

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to weak tone on Tuesday.

In The News: India has relaxed the rules applied to cotton and cotton yarn export in order to boost the export volume from country. The government of India has dispensed the requirement of registration to Directorate General of Foreign Trade (DGFT) for exports of cotton and cotton yarn which was earlier mandatory for the traders along with notification of their targeted export volume for the year. India is expected to produce 400 lakh bales of cotton this year, slightly higher than previous year, but enough to raise the availability as export would be on weaker side, causing demand deficit.

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.

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	-1	801	802.5	798	800	2,152	15496	3,676	15124

Spread	Apr-15		
Spot	23	-	-

(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 09-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	-40	15870	15880	15830	15840	233	-762	4738	-245
Jan-15	-20	15910	15930	15890	15910	211	-463	3155	6
Feb-15	-10	15970	15980	15940	15970	174	-234	2261	96
Mar-15	-40	16090	16100	16050	16060	69	-18	1700	66
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-70				
Jan-15			-60			
Feb-15				-90		
Mar-15					--	
Apr-15						

*Updated at 5:00 pm on 09-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		9-Dec-14	8-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4060	4050	10
Khandwa	Mech-1	4050	4050	Unch
Khargaon	Mech-1	4050	4050	Unch
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4300	4300	Unch
Rajkot	B.T. Cotton	4205	4200	5
Patan	B.T. Cotton	4190	4225	-35
Deesa	B.T. Cotton	4090	3485	605
Muktsar	B.T. Cotton	4050	4050	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4020	4000	20
Adampur	B.T. Cotton	3950	3950	Unch
Fatehabad	B.T. Cotton	4000	4000	Unch
Dabwali	B.T. Cotton	3960	3970	-10
Jind	B.T. Cotton	4121	4092	29
Uchana	B.T. Cotton	3830	4000	-170
Rawatsar	B.T. Cotton	3860	3860	Unch
Hubli	B.T. Cotton	NA	4150	-
Hathras	B.T. Cotton	3500	3500	Unch
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4200	4200	Unch
Gondal	Shankar-6	4130	4130	Unch
	Kapas			
Hathras	Desi	4400	4300	100
Bijapur	Bunny	4151	4129	22
Hubli	D.C.H.	NA	5049	-
Raichur	H-44 Cotton	4060	4060	Unch
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	3415	3445	-30
Muktsar	J-34	3415	3442	-27
Fazilika	J-34	3430	3440	-10
Bhatinda	J-34	3425	3445	-20
Mansa	J-34	3410	3435	-25
Sirsa	J-34	3330	3340	-10
Sri-Ganganagar	J-34	3229	3140	89

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		9-Dec-14	8-Dec-14	
Amravati	Mech-1	1900	1700	200
Khandwa	Mech-1	800	1200	-400
Khargaone	Mech-1	7000	10000	-3000
Mahesana(Kadi)	B.T. Cotton	30000	40000	-10000
Rajkot	B.T. Cotton	3050	3400	-350
Patan	B.T. Cotton	12410	11110	1300
Deesa	B.T. Cotton	2500	1385	1115
Fazilika	B.T. Cotton	1500	950	550
Muktsar	B.T. Cotton	680	510	170
Bhiwani	B.T. Cotton	4000	4000	Unch
Adampur	B.T. Cotton	3060	3400	-340
Fatehabad	B.T. Cotton	2500	3000	-500
Dabwali	B.T. Cotton	1700	3000	-1300
Jind	B.T. Cotton	2040	2210	-170
Uchana (Jind)	B.T. Cotton	3672	2500	1172
Rawatsar (Hanumangarh)	B.T. Cotton	250	500	-250
Hubli	B.T. Cotton	NA	484	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	2000	1000	1000
Ahmedabad	Shankar-6	59500	34000	25500
Gondal	Shankar-6	1750	2170	-420
Hathras	Desi	350	400	-50
Bijapur	Bunny	3495	5008	-1513
Hubli	D.C.H.	NA	580	-
Raichur	H-44 Cotton	2647	2647	Unch
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	2550	1700	850
Bhatinda	J-34	56100	51000	5100
Mansa	J-34	3400	3400	Unch
Sirsa	J-34	3400	4250	-850
Sri-Ganganagar	J-34	17000	20400	-3400

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				8-Dec-14	6-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 09/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13799	-89
CCIndex(527)	12842	-87
CCIndex(229)	14366	-107

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

Cotlook Index: As on 08/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	66.45	-0.60

USDA Cotton Spot Rates: As on 08/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.06	59.31	NIL
North Delta	61.06	58.31	NIL
South Delta	61.06	58.31	NIL
East TX-OK	58.00	57.00	2970
West Texas	58.00	57.75	13464
Desert SW	64.06	57.31	300
SJ Valley	67.96	58.06	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 08/12/2014

Contract	Open	High	Low	Close	Change
Dec-14	60.80	60.80	60.21	60.21	-0.33
Mar-15	59.63	60.17	59.30	59.31	-0.33
May-15	60.17	61.01	60.05	60.08	-0.45
Jul-15	61.59	61.63	60.75	60.76	-0.47
Oct-15	62.21	62.21	62.21	62.21	-0.47
Dec-15	64.29	64.33	63.50	63.55	-0.34

Pakistan Cotton Spot rates: As on 08/12/2014 (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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