

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Thursday.

In The News: Cotton Corporation of India (CCI), has procured 41 lakh bales (of 170 kg each) of cotton at MSP, till now this year from the major cotton growing region including Andhra Pradesh, Telangana and Maharashtra. Around 27 lakh bales of cotton from Andhra Pradesh and Telangana, 7 lakh bales from Maharashtra, 2.20 lakh bales from Gujarat and 2 lakh bales from Punjab, Haryana and Rajasthan have been procured by Cotton Corporation of India.

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.

Outlook

We expect domestic prices to remain range-bound to weak in near term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	-12	799	801.5	785	786.5	9049	5697	18800	-696

Spread	Apr-15		
Spot	52.5		

(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 08-01-2015

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-15	-180	15620	15670	15400	15430	1618	6154	384	5907
Feb-15	-190	15820	15860	15580	15620	770	3560	256	3400
Mar-15	-170	16010	16040	15760	15820	521	2768	362	2773
Apr-15	-180	16180	16210	15940	15960	88	1227	26	1201
May-15	-220	16200	16200	16120	16120	14	88	21	81

Spread	Jan-15	Feb-15	Mar-15	Apr-15	May-15	--
Spot	--					
Jan-15		-190				
Feb-15			-200			
Mar-15				-140		
Apr-15					-160	
May-15						

*Last Update at 5:00 PM on 08-01-2015

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

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Centre	Variety	Prices		Change
		8-Jan-15	7-Jan-15	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	3950	4000	-50
Khandwa	Mech-1	4120	4150	-30
Khargaon	Mech-1	4120	4150	-30
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4300	4350	-50
Rajkot	B.T. Cotton	4195	4250	-55
Patan	B.T. Cotton	4240	4275	-35
Deesa	B.T. Cotton	4100	4095	5
Muktsar	B.T. Cotton	3490	4200	-710
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4400	4450	-50
Adampur	B.T. Cotton	4340	4390	-50
Fatehabad	B.T. Cotton	4325	4350	-25
Dabwali	B.T. Cotton	4205	4290	-85
Jind	B.T. Cotton	4399	4415	-16
Uchana	B.T. Cotton	4340	4400	-60
Rawatsar	B.T. Cotton	4350	4250	100
Hubli	B.T. Cotton	4269	NA	-
Hathras	B.T. Cotton(US)	NA	3900	-
Hanumangarh	B.T. Cotton	4300	4325	-25
	Kapas			
Ahmedabad	Shankar-6	4300	4350	-50
Gondal	Shankar-6	4130	4195	-65
	Kapas			
Hathras	Desi	NA	4500	-
Bijapur	Bunny	4162	4142	20
Hubli	D.C.H.	5089	NA	-
Raichur	H-44 Cotton	4150	NA	-
Guntur	Un-Ginned	4050	NA	-
Kurnool	Un-Ginned	4250	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	3950	NA	-
	Lint	Rs./Maund of 37.32kg each)		
Abohar	J-34	3495	3505	-10
Muktsar	J-34	3490	3505	-15
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3500	3515	-15
Mansa	J-34	3480	3500	-20
Sirsa	J-34	3420	3450	-30
Sri-Ganganagar	J-34	3234	3229	5

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		8-Jan-15	7-Jan-15	
Amravati	Mech-1	10600	8500	2100
Khandwa	Mech-1	900	800	100
Khargane	Mech-1	5500	5000	500
Mahesana(Kadi)	B.T. Cotton	40000	30000	10000
Rajkot	B.T. Cotton	4600	5100	-500
Patan	B.T. Cotton	13216	13370	-154
Deesa	B.T. Cotton	4125	3675	450
Fazilika	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	170	102	68
Bhiwani	B.T. Cotton	1500	2000	-500
Adampur	B.T. Cotton	595	680	-85
Fatehabad	B.T. Cotton	700	750	-50
Dabwali	B.T. Cotton	1200	1400	-200
Jind	B.T. Cotton	510	595	-85
Uchana	B.T. Cotton	2000	2000	Unch
Rawatsar	B.T. Cotton	200	100	100
Hubli	B.T. Cotton	84	NA	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	2500	2000	500
Ahmedabad	Shankar-6	127500	93500	34000
Gondal	Shankar-6	2151	2053	98
Hathras	Desi	NA	NA	-
Bijapur	Bunny	2658	2864	-206
Hubli	D.C.H.	4	NA	-
Raichur	H-44 Cotton	2287	NA	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	7	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	850	510	340
Bhatinda	J-34	22100	20400	1700
Mansa	J-34	1190	850	340
Sirsa	J-34	1700	1700	Unch
Sri-Ganganagar	J-34	5950	5100	850

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				7-Jan-15	6-Jan-15	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	32300	32300	Unch
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32800	32800	Unch
J-34(202)	26mm	3.5 - 4.9	23	32100	32200	-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	32500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33900	33900	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34900	34900	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	44600	44100	500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 8/1/2015

Index	RMB/Ton	Change
CCIndex(328)	13603	Unch
CCIndex(527)	12677	Unch
CCIndex(229)	14310	2

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

Cotlook Index: As on 7/1/2015

Cotlook Indices	Cents/Pound	Change
A-Index	68.25	-0.50

USDA Cotton Spot Rates: As on 7/1/2015

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	60.93	63.68	4243
North Delta	59.93	62.68	NIL
South Delta	59.93	62.68	NIL
East TX-OK	56.75	57.75	3957
West Texas	57.25	57.25	13718
Desert SW	58.68	65.68	NIL
SJ Valley	59.43	69.33	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 7/1/2015

Contract	Open	High	Low	Close	Change
15-Mar	60.10	60.52	59.84	60.43	0.23
15-May	60.76	61.11	60.4	60.91	0.15
15-Jul	61.70	62.01	61.45	61.88	0.16
15-Oct	63.25	63.25	63.25	63.25	0.16
15-Dec	64.43	64.50	64.00	64.47	0.07
16-Mar	65.55	65.60	65.44	65.60	-0.02

Pakistan Cotton Spot rates: As on 7/1/2015 (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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