

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Friday.

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	5.5	803	810	801	807.5	3191	970	17613	420

Spread	Apr-15		
Spot	43.5	-	-

(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 19-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	20	15820	15860	15790	15830	244	-116	3512	-35
Jan-15	40	15950	16000	15910	15970	390	22	4239	272
Feb-15	40	16050	16110	16020	16090	137	-55	2576	47
Mar-15	80	16170	16240	16150	16230	85	-6	2380	68
Apr-15	70	16260	16350	16250	16320	69	42	854	87

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-140				
Jan-15			-120			
Feb-15				-140		
Mar-15					-90	
Apr-15						

*Updated at 5:00 pm on 19-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		19-Dec-14	18-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	4050	NA	-
Khargaon	Mech-1	4050	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4300	4300	Unch
Rajkot	B.T. Cotton	4255	4225	30
Patan	B.T. Cotton	4250	4255	-5
Deesa	B.T. Cotton	4130	4135	-5
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	NA	4060	-
Bhiwani	B.T. Cotton	4125	4100	25
Adampur	B.T. Cotton	4025	4015	10
Fatehabad	B.T. Cotton	4000	4000	Unch
Dabwali	B.T. Cotton	3980	3950	30
Jind	B.T. Cotton	4186	4134	52
Uchana	B.T. Cotton	4070	4073	-3
Rawatsar	B.T. Cotton	3875	3870	5
Hubli	B.T. Cotton	4183	4199	-16
Hathras	B.T. Cotton	3500	3500	Unch
Hanumangarh	B.T. Cotton	3950	3960	-10
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4300	4300	Unch
Gondal	Shankar-6	4270	NA	-
	Kapas	(Rs/Qtl)		
Hathras	Desi	4500	4700	-200
Bijapur	Bunny	4181	4189	-8
Hubli	D.C.H.	5119	5139	-20
Raichur	H-44 Cotton	4145	4125	20
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	4000	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3455	3445	10
Muktsar	J-34	3450	3445	5
Fazilika	J-34	NA	4060	-
Bhatinda	J-34	3455	3450	5
Mansa	J-34	3450	3435	15

Sirsa	J-34	3350	3340	10
Sri-Ganganagar	J-34	3159	3140	19

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		19-Dec-14	18-Dec-14	
Amravati	Mech-1	4300	4000	300
Khandwa	Mech-1	1200	NA	-
Khargaon	Mech-1	7000	NA	-
Mahesana(Kadi)	B.T. Cotton	40000	45000	-5000
Rajkot	B.T. Cotton	4250	4200	50
Patan	B.T. Cotton	11426	4255	7171
Deesa	B.T. Cotton	2750	4135	-1385
Fazilika	B.T. Cotton	NA	1500	-
Muktsar	B.T. Cotton	595	595	Unch
Bhiwani	B.T. Cotton	3000	3500	-500
Adampur	B.T. Cotton	2040	2040	Unch
Fatehabad	B.T. Cotton	1600	1800	-200
Dabwali	B.T. Cotton	2500	1550	950
Jind	B.T. Cotton	765	1020	-255
Uchana	B.T. Cotton	2000	2180	-180
Rawatsar	B.T. Cotton	2000	400	1600
Hubli	B.T. Cotton	42	46	-4
Hathras	B.T. Cotton	30	NA	-
Hanumangarh	B.T. Cotton	2500	2000	500
Ahmedabad	Shankar-6	68000	68000	Unch
Gondal	Shankar-6	2025	NA	-
Hathras	Desi	350	550	-200
Bijapur	Bunny	3041	3910	-869
Hubli	D.C.H.	124	102	22
Raichur	H-44 Cotton	2550	4125	-1575
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	59500	51000	8500
Mansa	J-34	1700	1717	-17
Sirsa	J-34	1700	2040	-340

Sri-Ganganagar	J-34	6800	8500	-1700
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Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				18-Dec-14	17-Dec-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32200	32200	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32700	32700	Unch
J-34(202)	26mm	3.5 - 4.9	23	31300	31300	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 19/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13628	-5
CCIndex(527)	12709	-8
CCIndex(229)	14322	-5

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

Cotlook Index: As on 18/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	69.25	0.90

USDA Cotton Spot Rates: As on 18/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	61.32	64.07	429
North Delta	60.32	63.07	1197
South Delta	60.32	63.07	Unch
East TX-OK	58.00	59.00	7069
West Texas	58.50	58.50	26256
Desert SW	59.07	65.82	Unch
SJ Valley	59.82	69.72	Unch

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 18/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	60.72	60.99	60.18	60.82	0.17
May-15	61.15	61.45	60.62	61.39	0.23
Jul-15	61.64	62.16	61.37	62.1	Unch
Oct-15	63.34	63.34	63.34	63.34	0.11
Dec-15	63.95	64.58	63.95	64.56	0.13

Pakistan Cotton Spot rates: As on 18/12/2014 (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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