

Domestic Fundamentals:

Market Outlook: Cotton market remained steady to weak today.

In The News: Cotton Corporation of India is likely to face steepest loss in last six year from the cotton sales. Due to availability of massive stockpiles of cotton in domestic market and diminishing demand from China, cotton market is ruling all time low. CCI has procured around 6.5 million bales of cotton this season so far at MSP. According to the officials, CCI could suffer the loss of around 20-25 billion rupees (USD 322-402 million), based on the currently ruling prices of the fibre. This would be biggest loss since 2008/09.

India exported 1.37 lakh bales of cotton last week (02-08 Feb 2015), which was 1.23 lakh bales when compared to previous week (26 Jan-01 Feb 2015), according to the data compiled by IBIS. Imports on the other hand stood 0.19 lakh bales, which was 0.05 lakh bales previous week.

Cotton output in Gujarat is likely to stand around 105 lakh bales this season compared to 120 lakh bales in previous season, according to Department of Agriculture Economics, Junagarh. The reason for the drop in the production are the late arrival and early withdrawal of monsoon, high temperature during October and November 2014 and leaf reddening disease (Lal Patti), which has affected about 20 per cent of cotton fields.

According to the data released by IBIS, cotton export during January this year was 6.11 lakh bales compared to 30 lakh bales last year during the corresponding month. Cotton import in January was 0.5 lakh bales this year compared to 0.41 lakh bales previous year. Cumulative exports this season during the period of Oct'14-Jan'15 stood 25.6 lakh bales, around 23.8% lower when compared to the export during the same period last season, which was 33.61 lakh bales. Imports on the other hand recorded on the higher side during the initial months of the seasons. Cumulative Import for the period of Oct'14-Jan'15 remained 4.17 lakh bales which was 1.94 lakh bales in the previous season during the same period.

Cotton procurement by Cotton Corporation of India (CCI) is likely to surpass the procurement target of 60 lakh bales this season. CCI expects to purchase over 75 lakh bales this season (2014-15). CCI has also started the selling of cotton through the online and conventional methods of auctions.

Acreage of cotton in India in the coming season is likely to drop by 5% to 11.6 million hectares due to the drastically falling cotton prices in the country, said ICAC. Cotton price during January at Rajkot remained 24% lower this year when compared to the previous year during the corresponding period. Production of cotton in India, following the lower acreage would be around 6.48 million tonnes in season 2015-16 compared to production of 6.77 million tonnes this season, according to ICAC.

As revealed by the data released by Maharashtra Department of Agriculture, around 90 lakh farmers have been affected severely by the drought this year, which has influenced mainly Marathwada and Vidarbha regions, the major cotton growing areas in the state. According to the officials, cotton output could fall by 1.5 crore quintal this year in the state.

According to the International Service for the Acquisition of Agri-Biotech Applications (ISAAA), India in year 2014 ranks fourth in the GM crop acreage in the world with the coverage of 11.6 million hectares, following US (73.1 mh), Brazil (42.2 mh) and Argentina (24.3 mh). The entire area under GM crop in India was Bt cotton as 96 percent of total cotton area is now Bt cotton, the GMO. Total area under GM crop stood 181.5 million hectares in 2014 compared to 175.2 million hectares in 2013.

International Fundamentals:

Cotton prices plunges about three month high on Monday following the lower planting intentions in USA. March cotton contract on ICE gained 1.2% to 62.30 cents per pound, the highest price since 11 November 2014.

Cotton growers in USA intend to devote 9.4 million acres of land for cotton this spring, 14.6 percent lower when compared to previous year, according to 32nd Annual Early Season Planting Intentions Survey by National Cotton Council. Share of upland cotton in the acreage would be around 9.2 million acre, around 15.2% lower when compared to the previous year and 236000 acres would be dedicated for extra long staple (ELS) which is 22.8 percent higher compared to the year 2014.

World cotton acreage is expected to fall in the season 2015-16 due to the weak cotton prices ruling in all the major cotton growing regions, including India. Cotton acreage is likely to fall by 6% to 31.6 million tons in 2015-16 on the global front. Acreage in India is expected to drop by 5% to 11.6 million hectares whereas China cotton area could shrink to 3.8 million hectares, 10% down when compared to the current season. USA too is expected to notice a decrease of 10% to 3.6 million hectares. Following the situation, the global production of cotton is forecasted to decline by 6% to 24.6 million tons in 2015-16.

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 | 732 | 736 | 730.5 | 733.5 | 1710 | -805 | 8629 | -434 |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | 58.5 | -- | -- |

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

*Updated at 5:00 pm on 11 Feb 2015

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Feb-15 | 20 | 14800 | 14850 | 14680 | 14770 | 601 | -161 | 3925 | -110 |
| Mar-15 | 40 | 14960 | 15060 | 14890 | 14990 | 252 | -240 | 4138 | 147 |
| Apr-15 | 0 | 15180 | 15280 | 15170 | 15210 | 172 | 87 | 2643 | 6 |
| May-15 | -30 | 15390 | 15450 | 15390 | 15450 | 10 | 10 | 447 | 16 |
| Jun-15 | 40 | 15620 | 15700 | 15620 | 15700 | 4 | 4 | 28 | 1 |

| Spread | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | -- |
|--------|--------|--------|--------|--------|--------|----|
| Spot | -- | | | | | |
| Feb-15 | | -220 | | | | |
| Mar-15 | | | -220 | | | |
| Apr-15 | | | | -240 | | |
| May-15 | | | | | -250 | |
| Jun-15 | | | | | | |

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

* Updated at 5:00 pm on 11 Feb 2015

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|-----------------|-----------------------------------|-----------|--------|
| | | 11-Feb-15 | 10-Feb-15 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 3800 | NA | - |
| Khandwa | Mech-1 | 4050 | 4050 | Unch |
| Khargaon | Mech-1 | 4050 | 4050 | Unch |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4075 | 4150 | -75 |
| Rajkot | B.T. Cotton | 3990 | 3960 | 30 |
| Patan | B.T. Cotton | 4055 | 4040 | 15 |
| Deesa | B.T. Cotton | 3910 | 3925 | -15 |
| Muktsar | B.T. Cotton | 4100 | 4150 | -50 |
| Fazilika | B.T. Cotton | 4070 | 4075 | -5 |
| Bhiwani | B.T. Cotton | 4070 | 4100 | -30 |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 4050 | 4060 | -10 |
| Dabwali | B.T. Cotton | 3950 | 3950 | Unch |
| Jind | B.T. Cotton | 3992 | 4100 | -108 |
| Uchana (Jind) | B.T. Cotton | 4021 | 4020 | 1 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 3925 | 3925 | Unch |
| Hubli | B.T. Cotton | NA | 4043 | - |
| Hathras | B.T. Cotton(US) | 3200 | 3200 | Unch |
| Hanumangarh | B.T. Cotton | 4030 | 4030 | Unch |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4000 | NA | - |
| Gondal | Shankar-6 | 4000 | 4000 | Unch |
| | Kapas | | | |
| Jamner (Jalgaon) | Medium Staple | NA | 3950 | - |
| Hathras | Desi | 3500 | 3500 | Unch |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4000 | 4000 | Unch |
| Guntur | Un-Ginned | 4050 | 4050 | Unch |
| Kurnool | Un-Ginned | 4250 | 4250 | Unch |
| Krishna | Un-Ginned | 4050 | 3984 | 66 |
| East Godavari | Un-Ginned | 4000 | 4000 | Unch |
| | Lint | Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 3270 | 3270 | Unch |
| Muktsar | J-34 | 3270 | 3270 | Unch |
| Fazilika | J-34 | 3270 | 3270 | Unch |
| Bhatinda | J-34 | 3285 | 3285 | Unch |
| Mansa | J-34 | 3265 | 3270 | -5 |
| Sirsa | J-34 | 3200 | 3200 | Unch |
| Sri-Ganganagar | J-34 | NA | 3008 | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-----------------|----------------|-----------|--------|
| | | 11-Feb-15 | 10-Feb-15 | |
| Amravati | Mech-1 | 10900 | NA | - |
| Khandwa | Mech-1 | 800 | 800 | Unch |
| Khargaon | Mech-1 | 7000 | 6000 | 1000 |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 35000 | 30000 | 5000 |
| Rajkot | B.T. Cotton | 2350 | 2300 | 50 |
| Patan | B.T. Cotton | 9260 | 7940 | 1320 |
| Deesa | B.T. Cotton | 1500 | 1500 | Unch |
| Fazilika | B.T. Cotton | 400 | 300 | 100 |
| Muktsar | B.T. Cotton | 255 | 340 | -85 |
| Bhiwani | B.T. Cotton | 700 | 600 | 100 |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 1000 | 900 | 100 |
| Dabwali | B.T. Cotton | 350 | 325 | 25 |
| Jind | B.T. Cotton | 595 | 340 | 255 |
| Uchana (Jind) | B.T. Cotton | 1000 | 1600 | -600 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 100 | 100 | Unch |
| Hubli | B.T. Cotton | NA | 20 | - |
| Hathras | B.T. Cotton(US) | NA | NA | - |
| Hanumangarh | B.T. Cotton | 1500 | 2000 | -500 |
| | | | | |
| Ahmedabad | Shankar-6 | 85000 | NA | - |
| Gondal | Shankar-6 | 1404 | 654 | 750 |
| | | | | |
| Jamner (Jalgaon) | Medium Staple | NA | 1230 | - |
| Hathras | Desi | NA | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 1800 | 2347 | -547 |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | 8 | 8 | Unch |
| Krishna | Un-Ginned | NA | NA | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | | | | |
| Abohar | J-34 | 680 | 680 | Unch |
| Bhatinda | J-34 | 19550 | 17000 | 2550 |
| Mansa | J-34 | 1190 | 1190 | Unch |
| Sirsa | J-34 | 1020 | 850 | 170 |
| Sri-Ganganagar | J-34 | NA | 1700 | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 10-Feb-15 | 9-Feb-15 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 29400 | 29900 | -500 |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 29900 | 30400 | -500 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 29800 | 29900 | -100 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 29600 | 29600 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 30300 | 30300 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 33200 | 33000 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34200 | 34000 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 42400 | 42400 | Unch |

Cotton Seed Oil Prices
Refined Cotton Seed Oil at Key Centers:

| Centre | Unit | Price | | Change |
|-----------|-------------|-----------|-----------|--------|
| | | 11-Feb-15 | 10-Feb-15 | |
| Rajkot | Rs. /10 Kg. | 555 | 560 | -5 |
| New Delhi | Rs. /10 Kg. | 585 | 585 | Unch |
| Hyderabad | Rs. /10 Kg. | 585 | 575 | 10 |
| Mumbai | Rs. /10 Kg. | 590 | 590 | Unch |

Cotton Oil Seed Cake Prices
Cotton Oil Seed Cake Prices at Key Centers:

| Centre | Unit | Price | | Change |
|-----------------|---------|-----------|-----------|--------|
| | | 11-Feb-15 | 10-Feb-15 | |
| Mahesana (Kadi) | Rs./Qtl | 1425 | 1423 | 2 |
| Akola | Rs./Qtl | 1474 | 1467 | 7 |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 11/2/2015

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 13433 | -9 |
| CCIndex(527) | 12438 | -2 |
| CCIndex(229) | 14160 | -7 |

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

Cotlook Index: As on 10/2/2015

| Cotlook Indices | Cents/Pound | Change |
|--------------------|-------------|--------|
| A-Index | 69.45 | 0.60 |

USDA Cotton Spot Rates: As on 10/2/2015

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 63.51 | 66.76 | 194 |
| North Delta | 62.26 | 65.01 | NIL |
| South Delta | 62.26 | 65.01 | NIL |
| East TX-OK | 59.00 | 61.25 | 4689 |
| West Texas | 59.00 | 61.25 | 9718 |
| Desert SW | 60.76 | 67.51 | 3520 |
| SJ Valley | 61.51 | 71.41 | 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 10/2/2015

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15 | 62.55 | 63.44 | 62.13 | 62.51 | 0.21 |
| May-15 | 62.73 | 63.45 | 62.25 | 62.89 | 0.16 |
| Jul-15 | 63.28 | 63.66 | 62.70 | 63.37 | 0.17 |
| Oct-15 | 64.01 | 64.01 | 63.75 | 63.88 | -0.04 |
| Dec-15 | 63.99 | 64.37 | 63.50 | 63.88 | -0.07 |
| Mar-16 | 64.60 | 64.70 | 64.04 | 64.23 | -0.30 |

Pakistan Cotton Spot rates: As on 10/2/2015 (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 |

Disclaimer

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