

## Domestic Fundamentals:

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

### **In The News:**

The International Cotton Advisory Committee (ICAC) expected the growth in cotton consumption this season, with a surplus of 1.7 million tons in world production

- The 2014-15 world ending stocks estimated at 21.3 million tonne, up 9% from 2013-14.
- The world cotton acreage for 2014-15 is estimated at 33.5 million hectares, up 3%. And, world output is estimated down 1% at 26.1 million tons on lower production in China and the Southern Hemisphere.
- India's production is expected to remain stable at 6.8 million tonne due to less favourable monsoons and despite an expansion in the cotton acreage by 5% to 12.3 million hectares. However, the production will surpass China's by over 300,000 tonne, making it the largest cotton producer in 2014-15. The China's cotton production is projected downwards by 7% to 6.4 million tonne.
- The Brazil's production is also forecast to fall by 10% to 1.5 million tonne.
- The Australia's production is down by 47% to 470,000 tonne due to drought and lower area.
- The Production in the United States is looking to rebound 23% to 3.5 million tonne, partially offsetting declines in the other major producing countries.

The Egypt government will no longer pay the subsidy of 350 Egyptian pounds per qintar (160 kg) for high quality cotton (extra long staple cotton, once known as the country's "white gold") and also advised to farmers that not to plant the crop unless they have contracts to sell the same. The Egyptian factories not buying local cotton because of the availability of far cheaper short cotton.

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	3	805	805.5	798.5	805	2855	-210	20203	223

Spread	Apr-15		
Spot	40		

(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 06-01-2015

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-15	40	15710	15740	15650	15730	628	34	5826	7
Feb-15	30	15890	15930	15840	15920	224	-155	3393	19
Mar-15	30	16090	16110	16040	16100	109	49	2607	19
Apr-15	10	16280	16290	16230	16260	62	27	1195	36
May-15	-20	16470	16470	16410	16410	2	-2	74	-2

Spread	Jan-15	Feb-15	Mar-15	Apr-15	May-15	--
Spot	--					
Jan-15		-190				
Feb-15			-180			
Mar-15				-160		
Apr-15					-150	
May-15						

\*Last Update at 5:00 PM on 06-01-2015

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

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

Centre	Variety	Prices		Change
		6-Jan-15	5-Jan-15	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	3975	3950	25
Khandwa	Mech-1	4150	NA	-
Khargaon	Mech-1	4150	NA	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4425	4475	-50
Rajkot	B.T. Cotton	4225	4215	10
Patan	B.T. Cotton	4250	4235	15
Deesa	B.T. Cotton	4055	NA	-
Muktsar	B.T. Cotton	4225	4300	-75
Fazilika	B.T. Cotton	4310	4310	Unch
Bhiwani	B.T. Cotton	4450	4400	50
Adampur	B.T. Cotton	4561	4350	211
Fatehabad	B.T. Cotton	4425	4350	75
Dabwali	B.T. Cotton	4285	4270	15
Jind	B.T. Cotton	4420	4380	40
Uchana (Jind)	B.T. Cotton	4441	4300	141
Rawatsar (Hanumangarh)	B.T. Cotton	4200	4200	Unch
Hubli	B.T. Cotton	NA	4371	-
Hathras	B.T. Cotton(US)	3900	4200	-300
Hanumangarh	B.T. Cotton	4325	4250	75
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4300	4300	Unch
Gondal	Shankar-6	4190	4185	5
	<b>Kapas</b>			
Hathras	Desi	4500	4700	-200
Bijapur	Bunny	4111	4200	-89
Hubli	D.C.H.	NA	5229	-
Raichur	H-44 Cotton	4150	4125	25
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	NA	4000	-
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3500	3500	Unch
Muktsar	J-34	3505	3500	5
Fazilika	J-34	3500	3500	Unch
Bhatinda	J-34	3515	3505	10

Mansa	J-34	3505	3500	5
Sirsa	J-34	3450	3430	20
Sri-Ganganagar	J-34	3224	3196	28

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		6-Jan-15	5-Jan-15	
Amravati	Mech-1	9400	8900	500
Khandwa	Mech-1	800	NA	-
Khargaone	Mech-1	6000	NA	-
Mahesana(Kadi)	B.T. Cotton	35000	35000	Unch
Rajkot	B.T. Cotton	5400	5100	300
Patan	B.T. Cotton	15653	13375	2278
Deesa	B.T. Cotton	2700	NA	-
Fazilika	B.T. Cotton	800	800	Unch
Muktsar	B.T. Cotton	102	170	-68
Bhiwani	B.T. Cotton	3000	1000	2000
Adampur	B.T. Cotton	680	510	170
Fatehabad	B.T. Cotton	600	500	100
Dabwali	B.T. Cotton	1600	1800	-200
Jind	B.T. Cotton	425	340	85
Uchana (Jind)	B.T. Cotton	1600	1000	600
Rawatsar (Hanumangarh)	B.T. Cotton	300	125	175
Hubli	B.T. Cotton	NA	104	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	3000	4000	-1000
Ahmedabad	Shankar-6	71400	76500	-5100
Gondal	Shankar-6	2424	2622	-198
Hathras	Desi	250	NA	-
Bijapur	Bunny	2556	4992	-2436
Hubli	D.C.H.	NA	100	-
Raichur	H-44 Cotton	1897	1860	37
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	680	850	-170

Bhatinda	J-34	22100	22100	Unch
Mansa	J-34	765	510	255
Sirsa	J-34	850	850	Unch
Sri-Ganganagar	J-34	6800	8500	-1700

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				5-Jan-15	3-Jan-15	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32300	32300	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32800	32800	Unch
J-34(202)	26mm	3.5 - 4.9	23	32100	31900	200
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 6/1/2015**

Index	RMB/Ton	Change
CCIndex(328)	13605	-1
CCIndex(527)	12683	-2
CCIndex(229)	14309	1

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

**Cotlook Index: As on 5/1/2015**

Cotlook Indices	Cents/Pound	Change
A-Index	67.85	-0.70

**USDA Cotton Spot Rates: As on 5/1/2015**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.96	61.21	68
North Delta	62.96	60.21	NIL
South Delta	62.96	60.21	NIL
East TX-OK	58.25	57.25	1088
West Texas	57.75	57.75	992
Desert SW	65.96	58.96	NIL
SJ Valley	69.61	59.71	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 5/1/2015

Contract	Open	High	Low	Close	Change
15-Mar	59.61	61.14	59.61	60.71	1.13
15-May	60.25	61.75	60.25	61.34	1.09
15-Jul	61.45	62.54	61.31	62.30	1.07
15-Oct	63.70	63.70	63.70	63.70	1.03
15-Dec	64.15	65.22	64.01	64.94	1.03
16-Mar	66.17	66.17	66.17	66.17	1.05

Pakistan Cotton Spot rates: As on 5/1/2015 (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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