

Domestic Fundamentals:

Market Outlook: Cotton market noticed firm tone on seasonal demand and on low arrivals.

In The News: The cotton procurement by Cotton Corporation of India (CCI) reach to 2.50 million bales — the highest since 2008-09 when the state-run agency purchased a record 8.93 million bales in the entire marketing year and compared with just 40,813 bales in the whole of last marketing year through September 2014. Most of the purchases this year have been from Andhra Pradesh and Maharashtra, the leading producers after Gujarat. One bale equals 170 kg.

Year	CCI Procurement in Bales
2007-08	223305
2008-09	8934830
2009-10	580596
2010-11	152
2011-12	7696
2012-13	2286423
2013-14	40813
2014-15*	2493400
*Upto December 14	

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 firm in near term.

NCDEX Kapas Futures*: (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-2	817	819.5	811	813	4603	780	18051	52

Spread	Apr-15		
Spot	55	-	-

(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 23-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	10	15850	15890	15820	15830	777	412	2583	-638
Jan-15	-30	16050	16080	15960	15980	1381	675	4905	359
Feb-15	-50	16220	16250	16120	16140	753	348	2953	287
Mar-15	-10	16360	16400	16320	16320	189	51	2405	-9
Apr-15	30	16550	16570	16480	16480	152	26	1030	26

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		-150				
Jan-15			-160			
Feb-15				-180		
Mar-15					-160	
Apr-15						

*Updated at 5:00 pm on 23-12-2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		23-Dec-14	22-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4050	Unch
Khandwa	Mech-1	4075	4050	25
Khargaon	Mech-1	4075	4050	25
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4350	4350	Unch
Rajkot	B.T. Cotton	4340	4295	45
Patan	B.T. Cotton	4300	4260	40
Deesa	B.T. Cotton	4095	4130	-35
Muktsar	B.T. Cotton	4100	4100	Unch
Fazilika	B.T. Cotton	4080	4080	Unch
Bhiwani	B.T. Cotton	4200	4200	Unch
Adampur	B.T. Cotton	4100	4050	50
Fatehabad	B.T. Cotton	4075	4085	-10
Dabwali	B.T. Cotton	4050	3985	65
Jind	B.T. Cotton	4150	4125	25
Uchana (Jind)	B.T. Cotton	4141	4130	11
Rawatsar (Hanumangarh)	B.T. Cotton	3965	3930	35
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	3700	3700	Unch
Hanumangarh	B.T. Cotton	4000	3990	10
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4350	4400	-50
Gondal	Shankar-6	4275	4255	20
	Kapas	(Rs/Qtl)		
Hathras	Desi	4700	4700	Unch
Bijapur	Bunny	4199	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
Guntur	Un-Ginned	4050	NA	-
Kurnool	Un-Ginned	4300	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3475	3470	5
Muktsar	J-34	3470	3465	5
Fazilika	J-34	3480	3475	5
Bhatinda	J-34	3490	3470	20
Mansa	J-34	3470	3465	5
Sirsa	J-34	3400	3370	30

Sri-Ganganagar	J-34	3177	3168	9
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Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		23-Dec-14	22-Dec-14	
Amravati	Mech-1	5700	5400	300
Khandwa	Mech-1	1200	800	400
Khargaon	Mech-1	5000	5000	Unch
Mahesana(Kadi)	B.T. Cotton	55000	50000	5000
Rajkot	B.T. Cotton	4100	3500	600
Patan	B.T. Cotton	12430	14210	-1780
Deesa	B.T. Cotton	2850	1635	1215
Fazilika	B.T. Cotton	1300	1600	-300
Muktsar	B.T. Cotton	425	340	85
Bhiwani	B.T. Cotton	3000	2500	500
Adampur	B.T. Cotton	1360	2040	-680
Fatehabad	B.T. Cotton	800	1300	-500
Dabwali	B.T. Cotton	1900	1500	400
Jind	B.T. Cotton	765	935	-170
Uchana (Jind)	B.T. Cotton	1000	2680	-1680
Rawatsar (Hanumangarh)	B.T. Cotton	100	400	-300
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	60	NA	-
Hanumangarh	B.T. Cotton	2000	4000	-2000
Ahmedabad	Shankar-6	85000	59500	25500
Gondal	Shankar-6	2007	3175	-1168
Hathras	Desi	250	400	-150
Bijapur	Bunny	3501	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	11	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	4000	Unch
Abohar	J-34	1700	1700	Unch
Bhatinda	J-34	46750	54400	-7650
Mansa	J-34	1020	1190	-170
Sirsa	J-34	1190	1700	-510
Sri-Ganganagar	J-34	10200	8500	1700

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				22-Dec-14	20-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	31600	31500	100
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	44200	44200	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 23/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13624	-1
CCIndex(527)	12705	-2
CCIndex(229)	14321	Unch

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

Cotlook Index: As on 22/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	69.35	Unch

USDA Cotton Spot Rates: As on 22/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.54	65.29	NIL
North Delta	61.54	64.29	NIL
South Delta	61.54	64.29	NIL
East TX-OK	59.25	60.25	5447
West Texas	59.75	59.75	22096
Desert SW	60.29	67.29	2192
SJ Valley	61.04	70.94	50

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 22/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	60.51	62.17	60.46	62.04	1.15
May-15	61.27	62.6	61.03	62.49	1.14
Jul-15	61.91	63.17	61.88	63.1	0.96
Oct-15	64.36	64.36	64.36	64.36	0.99
Dec-15	64.45	65.45	64.45	65.38	0.84

Pakistan Cotton Spot rates: As on 22/12/2014 (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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