

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm tone on Friday.

In The News: According to Cotton Corporation of India (CCI), total consumption of cotton in India during the season 2014-15 would be around 311 lakh bales, 4.1% higher when compared to the consumption of previous year, when the same was 298.88 lakh bales. Mill consumption and Small mill consumption would be around 275 and 26 lakh bales respectively and Non mill consumption is likely to be around 10 lakh bales.

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 on Tuesday 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 few days back 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 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:

World cotton imports are expected to notice a fall of 15.5% as China, the major consumer, will import lesser this season. China is likely to cut its imports drastically this season due to its increasing cotton stockpiles. Share of China in World ending stocks recorded 62% by the end of previous season.

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.

Outlook

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

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	0	799.5	803.5	797	799.5	3,117	14142	3,415	13740

Spread	Apr-15		
Spot	19.5	-	-

(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 05 December 2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	-10	15830	15850	15800	15820	427	5256	539	5213
Jan-15	0	15910	15930	15890	15920	222	3064	295	3054
Feb-15	0	16000	16020	15980	16010	61	1740	61	1740
Mar-15	20	16100	16180	16090	16120	44	1564	44	1564
Apr-15	20	16220	16250	16180	16250	17	212	15	195

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-100				
Jan-15			-90			
Feb-15				-110		
Mar-15					-130	
Apr-15						

*Updated at 5:00 pm on 05 December 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		5-Dec-14	4-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4100	-50
Khandwa	Mech-1	4050	NA	-
Khargaon	Mech-1	4050	NA	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4250	4250	Unch
Rajkot	B.T. Cotton	4095	4105	-10
Patan	B.T. Cotton	4150	4175	-25
Deesa	B.T. Cotton	4000	3950	50
Muktsar	B.T. Cotton	4060	4015	45
Fazilika	B.T. Cotton	4070	4000	70
Bhiwani	B.T. Cotton	4000	4000	Unch
Adampur	B.T. Cotton	3950	3960	-10
Fatehabad	B.T. Cotton	3960	3980	-20
Dabwali	B.T. Cotton	3955	3950	5
Jind	B.T. Cotton	4100	4000	100
Uchana	B.T. Cotton	3915	3860	55
Rawatsar	B.T. Cotton	3860	3850	10
Hubli	B.T. Cotton	NA	4189	-
Hathras	B.T. Cotton	NA	3500	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4200	4175	25
Gondal	Shankar-6	4130	4105	25
	Kapas			
Hathras	Desi	NA	4300	-
Bijapur	Bunny	4116	4096	20
Hubli	D.C.H.	NA	5039	-
Raichur	H-44 Cotton	4075	4080	-5
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3445	3435	10
Muktsar	J-34	3440	3435	5
Fazilika	J-34	3410	3410	Unch
Bhatinda	J-34	3450	3435	15
Mansa	J-34	3440	3425	15
Sirsa	J-34	3335	3330	5
Sri-Ganganagar	J-34	3149	3140	9

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		5-Dec-14	4-Dec-14	
Amravati	Mech-1	1500	1500	Unch
Khandwa	Mech-1	2200	NA	-
Khargaone	Mech-1	11000	NA	-
Mahesana(Kadi)	B.T. Cotton	40000	35000	5000
Rajkot	B.T. Cotton	3600	3050	550
Patan	B.T. Cotton	11821	12930	-1109
Deesa	B.T. Cotton	3025	1150	1875
Fazilika	B.T. Cotton	2000	2000	Unch
Muksar	B.T. Cotton	595	510	85
Bhiwani	B.T. Cotton	4000	5000	-1000
Adampur	B.T. Cotton	2210	2210	Unch
Fatehabad	B.T. Cotton	3500	3000	500
Dabwali	B.T. Cotton	1300	1300	Unch
Jind	B.T. Cotton	1445	1530	-85
Uchana	B.T. Cotton	3270	2200	1070
Rawatsar	B.T. Cotton	500	400	100
Hubli	B.T. Cotton	NA	116	-
Hathras	B.T. Cotton	NA	60	-
Hanumangarh	B.T. Cotton	3000	4000	-1000
Ahmedabad	Shankar-6	59500	59500	Unch
Gondal	Shankar-6	1959	2523	-564
Hathras	Desi	NA	350	-
Bijapur	Bunny	3649	3242	407
Hubli	D.C.H.	NA	310	-
Raichur	H-44 Cotton	2625	2375	250
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	1530	1530	Unch
Bhatinda	J-34	51000	51000	Unch
Mansa	J-34	2720	2550	170
Sirsa	J-34	4250	4250	Unch
Sri-Ganganagar	J-34	13600	15300	-1700

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				4-Dec-14	3-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	33200	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33700	-500
J-34(202)	26mm	3.5 - 4.9	23	31200	31000	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32400	32400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33000	33000	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34100	34100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35000	35000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	43700	43700	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 05/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13958	-8
CCIndex(527)	12966	-37
CCIndex(229)	14500	-20

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

Cotlook Index: As on 04/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	66.50	0.15

USDA Cotton Spot Rates: As on 04/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.17	60.42	1913
North Delta	62.17	59.42	1952
South Delta	62.17	59.42	2314
East TX-OK	59.00	58.00	6910
West Texas	59.25	58.75	20633
Desert SW	65.42	58.42	215
SJ Valley	69.07	59.17	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 04/12/2014

Contract	Open	High	Low	Close	Change
Dec-14	61.82	61.84	61.40	61.52	0.51
Mar-15	59.53	60.64	59.53	60.42	0.78
May-15	60.66	61.49	60.66	61.33	0.79
Jul-15	61.80	62.20	61.63	62.02	0.75
Oct-15	63.47	63.47	63.47	63.47	0.75
Dec-15	64.25	64.88	64.25	64.60	0.68

Pakistan Cotton Spot rates: As on 04/12/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4650	150	4800
Equivalent	40 Kgs	4983	160	5143

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