

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Wednesday. Most of the markets reported closed following Diwali festivities.

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	3.5	783	787	780.5	786	1851	-982	9318	-303

Spread	Apr-15		
Spot	52	-	-

(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 22 Oct 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-14	110	16240	16380	16200	16350	336	113	691	-104
Nov-14	140	15780	15930	15720	15910	629	-145	2231	-23
Dec-14	120	15780	15880	15750	15880	456	-80	5040	135
Jan-15	120	15900	16000	15880	16000	29	1	28	34
Feb-15	250	15970	16120	15970	16120	41	37	4	65

Spread	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Spot	--				
Oct-14		-440			
Nov-14			-30		
Dec-14				120	
Jan-15					120

*Updated at 5:00 pm on 22 Oct 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		22-Oct-14	21-Oct-14	
	Kapas	(Rs./Qtl)		
Amravati*	Mech-1	NA	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4250	4150	100
Rajkot	B.T. Cotton	NR	4190	-
Patan	B.T. Cotton	NR	NA	-
Deesa	B.T. Cotton	NR	NA	-
Muktsar	B.T. Cotton	4000	4000	Unch
Fazilika	B.T. Cotton	4020	4050	-30
Bhiwani	B.T. Cotton	4200	4150	50
Adampur*	B.T. Cotton	4125	4140	-15
Fatehabad	B.T. Cotton	4150	4150	Unch
Dabwali*	B.T. Cotton	4010	3995	15
Jind	B.T. Cotton	NA	4299	-
Uchana (Jind)*	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)*	B.T. Cotton	NR	3985	-
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	NR	4100	-
Gondal	Shankar-6	NR	NA	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NR	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NR	4150	-
Guntur	Un-Ginned	4050	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4000	-
East Godavari	Un-Ginned	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar*	J-34	3390	3385	5
Muktsar*	J-34	3400	3485	-85
Fazilika	J-34	3470	3450	20
Bhatinda	J-34	3400	3370	30
Mansa*	J-34	3385	3400	-15
Sirsa*	J-34	3315	3325	-10
Sri-Ganganagar*	J-34	NR	3149	-
Hanumangarh	B.T. Cotton	NR	NA	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		22-Oct-14	21-Oct-14	
Amravati*	Mech-1	NA	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	5000	6000	-1000
Rajkot	B.T. Cotton	NR	1125	-
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NR	510	-
Bhiwani	B.T. Cotton	4000	2500	1500
Adampur	B.T. Cotton	595	595	Unch
Fatehabad	B.T. Cotton	100	1000	-900
Dabwali	B.T. Cotton	50	550	-500
Jind	B.T. Cotton	425	NA	-
Uchana (Jind)	B.T. Cotton	NR	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NR	1000	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	NR	NA	-
Gondal	Shankar-6	NR	NA	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	1072	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar*	J-34	850	1360	-510
Muktsar*	J-34	NA	NA	-
Bhatinda*	J-34	13600	20400	-6800
Mansa	J-34	510	1105	-595
Sirsa*	J-34	850	1700	-850
Sri-Ganganagar*	J-34	NR	3400	-
Hanumangarh	B.T. Cotton	NR	NA	-

*New crop

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				21-Oct-14	20-Oct-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	37100	36600	500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	37600	37100	500
J-34(202)	26mm	3.5 - 4.9	23	30900	31300	-400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32100	32500	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	32700	33000	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34400	34700	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35400	35700	-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 21/10/2014

Cotlook Indices	Cents/Pound	Change
A-Index	69.70	-0.35

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 21/10/2014

Contract	Open	High	Low	Close	Change
Dec-14	62.29	63.63	62.10	62.79	0.50
Mar-15	61.73	62.25	61.53	61.91	0.21
May-15	62.73	62.95	62.45	62.84	0.16
Jul-15	63.76	63.85	63.42	63.78	0.12
Oct-15	64.67	64.67	64.67	64.67	0.24
Dec-15	65.27	65.45	65.18	65.42	0.15

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

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