

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Wednesday.

In The News: The International Cotton Advisory Committee (ICAC) see the growth in cotton consumption this season 2014-15, with a estimated surplus of 1.7 million tons in world output of cotton. Ending stocks would stand around 21.3 million tonnes by the end of current season, around 9% higher from the previous season. Cotton output in India would remain stable at 6.8 million tonnes due to unfavorable situation of monsoon.

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.

International Fundamentals:

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.

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	-1	802.5	803.5	796	800.5	3352	497	19496	-707

Spread	Apr-15		
Spot	49.5		

(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 07-01-2015

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-15	-30	15700	15710	15600	15650	384	-244	5907	81
Feb-15	-30	15870	15890	15780	15830	256	32	3400	7
Mar-15	-60	16070	16080	15970	16010	362	253	2773	166
Apr-15	-80	16210	16210	16150	16170	26	-36	1201	6
May-15	-90	16400	16400	16330	16350	21	19	81	7

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

*Last Update at 5:00 PM on 07-01-2015

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

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Centre	Variety	Prices		Change
		7-Jan-15	6-Jan-15	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4000	3975	25
Khandwa	Mech-1	4150	4150	Unch
Khargaon	Mech-1	4150	4150	Unch
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4350	4425	-75
Rajkot	B.T. Cotton	4250	4225	25
Patan	B.T. Cotton	4275	4250	25
Deesa	B.T. Cotton	4095	4055	40
Muktsar	B.T. Cotton	4200	4225	-25
Fazilika	B.T. Cotton	NA	4310	-
Bhiwani	B.T. Cotton	4450	4450	Unch
Adampur	B.T. Cotton	4390	4561	-171
Fatehabad	B.T. Cotton	4350	4425	-75
Dabwali	B.T. Cotton	4290	4285	5
Jind	B.T. Cotton	4415	4420	-5
Uchana (Jind)	B.T. Cotton	4400	4441	-41
Rawatsar (Hanumangarh)	B.T. Cotton	4250	4200	50
Hubli	B.T. Cotton	NA	4355	-
Hathras	B.T. Cotton(US)	3900	3900	Unch
Hanumangarh	B.T. Cotton	4325	4325	Unch
	Kapas			
Ahmedabad	Shankar-6	4350	4300	50
Gondal	Shankar-6	4195	4190	5
	Kapas			
Hathras	Desi	4500	4500	Unch
Bijapur	Bunny	4142	4111	31
Hubli	D.C.H.	NA	5241	-
Raichur	H-44 Cotton	NA	4150	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3505	3500	5
Muktsar	J-34	3505	3505	Unch
Fazilika	J-34	3500	3500	Unch

Bhatinda	J-34	3515	3515	Unch
Mansa	J-34	3500	3505	-5
Sirsa	J-34	3450	3450	Unch
Sri-Ganganagar	J-34	3229	3224	5

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		7-Jan-15	6-Jan-15	
Amravati	Mech-1	8500	9400	-900
Khandwa	Mech-1	800	800	Unch
Khargaone	Mech-1	5000	6000	-1000
Mahesana(Kadi)	B.T. Cotton	30000	35000	-5000
Rajkot	B.T. Cotton	5100	5400	-300
Patan	B.T. Cotton	13370	15653	-2283
Deesa	B.T. Cotton	3675	2700	975
Fazilika	B.T. Cotton	800	800	Unch
Muktsar	B.T. Cotton	102	102	Unch
Bhiwani	B.T. Cotton	2000	3000	-1000
Adampur	B.T. Cotton	680	680	Unch
Fatehabad	B.T. Cotton	750	600	150
Dabwali	B.T. Cotton	1400	1600	-200
Jind	B.T. Cotton	595	425	170
Uchana (Jind)	B.T. Cotton	2000	1600	400
Rawatsar (Hanumangarh)	B.T. Cotton	100	300	-200
Hubli	B.T. Cotton	NA	108	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	2000	3000	-1000
Ahmedabad	Shankar-6	93500	71400	22100
Gondal	Shankar-6	2053	2424	-371
Hathras	Desi	NA	250	-
Bijapur	Bunny	2864	2556	308
Hubli	D.C.H.	NA	112	-
Raichur	H-44 Cotton	NA	1897	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-

Abohar	J-34	510	680	-170
Bhatinda	J-34	20400	22100	-1700
Mansa	J-34	850	765	85
Sirsa	J-34	1700	850	850
Sri-Ganganagar	J-34	5100	6800	-1700

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Jan-15	5-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	32200	32100	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32200	32200	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	32500	32700	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33900	34100	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34900	35100	-200
DCH-32(107)	34mm	3.0 - 3.8	33	44100	44100	Unch

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 7/1/2015

Index	RMB/Ton	Change
CCIndex(328)	13603	-2
CCIndex(527)	12677	-6
CCIndex(229)	14308	-1

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

Cotlook Index: As on 6/1/2015

Cotlook Indices	Cents/Pound	Change
A-Index	68.75	0.90

USDA Cotton Spot Rates: As on 6/1/2015

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.45	60.70	7637
North Delta	62.45	59.70	NIL
South Delta	62.45	59.70	NIL
East TX-OK	57.75	56.75	997
West Texas	57.25	57.25	7542
Desert SW	65.45	58.45	NIL
SJ Valley	69.10	59.20	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 6/1/2015

Contract	Open	High	Low	Close	Change
Mar-15	60.55	61.25	60.10	60.20	-0.51
May-15	61.08	61.78	60.63	60.76	-0.58
Jul-15	62.15	62.61	61.55	61.72	-0.58
Oct-15	63.09	63.09	63.09	63.09	-0.61
Dec-15	64.74	65.31	64.36	64.40	-0.54
Mar-15	66.04	66.04	65.62	65.62	-0.55

Pakistan Cotton Spot rates: As on 6/1/2015 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4800	150	5950
Equivalent	40 Kgs	5144	160	5304

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