

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Wednesday.

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:

Cotton output in China is expected to be lower what was earlier expected by USDA. Cotton crop in China suffered due to deficit rain in early days and too much rains in later days. Cotton crop which was earlier expected to be around 30 million bales (if bale of 218 kilograms) would stand around 29.31 million bales in the current season.

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.

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	2	801.5	803.5	800	802	2110	-42	15269	-227

Spread	Apr-15		
Spot	39	-	-

(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 10-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	60	15850	15920	15850	15900	327	94	4698	-40
Jan-15	50	15920	15980	15920	15970	160	-51	3212	57
Feb-15	30	16010	16030	16000	16030	40	-134	2284	23
Mar-15	70	16100	16130	16100	16130	84	15	1697	-3
Apr-15	50	16250	16260	16060	16260	88	--	319	--

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-70				
Jan-15			-60			
Feb-15				-100		
Mar-15					-130	
Apr-15						

*Updated at 5:00 pm on 10-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		10-Dec-14	9-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4060	-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	4195	4205	-10
Patan	B.T. Cotton	4200	4190	10
Deesa	B.T. Cotton	4200	4090	110
Muktsar	B.T. Cotton	4050	4050	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4030	4020	10
Adampur	B.T. Cotton	3950	3950	Unch
Fatehabad	B.T. Cotton	3970	4000	-30
Dabwali	B.T. Cotton	3965	3960	5
Jind	B.T. Cotton	4054	4121	-67
Uchana	B.T. Cotton	3820	3830	-10
Rawatsar	B.T. Cotton	3855	3860	-5
Hubli	B.T. Cotton	NA	4169	-
Hathras	B.T. Cotton	NA	3500	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4200	4200	Unch
Gondal	Shankar-6	4155	4130	25
	Kapas			
Hathras	Desi	NA	4400	-
Bijapur	Bunny	4992	4151	841
Hubli	D.C.H.	NA	4569	-
Raichur	H-44 Cotton	4101	4060	41
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	4050	4050	Unch
East Godavari	Un-Ginned	NA	4000	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3425	3415	10
Muktsar	J-34	3425	3415	10
Fazilika	J-34	3430	3430	Unch
Bhatinda	J-34	3435	3425	10
Mansa	J-34	3425	3410	15
Sirsa	J-34	3320	3330	-10
Sri-Ganganagar	J-34	3149	3229	-80

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		10-Dec-14	9-Dec-14	
Amravati	Mech-1	2000	1900	100
Khandwa	Mech-1	800	800	Unch
Khargane	Mech-1	7000	7000	Unch
Mahesana(Kadi)	B.T. Cotton	30000	30000	Unch
Rajkot	B.T. Cotton	3100	3050	50
Patan	B.T. Cotton	10250	12410	-2160
Deesa	B.T. Cotton	2500	2500	Unch
Fazilika	B.T. Cotton	1200	1500	-300
Muktsar	B.T. Cotton	680	680	Unch
Bhiwani	B.T. Cotton	3000	4000	-1000
Adampur	B.T. Cotton	2550	3060	-510
Fatehabad	B.T. Cotton	2800	2500	300
Dabwali	B.T. Cotton	1700	1700	Unch
Jind	B.T. Cotton	1870	2040	-170
Uchana	B.T. Cotton	3710	3672	38
Rawatsar	B.T. Cotton	500	250	250
Hubli	B.T. Cotton	NA	202	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	4000	2000	2000
Ahmedabad	Shankar-6	59500	59500	Unch
Gondal	Shankar-6	1621	1750	-129
Hathras	Desi	NA	350	-
Bijapur	Bunny	4333	3495	838
Hubli	D.C.H.	NA	8	-
Raichur	H-44 Cotton	5272	2647	2625
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	2550	-850
Bhatinda	J-34	59500	56100	3400
Mansa	J-34	3400	3400	Unch
Sirsa	J-34	4250	3400	850
Sri-Ganganagar	J-34	17000	17000	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				9-Dec-14	8-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 10/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13780	-19
CCIndex(527)	12817	-25
CCIndex(229)	14366	0

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

Cotlook Index: As on 09/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	67.30	0.85

USDA Cotton Spot Rates: As on 09/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.63	59.88	18559
North Delta	61.63	58.88	NIL
South Delta	61.63	58.88	NIL
East TX-OK	58.50	57.50	678
West Texas	58.50	58.25	11791
Desert SW	64.63	57.88	319
SJ Valley	68.53	58.63	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 09/12/2014

Contract	Open	High	Low	Close	Change
Dec-14	59.31	60.40	59.16	59.88	0.57
Mar-15	60.13	61.10	59.95	60.63	0.55
May-15	60.73	61.72	60.70	61.33	0.57
Jul-15	62.76	62.76	62.76	62.76	0.55
Oct-15	63.76	64.49	63.50	64.11	0.56
Dec-15	65.08	65.08	65.08	65.08	0.54

Pakistan Cotton Spot rates: As on 09/12/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4700	150	4850
Equivalent	40 Kgs	5037	160	5197

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