

Current Market Outlook

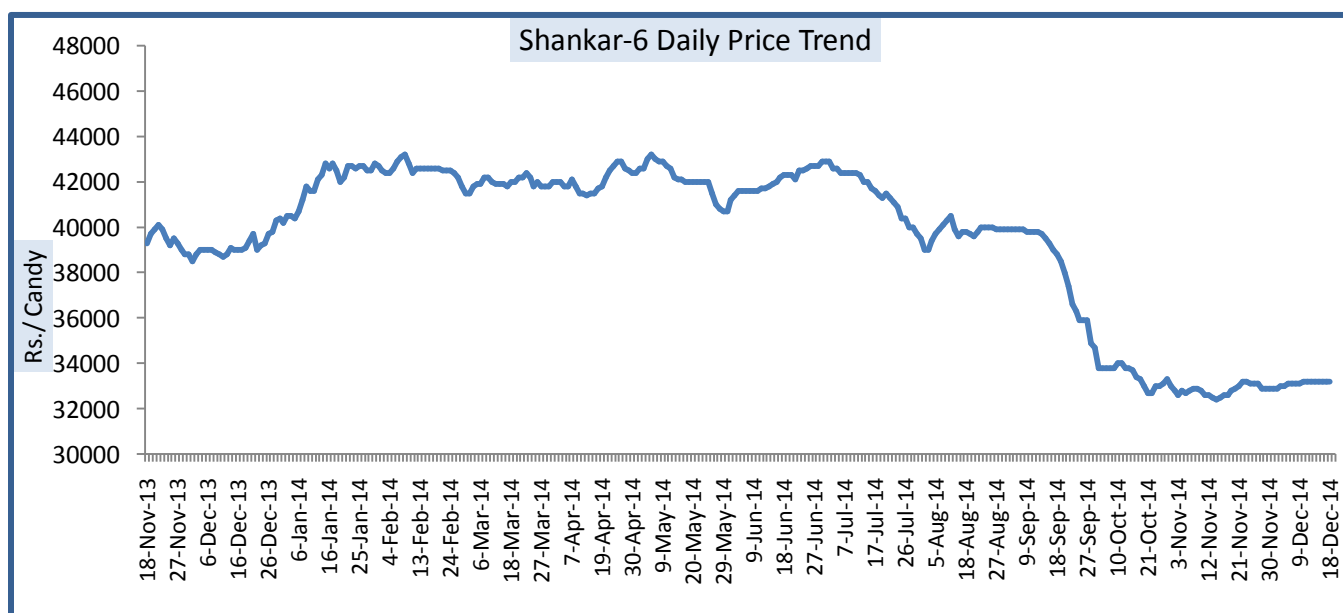
State government in Gujarat faced criticism by opposition party as it announced the relief of package of Rs 1100 crore for farmers. According to the congress, the opposition party, the relief announced by the BJP led government is just another stunt and it is not the right move to relief the farmers and significant increase in the MSP could help farmers better rather than this relief package.

As estimated by USDA, cotton export from India would be around 1.089 million tonnes this season (2014-15), around 46% lower when compared to the exports in previous season, which was 2.015 million tonnes.

According to Cotton Association of India (CAI) cotton output in the country would stand around 402 lakh bales in season 2014-15, slightly lower than the production of previous season when it was 407.25 lakh bales. The expected fall in production in Gujarat has been considered the reason for the fall in production in the country. Gujarat is projected to produce 122 lakh bales of cotton this season compared to 129.5 lakh bales previous season.

India has relaxed the rules applied to cotton and cotton yarn export in order to boost the export volume from country. The government of India has dispensed the requirement of registration to Directorate General of Foreign Trade (DGFT) for exports of cotton and cotton yarn which was earlier mandatory for the traders along with notification of their targeted export volume for the year. India is expected to produce 400 lakh bales of cotton this year, slightly higher than previous year, but enough to raise the availability as export would be on weaker side, causing demand deficit.

India's minister of state for agriculture Mohanbhai Kundaria said that there is no proposal to increase the minimum support price (MSP) of cotton. According to the minister, Cotton Corporation of India (CCI) has geared up for procurement of cotton at MSP in 341 centers in 92 districts from the 11 cotton growing states.



Domestic Balance Sheet

Item	2013-14*	2014-15*
Supply		
Opening stock	40	32
Crop size	398	400
Imports	10.8	7
Availability	448.8	439
Demand		
Mill consumption	266	275
Small Mill consumption	24.88	26
Non-Mill consumption	8	10
Total consumption	298.88	311
Export	117.92	90
Total Demand	416.8	401

All figures in Lakh Bales (of 170 Kgs. Each)

*Source: Cotton Corporation of India (CCI)

BALANCE SHEET HIGHLIGHTS:

Opening stock would remain lower this season (Oct'14-Sept'15) compared to the previous one. According to CCI, opening stocks would stand 20% lower this season. Production would be on higher side in the current season following the higher acreage in the country.

As per the latest estimates released by Ministry of Agriculture (MoA), around 126.55 lakh hectare of area has been sown under cotton this year, around 10.64% higher than the previous year, when it was 114.37 lakh hectares.

Imports are expected to fall as there would be ample supply in the country and domestic prices are likely to remain weaker which would diminish the cotton imports. Lower opening stocks and lesser imports will hence make the total supply lower compare to the previous season.

Consumption of cotton in country is likely to increase on amplified demand from textile and garments industry, but it would not cause any supply deficit because of enough availability in the country.

Exports are expected to see a remarkable fall because China will import lesser due to restrictive import policy, which is announced to terminate the cotton stockpiling program.

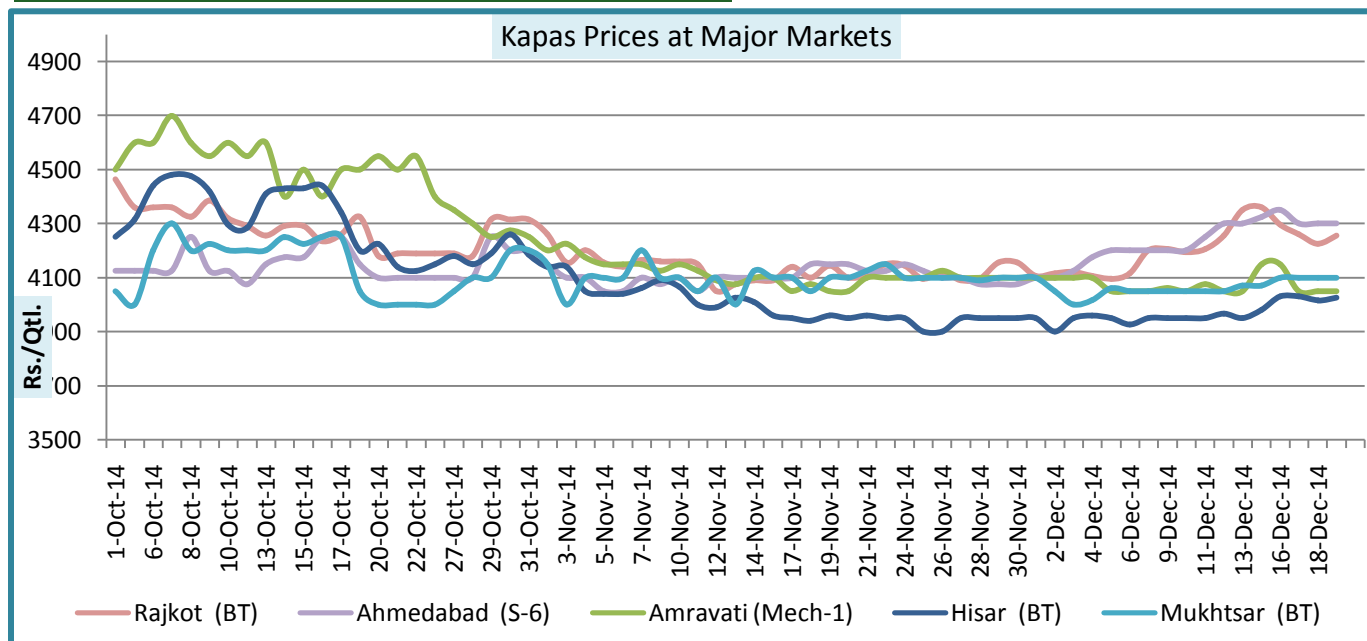
Cotton Prices and Arrivals

Cotton Prices at Key Spot Centers:

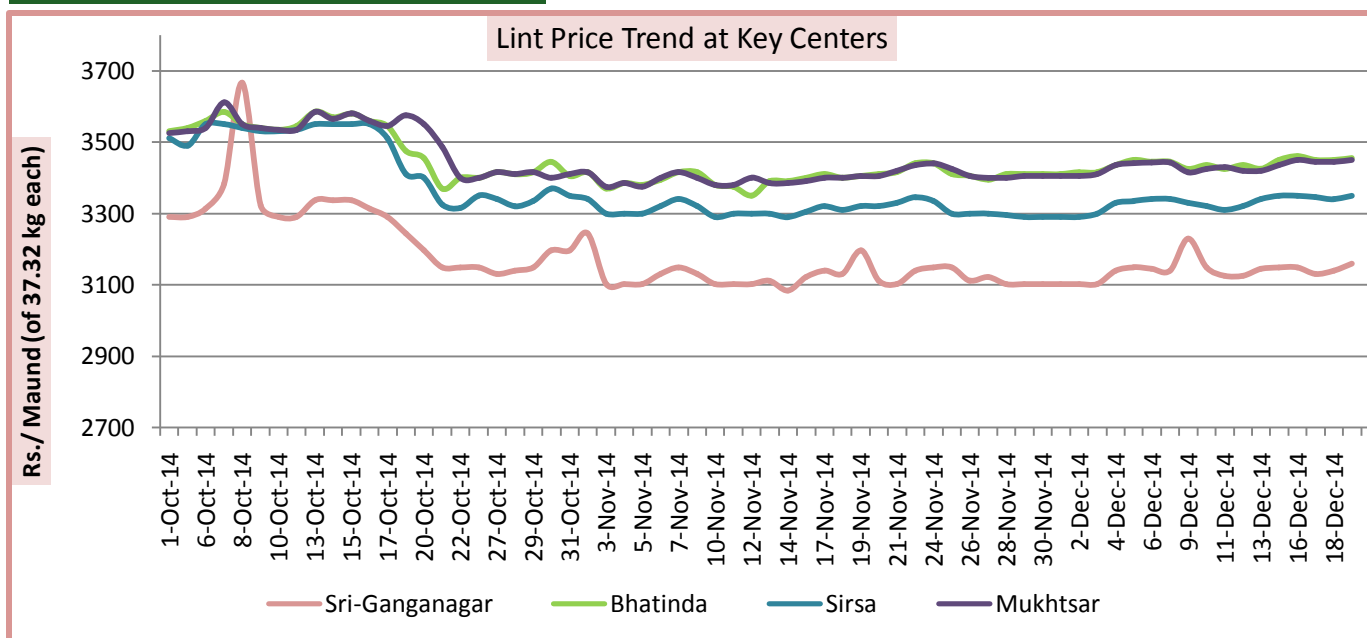
Centre	Variety	Weekly Average Prices		Change %
		13th to 19th Dec'14	6th to 12th Dec'14	
	Kapas	(Rs./Qtl.)		
Amravati	Mech-1	4070	4055	15
Khandwa	Mech-1	4050	4040	10
Khargaon	Mech-1	4050	4040	10
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4325	4305	20
Rajkot	B.T. Cotton	4290	4195	95
Patan	B.T. Cotton	4265	4220	45
Deesa	B.T. Cotton	4125	3985	140
Muktsar	B.T. Cotton	4090	4050	40
Fazilika	B.T. Cotton	4065	4060	5
Bhiwani	B.T. Cotton	4110	4025	85
Adampur	B.T. Cotton	4005	3950	55
Fatehabad	B.T. Cotton	3985	3980	5
Dabwali	B.T. Cotton	3965	3970	-5
Jind	B.T. Cotton	4140	4070	70
Uchana	B.T. Cotton	4040	3890	150
Rawatsar	B.T. Cotton	3865	3860	5
Hubli	B.T. Cotton	4190	4160	30
Hathras	B.T. Cotton	3415	3535	-120
Hanumangarh	B.T. Cotton	3955	3950	5
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4315	4225	90
Gondal	Shankar-6	4235	4155	80
	Kapas	(Rs/Qtl)		
Hathras	Desi	4485	4300	185
Bijapur	Bunny	4220	4295	-75
Hubli	D.C.H.	5140	4855	285
Raichur	H-44 Cotton	4140	4105	35
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3445	3430	15
Muktsar	J-34	3440	3430	10
Fazilika	J-34	3445	3430	15
Bhatinda	J-34	3450	3435	15

Mansa	J-34	3440	3425	15
Sirsa	J-34	3345	3325	20
Sri-Ganganagar	J-34	3145	3155	-10

Price Trend of Kapas (Seed Cotton) at Key Centers:



Price Trend of Lint at Various Centers:

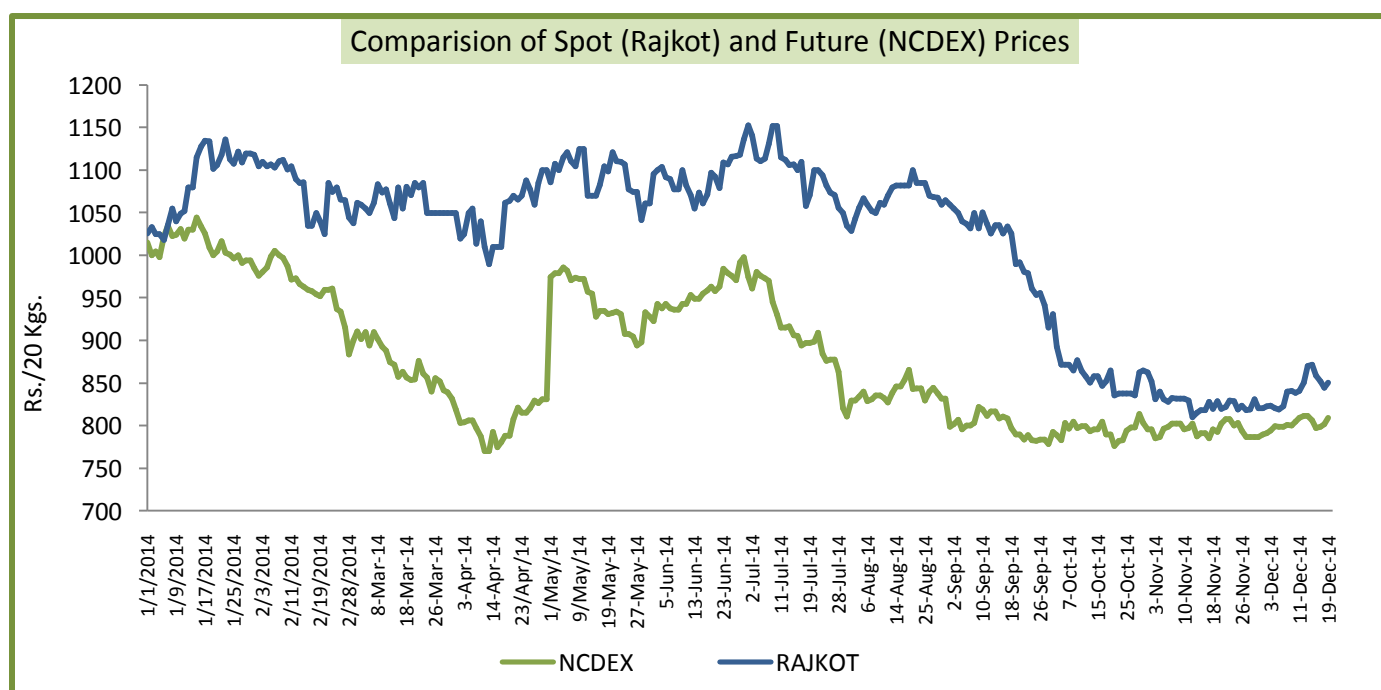


Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Weekly Average Prices		Change
				18 Dec'14	05 Dec'14	
Bengal Deshi (RG)/Assam Comilla (101)	< 22mm	5.0 - 7.0	15	31960	32420	-460
Bengal Deshi (SG)(201)	< 22mm	5.0 - 7.0	15	32460	32920	-460
J-34(202)	26mm	3.5 - 4.9	23	31320	31080	240
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32700	32580	120
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	33140	60
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34200	34200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35100	35100	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	44000	43900	100

Figures in Rs./ Candy

Price Movement at Spot and Future Market:



Cotton Arrivals at Key Centers:

Centre	Variety	Weekly Cumulative Arrivals (Qtl)		Change %
		13th to 19 th Dec'14	6th to 12th Dec'14	
Amravati	Mech-1	15800	12000	3800
Khandwa	Mech-1	1200	4000	-2800
Khargaon	Mech-1	7000	30000	-23000
Mahesana(Kadi)	B.T. Cotton	240000	190000	50000
Rajkot	B.T. Cotton	21600	18950	2650
Patan	B.T. Cotton	54008	51555	2453
Deesa	B.T. Cotton	15400	10860	4540
Fazilika	B.T. Cotton	7100	7350	-250
Muktsar	B.T. Cotton	3485	3825	-340
Bhiwani	B.T. Cotton	20500	23000	-2500
Adampur	B.T. Cotton	11390	13770	-2380
Fatehabad	B.T. Cotton	8500	17100	-8600
Dabwali	B.T. Cotton	12450	14700	-2250
Jind	B.T. Cotton	3400	9690	-6290
Uchana	B.T. Cotton	12200	20767	-8567
Rawatsar	B.T. Cotton	3200	2350	850
Hubli	B.T. Cotton	376	1226	-850
Hathras	B.T. Cotton	30	NA	-
Hanumangarh	B.T. Cotton	14200	13000	1200
Ahmedabad	Shankar-6	368900	328100	40800
Gondal	Shankar-6	8857	10162	-1305
Hathras	Desi	985	1250	-265
Bijapur	Bunny	22114	22771	-657
Hubli	D.C.H.	790	1498	-708
Raichur	H-44 Cotton	13159	16408	-3249
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	11220	13600	-2380
Bhatinda	J-34	295800	336600	-40800
Mansa	J-34	10047	18190	-8143
Sirsa	J-34	13430	22440	-9010
Sri-Ganganagar	J-34	56100	100300	-44200

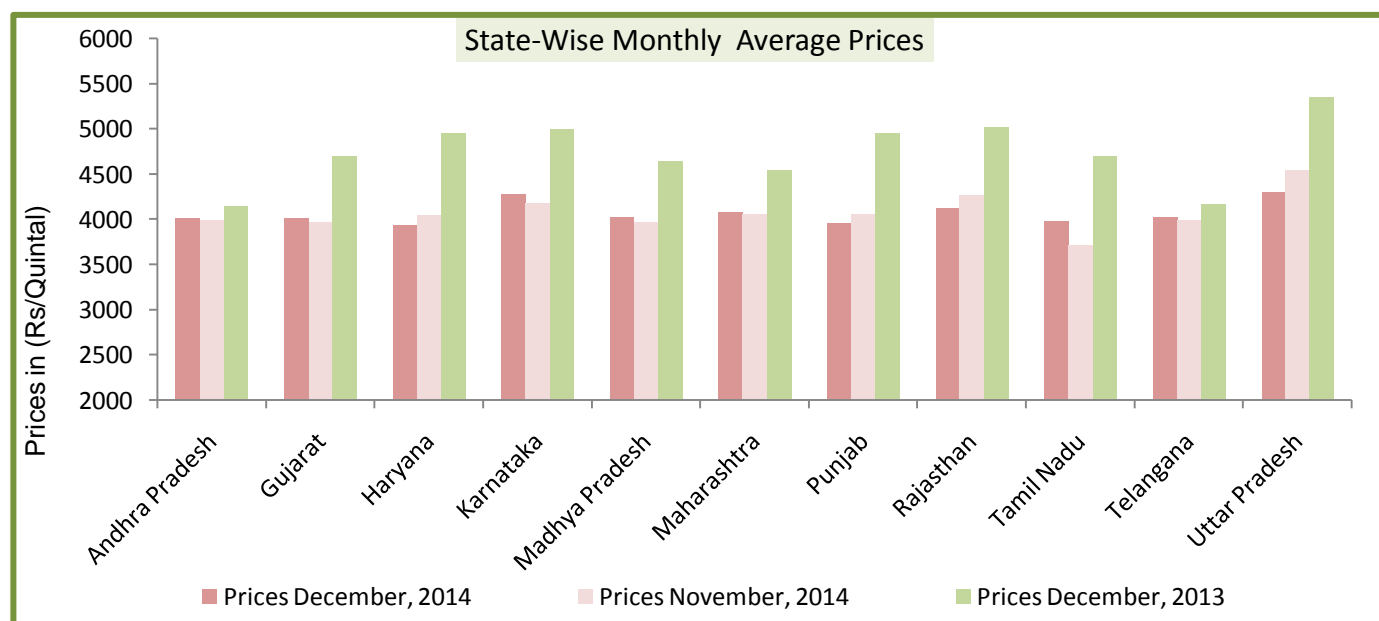
State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices December, 2014	Prices November, 2014	Prices December, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4013.98	3993.12	4137.3	0.52	-2.98
Gujarat	4012.96	3960.49	4689.94	1.32	-14.43
Haryana	3925.86	4046.09	4946.18	-2.97	-20.63
Karnataka	4272.34	4171.18	4990.34	2.43	-14.39
Madhya Pradesh	4019	3968.49	4642.45	1.27	-13.43
Maharashtra	4076.18	4051.92	4537.19	0.6	-10.16
Punjab	3955.35	4054.63	4951.29	-2.45	-20.11
Rajasthan	4117.03	4258.89	5020.81	-3.33	-18
Tamil Nadu	3974.33	3703.58	4691.23	7.31	-15.28
Telangana	4018.57	3991.5	4161.79	0.68	-3.44
Uttar Pradesh	4295.82	4539.23	5350.33	-5.36	-19.71
Average	4060.17	4067.19	4709.26		

*Source: Agmarknet

Cotton prices are showing downtrend on Y-o-Y basis in all the major cotton marketing centers but on month on month basis, recovery in the prices could be seen in most of the cotton trading centers including Andhra Pradesh, Gujarat and Maharashtra etc. States which have noticed downtrend on month on month basis are Haryana, Punjab, Rajasthan and Uttar Pradesh.

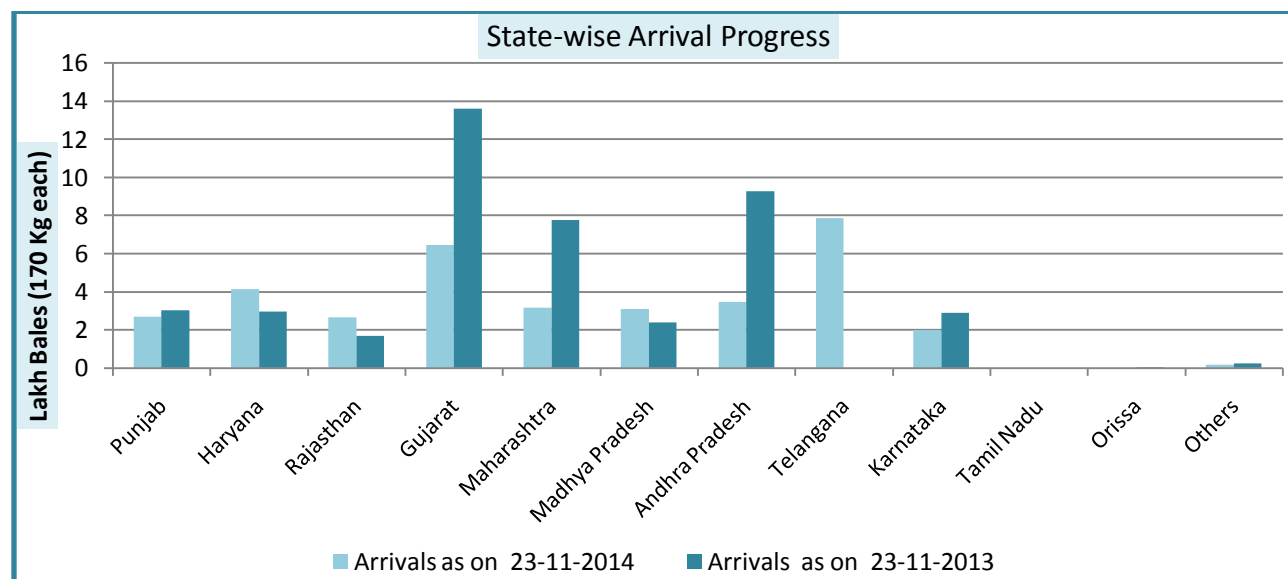


State wise Arrivals (in lakh bales of 170 kgs each):

Table given below showing cotton production and estimated arrivals during 2014-15 season vis-a-vis cotton season 2013-14:

States	2014-15*		2013-14	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	13-10-2014	23-11-2014	02-07-2014	23-11-2013
1. Punjab	14	2.69	21	3.03
2. Haryana	25	4.12	23	2.94
3. Rajasthan	17	2.67	14	1.67
North Total	56	9.48	58	7.64
4.Gujarat	125	6.44	120	13.61
5.Maharashtra	85	3.16	84	7.77
6.Madhya Pradesh	18	3.08	19	2.4
Central Total	228	12.68	223	23.78
7. Andhra Pradesh	50	3.46	76	9.27
8.Telangana	27	7.87	--	--
9. Karnataka	28	1.98	22	2.9
10.Tamil Nadu	5	0	5	0
South Total	110	13.31	103	12.17
11. Orissa	4	0	4	0.03
12. Others	2	0.18	2	0.23
Total	6	0.18	6	0.26
Grand Total	400	35.65	390	43.85

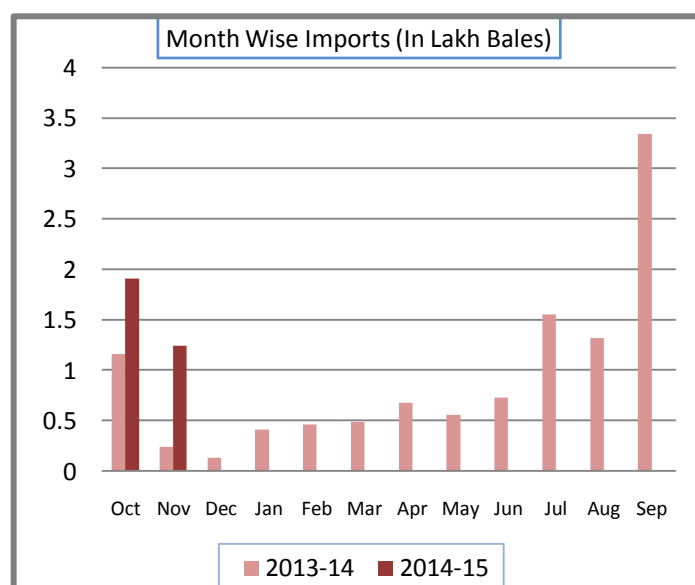
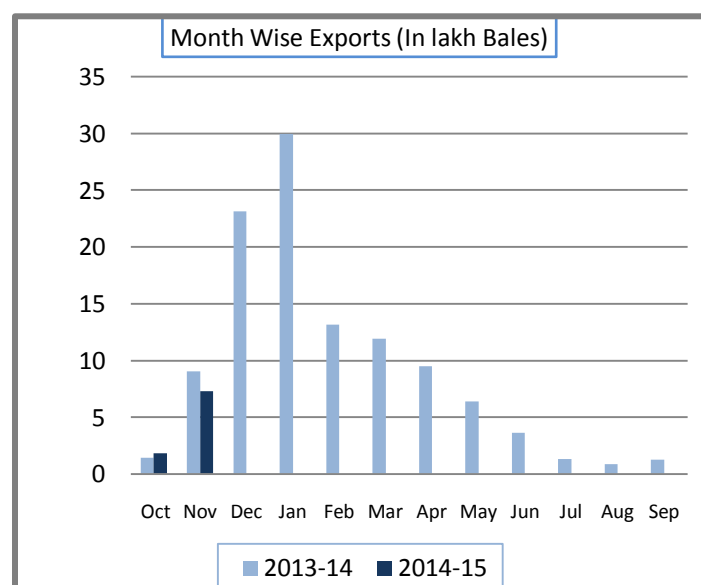
* Inclusive of new crop arrivals in September 2014
** Quantity in lakh bales (of 170 kgs. each)



Cotton Export and Import

Cotton Exports(In Lakh Bales)		
Month	2013-14	2014-15
Oct	1.43	1.81
Nov	9.06	7.3
Dec	23.12	
Jan	30	
Feb	13.15	
Mar	11.9	
Apr	9.46	
May	6.37	
Jun	3.62	
Jul	1.32	
Aug	0.87	
Sep	1.24	
Total	111.5	9.1

Cotton Imports(In Lakh Bales)		
Month	2013-14	2014-15
Oct	1.16	1.91
Nov	0.24	1.24
Dec	0.133	
Jan	0.41	
Feb	0.46	
Mar	0.488	
Apr	0.68	
May	0.56	
Jun	0.73	
Jul	1.55	
Aug	1.32	
Sep	3.34	
Total	11.07	3.15



Weekly Export Import Data

Date	08-14 Dec 2014	01-07 Dec 2014
Export (In lakh Bales)	2.2	2.3
Import (In lakh Bales)	0.08	0.13

Source: IBIS

International Market Scenario

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.

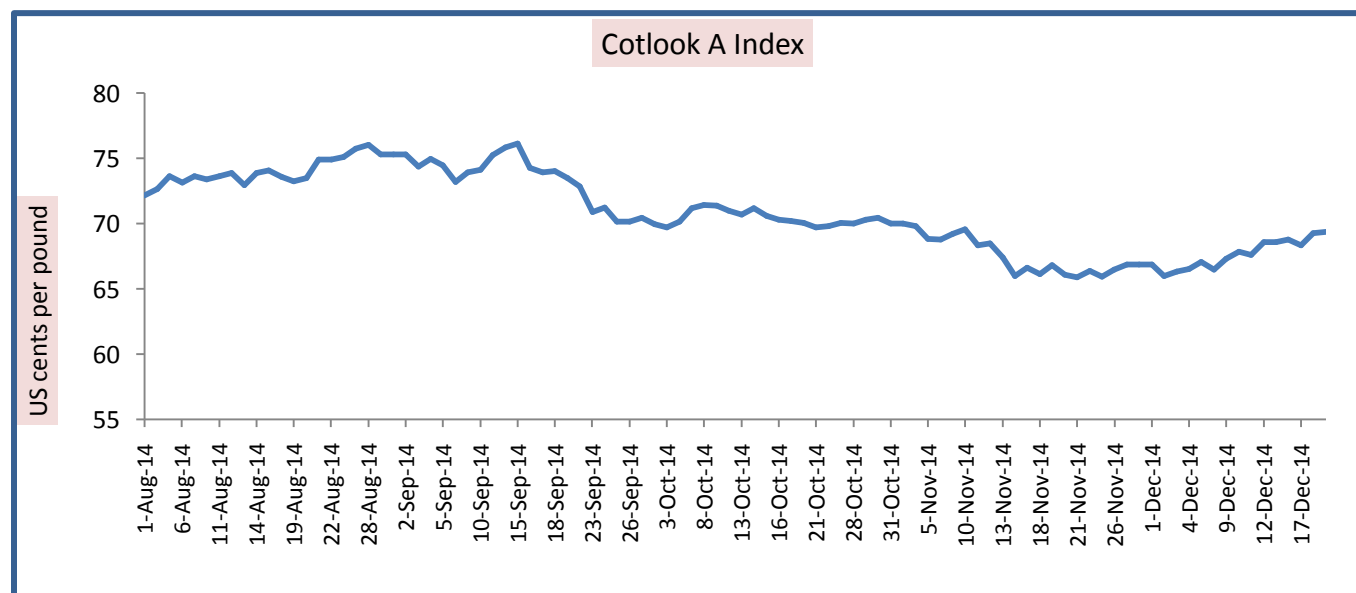
According to the latest report by USDA, cotton production on the global front would stand around 25.905 million tonnes this season 2014-15 around 1.09% lower when compared to 26.191 million tonnes previous year.

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.

On reduced acreage this season, cotton output in Australia is expected to fall by almost half in 2014-15, as estimated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).Area under summer crop is estimated 13% lower for 2014-15 at 974000 hectares which would lead to fall in production and hence cotton output in Australia from the summer crop is likely to be around 3.2 million tonnes in 2014-15.

According to U.S. Department of Agriculture (USDA), cotton imports by Thailand are likely to fall in 2014/15 following the deficit in cotton consumption by textile counterparts. Yarn spinners and fabric weavers in Thailand are facing the problem of higher production cost and weak global economy.

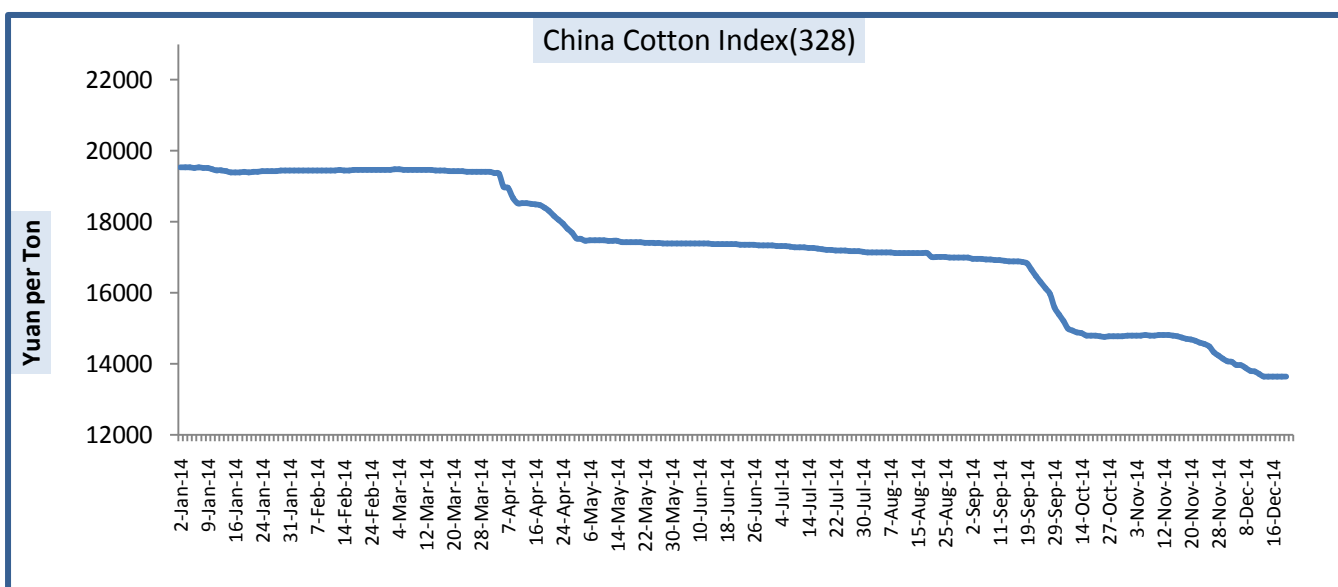
The drastic fall in cotton prices to a five year low could force the farmers worldwide to switch for the other crops, according to International Cotton Advisory Committee (ICAC). Cotton at ICE for March 2015 delivery has touched the level of 58.53 cents per pound in late November, which is lowest since September 2009.



International Prices and Indices

China Cotton Index:

CC Indices	Weekly Average Price as on		% Change
	19-Dec-14	12-Dec-14	
CC Index(229)	14329	14380	-0.35
CC Index(328)	13636	13762	-0.91
CC Index(527)	12730	12821	-0.71
Prices in Yuan per Ton			

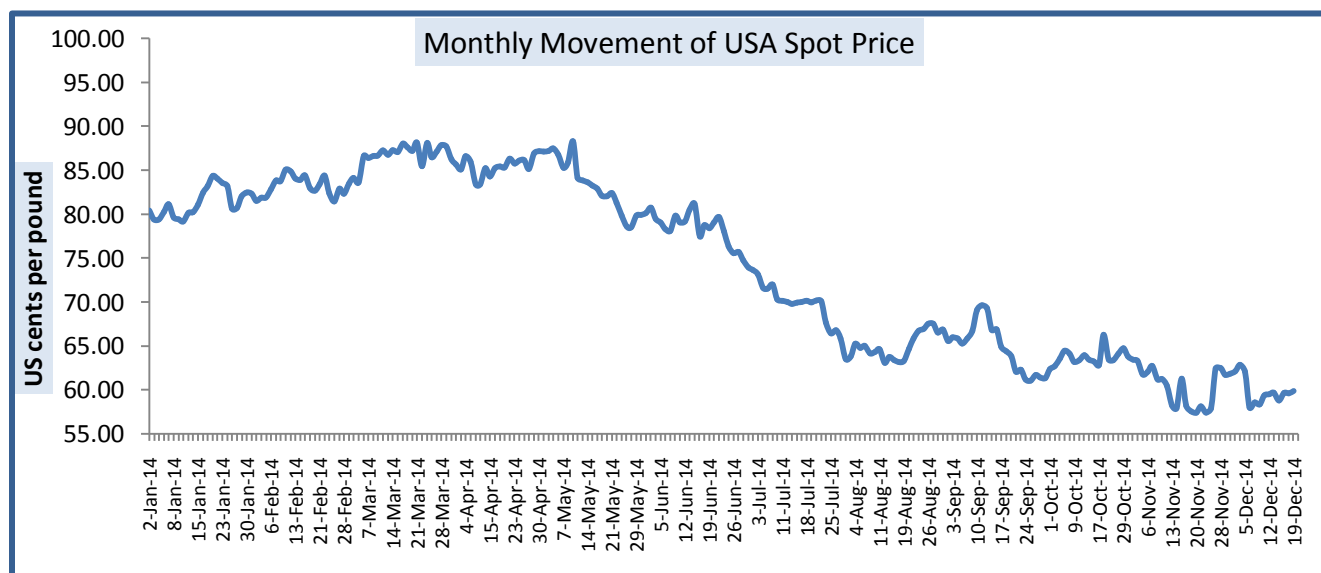


Cotlook A Index:

Cotlook A Index	Weekly Average Price as on		% Change
	19-Dec-14	12-Dec-14	
Prices	68.87	67.56	1.94
Prices in US cents per Pound			

USA Spot Prices:

USA Spot Prices	Weekly Average Price as on		% Change
	19-Dec-14	12-Dec-14	
Prices	59.52	62.14	-4.22
Prices in US cents per Pound			


World Monthly Average Cotlook A Index (FE) in US cents per Pound:

Month	2013-14	2014-15	Y-o-Y % Change
August	92.71	73.99	-20.19
September	94.6	73.38	-22.43
October	89.35	70.34	-21.28
November	84.65	67.49	-20.27
December	87.49		
January	90.96		
February	94.05		
March	96.94		
April	94.2		
May	92.7		
June	90.89		
July	83.83		

Cotton Futures (ICE):

Contracts	19-Dec-2014	12-Dec-2014	19-Nov-2013	%W-o-W change	%Y-o-Ychange
Oct-14	60.89	60.54	77.78	0.58	-21.72
Dec-14	61.35	61.07		0.46	--
Mar-15	62.14	61.78		0.58	--
May-15	63.37	63.16		0.33	--
Jul-15	64.54	64.50		0.06	--
Oct-15	65.68			--	--

Figures in US cents per pound

Cotton Futures

Technical Analysis of Cotton Future (April'15 Contract) at NCDEX:



Weekly Technical Outlook:

- Candlesticks denote sideways movement during the week.
- RSI is showing upward momentum in neutral region.
- MACD is depicting bullish signal line and centerline movement.
- Prices closed above the 9 and 18 days EMA.
- We expect cotton prices to remain range bound to firm.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range Bound to Firm Momentum	790-820

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
785	775	825	830

Figures in Rs. per 20Kgs.

Technical Analysis of Cotton Future (Mar'15 Contract) at ICE



Weekly Technical Outlook:

- Candlesticks denote range bound movement during the week.
- Prices are gradually surging up along with weekly running volume and OI.
- We expect prices to remain range bound in coming week.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range Bound Momentum	59.20-62.00

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
58.60	58.00	62.60	63.00

Figures in US cents per pound

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