

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly range-bound on Saturday.

In The News: Indian raw cotton (ITC CODE-52010020) buyers imported total 6887.8 tonnes of total value 125.6 lakh USD during October 13-18,2014.

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 | - | - | - | - | - | - | - | - | - |

| Spread | Apr-15 | | |
|--------|--------|---|---|
| Spot | - | - | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Market closed

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Oct-14 | - | - | - | - | - | - | - | - | - |
| Nov-14 | - | - | - | - | - | - | - | - | - |
| Dec-14 | - | - | - | - | - | - | - | - | - |
| Jan-15 | - | - | - | - | - | - | - | - | - |
| Feb-15 | - | - | - | - | - | - | - | - | - |

| Spread | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 |
|--------|--------|--------|--------|--------|--------|
| Spot | - | - | - | - | - |
| Oct-14 | - | - | - | - | - |
| Nov-14 | - | - | - | - | - |
| Dec-14 | - | - | - | - | - |
| Jan-15 | - | - | - | - | - |

*Market closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|-------------------------|--------------|------------------------------------|-----------|--------|
| | | 25-Oct-14 | 22-Oct-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati* | Mech-1 | Closed | NA | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | Closed | 4250 | - |
| Rajkot | B.T. Cotton | NR | NR | - |
| Patan | B.T. Cotton | Closed | NR | - |
| Deesa | B.T. Cotton | Closed | NR | - |
| Muktsar | B.T. Cotton | Closed | 4000 | - |
| Fazilika | B.T. Cotton | NA | 4020 | - |
| Bhiwani | B.T. Cotton | 4250 | 4200 | 50 |
| Adampur* | B.T. Cotton | 4150 | 4125 | 25 |
| Fatehabad | B.T. Cotton | 4160 | 4150 | 10 |
| Dabwali* | B.T. Cotton | Closed | 4010 | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind)* | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh)* | B.T. Cotton | Closed | NR | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Ahmedabad | Shankar-6 | Closed | NR | - |
| Gondal | Shankar-6 | NR | NR | - |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | NR | NR | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | NR | NR | - |
| Guntur | Un-Ginned | 4000 | 4050 | -50 |
| Kurnool | Un-Ginned | 4250 | NA | - |
| Krishna | Un-Ginned | 4000 | NA | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar* | J-34 | 3425 | 3390 | 35 |
| Muktsar* | J-34 | Closed | 3400 | - |
| Fazilika | J-34 | NA | 3470 | - |
| Bhatinda | J-34 | Closed | 3400 | - |
| Mansa* | J-34 | 3405 | 3385 | 20 |
| Sirsa* | J-34 | 3350 | 3315 | 35 |
| Sri-Ganganagar* | J-34 | Closed | NR | - |
| Hanumangarh | B.T. Cotton | Closed | NR | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|-----------|--------|
| | | 25-Oct-14 | 22-Oct-14 | |
| Amravati* | Mech-1 | NA | NA | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | Closed | 5000 | - |
| Rajkot | B.T. Cotton | NR | NR | - |
| Patan | B.T. Cotton | Closed | NA | - |
| Deesa | B.T. Cotton | Closed | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Muktsar | B.T. Cotton | Closed | NR | - |
| Bhiwani | B.T. Cotton | 2500 | 4000 | -1500 |
| Adampur | B.T. Cotton | 510 | 595 | -85 |
| Fatehabad | B.T. Cotton | 2000 | 100 | 1900 |
| Dabwali | B.T. Cotton | Closed | 50 | - |
| Jind | B.T. Cotton | NA | 425 | - |
| Uchana (Jind) | B.T. Cotton | NR | NR | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | Closed | NR | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | | | | |
| Ahmedabad | Shankar-6 | Closed | NR | - |
| Gondal | Shankar-6 | NR | NR | - |
| | | | | |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | NA | NA | - |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | NA | NA | - |
| Krishna | Un-Ginned | NA | NA | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | | | | |
| Abohar* | J-34 | 340 | 850 | -510 |
| Muktsar* | J-34 | Closed | NA | - |
| Bhatinda* | J-34 | Closed | 13600 | - |
| Mansa | J-34 | 680 | 510 | 170 |
| Sirsa* | J-34 | 850 | 850 | Unch |
| Sri-Ganganagar* | J-34 | Closed | NR | - |
| Hanumangarh | B.T. Cotton | Closed | NR | - |

*New crop

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|--------|
| | | | | 24-Oct-14 | 21-Oct-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | <22mm | 5.0 - 7.0 | 15 | 37100 | 37100 | Unch |
| Bengal Deshi (SG)(201) | <22mm | 5.0 - 7.0 | 15 | 38000 | 37600 | 400 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 31200 | 30900 | 300 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 32100 | 32100 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 32700 | 32700 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 34400 | 34400 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 35400 | 35400 | Unch |
| 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 24/10/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 69.80 | -0.05 |

USDA Cotton Spot Rates: As on 24/10/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 64.06 | 67.31 | 1432 |
| North Delta | 63.56 | 66.31 | 246 |
| South Delta | 63.56 | 66.31 | 1463 |
| East TX-OK | 64.25 | 65.25 | 10639 |
| West Texas | 63 | 63.5 | 1271 |
| Desert SW | 62.81 | 69.81 | NIL |
| SJ Valley | 63.06 | 72.96 | 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 24/10/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|-------------|
| Dec-14 | 63.04 | 64.66 | 62.73 | 63.81 | 0.77 |
| Mar-15 | 61.9 | 62.99 | 61.86 | 62.17 | 0.29 |
| May-15 | 62.78 | 63.75 | 62.78 | 63.02 | 0.25 |
| Jul-15 | 63.76 | 64.46 | 63.75 | 63.91 | 0.24 |
| Oct-15 | 65.13 | 65.13 | 65.13 | 65.13 | 0.45 |
| Dec-15 | 65.3 | 66.09 | 65.3 | 65.76 | 0.29 |

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

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