

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Monday.

In The News: India could soon see the withdrawal of subsidy from textile export as the it has breached the permissible limit liable to get subsidy. As per the WTO's Agreement on Subsidies and Countervailing Measures, any developing country with the per capita income below USD 1000, would be liable to get export subsidy benefits only if the share of the country remain below 3.25% in that product category. The same would be phased out from the benefits of export subsidy, if the share rises above the limit for the two consecutive years, making the product export competitive. India's share since 2005 is breaching up, which is likely to cause withdrawal of export subsidy.

Cotton industry in India noticed overall growth in 2014-15 and production is likely to be around 40.2 million bales, said Cotton Association of India (CAI). Cotton output was 15.8 million bales in 2001-02, which has more than doubled in 2014-15.

Textile industry demanded that the government should ensure that raw material costs, costs of converting raw material to finished goods as well as the tariff should be less than or equal to international prices. Industry also asked for removal of import duty, the special additional duty, reduction in the central excise duty from 12% to 6% and removal of the anti-dumping duty so that the industry and products become globally competitive.

The Parliamentary Standing Committee for Labour on Demands for Grants of Ministry of Textile as its second report has opposed dilution in jute packaging and recommend not to dilute the provisions of reservation as contained in The Jute Packaging Materials (Compulsory) Use in Packaging Commodities) Act 1987.

YSRC Farmers Wing state president M.V.S. Nagireddy states that Andhra Pradesh, where the cost of agricultural labour was high, was the biggest loser because of the Central government cumulative average formula for fixing of MSP. While the cost per acre was Rs. 3,500 for Punjab and Haryana the cost in Andhra Pradesh was between Rs. 7,000 and Rs. 8,000.

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 leads to retract the supply-side (production). And if, demand also show improvement then cotton prices may show some improvement-Southeast Farm Press.

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.

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 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 | 2.5 | 798.5 | 802 | 794 | 799 | 3065 | -3553 | 19980 | -103 |

| Spread | Apr-15 | | |
|--------|--------|--|--|
| Spot | 44 | | |

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

* Last Update at 5:00 PM on 05-01-2015

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Jan-15 | 50 | 15650 | 15710 | 15650 | 15680 | 594 | -196 | 5819 | -16 |
| Feb-15 | 60 | 15840 | 15900 | 15840 | 15870 | 379 | -168 | 3374 | 98 |
| Mar-15 | 60 | 16040 | 16080 | 16030 | 16060 | 60 | -224 | 2588 | 37 |
| Apr-15 | 20 | 16230 | 16270 | 16210 | 16230 | 35 | -24 | 1159 | 12 |
| May-15 | 80 | 16440 | 16440 | 16440 | 16440 | 4 | -2 | 76 | 3 |

| Spread | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | -- |
|--------|--------|--------|--------|--------|--------|----|
| Spot | -- | | | | | |
| Jan-15 | | -190 | | | | |
| Feb-15 | | | -190 | | | |
| Mar-15 | | | | -170 | | |
| Apr-15 | | | | | -210 | |
| May-15 | | | | | | |

*Last Update at 5:00 PM on 05-01-2015

(NB: Spread Basis = Spot- Near Month Future)

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

| Centre | Variety | Prices | | Change |
|----------------|-----------------|-----------------------------------|----------|-------------|
| | | 5-Jan-15 | 3-Jan-15 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 3950 | 4000 | -50 |
| Khandwa | Mech-1 | NA | Closed | - |
| Khargaon | Mech-1 | NA | Closed | - |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4475 | 4300 | 175 |
| Rajkot | B.T. Cotton | 4215 | 4185 | 30 |
| Patan | B.T. Cotton | 4235 | 4200 | 35 |
| Deesa | B.T. Cotton | NA | 4100 | - |
| Muktsar | B.T. Cotton | 4300 | 4250 | 50 |
| Fazilika | B.T. Cotton | 4310 | 4305 | 5 |
| Bhiwani | B.T. Cotton | 4400 | 4350 | 50 |
| Adampur | B.T. Cotton | 4350 | 4275 | 75 |
| Fatehabad | B.T. Cotton | 4350 | 4325 | 25 |
| Dabwali | B.T. Cotton | 4270 | 4280 | -10 |
| Jind | B.T. Cotton | 4380 | 4370 | 10 |
| Uchana | B.T. Cotton | 4300 | 4470 | -170 |
| Rawatsar | B.T. Cotton | 4200 | 4150 | 50 |
| Hubli | B.T. Cotton | 4371 | 4350 | 21 |
| Hathras | B.T. Cotton(US) | 4200 | 4200 | Unch |
| Hanumangarh | B.T. Cotton | 4250 | 4200 | 50 |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4300 | 4300 | Unch |
| Gondal | Shankar-6 | 4185 | 4185 | Unch |
| | Kapas | | | |
| Hathras | Desi | 4700 | 4700 | Unch |
| Bijapur | Bunny | 4200 | 4219 | -19 |
| Hubli | D.C.H. | 5229 | 5229 | Unch |
| 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 | NA | - |
| | Lint | Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 3500 | 3500 | Unch |
| Muktsar | J-34 | 3500 | 3485 | 15 |
| Fazilika | J-34 | 3500 | 3405 | 95 |

| | | | | |
|----------------|------|------|------|----|
| Bhatinda | J-34 | 3505 | 3495 | 10 |
| Mansa | J-34 | 3500 | 3490 | 10 |
| Sirsa | J-34 | 3430 | 3410 | 20 |
| Sri-Ganganagar | J-34 | 3196 | 3187 | 9 |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|----------------|-----------------|----------------|----------|--------|
| | | 5-Jan-15 | 3-Jan-15 | |
| Amravati | Mech-1 | 8900 | 7800 | 1100 |
| Khandwa | Mech-1 | NA | Closed | - |
| Khargaone | Mech-1 | NA | Closed | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 35000 | 35000 | Unch |
| Rajkot | B.T. Cotton | 5100 | 4100 | 1000 |
| Patan | B.T. Cotton | 13375 | 11385 | 1990 |
| Deesa | B.T. Cotton | NA | 1875 | - |
| Fazilika | B.T. Cotton | 800 | 750 | 50 |
| Muktsar | B.T. Cotton | 170 | 170 | Unch |
| Bhiwani | B.T. Cotton | 1000 | 1000 | Unch |
| Adampur | B.T. Cotton | 510 | 680 | -170 |
| Fatehabad | B.T. Cotton | 500 | 400 | 100 |
| Dabwali | B.T. Cotton | 1800 | 1500 | 300 |
| Jind | B.T. Cotton | 340 | 187 | 153 |
| Uchana | B.T. Cotton | 1000 | 1500 | -500 |
| Rawatsar | B.T. Cotton | 125 | 100 | 25 |
| Hubli | B.T. Cotton | 104 | 90 | 14 |
| Hathras | B.T. Cotton(US) | NA | NA | - |
| Hanumangarh | B.T. Cotton | 4000 | 1000 | 3000 |
| | | | | |
| Ahmedabad | Shankar-6 | 76500 | 68000 | 8500 |
| Gondal | Shankar-6 | 2622 | 1929 | 693 |
| | | | | |
| Hathras | Desi | NA | NA | - |
| Bijapur | Bunny | 4992 | 3655 | 1337 |
| Hubli | D.C.H. | 100 | 24 | 76 |
| Raichur | H-44 Cotton | NA | 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 | 850 | 340 | 510 |
| Bhatinda | J-34 | 22100 | 22100 | Unch |
| Mansa | J-34 | 510 | 340 | 170 |
| Sirsa | J-34 | 850 | 680 | 170 |
| Sri-Ganganagar | J-34 | 8500 | 5100 | 3400 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|-------------|
| | | | | 3-Jan-15 | 2-Jan-15 | |
| Bengal Deshi (RG)/Assam Comilla (101) | < 22mm | 5.0 - 7.0 | 15 | 32300 | 32200 | 100 |
| Bengal Deshi (SG)(201) | < 22mm | 5.0 - 7.0 | 15 | 32800 | 32700 | 100 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 31900 | 31800 | 100 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 32200 | 32200 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 32700 | 32700 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 34100 | 34100 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 35100 | 35100 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 44100 | 44100 | Unch |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 5/1/2015

| Index | RMB/Ton | Change |
|--------------|---------|-----------|
| CCIndex(328) | 13606 | -1 |
| CCIndex(527) | 12685 | 0 |
| CCIndex(229) | 14308 | 2 |

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

Cotlook Index: As on 2/1/2015

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------------|
| A-Index | 68.55 | -1.50 |

USDA Cotton Spot Rates: As on 2/1/2015

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|-------------|
| | cents/lb. | | bales |
| Southeast | 62.83 | 60.08 | 2821 |
| North Delta | 61.83 | 59.08 | NIL |
| South Delta | 61.83 | 59.08 | NIL |
| East TX-OK | 57.75 | 56.75 | 275 |
| West Texas | 57.25 | 57.25 | 342 |
| Desert SW | 64.83 | 57.83 | 268 |
| SJ Valley | 68.48 | 58.58 | 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 2/1/2015

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15 | 60.27 | 60.37 | 59.47 | 59.58 | -0.69 |
| May-15 | 61.00 | 61.10 | 60.15 | 60.25 | -0.82 |
| Jul-15 | 61.98 | 61.98 | 61.14 | 61.23 | -0.77 |
| Oct-15 | 62.67 | 62.67 | 62.67 | 62.67 | -0.61 |
| Dec-15 | 64.35 | 64.35 | 63.83 | 63.91 | -0.51 |
| Mar-16 | 65.05 | 65.12 | 65.05 | 65.12 | -0.33 |

Pakistan Cotton Spot rates: As on 3/1/2015 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 4900 | 150 | 5050 |
| Equivalent | 40 Kgs | 5251 | 160 | 5411 |

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