

## Domestic Fundamentals:

**Market Outlook:** Cotton market remained steady to firm on Thursday.

**In The News:** Cotton production in India could fall by 4.28 percent in the next season to 6.48 million tons compared to 6.77 million tons in the current season, said International Cotton Advisory Committee (ICAC).

Despite the lower output, cotton export from India is expected to rise in 2015-16. According to ICAC, cotton exports from India in 2015-16 would be around 1.41 million tons around 30.56% higher when compared to the export of current season which would be around 1.08 million tons. The causes of this significant change in Indian cotton exports are basically the fall in cotton production in China and the world, higher import demand from China and lower world ending stocks.

India Rating and Research (Ind-Ra) has downwardly revised the cotton outlook for MY 2015-16. According to Ind-Ra domestic prices in 2015-16 would remain under pressure following the fall in domestic yarn production, unlikely recovery in cotton export and falling of domestic prices below the minimum support prices (MSP). Ind-Ra added that revised cotton reserve policy of China will increase the cotton sales from the country stocks and hence import in China will fall to half in 2015-16. Cotton price (benchmark Shankar-6) will trade between Rs 40-45 per kg and lint will be in the range of Rs 85-100 per kg in the next season. Also, the stock to use ratio would be 12 percent in MY 2015-16 compared to 12.2 percent in the 2014-15.

India exported 1.89 lakh bales of cotton last week (06-22 Feb 2015), which was 1.29 lakh previous week (09-15 Feb 2015), according to the data compiled by IBIS. Imports on the other hand stood 0.21 lakh bales last week, which was same i.e. 0.21 lakh bales previous to last week.

Cotton Corporation of India (CCI) procured 20.5 tons of cotton at the regulated market at Elambalur on Monday. Around 71 farmers brought their produce to sell it through maiden auction held by CCI in the area. According to the collector total cotton auctioned for Rs 8.01 lakh and the payment would be made within eight days and next auction in the area would be held on 3 March this year.

Cotton Corporation of India (CCI) is likely to procure another 5 lakh bales of cotton after crossing the procurement target of 75 lakh bales in the season 2014-15. Although CCI would buy more cotton, the sale operation of the same is not going too well. CCI has sold around 1.35 lakh bales of cotton since the beginning of the operation that is January 27.

Department of Agriculture & Cooperation (DAC) has raised the cotton production estimates for the season 2014-15 in its second advance estimates. DAC projected cotton production in the country to stand around 351.52 lakh bales which was earlier earlier estimated 346.2 lakh bales in the first advance estimates against the target of 350 lakh bales. According to DAC cotton production during the last season i.e. 2013-14 was around 365.90 lakh bales.

Government has added raw cotton and oilseed to the list of 38 commodities, which have been exempt from Commodity Transaction Tax (CTT). The exemption of CTT has raised the hopes of commodity exchanges and the segment of brokers that center might consider a regulatory recommendation to reduce levy in the Union budget, if not withdraw it completely.

### International Fundamentals:

World cotton production is expected to be around 24.41 million tons in 2015-16 around 7.4 percent lower when compared to the production of current season which is likely to stand around 26.36 million tons, said International Cotton Advisory Committee (ICAC).

Following the lower production and higher consumption, ending stocks of cotton on the global front is likely to decline for the first time in the last five year. According to ICAC, Ending stocks is expected to fall to 21.39 million tons in 2015-16, around 1.16% lower when compared to the expected inventory of 21.64 million tons by the end of current season.

Besides the huge stockpile of cotton, what making cotton price to fall worldwide is the high internal price of fiber in China, which is forcing mills in the country to opt polyester instead of cotton, which is further creating the demand gap for the cotton in China and worldwide and hence leading to price crash, said the economist of National Cotton Council (NCC).

### Outlook

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

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Apr-15	10.5	749	761	747	758.5	6715	796	10188	905

  

Spread	Apr-15		
Spot	48.5	--	--

(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 26 Feb 2015

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-15	60	15000	15100	14970	15050	658	168	890	-239
Mar-15	40	15250	15350	15240	15280	1422	-324	6344	373
Apr-15	20	15580	15600	15490	15550	209	-113	3588	21
May-15	40	15780	15820	15720	15750	26	-25	595	7
Jun-15	110	16060	16060	16060	16060	1	-9	93	7

  

Spread	Feb-15	Mar-15	Apr-15	May-15	Jun-15	--
Spot	--					
Feb-15		-230				
Mar-15			-270			
Apr-15				-200		
May-15					-310	
Jun-15						

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

\* Updated at 5:00 pm on 26 Feb 2015

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

Centre	Variety	Prices		Change
		26-Feb-15	25-Feb-15	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4020	4000	20
Khandwa	Mech-1	4050	4050	Unch
Khargaon	Mech-1	4050	4050	Unch
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4250	4250	Unch
Rajkot	B.T. Cotton	4035	4055	-20
Patan	B.T. Cotton	4110	4105	5
Deesa	B.T. Cotton	3950	3950	Unch
Muktsar	B.T. Cotton	4200	4200	Unch
Fazilika	B.T. Cotton	4270	NA	-
Bhiwani	B.T. Cotton	4170	4125	45
Adampur	B.T. Cotton	4115	4070	45
Fatehabad	B.T. Cotton	4115	4100	15
Dabwali	B.T. Cotton	4050	3935	115
Jind	B.T. Cotton	4170	4178	-8
Uchana (Jind)	B.T. Cotton	4145	4070	75
Rawatsar (Hanumangarh)	B.T. Cotton	4100	4051	49
Hubli	B.T. Cotton	4020	3989	31
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	4150	4150	Unch
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4125	4100	25
Gondal	Shankar-6	4005	4005	Unch
	<b>Kapas</b>			
Jamner (Jalgaon)	Medium Staple	3950	3950	Unch
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	3409	NA	-
Raichur	H-44 Cotton	4075	4050	25
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	4250	4250	Unch
Krishna	Un-Ginned	4050	4050	Unch
East Godavari	Un-Ginned	NA	NA	-
	<b>Lint</b>	<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	3395	3380	15
Muktsar	J-34	3390	3370	20
Fazilika	J-34	3370	NA	-

Bhatinda	J-34	3400	3390	10
Mansa	J-34	3365	3365	Unch
Sirsa	J-34	3310	3295	15
Sri-Ganganagar	J-34	3083	3074	9

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		26-Feb-15	25-Feb-15	
Amravati	Mech-1	3200	4800	-1600
Khandwa	Mech-1	2000	2000	Unch
Khargaone	Mech-1	7000	8000	-1000
Mahesana(Kadi)	B.T. Cotton	35000	45000	-10000
Rajkot	B.T. Cotton	3000	2630	370
Patan	B.T. Cotton	5790	6215	-425
Deesa	B.T. Cotton	250	500	-250
Fazilika	B.T. Cotton	300	NA	-
Muktsar	B.T. Cotton	170	128	42
Bhiwani	B.T. Cotton	1500	1000	500
Adampur	B.T. Cotton	425	510	-85
Fatehabad	B.T. Cotton	800	250	550
Dabwali	B.T. Cotton	450	150	300
Jind	B.T. Cotton	85	85	Unch
Uchana (Jind)	B.T. Cotton	600	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	30	60	-30
Hubli	B.T. Cotton	104	22	82
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	700	600	100
Ahmedabad	Shankar-6	59500	59500	Unch
Gondal	Shankar-6	1472	1323	149
Jamner (Jalgaon)	Medium Staple	1350	1400	-50
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	10	NA	-
Raichur	H-44 Cotton	2280	2602	-322
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	7	7.2	-0.2
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-

Abohar	J-34	680	NA	-
Bhatinda	J-34	17000	9350	7650
Mansa	J-34	680	850	-170
Sirsa	J-34	1360	850	510
Sri-Ganganagar	J-34	1360	680	680

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-Feb-15	24-Feb-15	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29800	29800	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30300	30300	Unch
J-34(202)	26mm	3.5 - 4.9	23	30800	30800	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	30100	30100	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	30800	30800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33100	33100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34100	34100	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	40200	40200	Unch

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

Centre	Unit	Price		Change
		26-Feb-15	25-Feb-15	
Rajkot	Rs. /10 Kg.	555	550	5
New Delhi	Rs. /10 Kg.	585	582	3
Hyderabad	Rs. /10 Kg.	570	570	Unch
Mumbai	Rs. /10 Kg.	575	575	Unch

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

Centre	Unit	Price		Change
		26-Feb-15	25-Feb-15	
Mahesana (Kadi)	Rs./Qtl	1509	1506	3
Akola	Rs./Qtl	1500	1500	Unch

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 26/2/2015

Index	RMB/Ton	Change
CCIndex(328)	13445	2
CCIndex(527)	12425	0
CCIndex(229)	14170	3

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

#### Cotlook Index: As on 25/2/2015

Cotlook Indices	Cents/Pound	Change
A-Index	71.25	0.7

#### USDA Cotton Spot Rates: As on 25/2/2015

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.80	69.05	357
North Delta	64.80	67.55	NIL
South Delta	64.80	67.55	NIL
East TX-OK	60.75	63.00	2093
West Texas	60.75	63.00	6551
Desert SW	63.55	70.30	NIL
SJ Valley	64.30	74.20	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 25/2/2015

Contract	Open	High	Low	Close	Change
Mar-15	64.50	65.52	64.27	65.52	0.76
May-15	64.63	65.91	64.28	65.55	0.64
Jul-15	65.13	66.25	64.85	65.90	0.55
Oct-15	65.72	66.56	65.72	66.45	0.54
Dec-15	65.64	66.35	65.32	66.30	0.48
Mar-16	65.35	66.00	65.35	65.93	0.40

#### Pakistan Cotton Spot rates: As on 25/2/2015 (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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