

Domestic Fundamentals:

Market Outlook: Cotton spot prices noticed mostly weak tone on Thursday.

In The News: South Indian cotton mills in country have terminated the purchase of cotton from Gujarat due to the quality issues being reported in the produce. According to the SIMA (South Indian Mills Association), cotton supplies from Gujarat during December this year are not the up to the mark of the quality standards, although it was good during October and November. Following the reason, the purchase from Gujarat has been fallen down by 60-70 in the current month.

India exported 3.59 lakh bales of cotton last week (21 Dec-27 Dec 2015), which was 3.91 lakh bales previous to last week (14 Dec-20 Dec 2015), according to the data released by IBIS and compiled by Agriwatch. Imports on the other hand stood 0.067 lakh bales last week, which was 0.15 lakh bales previous to last week.

Many of the textile mills in country are willing to import cotton from African region rather than buying it from local traders. Due to the strong demand from overseas particularly Pakistan and China currently, the domestic prices of cotton are ruling quite high which is resulting in reluctant textile mills to buy the local produce. Also, the cotton arrivals are declining, making the supply side to lag.

Due to the robust demand from overseas including Pakistan, Government of India is expected to cut drastically on the cotton purchasing under the MSP operation this season. According to the sources, country spent Rs 160 billion to procure 8.7 million bales of cotton in season 2014-15, surprisingly it could only spend Rs 20 billion approximately to procure 1 million bales of cotton in the current season i.e.2015-16.

Pakistan has surpassed Bangladesh and China being the largest cotton importer from India during the week. According to the data released by IBIS, Pakistan imported 1.82 lakh bales of cotton in the past week that is 14 Dec to 20 Dec 2015. Other major importers were Bangladesh, Vietnam, China and Indonesia and their imported volumes were 0.87 lakh bales, 0.54 lakh bales, 0.23 lakh bales and 0.20 lakh bales respectively.

Cotton exports from India during October-November noticed a rise of 80% a compared t the previous month. India exported around 18 lakh bales of cotton during the October and November, which were 10 lakh bales during the same period previous year. According to the cotton corporation of India (CCI), India is likely to export around 60-65 lakh bales of cotton, whereas Cotton Advisory Board estimates it to be around 68 lakh bales.

Government of Gujarat has announced a bonus of Rs 110 per 20 Kg of cotton, besides the MSP of 810 per 20 Kg if the farmers sell the crop to Cotton Corporation of India (CCI). So cotton farmers now will be getting Rs 920 on every 20 kg of the crop, compared to Rs 810, the MSP announced for the Kharif season 2015-16.

Cotton ending stocks in India is likely to go down by around 8% this year as compared to the previous year. According to USDA, cotton stocks would stand around 2.69 million tons by the end of season 2015-16 as compared to 2.93 million tons previous season.

International Fundamentals:

According to the latest report of ICAC, average Cotlook A index during the season 2014-15 stood 71 cents per pound, around 22% lower when compared to the index previous season which was 91 cents per pound and around 19% lower when compared to the price during previous to last season which was 88 cents per pound.

During a Ministerial meeting at World Trade Organization (WTO), held at Nairobi, a decision was made to give more importance to cotton from least developed countries by providing duty-free and quota-free access to the developed nations. The decision includes three elements that is market access, domestic support and export competition and the same will be effective from January 01, 2016.

According to the China Cotton Association, the country is likely to import around 1.65 million tons of cotton in 2015-16. China during the current season would be consuming around 7.2 million tons. The ending stocks by the end of season 2015-16 would be around 13.16 million tons as compared to 13.56 million tons in 2014-15.

Outlook

We expect domestic prices to remain firm in the near -term.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-16	--	--	--	--	--	--	--	--	--
Apr-16	4.5	890	897.5	887	894	5138	-676	17585	18
Spread		Feb-16			Apr-16				
Spot		--			86				
Feb-16		--			--				

(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 31 December 2015

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-15	200	16450	16490	16350	16490	134	10	241	-87
Jan-16	70	16460	16560	16450	16550	1044	-1096	7186	140
Feb-16	60	16680	16770	16680	16760	479	-1185	7400	-23
Mar-16	70	16920	16970	16900	16970	120	-29	1155	-22
Spread		Dec-15	Jan-16	Feb-16	Mar-16		--		--
Spot		--							
Dec-15			-60						
Jan-16				-210					
Feb-16					-210				
Mar-16									

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

* Updated at 5:00 pm on 31 December 2015

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Centre	Variety	Prices		Change
		31-Dec-15	30-Dec-15	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4800	4700	100
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl)		
Mahesana(Kadi)	B.T. Cotton	4800	4900	-100
Rajkot	B.T. Cotton	4880	4885	-5
Patan	B.T. Cotton	4805	4840	-35
Deesa	B.T. Cotton	4675	4685	-10
Dhrol	B.T. Cotton	4805	4860	-55
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4800	4750	50
Adampur	B.T. Cotton	4750	4800	-50
Fatehabad	B.T. Cotton	4780	4820	-40
Dabwali	B.T. Cotton	4675	4760	-85
Jind	B.T. Cotton	4860	4829	31
Uchana (Jind)	B.T. Cotton	4817	4845	-28
Rawatsar (Hanumangarh)	B.T. Cotton	4625	4650	-25
Hubli	B.T. Cotton	NA	5009	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	4800	4800	Unch
	Kapas	(Rs./Qtl)		
Ahmedabad	Shankar-6	4850	NR	-
Gondal	Shankar-6	4880	4975	-95
	Kapas	(Rs./Qtl)		
Bhiwani	Desi	4500	4600	-100
Jamner (Jalgaon)	Medium Staple	4765	NA	-
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4850	-
Adilabad	Un-Ginned	4400	4450	-50
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	4100	4100	Unch
	Lint	Rs./Maund (of 37.32 Kg each)		
Abohar	J-34	3550	3575	-25
Muktsar	J-34	NA	NA	-
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	3560	3575	-15
Sirsa	J-34	3550	3560	-10

Mansa	J-34	NA	NA	-
Sri-Ganganagar	J-34	4850	4900	-50

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		31-Dec-15	30-Dec-15	
Amravati	Mech-1	4000	4000	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	35000	45000	-10000
Rajkot	B.T. Cotton	6000	5000	1000
Patan	B.T. Cotton	7810	10220	-2410
Deesa	B.T. Cotton	1325	1125	200
Dhrol	B.T. Cotton	883	997	-114
Fazilika	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	150	100	50
Adampur	B.T. Cotton	510	255	255
Fatehabad	B.T. Cotton	650	500	150
Dabwali	B.T. Cotton	175	275	-100
Jind	B.T. Cotton	136	255	-119
Uchana (Jind)	B.T. Cotton	700	700	Unch
Rawatsar (Hanumangarh)	B.T. Cotton	100	500	-400
Hubli	B.T. Cotton	NA	16	-
Hathras	B.T. Cotton(US)	NA	NA	-
Hanumangarh	B.T. Cotton	1000	1500	-500
Ahmedabad	Shankar-6	51000	NR	-
Gondal	Shankar-6	4515	4320	195
Bhiwani	Desi	NA	NA	-
Jamner (Jalgaon)	Medium Staple	76	NA	-
Hathras	Desi	NA	NA	-
Bijapur	Bunny	NA	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	1162	-
Adilabad	Un-Ginned	4556	4531	25
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	5100	5100	Unch
Sirsa	J-34	680	850	-170
Mansa	J-34	NA	NA	-

Sri-Ganganagar	J-34	600	300	300
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Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Rs. Per Candy		Change
				30-Dec-15	29-Dec-15	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	32200	32200	Unch
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32700	32700	Unch
J-34(202)	26mm	3.5 - 4.9	23	33000	33300	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33000	33000	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33800	34000	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34100	34100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35700	35200	500
DCH-32(107)	34mm	3.0 - 3.8	33	47500	47000	500

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

Centre	Unit	Price		Change
		31-Dec-15	30-Dec-15	
Rajkot	Rs. /10 Kg.	582	583	-1
New Delhi	Rs. /10 Kg.	575	575	Unch
Hyderabad	Rs. /10 Kg.	570	570	Unch
Mumbai	Rs. /10 Kg.	580	582	-2

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

Centre	Unit	Price		Change
		31-Dec-15	30-Dec-15	
Mahesana (Kadi)	Rs./Qtl	2107	2108	-1
Akola	Rs./Qtl	2072	2065	7

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 31/12/2015

Index	RMB/Ton	Change
CCIndex(328)	12922	-1
CCIndex(527)	11869	NIL
CCIndex(229)	13555	NIL

China Foreign Cotton (FC) Index : As on 29/12/2015		
Index	Cents/lb	Change
FC Index (S)	74.74	Unch
FC Index (M)	71.50	Unch
FC Index (L)	69.50	Unch

Cotlook Index: As on 30/12/2015		
Cotlook Indices	Cents/Pound	Change
A-Index	70.60	Unch

USDA Cotton Spot Rates: As on 30/12/2015			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	65.47	68.72	2409
North Delta	63.97	66.72	NIL
South Delta	63.97	66.72	NIL
East TX-OK	61.00	63.00	5944
West Texas	61.00	62.75	19931
Desert SW	60.97	67.22	NIL
SJ Valley	61.97	71.87	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 30/12/2015					
Contract	Open	High	Low	Close	Change
16-Mar	63.87	64.14	63.78	63.97	0.10
16-May	64.50	64.84	64.50	64.71	0.09
16-Jul	65.13	65.40	65.13	65.35	0.10
16-Oct	64.91	64.91	64.91	64.91	0.10
16-Dec	65.00	65.12	65.00	65.10	0.10
17-Mar	65.37	65.37	65.37	65.37	0.10

Pakistan Cotton Spot rates: As on 30/12/2015 (in Pakistan Rupees)				
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5200	135	5335
Equivalent	40 Kgs	5573	145	5718

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