

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly steady tone on Thursday.

**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:

Cotton production in China stood 2.2% lower to 6.16 million tonnes in 2014 when compared to the previous year. The reason for this decline is the falling acreage, which decreased around 3% on year on year basis. Deficit in cotton output in China brings delight to the cotton exporting nations as it increases the possibilities of larger cotton export demand from China, the major consumer in the world.

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.

### 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	6	802	804.5	799	804.5	2221	-1275	17193	388

Spread	Apr-15		
Spot	40.5	-	-

(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 18-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	60	15860	15920	15820	15860	360	-341	3547	-137
Jan-15	60	15980	16010	15940	15980	368	-107	3967	166
Feb-15	60	16040	16090	16030	16050	192	-75	2529	-9
Mar-15	70	16100	16180	16100	16140	91	-19	2312	62
Apr-15	70	16210	16260	16210	16230	27	-67	767	31

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-120				
Jan-15			-70			
Feb-15				-90		
Mar-15					-90	
Apr-15						

\*Updated at 5:00 pm on 18-12-2014

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

Centre	Variety	Prices		Change
		18-Dec-14	17-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4300	4300	Unch
Rajkot	B.T. Cotton	4225	4260	-35
Patan	B.T. Cotton	4255	4070	185
Deesa	B.T. Cotton	4135	4100	35
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	4060	4060	Unch
Bhiwani	B.T. Cotton	4100	4125	-25
Adampur	B.T. Cotton	4015	4030	-15
Fatehabad	B.T. Cotton	4000	4000	Unch
Dabwali	B.T. Cotton	3950	3951	-1
Jind	B.T. Cotton	4134	4129	5
Uchana	B.T. Cotton	4073	4035	38
Rawatsar	B.T. Cotton	3870	3870	Unch
Hubli	B.T. Cotton	4199	4185	14
Hathras	B.T. Cotton	3500	NA	-
Hanumangarh	B.T. Cotton	3960	3950	10
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4300	4300	Unch
Gondal	Shankar-6	NA	4180	-
	<b>Kapas</b>			
Hathras	Desi	4700	NA	-
Bijapur	Bunny	4189	4208	-19
Hubli	D.C.H.	5139	5129	10
Raichur	H-44 Cotton	4125	4110	15
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	3445	Unch
Muktsar	J-34	3445	3445	Unch
Fazilika	J-34	4060	3440	620
Bhatinda	J-34	3450	3450	Unch
Mansa	J-34	3435	3445	-10
Sirsa	J-34	3340	3345	-5
Sri-Ganganagar	J-34	3140	3130	10

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		18-Dec-14	17-Dec-14	
Amravati	Mech-1	4000	3000	1000
Khandwa	Mech-1	NA	NA	-
Khargane	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	45000	35000	10000
Rajkot	B.T. Cotton	4200	4100	100
Patan	B.T. Cotton	4255	7370	-3115
Deesa	B.T. Cotton	4135	1150	2985
Fazilika	B.T. Cotton	1500	2000	-500
Muktsar	B.T. Cotton	595	595	Unch
Bhiwani	B.T. Cotton	3500	3000	500
Adampur	B.T. Cotton	2040	1190	850
Fatehabad	B.T. Cotton	1800	1800	Unch
Dabwali	B.T. Cotton	1550	3000	-1450
Jind	B.T. Cotton	1020	680	340
Uchana	B.T. Cotton	2180	1500	680
Rawatsar	B.T. Cotton	400	100	300
Hubli	B.T. Cotton	46	36	10
Hathras	B.T. Cotton	NA	NA	-
Hanumangarh	B.T. Cotton	2000	3000	-1000
Ahmedabad	Shankar-6	68000	68000	Unch
Gondal	Shankar-6	NA	2028	-
Hathras	Desi	550	NA	-
Bijapur	Bunny	3910	4363	-453
Hubli	D.C.H.	102	172	-70
Raichur	H-44 Cotton	4125	2100	2025
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	1700	Unch
Bhatinda	J-34	51000	42500	8500
Mansa	J-34	1717	2040	-323
Sirsa	J-34	2040	2040	Unch
Sri-Ganganagar	J-34	8500	6800	1700

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				17-Dec-14	16-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	32200	31800	<b>400</b>
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32700	32300	<b>400</b>
J-34(202)	26mm	3.5 - 4.9	23	31300	31400	<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 18/12/2014**

Index	RMB/Ton	Change
CCIndex(328)	13633	<b>-2</b>
CCIndex(527)	12717	<b>-10</b>
CCIndex(229)	14327	<b>-2</b>

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

**Cotlook Index: As on 17/12/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	68.35	<b>-0.45</b>

**USDA Cotton Spot Rates: As on 17/12/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.90	61.15	<b>4219</b>
North Delta	62.90	60.15	<b>NIL</b>
South Delta	62.90	60.15	<b>NIL</b>
East TX-OK	59.50	58.50	<b>4815</b>
West Texas	59.00	59.00	<b>5269</b>
Desert SW	65.65	58.90	<b>NIL</b>
SJ Valley	69.55	59.65	<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 17/12/2014**

Contract	Open	High	Low	Close	Change
<b>Mar-15</b>	59.85	60.90	59.49	60.65	<b>0.87</b>
<b>May-15</b>	60.40	61.31	60.05	61.16	<b>0.78</b>
<b>Jul-15</b>	61.13	61.95	60.74	61.87	<b>0.80</b>
<b>Oct-15</b>	63.23	63.23	63.23	63.23	<b>0.86</b>
<b>Dec-15</b>	63.35	64.43	63.21	64.43	<b>0.92</b>

**Pakistan Cotton Spot rates: As on 17/12/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4700	150	4850
Equivalent	40 Kgs	5037	160	5197

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