

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed firm tone.

**In The News:** According to the Gujarat Agriculture Department, following is the final estimate for 2013-14:

Gujarat Final Estimate 2013-14	Area ('000 Ha.)	Production ('000 bales each of 170 Kg)	Yield (in lint)
Cotton	2519	10088	680

Gujarat farmers continue to agitate on cotton MSP, they are demanding to surge it to Rs.1000 per 20 Kg from present Rs.810 per 20 kg.

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:

Pakistan Bureau of Statistics revealed that textile and clothing export surged to \$1.128 billion in November 2014 from \$998.143 million in the corresponding period of last year, an increase of 7.01 per cent.

Cotton from Nigeria is being sold at 70 percent less in the international market, than the price of the same product from other countries such as Burkina Faso, China and India, on account of the fact that Nigeria does not produce Biotechnology (BT) cotton.

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	4	811	815.5	810	813.5	3823	632	17999	386

Spread	Apr-15		
Spot	45.5	-	-

(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 22-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	20	15830	15850	15800	15820	365	121	3221	-291
Jan-15	50	16000	16010	15940	15980	706	316	4546	307
Feb-15	80	16150	16160	16090	16140	405	268	2666	90
Mar-15	110	16210	16320	16210	16290	138	53	2414	34
Apr-15	150	16340	16470	16310	16430	126	57	1004	150

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-160				
Jan-15			-160			
Feb-15				-150		
Mar-15					-140	
Apr-15						

\*Updated at 5:00 pm on 22-12-2014

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

Centre	Variety	Prices		Change
		22-Dec-14	20-Dec-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	4050	NA	-
Khargaon	Mech-1	4050	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4350	4300	50
Rajkot	B.T. Cotton	4295	4285	10
Patan	B.T. Cotton	4260	4225	35
Deesa	B.T. Cotton	4130	4100	30
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	4080	4085	-5
Bhiwani	B.T. Cotton	4200	4200	Unch
Adampur	B.T. Cotton	4050	4100	-50
Fatehabad	B.T. Cotton	4085	4050	35
Dabwali	B.T. Cotton	3985	3990	-5
Jind	B.T. Cotton	4125	4186	-61
Uchana (Jind)	B.T. Cotton	4130	4070	60
Rawatsar (Hanumangarh)	B.T. Cotton	3930	3870	60
Hubli	B.T. Cotton	NA	4197	-
Hathras	B.T. Cotton(US)	3700	NA	-
Hanumangarh	B.T. Cotton	3990	3970	20
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4400	4350	50
Gondal	Shankar-6	4255	4275	-20
	<b>Kapas</b>			
Hathras	Desi	4700	NA	-
Bijapur	Bunny	NA	4197	-
Hubli	D.C.H.	NA	5189	-
Raichur	H-44 Cotton	NA	4100	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3470	3470	Unch
Muktsar	J-34	3465	3465	Unch
Fazilika	J-34	3475	3465	10
Bhatinda	J-34	3470	3470	Unch
Mansa	J-34	3465	3450	15
Sirsa	J-34	3370	3370	Unch
Sri-Ganganagar	J-34	3168	3140	28

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		22-Dec-14	20-Dec-14	
Amravati	Mech-1	5400	4300	1100
Khandwa	Mech-1	800	NA	-
Khargaone	Mech-1	5000	NA	-
Mahesana(Kadi)	B.T. Cotton	50000	45000	5000
Rajkot	B.T. Cotton	3500	5200	-1700
Patan	B.T. Cotton	14210	11600	2610
Deesa	B.T. Cotton	1635	1800	-165
Fazilika	B.T. Cotton	1600	1800	-200
Muktsar	B.T. Cotton	340	510	-170
Bhiwani	B.T. Cotton	2500	2500	Unch
Adampur	B.T. Cotton	2040	2040	Unch
Fatehabad	B.T. Cotton	1300	1300	Unch
Dabwali	B.T. Cotton	1500	1950	-450
Jind	B.T. Cotton	935	765	170
Uchana (Jind)	B.T. Cotton	2680	2000	680
Rawatsar (Hanumangarh)	B.T. Cotton	400	400	Unch
Hubli	B.T. Cotton	NA	158	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	4000	2000	2000
Ahmedabad	Shankar-6	59500	59500	Unch
Gondal	Shankar-6	3175	1821	1354
Hathras	Desi	400	NA	-
Bijapur	Bunny	NA	2845	-
Hubli	D.C.H.	NA	126	-
Raichur	H-44 Cotton	NA	2265	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	4000	NA	-
Abohar	J-34	1700	1700	Unch
Bhatinda	J-34	54400	51000	3400
Mansa	J-34	1190	1190	Unch
Sirsa	J-34	1700	1700	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
				20-Dec-14	19-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	31500	31400	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32700	32500	200
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	33100	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	44200	44000	200

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 22/12/2014**

Index	RMB/Ton	Change
CCIndex(328)	13625	-3
CCIndex(527)	12707	-2
CCIndex(229)	14321	-1

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 20/12/2014 (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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