Oct-14	
Amravati*	Mech-1	75	100	-25
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	15000	12500	2500
Rajkot	B.T. Cotton	4415	4025	390
Patan	B.T. Cotton	NA	23580	-
Deesa	B.T. Cotton	NA	NR	-
Fazilika	B.T. Cotton	NA	NR	-
Muktsar	B.T. Cotton	510	510	Unch
Bhiwani	B.T. Cotton	4000	2000	2000
Adampur	B.T. Cotton	595	510	85
Fatehabad	B.T. Cotton	2000	1000	1000
Dabwali	B.T. Cotton	850	800	50
Jind	B.T. Cotton	340	68	272
Uchana (Jind)	B.T. Cotton	NA	NR	-
Rawatsar (Hanumangarh)	B.T. Cotton	1000	NR	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	20400	17000	3400
Gondal	Shankar-6	NA	2400	-
Bijapur	Bunny	89	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	1072	1425	-353
Guntur	Un-Ginned	17	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar*	J-34	1700	2040	-340
Muktsar*	J-34	NA	NA	-
Bhatinda*	J-34	25500	27200	-1700
Mansa	J-34	1190	1360	-170
Sirsa*	J-34	2550	1700	850
Sri-Ganganagar*	J-34	NA	1700	-
Hanumangarh	B.T. Cotton	3000	3000	Unch

*New crop

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				18-Oct-14	17-Oct-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	36900	37200	-300
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	37400	37700	-300
J-34(202)	26mm	3.5 - 4.9	23	31800	32100	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	31700	31900	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	33300	33400	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35000	35400	-400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36000	37000	-1000
DCH-32(107)	34mm	3.0 - 3.8	33	43500	43900	-400

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 20/10/2014

Index	RMB/Ton	Change
CCIndex(328)	14769	-16
CCIndex(527)	13645	-23
CCIndex(229)	15237	-3

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

Cotlook Index: As on 17/10/2014

Cotlook Indices	Cents/Pound	Change
A-Index	70.20	-0.10

USDA Cotton Spot Rates: As on 17/10/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.25	67.00	3847
North Delta	62.75	65.25	NIL
South Delta	62.75	65.25	NIL
East TX-OK	64.00	65.00	2551
West Texas	63.00	63.50	212
Desert SW	62.00	68.75	NIL
SJ Valley	62.25	72.15	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 17/10/2014

Contract	Open	High	Low	Close	Change
Dec-14	63.73	64.14	62.96	63.00	-0.56
Mar-15	61.78	62.11	61.42	61.73	0.02
May-15	62.83	62.83	62.18	62.63	0.20
Jul-15	63.48	63.61	62.93	63.50	0.34
Oct-15	64.27	64.27	64.27	64.27	0.39
Dec-15	64.85	65.20	64.73	65.11	0.29

Pakistan Cotton Spot rates: As on 18/10/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5200	155	5355
Equivalent	40 Kgs	5573	155	5628

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 © 2014 Indian Agribusiness Systems Pvt. Ltd.