

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Wednesday.

In The News: State government in Gujarat faced criticism by opposition party as it announced the relief of package of Rs 1100 crore for farmers. According to the congress, the opposition party, the relief announced by the BJP led government is just another stunt and it is not the right move to relief the farmers and significant increase in the MSP could help farmers better rather than this relief package.

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.

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	2	797.5	804	796	799.5	3496	-1967	16805	186

Spread	Apr-15		
Spot	52.5	-	-

(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 17-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	0	15850	15880	15810	15830	701	-304	3684	-86
Jan-15	10	15940	15980	15900	15920	475	-998	3801	22
Feb-15	20	16010	16040	15970	15990	267	-73	2538	132
Mar-15	-20	16060	16120	16030	16060	110	-191	2250	52
Apr-15	-70	16180	16200	16120	16120	94	-171	736	109

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-90				
Jan-15			-70			
Feb-15				-70		
Mar-15					-60	
Apr-15						

*Updated at 5:00 pm on 17-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		17-Dec-14	16-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl)		
Mahesana(Kadi)	B.T. Cotton	4300	4350	-50
Rajkot	B.T. Cotton	4260	4295	-35
Patan	B.T. Cotton	4070	4290	-220
Deesa	B.T. Cotton	4100	4130	-30
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4125	4125	Unch
Adampur	B.T. Cotton	4030	4030	Unch
Fatehabad	B.T. Cotton	4000	4000	Unch
Dabwali	B.T. Cotton	3951	3965	-14
Jind	B.T. Cotton	4129	4216	-87
Uchana	B.T. Cotton	4035	4053	-18
Rawatsar	B.T. Cotton	3870	3850	20
Hubli	B.T. Cotton	NA	4185	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	3950	3970	-20
	Kapas	(Rs./Qtl)		
Ahmedabad	Shankar-6	4300	4350	-50
Gondal	Shankar-6	4180	4195	-15
	Kapas	(Rs./Qtl)		
Hathras	Desi	NA	NA	
Bijapur	Bunny	4208	4281	-73
Hubli	D.C.H.	NA	5119	
Raichur	H-44 Cotton	4110	4170	-60
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	3445	3455	-10
Muktsar	J-34	3445	3450	-5
Fazilika	J-34	3440	3440	Unch
Bhatinda	J-34	3450	3460	-10
Mansa	J-34	3445	3440	5
Sirsa	J-34	3345	3350	-5
Sri-Ganganagar	J-34	3130	3149	-19

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		17-Dec-14	16-Dec-14	
Amravati	Mech-1	3000	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaone	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	35000	40000	-5000
Rajkot	B.T. Cotton	4100	3050	1050
Patan	B.T. Cotton	7370	8046	-676
Deesa	B.T. Cotton	1150	4130	-2980
Fazilika	B.T. Cotton	2000	1200	800
Muktsar	B.T. Cotton	595	680	-85
Bhiwani	B.T. Cotton	3000	3000	Unch
Adampur	B.T. Cotton	1190	1360	-170
Fatehabad	B.T. Cotton	1800	1800	Unch
Dabwali	B.T. Cotton	3000	1800	1200
Jind	B.T. Cotton	680	510	170
Uchana	B.T. Cotton	1500	900	600
Rawatsar	B.T. Cotton	100	200	-100
Hubli	B.T. Cotton	NA	102	-
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	3000	2000	1000
Ahmedabad	Shankar-6	68000	62900	5100
Gondal	Shankar-6	2028	1807	221
Hathras	Desi	NA	NA	
Bijapur	Bunny	4363	4173	190
Hubli	D.C.H.	NA	38	
Raichur	H-44 Cotton	2100	2505	-405
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	1360	340
Bhatinda	J-34	42500	47600	-5100
Mansa	J-34	2040	2040	Unch
Sirsa	J-34	2040	3400	-1360
Sri-Ganganagar	J-34	6800	8500	-1700

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				16-Dec-14	15-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	31400	Unch
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 17/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13635	-5
CCIndex(527)	12727	-18
CCIndex(229)	14329	-4

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

Cotlook Index: As on 16/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	68.80	20

USDA Cotton Spot Rates: As on 16/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.03	60.28	3978
North Delta	62.03	59.28	NIL
South Delta	62.03	59.28	NIL
East TX-OK	58.50	57.50	4111
West Texas	58.50	58.25	16091
Desert SW	64.78	58.03	NIL
SJ Valley	68.68	58.78	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 16/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	60.57	60.79	59.71	59.78	-0.87
May-15	61.19	61.30	60.34	60.38	-0.81
Jul-15	61.75	61.75	61.00	61.07	-0.79
Oct-15	62.37	62.37	62.37	62.37	-0.79
Dec-15	64.19	64.19	63.44	63.51	-0.80

Pakistan Cotton Spot rates: As on 16/12/2014 (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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