

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Saturday.

In The News: Around 18000 hectares of cotton crop in Jalgaon and 8560 hectares in Dhule have been diagnosed with Cotton wilt, locally known as "Mar" disease caused by *Fusarium oxysporum* fungus, as reported by Commissionerate of Agriculture, Pune, Government of Maharashtra. As the intensity of the disease is found to be below Economic Threshold Level (ETL), there are fewer chances of any significant losses to occur.

According to latest FAS report released by USDA, production of cotton in India would be around 392 lakh bales in season 2014/15. The yield estimated for the current season is 525 kg per hectare which is lower than the 538 kg per hectare, the average yield of three years. As farmers said, the fall in yield is the outcome of deficit rainfall, which led the lesser numbers of bolls per plant.

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.

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.

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	--	--	--	--	--	--	--	--	--

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
Dec-14	--	--	--	--	--	--	--	--	--
Jan-15	--	--	--	--	--	--	--	--	--
Feb-15	--	--	--	--	--	--	--	--	--
Mar-15	--	--	--	--	--	--	--	--	--
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		--				
Jan-15			--			
Feb-15				--		
Mar-15					--	
Apr-15						

*Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		6-Dec-14	5-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	NA	4050	-
Khargaon	Mech-1	NA	4050	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4250	4250	Unch
Rajkot	B.T. Cotton	4115	4095	20
Patan	B.T. Cotton	NA	4150	-
Deesa	B.T. Cotton	NA	4000	-
Muktsar	B.T. Cotton	4050	4060	-10
Fazilika	B.T. Cotton	4060	4070	-10
Bhiwani	B.T. Cotton	4010	4000	10
Adampur	B.T. Cotton	3925	3950	-25
Fatehabad	B.T. Cotton	3960	3960	Unch
Dabwali	B.T. Cotton	3970	3955	15
Jind	B.T. Cotton	4061	4100	-39
Uchana (Jind)	B.T. Cotton	3900	3915	-15
Rawatsar (Hanumangarh)	B.T. Cotton	3870	3860	10
Hubli	B.T. Cotton	NA	4189	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4200	4200	Unch
Gondal	Shankar-6	4105	4130	-25
	Kapas			
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	4116	-
Hubli	D.C.H.	NA	4989	-
Raichur	H-44 Cotton	4070	4075	-5
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3450	3445	5
Muktsar	J-34	3442	3440	2
Fazilika	J-34	3435	3410	25
Bhatinda	J-34	3445	3450	-5
Mansa	J-34	3430	3440	-10
Sirsa	J-34	3340	3335	5
Sri-Ganganagar	J-34	3144	3149	-5

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		6-Dec-14	5-Dec-14	
Amravati	Mech-1	1700	1500	200
Khandwa	Mech-1	NA	2200	-
Khargaone	Mech-1	NA	11000	-
Mahesana(Kadi)	B.T. Cotton	35000	40000	-5000
Rajkot	B.T. Cotton	3550	3600	-50
Patan	B.T. Cotton	NA	11821	-
Deesa	B.T. Cotton	NA	3025	-
Fazilika	B.T. Cotton	1000	2000	-1000
Muktsar	B.T. Cotton	595	595	Unch
Bhiwani	B.T. Cotton	5000	4000	1000
Adampur	B.T. Cotton	2380	2210	170
Fatehabad	B.T. Cotton	3500	3500	Unch
Dabwali	B.T. Cotton	2500	1300	1200
Jind	B.T. Cotton	1360	1445	-85
Uchana (Jind)	B.T. Cotton	3300	3270	30
Rawatsar (Hanumangarh)	B.T. Cotton	400	500	-100
Hubli	B.T. Cotton	NA	140	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	1000	3000	-2000
Ahmedabad	Shankar-6	59500	59500	Unch
Gondal	Shankar-6	2037	1959	78
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	3649	-
Hubli	D.C.H.	NA	182	-
Raichur	H-44 Cotton	1800	2625	-825
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	1700	1530	170
Bhatinda	J-34	51000	51000	Unch
Mansa	J-34	2040	2720	-680
Sirsa	J-34	3400	4250	-850
Sri-Ganganagar	J-34	11900	13600	-1700

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				5-Dec-14	4-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	32700	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33200	Unch
J-34(202)	26mm	3.5 - 4.9	23	31100	31200	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32500	32400	100
Shankar-6(105)	29mm	3.5 - 4.9	28	33100	33000	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34200	34100	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35100	35000	100
DCH-32(107)	34mm	3.0 - 3.8	33	43900	43700	200

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 05/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	67.05	0.55

USDA Cotton Spot Rates: As on 05/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.39	59.64	6359
North Delta	61.39	58.64	9736
South Delta	61.39	58.64	NIL
East TX-OK	58.25	57.25	6660
West Texas	58.25	58.00	21121
Desert SW	64.64	57.64	NIL
SJ Valley	68.29	58.39	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 05/12/2014

Contract	Open	High	Low	Close	Change
Dec-14	62.19	62.20	60.54	60.54	-0.98
Mar-15	60.42	60.91	59.57	59.64	-0.78
May-15	61.32	61.75	60.45	60.53	-0.80
Jul-15	61.99	62.45	61.13	61.23	-0.79
Oct-15	62.68	62.68	62.68	62.68	-0.79
Dec-15	64.73	65.10	63.83	63.89	-0.71

Pakistan Cotton Spot rates: As on 05/12/2014 (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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