

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone on Wednesday.

**In The News:** India's minister of state for agriculture Mohanbhai Kundaria said that there is no proposal to increase the minimum support price (MSP) of cotton. According to the minister, Cotton Corporation of India (CCI) has geared up for procurement of cotton at MSP in 341 centers in 92 districts from the 11 cotton growing states.

Around 4000 farmers gathered at Rajkot district of Gujarat yesterday and held a rally in order to put forward their demand before the government to raise the MSP of Cotton and Ground nut. Bhartiya Kisan Sangh (BKS), an association of farmers of Saurashtra and nearby region, is demanding Rs. 1000 per 20 kg as MSP of cotton which is currently Rs. 810. They also demanded the incentive for cotton exports and restrictive import policy for cotton imports.

Heated conversation took place in Rajya Sabha day before yesterday over the drastically falling cotton and Paddy prices. The opposition parties i.e. Congress and Samajwadi Party (S.P.) put forward the issue of falling prices which has led the farmer's distress and the rise in the suicide figures. It also claimed that no instruction to Cotton Corporation of India (CCI) has made to purchase cotton at the right price, as it was in the period of UPA government. The opposition party also reminded the promise of Prime Minister Narendra Modi of paying farmers a price that is 50% more than the cost of production, is not being fulfilled as MSP of cotton is Rs. 3750 per quintal for medium staple and Rs. 4050 for long staple.

Cotton seed arrivals have picked the pace in the country. Approximately 100,000 bales of cotton seed is arriving daily in the market, said Indian Cotton Federation in its latest report.

Cotton exports from India are likely to fall by 45% this season from major importers China and Bangladesh. During the current season 2014-15, India is likely to export 6.5 to 7 million bales (of 170 kg. each) of cotton, which was 11.8 million bales last year, said Cotton Advisory Board (CAB).

Output of cotton in India is expected to be around 40.55 million bales in season 2014-15, 14.22% higher than the previous year's production of 35.5 million bales, said cotton association of India (CAI). Not only production, acreage, yield, consumption and export have also noticed a rise in last previous years. Acreage of cotton reported 12.65 million hectares 10.28 % higher when compared to the previous year's area. India has great potential in textile export, which is keeping the market prospects higher for cotton in the country.

Cotton Corporation of India (CCI) has planned to procure sixty lakh bales of cotton this season (Oct'14-Sept'15) with the outlay of Rs.12000 crores. Around 8 lakh bales of cotton have been procured by CCI in Andhra Pradesh and Telangana so far. CCI has tied up with the consortium of 14 banks, led by Bank of Baroda in order to carry out the procurement related transactions.

The share of India is getting wider in apparel export to USA. On the lesser price competitiveness of China and Bangladesh, India has nurtured its market share in apparel exports to USA. India exported 745 million square meters equivalent (msme) to USA, during January to September this year, 7.5% higher when compared to the corresponding period last year.

The Government of India has given the approval for Rs. 653 crores to the state government of Maharashtra to rescue the drought hit farmers in the state and to handle the other losses occurred. Around 19,069 villages out of 39,134 have been hit badly due to drought.

### International Fundamentals:

According to U.S. Department of Agriculture (USDA), cotton imports by Thailand are likely to fall in 2014/15 following the deficit in cotton consumption by textile counterparts. Yarn spinners and fabric weavers in Thailand are facing the problem of higher production cost and weak global economy.

The drastic fall in cotton prices to a five year low could force the farmers worldwide to switch for the other crops, according to International Cotton Advisory Committee (ICAC). Cotton at ICE for March 2015 delivery has touched the level of 58.53 cents per pound in late November, which is lowest since September 2009.

The sluggish demand from the China could limit the world cotton trade to 7.9 million tonnes, 11% lower this season 2014-15, said International Cotton Advisory Committee (ICAC).

### Outlook

We expect domestic prices to remain weak to range bound in near term.

#### NCDEX Kapas Futures\*: (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	1	790	794	788.5	792.5	1680	-256	13560	144

Spread	Apr-15		
Spot	31.5	-	-

(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 03 December 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	0	15750	15770	15700	15750	443	101	5276	-5
Jan-15	10	15820	15870	15810	15840	292	104	2981	21
Feb-15	-10	15930	15940	15910	15930	55	-22	1682	22
Mar-15	20	16050	16070	16030	16060	47	-4	1545	17
Apr-15	0	16160	16170	16130	16170	38	--	170	--

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-90				
Jan-15			-90			
Feb-15				-130		
Mar-15					-110	
Apr-15						

\*Updated at 5:00 pm on 03 December 2014

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

Centre	Variety	Prices		Change
		3-Dec-14	2-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4100	4100	Unch
Khandwa	Mech-1	4050	4050	Unch
Khargaon	Mech-1	4050	4050	Unch
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4200	4250	-50
Rajkot	B.T. Cotton	4120	4115	5
Patan	B.T. Cotton	4140	4155	-15
Deesa	B.T. Cotton	3980	3970	10
Muktsar	B.T. Cotton	4000	4050	-50
Fazilika	B.T. Cotton	NA	4010	-
Bhiwani	B.T. Cotton	3950	3925	25
Adampur	B.T. Cotton	3950	3900	50
Fatehabad	B.T. Cotton	3925	3925	Unch
Dabwali	B.T. Cotton	3950	3965	-15
Jind	B.T. Cotton	4021	4065	-44
Uchana (Jind)	B.T. Cotton	3870	3920	-50
Rawatsar (Hanumangarh)	B.T. Cotton	3860	3860	Unch
Hubli	B.T. Cotton	NA	4169	-
Hathras	B.T. Cotton(US)	3700	3500	200
Hanumangarh	B.T. Cotton	3970	3950	20
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4125	4100	25
Gondal	Shankar-6	NA	4105	-
	<b>Kapas</b>			
Hathras	Desi	4500	4500	Unch
Bijapur	Bunny	4100	4093	7
Hubli	D.C.H.	NA	5039	-
Raichur	H-44 Cotton	4075	4070	5
Guntur	Un-Ginned	4050	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3415	3405	10
Muktsar	J-34	3410	3405	5
Fazilika	J-34	NA	3408	-
Bhatinda	J-34	3415	3415	Unch
Mansa	J-34	3405	3400	5
Sirsa	J-34	3300	3290	10
Sri-Ganganagar	J-34	3102	NR	-

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		3-Dec-14	2-Dec-14	
Amravati	Mech-1	1400	1300	100
Khandwa	Mech-1	1800	2200	-400
Khargaone	Mech-1	13000	8000	5000
Mahesana(Kadi)	B.T. Cotton	30000	30000	Unch
Rajkot	B.T. Cotton	4000	3600	400
Patan	B.T. Cotton	16745	17425	-680
Deesa	B.T. Cotton	1175	2675	-1500
Fazilika	B.T. Cotton	NA	1800	-
Muktsar	B.T. Cotton	510	595	-85
Bhiwani	B.T. Cotton	5000	3000	2000
Adampur	B.T. Cotton	2550	2040	510
Fatehabad	B.T. Cotton	2500	2300	200
Dabwali	B.T. Cotton	1500	1700	-200
Jind	B.T. Cotton	765	801	-36
Uchana (Jind)	B.T. Cotton	3400	3390	10
Rawatsar (Hanumangarh)	B.T. Cotton	350	600	-250
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	NA	150	-
Hanumangarh	B.T. Cotton	5000	3000	2000
Ahmedabad	Shankar-6	62900	68000	-5100
Gondal	Shankar-6	NA	1584	-
Hathras	Desi	200	300	-100
Bijapur	Bunny	3680	3212	468
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	2302	2895	-593
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	4000	-
Abohar	J-34	1360	1530	-170
Bhatinda	J-34	51000	54400	-3400
Mansa	J-34	2550	3400	-850
Sirsa	J-34	3740	5100	-1360
Sri-Ganganagar	J-34	15300	NR	-

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				02-Dec-14	1-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	33200	33200	Unch
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	33700	33700	Unch
J-34(202)	26mm	3.5 - 4.9	23	30900	30900	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32300	32300	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	32900	32900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33900	33900	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34800	34800	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	43700	43700	Unch

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 03/12/2014**

Index	RMB/Ton	Change
CCIndex(328)	14049	-13
CCIndex(527)	13072	-5
CCIndex(229)	14588	-9

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

**Cotlook Index: As on 02/12/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	66.00	-0.85

**USDA Cotton Spot Rates: As on 02/12/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.13	59.38	1931
North Delta	61.13	58.38	NIL
South Delta	61.13	58.38	NIL
East TX-OK	58.25	57.25	3837
West Texas	58.50	58.00	6835
Desert SW	63.88	56.88	NIL
SJ Valley	68.03	58.13	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 02/12/2014**

Contract	Open	High	Low	Close	Change
<b>Dec-14</b>	61.03	61.03	60.08	60.75	<b>0.57</b>
<b>Mar-15</b>	59.20	59.88	58.97	59.38	<b>0.20</b>
<b>May-15</b>	60.14	60.79	59.83	60.28	<b>0.16</b>
<b>Jul-15</b>	61.04	61.48	60.70	61.13	<b>0.15</b>
<b>Oct-15</b>	62.59	62.59	62.59	62.59	<b>0.15</b>
<b>Dec-15</b>	63.30	63.85	63.17	63.79	<b>0.26</b>

**Pakistan Cotton Spot rates: As on 02/12/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4800	150	4950
Equivalent	40 Kgs	5144	160	5304

**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.