

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to firm tone on Monday.

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.

International Fundamentals:

On reduced acreage this season, cotton output in Australia is expected to fall by almost half in 2014-15, as estimated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). Area under summer crop is estimated 13% lower for 2014-15 at 974000 hectares which would lead to fall in production and hence cotton output in Australia from the summer crop is likely to be around 3.2 million tonnes in 2014-15.

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.

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	3.5	809	812	799	802	3676	261	15124	1384

Spread	Apr-15		
Spot	21	-	-

(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 08-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	30	15910	15970	15850	15880	995	456	4983	-230
Jan-15	30	15970	16010	15910	15930	674	379	3149	95
Feb-15	10	16050	16090	15980	16000	408	347	2165	425
Mar-15	20	16190	16200	16120	16140	87	43	1634	70
Apr-15	30	16320	16320	16240	16250	40	25	257	62

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-50				
Jan-15			-70			
Feb-15				-140		
Mar-15					-110	
Apr-15						--

*Updated at 5:00 pm on 08-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		8-Dec-14	6-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	4050	NA	-
Khargaon	Mech-1	4050	NA	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4300	4250	50
Rajkot	B.T. Cotton	4200	4115	85
Patan	B.T. Cotton	4225	NA	-
Deesa	B.T. Cotton	3485	NA	-
Muktsar	B.T. Cotton	4050	4050	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4000	4010	-10
Adampur	B.T. Cotton	3950	3925	25
Fatehabad	B.T. Cotton	4000	3960	40
Dabwali	B.T. Cotton	3970	3970	Unch
Jind	B.T. Cotton	4092	4061	31
Uchana (Jind)	B.T. Cotton	4000	3900	100
Rawatsar (Hanumangarh)	B.T. Cotton	3860	3870	-10
Hubli	B.T. Cotton	NA	4169	-
Hathras	B.T. Cotton(US)	3500	NA	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4200	4200	Unch
Gondal	Shankar-6	4130	4105	25
	Kapas			
Hathras	Desi	4300	NA	-
Bijapur	Bunny	4129	4122	7
Hubli	D.C.H.	NA	5039	-
Raichur	H-44 Cotton	4060	4070	-10
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	3450	-5
Muktsar	J-34	3442	3442	Unch
Fazilika	J-34	3440	3435	5
Bhatinda	J-34	3445	3445	Unch
Mansa	J-34	3435	3430	5
Sirsa	J-34	3340	3340	Unch
Sri-Ganganagar	J-34	3140	3144	-4

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		8-Dec-14	6-Dec-14	
Amravati	Mech-1	1700	1700	Unch
Khandwa	Mech-1	1200	NA	-
Khargaone	Mech-1	10000	NA	-
Mahesana(Kadi)	B.T. Cotton	40000	35000	5000
Rajkot	B.T. Cotton	3400	3550	-150
Patan	B.T. Cotton	11110	NA	-
Deesa	B.T. Cotton	1385	NA	-
Fazilika	B.T. Cotton	950	1000	-50
Muktsar	B.T. Cotton	510	595	-85
Bhiwani	B.T. Cotton	4000	5000	-1000
Adampur	B.T. Cotton	3400	2380	1020
Fatehabad	B.T. Cotton	3000	3500	-500
Dabwali	B.T. Cotton	3000	2500	500
Jind	B.T. Cotton	2210	1360	850
Uchana (Jind)	B.T. Cotton	2500	3300	-800
Rawatsar (Hanumangarh)	B.T. Cotton	500	400	100
Hubli	B.T. Cotton	NA	172	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	1000	1000	Unch
Ahmedabad	Shankar-6	34000	59500	-25500
Gondal	Shankar-6	2170	2037	133
Hathras	Desi	400	NA	-
Bijapur	Bunny	5008	2651	2357
Hubli	D.C.H.	NA	190	-
Raichur	H-44 Cotton	2647	1800	847
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	1700	Unch
Bhatinda	J-34	51000	51000	Unch
Mansa	J-34	3400	2040	1360
Sirsa	J-34	4250	3400	850
Sri-Ganganagar	J-34	20400	11900	8500

Cotton Association of India Spot Rates:

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

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 08/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13888	-70
CCIndex(527)	12929	-37
CCIndex(229)	14473	-27

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 06/12/2014 (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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