

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone on Tuesday.

**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:

China's decision to keep cotton import up to the quota limit of 894,000 tonnes has kept the market under the bearish pressure. Global prices are moving downtrend amid the expectation of lesser imports by China, the top importer of cotton in the world. According to USDA china is likely to import 1.52 million tonnes, around 50.5% lower when compared to the 3.075 million tonnes of imports previous year.

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.

### 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	-7.5	805.5	809.5	796	799	5463	94	16619	555

Spread	Apr-15		
Spot	60	-	-

(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 16-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	-80	15940	16010	15810	15840	1005	-65	3770	-308
Jan-15	-120	16050	16110	15910	15920	1473	93	3779	-237
Feb-15	-100	16140	16170	16000	16010	340	204	2406	20
Mar-15	-70	16180	16250	16100	16100	301	83	2198	192
Apr-15	-70	16290	16310	16160	16170	265	157	627	112

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-80				
Jan-15			-90			
Feb-15				-90		
Mar-15					-70	
Apr-15						

\*Updated at 5:00 pm on 16-12-2014

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		16-Dec-14	15-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	NA	4150	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	4350	4350	Unch
Rajkot	B.T. Cotton	4295	4360	-65
Patan	B.T. Cotton	4290	4425	-135
Deesa	B.T. Cotton	4130	4140	-10
Muktsar	B.T. Cotton	4100	4070	30
Fazilika	B.T. Cotton	4060	4070	-10
Bhiwani	B.T. Cotton	4125	4100	25
Adampur	B.T. Cotton	4030	3980	50
Fatehabad	B.T. Cotton	4000	3960	40
Dabwali	B.T. Cotton	3965	3965	Unch
Jind	B.T. Cotton	4216	4045	171
Uchana	B.T. Cotton	4053	4000	53
Rawatsar	B.T. Cotton	3850	NA	-
Hubli	B.T. Cotton	NA	4195	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	3970	3950	20
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Ahmedabad	Shankar-6	4350	4325	25
Gondal	Shankar-6	4195	4295	-100
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Hathras	Desi	NA	NA	-
Bijapur	Bunny	4281	4239	42
Hubli	D.C.H.	NA	5199	-
Raichur	H-44 Cotton	4170	4150	20
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	3455	3445	10
Muktsar	J-34	3450	3435	15
Fazilika	J-34	3440	3440	Unch
Bhatinda	J-34	3460	3450	10
Mansa	J-34	3440	3450	-10
Sirsa	J-34	3350	3350	Unch
Sri-Ganganagar	J-34	3149	3149	Unch

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		16-Dec-14	15-Dec-14	
Amravati	Mech-1	NA	2000	-
Khandwa	Mech-1	NA	NA	-
Khargaone	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	40000	45000	<b>-5000</b>
Rajkot	B.T. Cotton	3050	3200	<b>-150</b>
Patan	B.T. Cotton	8046	8070	<b>-24</b>
Deesa	B.T. Cotton	4130	3250	<b>880</b>
Fazilika	B.T. Cotton	1200	1200	<b>Unch</b>
Muktsar	B.T. Cotton	680	510	<b>170</b>
Bhiwani	B.T. Cotton	3000	4000	<b>-1000</b>
Adampur	B.T. Cotton	1360	2550	<b>-1190</b>
Fatehabad	B.T. Cotton	1800	500	<b>1300</b>
Dabwali	B.T. Cotton	1800	1800	<b>Unch</b>
Jind	B.T. Cotton	510	425	<b>85</b>
Uchana	B.T. Cotton	900	2810	<b>-1910</b>
Rawatsar	B.T. Cotton	200	NA	-
Hubli	B.T. Cotton	NA	150	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	2000	700	<b>1300</b>
Ahmedabad	Shankar-6	62900	51000	<b>11900</b>
Gondal	Shankar-6	1807	1569	<b>238</b>
Hathras	Desi	NA	NA	-
Bijapur	Bunny	4173	6627	<b>-2454</b>
Hubli	D.C.H.	NA	354	-
Raichur	H-44 Cotton	2505	2075	<b>430</b>
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	1360	2210	<b>-850</b>
Bhatinda	J-34	47600	44200	<b>3400</b>
Mansa	J-34	2040	850	<b>1190</b>
Sirsa	J-34	3400	2550	<b>850</b>
Sri-Ganganagar	J-34	8500	13600	<b>-5100</b>

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				15-Dec-14	13-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	31800	31800	Unch
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32300	32300	Unch
J-34(202)	26mm	3.5 - 4.9	23	31400	31200	200
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	44000	Unch

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 16/12/2014**

Index	RMB/Ton	Change
CCIndex(328)	13640	-1
CCIndex(527)	12745	-2
CCIndex(229)	14333	Unch

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

**Cotlook Index: As on 15/12/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	68.60	Unch

**USDA Cotton Spot Rates: As on 15/12/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.90	61.15	3134
North Delta	62.90	60.15	NIL
South Delta	62.90	60.15	NIL
East TX-OK	59.50	58.50	4360
West Texas	59.50	59.25	14844
Desert SW	65.65	58.90	198
SJ Valley	69.55	59.65	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 15/12/2014**

Contract	Open	High	Low	Close	Change
<b>Mar-15</b>	60.60	61.13	60.51	60.65	<b>0.11</b>
<b>May-15</b>	61.07	61.56	61.02	61.19	<b>0.12</b>
<b>Jul-15</b>	62.12	62.17	61.63	61.86	<b>0.08</b>
<b>Oct-15</b>	63.16	63.16	63.16	63.16	<b>Unch</b>
<b>Dec-15</b>	64.78	64.79	64.08	64.31	<b>-0.19</b>

**Pakistan Cotton Spot rates: As on 15/12/2014 (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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