

## Domestic Fundamentals:

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

**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
		20-Dec-14	19-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	NA	4050	-
Khargaon	Mech-1	NA	4050	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	4300	4300	Unch
Rajkot	B.T. Cotton	4285	4255	30
Patan	B.T. Cotton	4225	4250	-25
Deesa	B.T. Cotton	4100	4130	-30
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	4085	NA	-
Bhiwani	B.T. Cotton	4200	4125	75
Adampur	B.T. Cotton	4100	4025	75
Fatehabad	B.T. Cotton	4050	4000	50
Dabwali	B.T. Cotton	3990	3980	10
Jind	B.T. Cotton	4186	4186	Unch
Uchana (Jind)	B.T. Cotton	4070	4070	Unch
Rawatsar (Hanumangarh)	B.T. Cotton	3870	3875	-5
Hubli	B.T. Cotton	4197	4183	14
Hathras	B.T. Cotton(US)	NA	3500	-
Hanumangarh	B.T. Cotton	3970	3950	20
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	4350	4300	50
Gondal	Shankar-6	4275	4270	5
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Hathras	Desi	NA	4500	-
Bijapur	Bunny	4197	4181	16
Hubli	D.C.H.	5189	5119	70
Raichur	H-44 Cotton	4100	4145	-45
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	3470	3455	15
Muktsar	J-34	3465	3450	15
Fazilika	J-34	3465	NA	-
Bhatinda	J-34	3470	3455	15
Mansa	J-34	3450	3450	Unch

Sirsa	J-34	3370	3350	20
Sri-Ganganagar	J-34	3140	3159	-19

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		20-Dec-14	19-Dec-14	
Amravati	Mech-1	4300	4300	Unch
Khandwa	Mech-1	NA	1200	-
Khargaon	Mech-1	NA	7000	-
Mahesana(Kadi)	B.T. Cotton	45000	40000	5000
Rajkot	B.T. Cotton	5200	4250	950
Patan	B.T. Cotton	11600	11426	174
Deesa	B.T. Cotton	1800	2750	-950
Fazilika	B.T. Cotton	1800	NA	-
Muktsar	B.T. Cotton	510	595	-85
Bhiwani	B.T. Cotton	2500	3000	-500
Adampur	B.T. Cotton	2040	2040	Unch
Fatehabad	B.T. Cotton	1300	1600	-300
Dabwali	B.T. Cotton	1950	2500	-550
Jind	B.T. Cotton	765	765	Unch
Uchana (Jind)	B.T. Cotton	2000	2000	Unch
Rawatsar (Hanumangarh)	B.T. Cotton	400	2000	-1600
Hubli	B.T. Cotton	158	42	116
Hathras	B.T. Cotton(US)	NA	30	-
Hanumangarh	B.T. Cotton	2000	2500	-500
Ahmedabad	Shankar-6	59500	68000	-8500
Gondal	Shankar-6	1821	2025	-204
Hathras	Desi	NA	350	-
Bijapur	Bunny	2845	3041	-196
Hubli	D.C.H.	126	124	2
Raichur	H-44 Cotton	2265	2550	-285
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	59500	-8500
Mansa	J-34	1190	1700	-510
Sirsa	J-34	1700	1700	Unch

Sri-Ganganagar	J-34	6800	6800	Unch
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**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				19-Dec-14	18-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	31400	31300	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32500	32700	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	33100	33200	-100
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 19/12/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	69.35	0.10

**USDA Cotton Spot Rates: As on 19/12/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	64.14	61.39	586
North Delta	63.14	60.39	NIL
South Delta	63.14	60.39	NIL
East TX-OK	59.75	58.75	1752
West Texas	59.25	59.25	22912
Desert SW	66.14	59.14	375
SJ Valley	69.79	59.89	300

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 19/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	60.62	60.96	60.31	60.89	0.07
May-15	61.19	61.42	60.82	61.35	-0.04
Jul-15	61.93	62.19	61.60	62.14	0.04
Oct-15	63.37	63.37	63.37	63.37	0.03
Dec-15	64.37	64.55	64.06	64.54	-0.02

Pakistan Cotton Spot rates: As on 19/12/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4750	150	4900
Equivalent	40 Kgs	5091	160	5251

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