

Domestic Fundamentals:

Market Outlook: Cotton market remained range-bound.

In The News: According to the USDA, the China Cotton Association (CCA) modified its MY14/15 production to 6.66 million tonne based on an unchanged planted area of 4.29 million hectares on a lower yield due to high moisture during the month of September. The following table, CCA August report indicated that the Xinjiang planted area is based on the recent official survey which included additional area previously not included in official statistics. In contrast, a 22.7% area decline in all other provinces (19.5% decline in the Yangtze River and 26.7% in the Yellow River region) is expected to reduce their total production to 2.13 million tons.

	National Total		Xinjiang		All Other Provinces	
	Area	Production	Area	Production	Area	Production
MY13/14	4,662	7,000	2,126	4,180	2,536	2,820
MY14/15-Aug	4,227	6,730	2,267	4,600	1,960	2,130
MY14/15-Oct survey	4,286	6,660				

Source: China Cotton Association (CCA) Note: in 1000 Ha and 1,000 tons

China's Textile Sector Production/Investment Trends

Year/Item	2011	2012	2013	2014 (Jan-Jun)
Yarn Production (million tons)	28.7	29.84	32.0	18.47
Fabrics Production (billion meters)	81.4	84.1	88.3	33.4
Chemical Fiber Production (million tons)	33.9	38	41.2	21.37
Fixed Asset Investment in Textile Sector (RMB billion)	366.9	397.1	NA	NA

Source: China Economic and Social Development Report by NSB;
(Exchange Rate: 2012-\$1=RMB6.3; 2013-\$1=RMB6.2; 2014-\$1=RMB6.2)
(Source-USDA)

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.

*** Market Quotes not updated (Saturday Future's Market Remain Closed)**

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)

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						

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		13-Dec-14	12-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	Closed	NA	-
Khargaon	Mech-1	Closed	NA	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4350	4375	-25
Rajkot	B.T. Cotton	4350	4255	95
Patan	B.T. Cotton	4305	4260	45
Deesa	B.T. Cotton	4100	4085	15
Muktsar	B.T. Cotton	4070	4050	20
Fazilika	B.T. Cotton	4070	4060	10
Bhiwani	B.T. Cotton	4080	4060	20
Adampur	B.T. Cotton	3950	3965	-15
Fatehabad	B.T. Cotton	3950	3975	-25
Dabwali	B.T. Cotton	3965	3970	-5
Jind	B.T. Cotton	NA	4040	-
Uchana (Jind)	B.T. Cotton	4000	3900	100
Rawatsar (Hanumangarh)	B.T. Cotton	3850	3850	Unch
Hubli	B.T. Cotton	NA	4167	-
Hathras	B.T. Cotton(US)	3250	3600	-350
Hanumangarh	B.T. Cotton	3950	3950	Unch
	Kapas			
Ahmedabad	Shankar-6	4300	4300	Unch
Gondal	Shankar-6	4225	4225	Unch
	Kapas			
Hathras	Desi	4250	4200	50
Bijapur	Bunny	NA	4213	-
Hubli	D.C.H.	NA	4389	-
Raichur	H-44 Cotton	4125	4120	5
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3430	3420	10
Muktsar	J-34	3420	3420	Unch
Fazilika	J-34	3440	3425	15
Bhatinda	J-34	3425	3435	-10
Mansa	J-34	3410	3425	-15
Sirsa	J-34	3340	3320	20
Sri-Ganganagar	J-34	3144	3126	18

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		13-Dec-14	12-Dec-14	
Amravati	Mech-1	2500	2200	300
Khandwa	Mech-1	Closed	NA	-
Khargaone	Mech-1	Closed	NA	-
Mahesana(Kadi)	B.T. Cotton	35000	30000	5000
Rajkot	B.T. Cotton	2800	2900	-100
Patan	B.T. Cotton	8996	7745	1251
Deesa	B.T. Cotton	2075	2475	-400
Fazilika	B.T. Cotton	1200	1200	Unch
Muktsar	B.T. Cotton	510	680	-170
Bhiwani	B.T. Cotton	4000	4000	Unch
Adampur	B.T. Cotton	2210	2380	-170
Fatehabad	B.T. Cotton	1000	2500	-1500
Dabwali	B.T. Cotton	1800	2800	-1000
Jind	B.T. Cotton	NA	1190	-
Uchana (Jind)	B.T. Cotton	2810	3765	-955
Rawatsar (Hanumangarh)	B.T. Cotton	500	200	300
Hubli	B.T. Cotton	NA	78	-
Hathras	B.T. Cotton(US)	NA	500	
Hanumangarh	B.T. Cotton	4000	3000	1000
Ahmedabad	Shankar-6	51000	59500	-8500
Gondal	Shankar-6	1428	1084	344
Hathras	Desi	85	500	-415
Bijapur	Bunny	NA	3044	-
Hubli	D.C.H.	NA	84	-
Raichur	H-44 Cotton	1537	1942	-405
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	4000	NA	-
Abohar	J-34	2550	2550	Unch
Bhatinda	J-34	51000	59500	-8500
Mansa	J-34	1700	2550	-850
Sirsa	J-34	1700	3400	-1700
Sri-Ganganagar	J-34	11900	17000	-5100

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				12-Dec-14	11-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32000	31800	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32500	32300	200
J-34(202)	26mm	3.5 - 4.9	23	31100	31000	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32700	32700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	33200	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	44000	43900	100

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

Index	RMB/Ton	Change
CCIndex(328)	13641	-59
CCIndex(527)	12749	-17
CCIndex(229)	14335	-25

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

Cotlook Index: As on 12/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	68.60	1.00

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

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	60.79	60.79	12776
North Delta	59.79	59.79	7168
South Delta	59.79	59.79	490
East TX-OK	58.50	58.50	5355
West Texas	59.25	59.25	28239
Desert SW	58.79	58.79	3600
SJ Valley	59.54	59.54	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 12/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	60.48	61.25	60.42	60.54	0.06
May-15	61.03	61.68	61.02	61.07	0.05
Jul-15	61.69	62.32	61.69	61.78	0.12
Oct-15	63.16	63.16	63.16	63.16	0.09
Dec-15	64.44	65.10	64.44	64.50	0.10

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