

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone.

In The News:

Informa reduce 2015 USA Cotton Production Forecast. Informa Economics forecast 2015 upland cotton acres in the United States at 9.38 million acres and total plantings of the fiber at 9.6 million acres, both down sharply from the prior year. The total cotton estimate was also down 13.1 percent from 2014. The farmers are willing to shift towards soybean in the mid-south region.

The China's Xinjiang Department of Agriculture announced on December 23, 2014 that Xinjiang cotton acreage total to 29.67 million mu in 2014.

In 2015 decline in US and World acreage is expected on lower prices, and this will lead to retract the supply-side (production). And if demand also shows improvement then cotton prices may show some improvement—Southeast Farm Press.

The cotton procurement by Cotton Corporation of India (CCI) reached 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.

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 range-bound in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Apr-15		
Spot	--	--	--

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Market Closed on 27-12-2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-14	--	--	--	--	--	--	--	--	--
Jan-15	--	--	--	--	--	--	--	--	--
Feb-15	--	--	--	--	--	--	--	--	--
Mar-15	--	--	--	--	--	--	--	--	--
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	
Spot	--					
Dec-14		--				
Jan-15			--			
Feb-15				--		
Mar-15					--	
Apr-15						

*Market Closed on 27-12-2014

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		27-Dec-14	26-Dec-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4050	4000	50
Khandwa	Mech-1	NA	4100	-
Khargaon	Mech-1	NA	4100	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4250	4300	-50
Rajkot	B.T. Cotton	4270	4280	-10
Patan	B.T. Cotton	4250	4215	35
Deesa	B.T. Cotton	4075	4065	10
Muktsar	B.T. Cotton	4100	4125	-25
Fazilika	B.T. Cotton	4120	4110	10
Bhiwani	B.T. Cotton	4300	4300	Unch
Adampur	B.T. Cotton	4270	4220	50
Fatehabad	B.T. Cotton	4300	4250	50
Dabwali	B.T. Cotton	4235	4315	-80
Jind	B.T. Cotton	4400	4140	260
Uchana (Jind)	B.T. Cotton	4200	4285	-85
Rawatsar (Hanumangarh)	B.T. Cotton	4140	3950	190
Hubli	B.T. Cotton	NA	4259	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	4200	4100	100
	Kapas			
Ahmedabad	Shankar-6	4350	4325	25
Gondal	Shankar-6	4255	4255	Unch
	Kapas			
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	4215	-
Hubli	D.C.H.	NA	5059	-
Raichur	H-44 Cotton	4200	4200	Unch
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	4250	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	4000	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3510	3500	10
Muktsar	J-34	3490	3480	10
Fazilika	J-34	3505	3490	15
Bhatinda	J-34	3510	3490	20
Mansa	J-34	3490	3475	15
Sirsa	J-34	3440	3410	30
Sri-Ganganagar	J-34	3215	3215	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		27-Dec-14	26-Dec-14	
Amravati	Mech-1	6000	6000	Unch
Khandwa	Mech-1	NA	800	-
Khargane	Mech-1	NA	6000	-
Mahesana(Kadi)	B.T. Cotton	50000	50000	Unch
Rajkot	B.T. Cotton	4500	4200	300
Patan	B.T. Cotton	13000	17625	-4625
Deesa	B.T. Cotton	3685	5475	-1790
Fazilika	B.T. Cotton	1300	1200	100
Muktsar	B.T. Cotton	425	340	85
Bhiwani	B.T. Cotton	2500	2000	500
Adampur	B.T. Cotton	850	850	Unch
Fatehabad	B.T. Cotton	500	500	Unch
Dabwali	B.T. Cotton	1100	2000	-900
Jind	B.T. Cotton	595	595	Unch
Uchana (Jind)	B.T. Cotton	1000	1530	-530
Rawatsar (Hanumangarh)	B.T. Cotton	300	200	100
Hubli	B.T. Cotton	NA	86	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	3000	3000	Unch
Ahmedabad	Shankar-6	88400	93500	-5100
Gondal	Shankar-6	2433	2166	267
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	4360	-
Hubli	D.C.H.	NA	50	-
Raichur	H-44 Cotton	2850	4707	-1857
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	9	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	4000	-
Abohar	J-34	1020	850	170
Bhatinda	J-34	37400	42500	-5100
Mansa	J-34	340	340	Unch
Sirsa	J-34	1360	1360	Unch
Sri-Ganganagar	J-34	6800	6800	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				26-Dec-14	24-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	32000	32000	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	34300	34300	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35400	35400	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	44500	44500	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 26/12/2014

Index	RMB/Ton	Change
CCIndex(328)	13617	-3
CCIndex(527)	12698	-2
CCIndex(229)	14315	Unch

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

Cotlook Index: As on 24/12/2014

Cotlook Indices	Cents/Pound	Change
A-Index	69.95	-0.30

USDA Cotton Spot Rates: As on 24/12/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	62.28	65.03	4359
North Delta	61.28	64.03	4957
South Delta	61.28	64.03	848
East TX-OK	58.75	59.75	5001
West Texas	59.25	59.25	6531
Desert SW	60.03	67.03	Nil
SJ Valley	60.78	70.68	Nil

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 26/12/2014

Contract	Open	High	Low	Close	Change
Mar-15	61.78	61.95	61.57	61.63	-0.15
May-15	62.50	62.50	62.10	62.19	-0.05
Jul-15	62.94	63.05	62.91	63.02	0.09
Oct-15	64.28	64.28	64.28	64.28	0.09
Dec-15	65.39	65.39	65.38	65.38	0.05

Pakistan Cotton Spot rates: As on 26/12/2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4800	150	4950
Equivalent	40 Kgs	5144	160	5304

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