

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Tuesday.

In The News: Cotton Corporation of India (CCI) has not started the procurement of cotton at Adilabad market yard on Monday, as scheduled few days back. CCI official refused to procure cotton at MSP of Rs. 4050 per quintal, due to presence of moisture content beyond the permissible limit of 12%. Farmers had protested for the same as they wish their produce to be sold at MSP without the consideration of moisture, whereas CCI said it would lower Rs.40 from the MSP for every one per cent extra moisture in the produce.

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.

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:

China imported around 122,900 tonnes of cotton in September this year, 39% lower when compared to same month last year, reported China Cotton Association (CCA). During the initial nine month of the year, China imported 2 million tonnes of cotton, 38% lower when compared to same period last year.

According to the latest report released by USDA, as on October 19, 2014, 47% of cotton crop in USA is in excellent to good condition, which was 47% last week and 44% a year ago. 86% bolls open has reported in cotton which was 77% last week and 90% as five year average. 29% of cotton harvesting reported which was 22% a week ago and 31% as a 5 year average.

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.

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	5.5	778.5	783	773.5	782	2833	-2240	9621	103

Spread	Apr-15		
Spot	50	-	-

(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 21 Sep 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	70	16040	16160	16000	16160	223	-81	795	-129
Nov-14	60	15610	15730	15520	15650	774	47	2254	48
Dec-14	30	15640	15730	15540	15650	536	27	4905	149
Jan-15	-70	15770	15790	15690	15760	28	--	28	--
Feb-15	-50	15850	15850	15850	15850	4	--	4	--

Spread	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Spot	2787				
Oct-14		-510			
Nov-14			0		
Dec-14				110	
Jan-15					90

*Updated at 5:00 pm on 21 Sep 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		21-Oct-14	20-Oct-14	
	Kapas	(Rs./Qtl)		
Amravati*	Mech-1	NA	4550	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4150	4100	50
Rajkot	B.T. Cotton	4190	4180	10
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	4000	4000	Unch
Fazilika	B.T. Cotton	4050	4050	Unch
Bhiwani	B.T. Cotton	4150	4300	-150
Adampur*	B.T. Cotton	4140	4225	-85
Fatehabad	B.T. Cotton	4150	4250	-100
Dabwali*	B.T. Cotton	3995	4055	-60
Jind	B.T. Cotton	NA	4299	-
Uchana (Jind)*	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)*	B.T. Cotton	3985	4035	-50
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NA	4100	-
Gondal	Shankar-6	NA	NA	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	4089	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4150	4200	-50
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	4250	-
Krishna	Un-Ginned	4000	4000	Unch
East Godavari	Un-Ginned	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar*	J-34	3385	3450	-65
Muktsar*	J-34	3485	3550	-65
Fazilika	J-34	3450	3450	Unch
Bhatinda	J-34	3370	3455	-85
Mansa*	J-34	3400	3450	-50
Sirsa*	J-34	3325	3400	-75
Sri-Ganganagar*	J-34	3149	3196	-47
Hanumangarh	B.T. Cotton	NA	4000	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		21-Oct-14	20-Oct-14	
Amravati*	Mech-1	NA	75	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	6000	15000	-9000
Rajkot	B.T. Cotton	1125	4415	-3290
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	510	510	Unch
Bhiwani	B.T. Cotton	2500	4000	-1500
Adampur	B.T. Cotton	595	595	Unch
Fatehabad	B.T. Cotton	1000	2000	-1000
Dabwali	B.T. Cotton	550	850	-300
Jind	B.T. Cotton	NA	340	-
Uchana (Jind)	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	1000	1000	Unch
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	NA	20400	-
Gondal	Shankar-6	NA	NA	-
Bijapur	Bunny	NA	89	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	1072	1072	Unch
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	17	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar*	J-34	1360	1700	-340
Muktsar*	J-34	NA	NA	-
Bhatinda*	J-34	20400	25500	-5100
Mansa	J-34	1105	1190	-85
Sirsa*	J-34	1700	2550	-850
Sri-Ganganagar*	J-34	3400	NA	-
Hanumangarh	B.T. Cotton	NA	3000	-

*New crop

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Oct-14	18-Oct-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	36600	36900	-300
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	37100	37400	-300
J-34(202)	26mm	3.5 - 4.9	23	31300	31800	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32500	31700	800
Shankar-6(105)	29mm	3.5 - 4.9	28	33000	33300	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34700	35000	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35700	36000	-300
DCH-32(107)	34mm	3.0 - 3.8	33	43500	43500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 21/10/2014

Index	RMB/Ton	Change
CCIndex(328)	14756	-13
CCIndex(527)	13639	-6
CCIndex(229)	15227	-10

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

Cotlook Index: As on 20/10/2014

Cotlook Indices	Cents/Pound	Change
A-Index	70.05	-0.15

USDA Cotton Spot Rates: As on 20/10/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	66.29	62.54	707
North Delta	64.54	62.04	NIL
South Delta	64.54	62.04	1097
East TX-OK	65.25	64.25	1866
West Texas	63.5	63	NIL
Desert SW	68.29	61.29	1600
SJ Valley	71.44	61.54	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 20/10/2014

Contract	Open	High	Low	Close	Change
Dec-14	63.15	63.40	62.23	62.29	-0.71
Mar-15	61.92	62.12	61.53	61.70	-0.03
May-15	62.94	62.96	62.50	62.68	0.05
Jul-15	63.78	63.80	63.44	63.66	0.16
Oct-15	64.43	64.43	64.43	64.43	0.16
Dec-15	65.40	65.40	65.08	65.27	0.16

Pakistan Cotton Spot rates: As on 20/10/2014 (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.