

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Thursday.

In The News: According to Cotton Association of India (CAI) cotton output in the country would stand around 402 lakh bales in season 2014-15, slightly lower than the production of previous season when it was 407.25 lakh bales. The expected fall in production in Gujarat has been considered the reason for the fall in production in the country. Gujarat is projected to produce 122 lakh bales of cotton this season compared to 129.5 lakh bales previous season.

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).

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	1	804.5	807.5	801.5	806	2190	80	15503	234

Spread	Apr-15		
Spot	35	-	-

(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 11-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	10	15880	15950	15860	15920	482	155	4566	-132
Jan-15	10	15970	16030	15930	15990	624	464	3361	149
Feb-15	10	16030	16070	15990	16050	193	153	2205	-79
Mar-15	40	16100	16160	16070	16160	110	26	1723	26
Apr-15	-30	16230	16250	16210	16230	49	-39	338	19

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-70				
Jan-15			-60			
Feb-15				-110		
Mar-15					-70	
Apr-15						

*Updated at 5:00 pm on 11-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		11-Dec-14	10-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4075	4050	25
Khandwa	Mech-1	4000	4050	-50
Khargaon	Mech-1	4000	4050	-50
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4300	4300	Unch
Rajkot	B.T. Cotton	4205	4195	10
Patan	B.T. Cotton	4225	4200	25
Deesa	B.T. Cotton	4075	4200	-125
Muktsar	B.T. Cotton	4050	4050	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4030	4030	Unch
Adampur	B.T. Cotton	NA	3950	-
Fatehabad	B.T. Cotton	3975	3970	5
Dabwali	B.T. Cotton	3970	3965	5
Jind	B.T. Cotton	4040	4054	-14
Uchana	B.T. Cotton	3900	3820	80
Rawatsar	B.T. Cotton	3855	3855	Unch
Hubli	B.T. Cotton	NA	4155	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4250	4200	50
Gondal	Shankar-6	4180	4155	25
	Kapas			
Hathras	Desi	NA	NA	-
Bijapur	Bunny	4166	4992	-826
Hubli	D.C.H.	NA	5030	-
Raichur	H-44 Cotton	4210	4101	109
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	NA	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3420	3425	-5
Muktsar	J-34	3430	3425	5
Fazilika	J-34	3425	3430	-5
Bhatinda	J-34	3425	3435	-10
Mansa	J-34	3425	3425	Unch
Sirsa	J-34	3310	3320	-10
Sri-Ganganagar	J-34	3126	3149	-23

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		11-Dec-14	10-Dec-14	
Amravati	Mech-1	2500	2000	500
Khandwa	Mech-1	1200	800	400
Khargaone	Mech-1	6000	7000	-1000
Mahesana(Kadi)	B.T. Cotton	25000	30000	-5000
Rajkot	B.T. Cotton	2950	3100	-150
Patan	B.T. Cotton	10040	10250	-210
Deesa	B.T. Cotton	2000	2500	-500
Fazilika	B.T. Cotton	1500	1200	300
Muktsar	B.T. Cotton	680	680	Unch
Bhiwani	B.T. Cotton	3000	3000	Unch
Adampur	B.T. Cotton	NA	2550	-
Fatehabad	B.T. Cotton	2800	2800	Unch
Dabwali	B.T. Cotton	3000	1700	1300
Jind	B.T. Cotton	1020	1870	-850
Uchana	B.T. Cotton	3820	3710	110
Rawatsar	B.T. Cotton	500	500	Unch
Hubli	B.T. Cotton	NA	138	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	2000	4000	-2000
Ahmedabad	Shankar-6	56100	59500	-3400
Gondal	Shankar-6	1500	1621	-121
Hathras	Desi	NA	NA	-
Bijapur	Bunny	4240	4333	-93
Hubli	D.C.H.	NA	86	-
Raichur	H-44 Cotton	2100	5272	-3172
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	3400	1700	1700
Bhatinda	J-34	59500	59500	Unch
Mansa	J-34	3400	3400	Unch
Sirsa	J-34	3470	4250	-780
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
				10-Dec-14	9-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32200	32700	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32700	33200	-500
J-34(202)	26mm	3.5 - 4.9	23	31100	31100	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32700	32500	200
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	33100	100
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 11/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13700	-80
CCIndex(527)	12766	-51
CCIndex(229)	14360	-6

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

Cotlook Index: As on 10/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	67.85	0.55

USDA Cotton Spot Rates: As on 10/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.32	59.57	2276
North Delta	61.32	58.57	11318
South Delta	61.32	58.57	NIL
East TX-OK	58.50	57.50	7775
West Texas	58.50	58.25	13714
Desert SW	64.32	57.57	250
SJ Valley	68.22	58.32	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 10/12/2014

Contract	Open	High	Low	Close	Change
Dec-14	59.73	60.8	59.41	59.57	-0.31
Mar-15	60.55	61.49	60.15	60.18	-0.45
May-15	61.46	62.12	60.9	60.92	-0.41
Jul-15	62.35	62.35	62.35	62.35	-0.41
Oct-15	64.25	64.85	63.65	63.65	-0.46
Dec-15	64.69	64.69	64.69	64.69	-0.39

Pakistan Cotton Spot rates: As on 10/12/2014 (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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