

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone on Friday.

**In The News:** World cotton production is estimated slightly higher this month by USDA at 25.99 million tonnes compared to the estimates of previous month which was 25.94 million tonnes, although it is marginally lower than the output of previous season which was 26.22 million tonnes. The upward changes in the estimates is primarily due to the higher production prospects in Pakistan at 2.264 million tonnes projected this month which was earlier estimated 2.221 million tonnes a month ago.

Cotton exports from India could go lower than the levels expected at the commencement of the season. USDA estimates cotton export during the season 2014-15 to be around 0.914 (53.7 lakh bales of 170 kg each) million tonnes which was estimated 1.023 million tonnes in January this year. Cotton export is apparent to see fall of 54.5% considering the export of previous season which stood 2.015 (118 lakh bales of 170 kg each) million tonnes.

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.

### International Fundamentals:

As per the latest estimates of USDA, cotton export the global front would stand around 7.455 million tonnes this season slightly higher of 7.401 million tonnes what was estimated previous month. Although cotton exports estimates are a little higher this month, the same is still lower the actual export of cotton in previous season which was around 8.868 million tonnes. The cause of the upward changes in the monthly estimates is higher export expected from USA.

United States cotton export is likely to be marginally higher this season compared to the previous season, said USDA. USA is expected to export 2.33 million tonnes of cotton this year compared to the 2.29 million tonnes previous year. Although in previous month estimates the country was expected to export 2.177 million tonnes during season 2014-15, but the expectation of slight increase in the china cotton import has lifted the USA export projections simultaneously.

China cotton imports projection has been rose up slightly this month by USDA what was estimated previous month. According to USDA, China is likely to import 1.589 million tonnes of cotton this season around 4.27 percent higher which was projected to be around 1.524 million tonnes previous month. This season China is about to cut cotton imports by around 48.3% compared to the imports of previous season when the same was 3.075 million tonnes.

### 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   | -3.5 | 747  | 752.5 | 743 | 744.5 | 3476   | -2401  | 8793 | -223   |

| Spread | Apr-15 |    |    |
|--------|--------|----|----|
| Spot   | 57.5   | -- | -- |

(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 13 Feb 2015

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

| Contract | +/- | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Feb-15   | 70  | 14770 | 14850 | 14750 | 14810 | 601    | -402   | 3824 | -6     |
| Mar-15   | 90  | 14990 | 15070 | 14970 | 15040 | 597    | -52    | 4121 | 25     |
| Apr-15   | 100 | 15200 | 15290 | 15200 | 15270 | 162    | -200   | 2529 | 7      |
| May-15   | 60  | 15410 | 15470 | 15410 | 15460 | 11     | -9     | 471  | 3      |
| Jun-15   | 0   | 0     | 0     | 0     | 0     | 0      | -1     | 28   | 0      |

| Spread | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | -- |
|--------|--------|--------|--------|--------|--------|----|
| Spot   | --     |        |        |        |        |    |
| Feb-15 |        | -230   |        |        |        |    |
| Mar-15 |        |        | -230   |        |        |    |
| Apr-15 |        |        |        | -190   |        |    |
| May-15 |        |        |        |        | --     |    |
| Jun-15 |        |        |        |        |        |    |

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

\* Updated at 5:00 pm on 13 Feb 2015

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

| Centre                 | Variety         | Prices                            |           | Change |
|------------------------|-----------------|-----------------------------------|-----------|--------|
|                        |                 | 13-Feb-15                         | 12-Feb-15 |        |
|                        | <b>Kapas</b>    | <b>(Rs./Qtl)</b>                  |           |        |
| Amravati               | Mech-1          | 3840                              | 3800      | 40     |
| Khandwa                | Mech-1          | 4050                              | 4050      | Unch   |
| Khargaon               | Mech-1          | 4050                              | 4050      | Unch   |
|                        | <b>Kapas</b>    |                                   |           |        |
| Mahesana(Kadi)         | B.T. Cotton     | 4200                              | 4200      | Unch   |
| Rajkot                 | B.T. Cotton     | 4010                              | 3965      | 45     |
| Patan                  | B.T. Cotton     | 4090                              | 4075      | 15     |
| Deesa                  | B.T. Cotton     | 3950                              | 3975      | -25    |
| Muktsar                | B.T. Cotton     | 4100                              | 4100      | Unch   |
| Fazilika               | B.T. Cotton     | 4250                              | NR        | -      |
| Bhiwani                | B.T. Cotton     | 4115                              | 4100      | 15     |
| Adampur                | B.T. Cotton     | 4050                              | NR        | -      |
| Fatehabad              | B.T. Cotton     | 4060                              | 4050      | 10     |
| Dabwali                | B.T. Cotton     | 3950                              | 3950      | Unch   |
| Jind                   | B.T. Cotton     | 4070                              | 4115      | -45    |
| Uchana (Jind)          | B.T. Cotton     | 4071                              | 4025      | 46     |
| Rawatsar (Hanumangarh) | B.T. Cotton     | 3950                              | 3950      | Unch   |
| Hubli                  | B.T. Cotton     | 4010                              | NA        | -      |
| Hathras                | B.T. Cotton(US) | 3200                              | NR        | -      |
| Hanumangarh            | B.T. Cotton     | 4010                              | 4020      | -10    |
|                        | <b>Kapas</b>    |                                   |           |        |
| Ahmedabad              | Shankar-6       | 4125                              | 4100      | 25     |
| Gondal                 | Shankar-6       | 4015                              | 4000      | 15     |
|                        | <b>Kapas</b>    |                                   |           |        |
| Jamner (Jalgaon)       | Medium Staple   | NA                                | 3950      | -      |
| Hathras                | Desi            | 3500                              | NR        | -      |
| Bijapur                | Bunny           | NA                                | NA        | -      |
| Hubli                  | D.C.H.          | 3909                              | NA        | -      |
| Raichur                | H-44 Cotton     | 4000                              | 4000      | Unch   |
| Guntur                 | Un-Ginned       | 4050                              | 4050      | Unch   |
| Kurnool                | Un-Ginned       | 4250                              | 4250      | Unch   |
| Krishna                | Un-Ginned       | 4050                              | 4050      | Unch   |
| East Godavari          | Un-Ginned       | 4000                              | 4000      | Unch   |
|                        | <b>Lint</b>     | <b>Rs./Maund of 37.32kg each)</b> |           |        |
| Abohar                 | J-34            | 3305                              | 3280      | 25     |
| Muktsar                | J-34            | 3305                              | 3280      | 25     |
| Fazilika               | J-34            | 3310                              | NR        | -      |
| Bhatinda               | J-34            | 3310                              | 3280      | 30     |
| Mansa                  | J-34            | 3300                              | 3250      | 50     |
| Sirsa                  | J-34            | 3240                              | 3215      | 25     |
| Sri-Ganganagar         | J-34            | 3008                              | 3008      | Unch   |

**Cotton Arrivals in Key Centers:**

| Centre                 | Variety         | Arrivals (Qtl) |           | Change |
|------------------------|-----------------|----------------|-----------|--------|
|                        |                 | 13-Feb-15      | 12-Feb-15 |        |
| Amravati               | Mech-1          | 11700          | 11200     | 500    |
| Khandwa                | Mech-1          | 1200           | 800       | 400    |
| Khargaon               | Mech-1          | 8000           | 7000      | 1000   |
|                        |                 |                |           |        |
| Mahesana(Kadi)         | B.T. Cotton     | 25000          | 35000     | -10000 |
| Rajkot                 | B.T. Cotton     | 2700           | 3250      | -550   |
| Patan                  | B.T. Cotton     | 7716           | 7360      | 356    |
| Deesa                  | B.T. Cotton     | 850            | 725       | 125    |
| Fazilika               | B.T. Cotton     | 340            | NA        | -      |
| Muktsar                | B.T. Cotton     | 300            | 340       | -40    |
| Bhiwani                | B.T. Cotton     | 800            | 800       | Unch   |
| Adampur                | B.T. Cotton     | 510            | NA        | -      |
| Fatehabad              | B.T. Cotton     | 1000           | 950       | 50     |
| Dabwali                | B.T. Cotton     | 600            | 250       | 350    |
| Jind                   | B.T. Cotton     | 340            | 680       | -340   |
| Uchana (Jind)          | B.T. Cotton     | 1500           | 1500      | Unch   |
| Rawatsar (Hanumangarh) | B.T. Cotton     | 60             | 100       | -40    |
| Hubli                  | B.T. Cotton     | 34             | NA        | -      |
| Hathras                | B.T. Cotton(US) | NA             | NA        | -      |
| Hanumangarh            | B.T. Cotton     | 2000           | 2500      | -500   |
|                        |                 |                |           |        |
| Ahmedabad              | Shankar-6       | 68000          | 76500     | -8500  |
| Gondal                 | Shankar-6       | 1714           | 1401      | 313    |
|                        |                 |                |           |        |
| Jamner (Jalgaon)       | Medium Staple   | NA             | 1245      | -      |
| Hathras                | Desi            | NA             | NA        | -      |
| Bijapur                | Bunny           | NA             | NA        | -      |
| Hubli                  | D.C.H.          | 12             | NA        | -      |
| Raichur                | H-44 Cotton     | 2107           | 2092      | 15     |
| 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            | 680       | Unch   |
| Bhatinda               | J-34            | 22100          | 20400     | 1700   |
| Mansa                  | J-34            | 1190           | 1700      | -510   |
| Sirsa                  | J-34            | 1190           | 680       | 510    |
| Sri-Ganganagar         | J-34            | 1700           | 1700      | Unch   |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per<br>Candy | Rs. Per<br>Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
|                                       |            |            |                  | 13-Feb-15        | 11-Feb-15        |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 29400            | 29400            | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 29900            | 29900            | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 30000            | 29900            | 100    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 29700            | 29600            | 100    |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 30400            | 30300            | 100    |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 33300            | 33200            | 100    |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 34300            | 34200            | 100    |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 42500            | 42400            | 100    |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 13-Feb-15 | 12-Feb-15 |        |
| Rajkot    | Rs. /10 Kg. | 565       | 560       | 5      |
| New Delhi | Rs. /10 Kg. | 585       | 585       | Unch   |
| Hyderabad | Rs. /10 Kg. | 575       | 585       | -10    |
| Mumbai    | Rs. /10 Kg. | 582       | 584       | -2     |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 13-Feb-15 | 12-Feb-15 |        |
| Mahesana (Kadi) | Rs./Qtl | 1445      | 1429      | 16     |
| Akola           | Rs./Qtl | 1494      | 1473      | 21     |

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 13/2/2015**

| Index        | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 13436   | 1      |
| CCIndex(527) | 12426   | -12    |
| CCIndex(229) | 14161   | Unch   |

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

**Cotlook Index: As on 12/2/2015**

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 69.05       | -0.50  |

**USDA Cotton Spot Rates: As on 12/2/2015**

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | bales    |
| Southeast   | 63.48               | 66.73               | 979      |
| North Delta | 62.23               | 64.98               | 30       |
| South Delta | 62.23               | 64.98               | NIL      |
| East TX-OK  | 59.00               | 61.25               | 2522     |
| West Texas  | 59.00               | 61.25               | 6571     |
| Desert SW   | 60.73               | 67.48               | 167      |
| SJ Valley   | 61.48               | 71.38               | 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 12/2/2015**

| Contract | Open  | High  | Low   | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15   | 62.2  | 62.56 | 61.53 | 62.48 | 0.46   |
| May-15   | 62.17 | 62.89 | 61.87 | 62.81 | 0.65   |
| Jul-15   | 62.88 | 63.29 | 62.41 | 63.21 | 0.52   |
| Oct-15   | 63.65 | 63.65 | 63.45 | 63.45 | 0.22   |
| Dec-15   | 63.53 | 63.78 | 63.01 | 63.64 | 0.32   |
| Mar-16   | 63.99 | 64.05 | 63.66 | 64.05 | 0.22   |

**Pakistan Cotton Spot rates: As on 12/2/2015 (in Pakistan Rupees)**

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 4950         | 150              | 5100              |
| Equivalent | 40 Kgs    | 5305         | 160              | 5465              |

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