

## Domestic Fundamentals:

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

**In The News:** As estimated by USDA, cotton export from India would be around 1.089 million tonnes this season (2014-15), around 46% lower when compared to the exports in previous season, which was 2.015 million tonnes.

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.

### International Fundamentals:

According to the latest report by USDA, cotton production on the global front would stand around 25.905 million tonnes this season 2014-15 around 1.09% lower when compared to 26.191 million tonnes previous year.

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.

### 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	-2.5	815	819.5	808	809	5369	-1634	16064	11251

Spread	Apr-15		
Spot	63	-	-

(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 15-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	30	16050	16180	16010	16030	1070	-182	4078	-234
Jan-15	30	16130	16280	16110	16130	1380	-187	4016	317
Feb-15	40	16170	16340	16170	16190	136	-332	2386	14
Mar-15	0	16270	16390	16250	16250	218	-77	2006	120
Apr-15	-40	16400	16470	16310	16310	108	2	515	91

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

\*Updated at 5:00 pm on 15-12-2014

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		15-Dec-14	13-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4150	4050	100
Khandwa	Mech-1	NA	Closed	-
Khargaon	Mech-1	NA	Closed	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4350	4350	Unch
Rajkot	B.T. Cotton	4360	4350	10
Patan	B.T. Cotton	4425	4305	120
Deesa	B.T. Cotton	4140	4100	40
Muktsar	B.T. Cotton	4070	4070	Unch
Fazilika	B.T. Cotton	4070	4070	Unch
Bhiwani	B.T. Cotton	4100	4080	20
Adampur	B.T. Cotton	3980	3950	30
Fatehabad	B.T. Cotton	3960	3950	10
Dabwali	B.T. Cotton	3965	3965	Unch
Jind	B.T. Cotton	4045	NA	-
Uchana	B.T. Cotton	4000	4000	Unch
Rawatsar	B.T. Cotton	NA	3850	-
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	NA	3250	-
Hanumangarh	B.T. Cotton	3950	3950	Unch
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4325	4300	25
Gondal	Shankar-6	4295	4225	70
	<b>Kapas</b>			
Hathras	Desi	NA	4250	-
Bijapur	Bunny	4239	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4150	4125	25
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3445	3430	15
Muktsar	J-34	3435	3420	15
Fazilika	J-34	3440	3440	Unch
Bhatinda	J-34	3450	3425	25
Mansa	J-34	3450	3410	40
Sirsa	J-34	3350	3340	10
Sri-Ganganagar	J-34	3149	3144	5

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		15-Dec-14	13-Dec-14	
Amravati	Mech-1	2000	2500	-500
Khandwa	Mech-1	NA	Closed	-
Khargane	Mech-1	NA	Closed	-
Mahesana(Kadi)	B.T. Cotton	45000	35000	10000
Rajkot	B.T. Cotton	3200	2800	400
Patan	B.T. Cotton	8070	8996	-926
Deesa	B.T. Cotton	3250	2075	1175
Fazilika	B.T. Cotton	1200	1200	Unch
Muktsar	B.T. Cotton	510	510	Unch
Bhiwani	B.T. Cotton	4000	4000	Unch
Adampur	B.T. Cotton	2550	2210	340
Fatehabad	B.T. Cotton	500	1000	-500
Dabwali	B.T. Cotton	1800	1800	Unch
Jind	B.T. Cotton	425	NA	-
Uchana	B.T. Cotton	2810	2810	Unch
Rawatsar	B.T. Cotton	NA	500	-
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	700	4000	-3300
Ahmedabad	Shankar-6	51000	51000	Unch
Gondal	Shankar-6	1569	1428	141
Hathras	Desi	NA	85	-
Bijapur	Bunny	6627	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	2075	1537	538
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	4000	-
Abohar	J-34	2210	2550	-340
Bhatinda	J-34	44200	51000	-6800
Mansa	J-34	850	1700	-850
Sirsa	J-34	2550	1700	850
Sri-Ganganagar	J-34	13600	11900	1700

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-Dec-14	12-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	31800	32000	<b>-200</b>
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32300	32500	<b>-200</b>
J-34(202)	26mm	3.5 - 4.9	23	31200	31100	<b>100</b>
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32700	32700	<b>Unch</b>
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	33200	<b>Unch</b>
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34200	34200	<b>Unch</b>
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35100	35100	<b>Unch</b>
DCH-32(107)	34mm	3.0 - 3.8	33	44000	44000	<b>Unch</b>

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 15/12/2014**

Index	RMB/Ton	Change
CCIndex(328)	13641	<b>0</b>
CCIndex(527)	12747	<b>-2</b>
CCIndex(229)	14333	<b>-2</b>

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

**Cotlook Index: As on 12/12/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	68.60	<b>1.00</b>

**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	<b>12776</b>
North Delta	59.79	59.79	<b>7168</b>
South Delta	59.79	59.79	<b>490</b>
East TX-OK	58.50	58.50	<b>5355</b>
West Texas	59.25	59.25	<b>28239</b>
Desert SW	58.79	58.79	<b>3600</b>
SJ Valley	59.54	59.54	<b>Nil</b>

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 13/12/2014 (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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