Current Market Outlook

CCI Procure Record Cotton. The cotton procurement by Cotton Corporation of India (CCI)reach to 2.50 million bales — the highest since 2008-09 when the state-run agency purchased a record 8.93 million bales in the entire marketing year and compared with just 40,813 bales in the whole of last marketing year through September 2014. Most of the purchases this year have been from Andhra Pradesh and Maharashtra, the leading producers after Gujarat. One bale equals 170 kg.

Year	CCI Procurement in Bales
2007-08	223305
2008-09	8934830
2009-10	580596
2010-11	152
2011-12	7696
2012-13	2286423
2013-14	40813
2014-15*	2493400
*Upto December 14	

According to the Gujarat Agriculture Department, following is the final estimate for 2013-14:

Gujarat Final Estimate 2013-14	Area ('000 Ha.)	Production ('000 bales each of 170 Kg)	Yield (in lint)
Cotton	2519	10088	680

During this week, Gujarat farmers agitate on cotton MSP, they are demanding to surge it to Rs.1000 per 20 Kg from present Rs.810 per 20 kg.

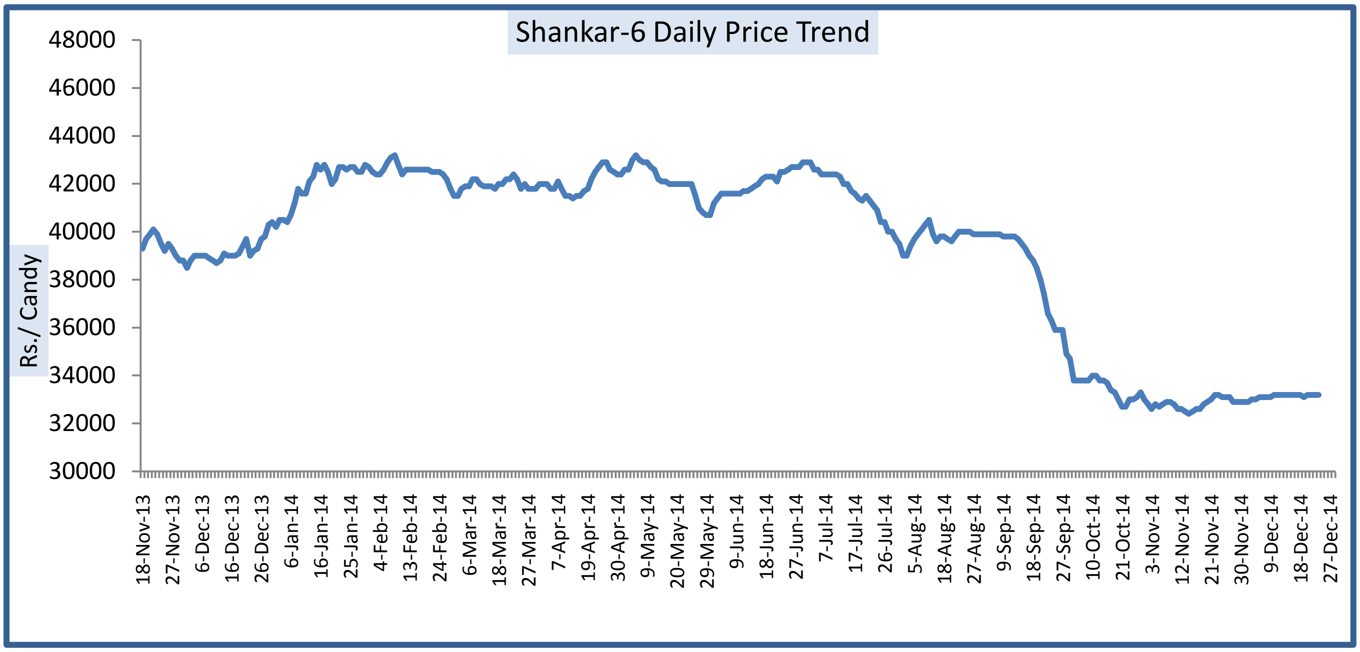
State government in Gujarat faced criticism by opposition party as it announced the relief of package of Rs 1100 crore for farmers. According to the congress, the opposition party, the relief announced by the BJP led government is just another stunt and it is not the right move to relief the farmers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

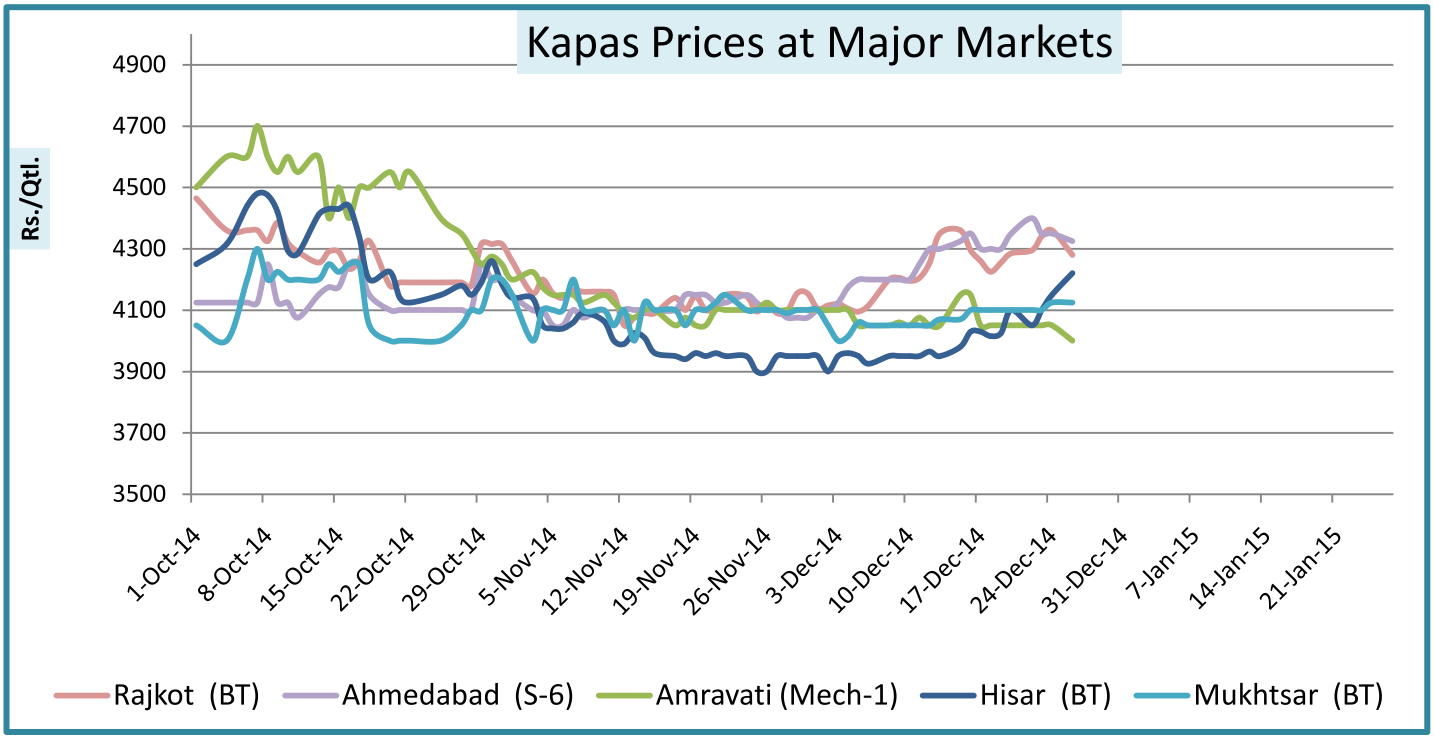
Cotton Prices and Arrivals

Cotton Prices at Key Spot Centers:

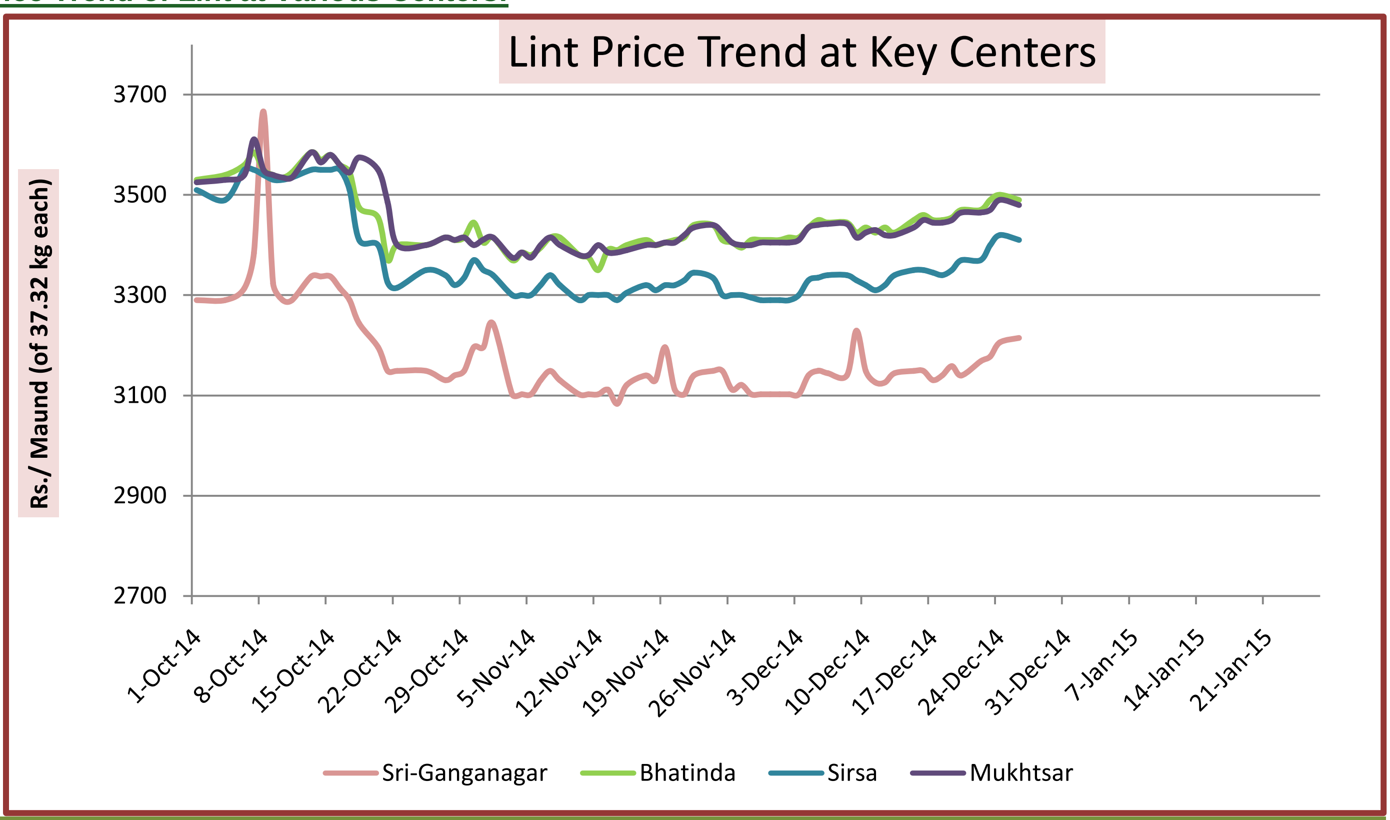
Centre	Variety	Weekly Average Prices		Change
		20th to 26th Dec'14	13th to19th Dec'14	
	Kapas	**(Rs./Qtl)**		
Amravati	Mech-1	4040	4070	-30
Khandwa	Mech-1	4081	4050	31
Khargaon	Mech-1	4081	4050	31
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4330	4325	5
Rajkot	B.T. Cotton	4312	4290	22
Patan	B.T. Cotton	4252	4265	-13
Deesa	B.T. Cotton	4095	4125	-30
Muktsar	B.T. Cotton	4110	4090	20
Fazilika	B.T. Cotton	4091	4065	26
Bhiwani	B.T. Cotton	4230	4110	120
Adampur	B.T. Cotton	4124	4005	119
Fatehabad	B.T. Cotton	4128	3985	143
Dabwali	B.T. Cotton	4092	3965	127
Jind	B.T. Cotton	4101	4140	-40
Uchana	B.T. Cotton	4171	4040	131
Rawatsar	B.T. Cotton	3945	3865	80
Hubli	B.T. Cotton	4229	4190	39
Hathras	B.T. Cotton	3700	3415	
Hanumangarh	B.T. Cotton	4025	3955	70
	Kapas			
Ahmedabad	Shankar-6	4355	4315	40
Gondal	Shankar-6	4268	4235	33
	Kapas			
Hathras	Desi	4733	4485	248
Bijapur	Bunny	4207	4220	-14
Hubli	D.C.H.	5246	5140	106
Raichur	H-44 Cotton	4100	4140	-40
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	4267	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	4000	4000	Unch
	Lint	**(Rs./Maund of 37.32kg each)**		
Abohar	J-34	3483	3445	38
Muktsar	J-34	3474	3440	34
Fazilika	J-34	3463	3445	18
Bhatinda	J-34	3484	3450	34
Mansa	J-34	3471	3440	31

Sirsa	J-34	3394	3345	49
Sri-Ganganagar	J-34	3181	3145	36

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



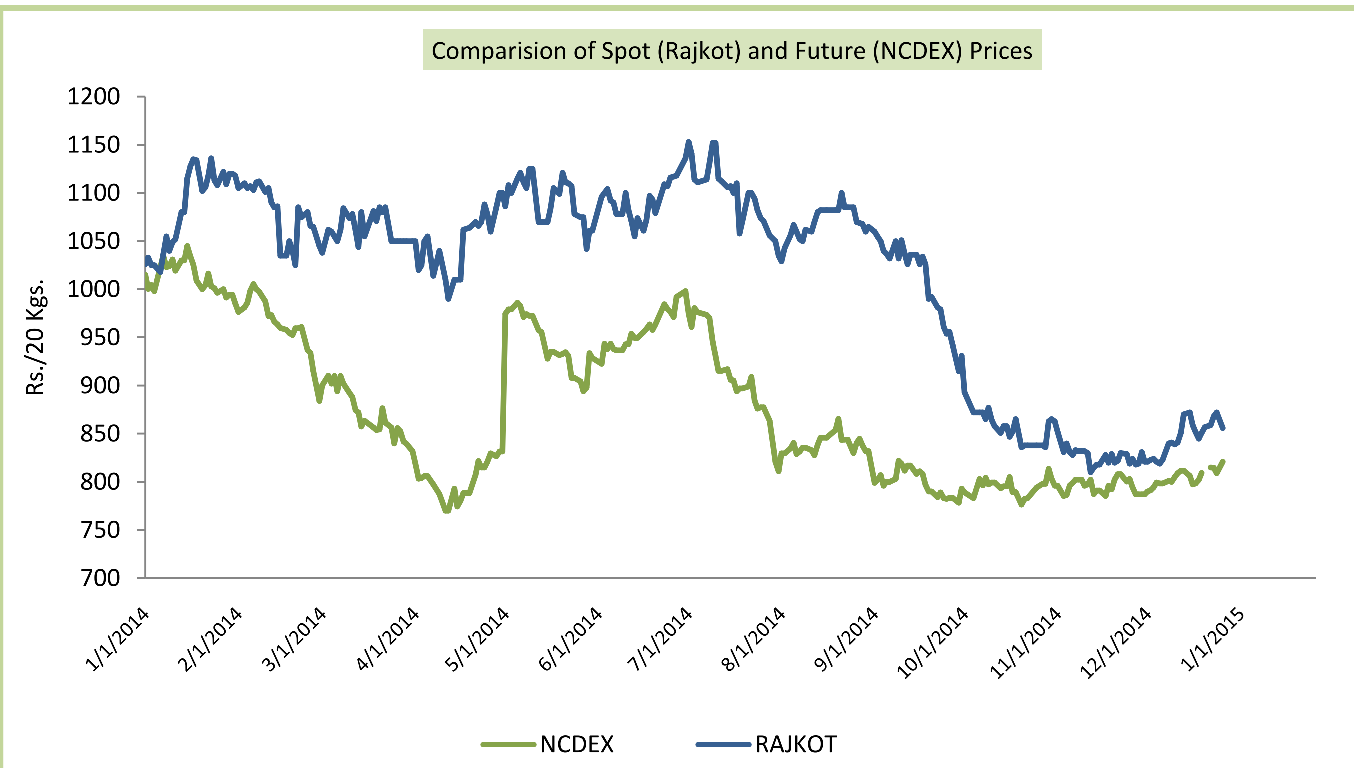
Price Trend of Lint at Various Centers:



Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Weekly Average Prices		+/- Change
				19th to 24th Dec'14	12th to18th Dec'14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32200	31967	233
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32700	32467	233
J-34(202)	26mm	3.5 - 4.9	23	31680	31283	397
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	32660	32700	-40
Shankar-6(105)	29mm	3.5 – 4.9	28	33180	33200	-20
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34240	34200	40
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35220	35100	120
DCH-32(107)	34mm	3.0 - 3.8	33	44280	44000	280

Price Movement at Spot and Future Market:



Cotton Arrivals at Key Centers:

Centre	Variety	Weekly Sum Arrivals (Qtl)		Change
		20th to 26th Dec'14	13th to19th Dec'14	
Amravati	Mech-1	27300	15800	11500
Khandwa	Mech-1	3600	1200	2400
Khargaon	Mech-1	22000	7000	15000
Mahesana(Kadi)	B.T. Cotton	260000	240000	20000
Rajkot	B.T. Cotton	21250	21600	-350
Patan	B.T. Cotton	69375	54008	15367
Deesa	B.T. Cotton	15485	15400	85
Fazilika	B.T. Cotton	7200	7100	100
Muktsar	B.T. Cotton	1955	3485	-1530
Bhiwani	B.T. Cotton	12000	20500	-8500
Adampur	B.T. Cotton	7310	11390	-4080
Fatehabad	B.T. Cotton	4700	8500	-3800
Dabwali	B.T. Cotton	8750	12450	-3700
Jind	B.T. Cotton	4080	3400	680
Uchana	B.T. Cotton	9390	12200	-2810
Rawatsar	B.T. Cotton	1400	3200	-1800
Hubli	B.T. Cotton	318	376	-58
Hathras	B.T. Cotton	60	30	30
Hanumangarh	B.T. Cotton	13000	14200	
Ahmedabad	Shankar-6	374000	368900	5100
Gondal	Shankar-6	11674	8857	2817
Hathras	Desi	850	985	-135
Bijapur	Bunny	14464	22114	-7650
Hubli	D.C.H.	484	790	-306
Raichur	H-44 Cotton	2265	13159	-10894
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	20	NA	-
Krishna	Un-Ginned	4050	NA	-
East Godavari	Un-Ginned	16000	NA	-
Abohar	J-34	7140	11220	-4080
Bhatinda	J-34	245650	295800	-50150
Mansa	J-34	4250	10047	-5797
Sirsa	J-34	7650	13430	-5780
Sri-Ganganagar	J-34	40800	56100	-15300

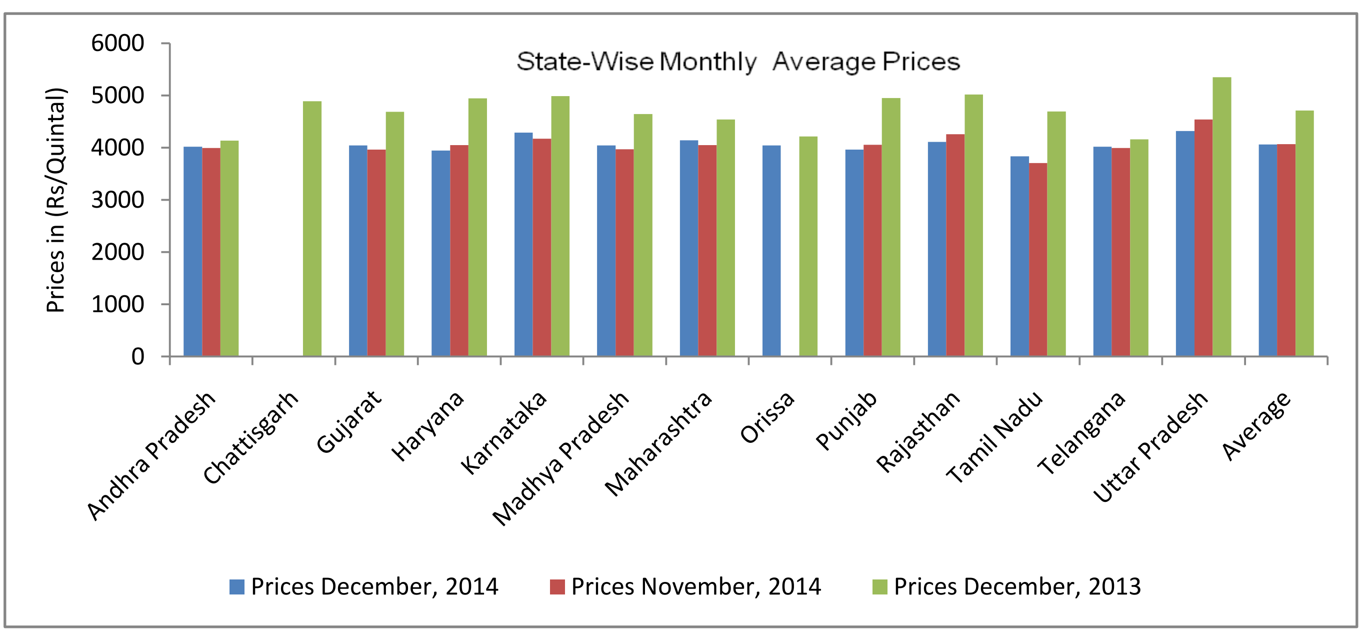
State wise Scenario

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	4018.63	3993.12	4137.3	0.64	-2.87
Chattisgarh			4888.18	__	__
Gujarat	4044.34	3960.49	4689.94	2.12	-13.77
Haryana	3942.85	4046.09	4946.18	-2.55	-20.28
Karnataka	4287.4	4171.18	4990.34	2.79	-14.09
Madhya Pradesh	4043.87	3968.49	4642.45	1.9	-12.89
Maharashtra	4138.11	4051.92	4537.19	2.13	-8.8
Orissa	4042.09		4213.34	__	-4.06
Punjab	3964.79	4053.22	4951.29	-2.18	-19.92
Rajasthan	4112.56	4258.89	5020.81	-3.44	-18.09
Tamil Nadu	3831.35	3703.58	4691.23	3.45	-18.33
Telangana	4019.89	3991.5	4161.79	0.71	-3.41
Uttar Pradesh	4319.52	4539.23	5350.33	-4.84	-19.27
Uttar Pradesh	4295.82	4539.23	5350.33	-5.36	-19.71
Average	4063.17	4067.06	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.



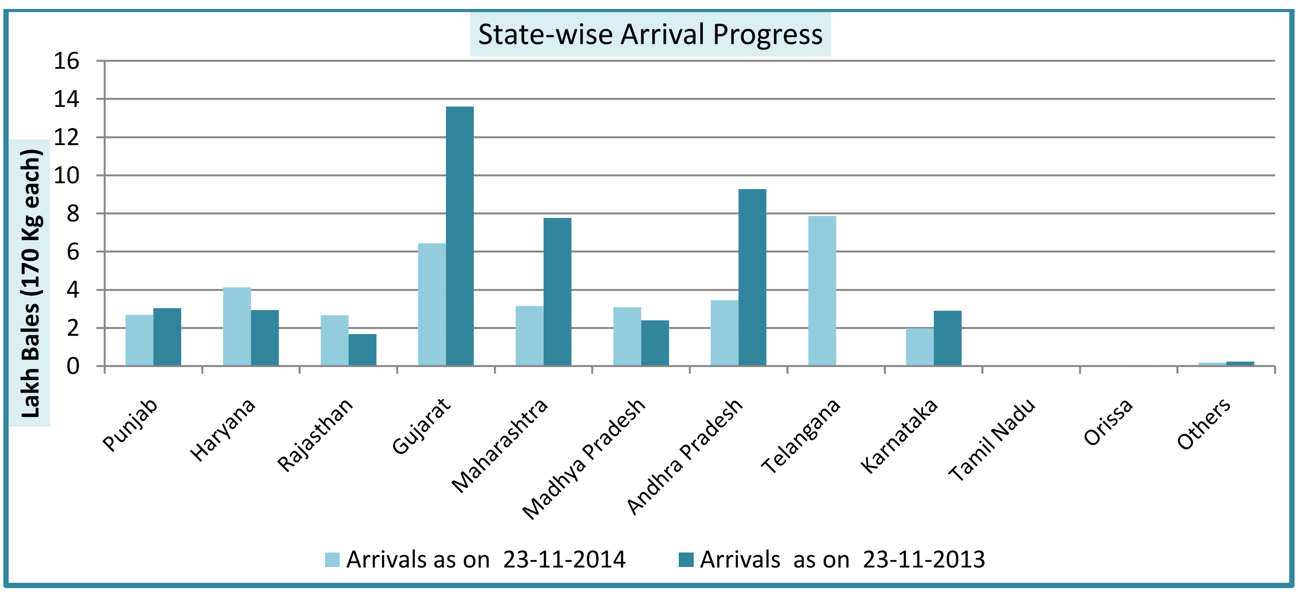
State wise Arrivals (in lakh bales of 170 kgs each):

Table given below showing cotton production and estimated arrivals during 2014-15 **s**eason 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

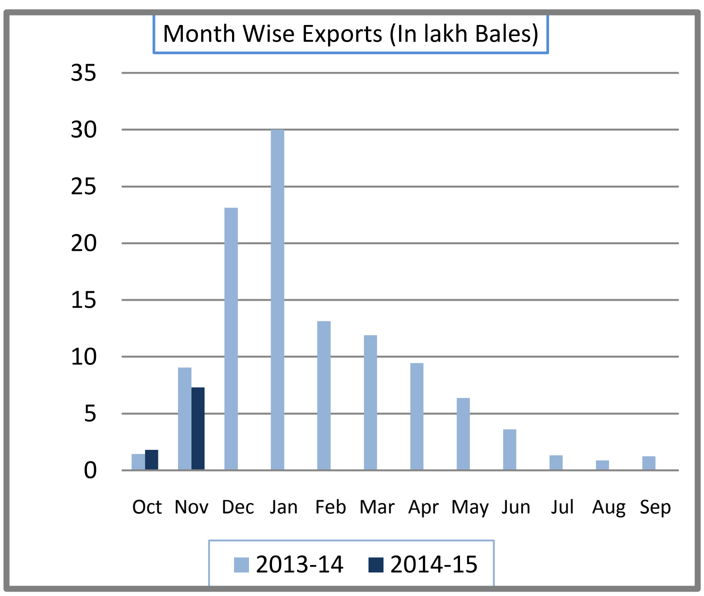
** Quantity in lakh bales (of 170 kgs. each)

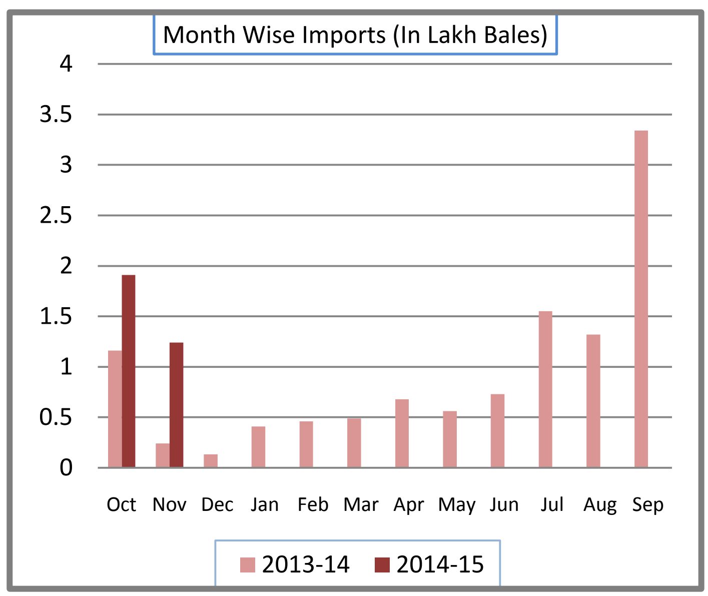


Cotton Export and Import

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	15-21Dec 2014	08-14 Dec 2014
Export (In lakh Bales)	2.08	2.2
Import (In lakh Bales)	0.01	0.08
		Source: IBIS; 1 Bales=170 Kg

International Market Scenario

Informa reduce 2015 USA Cotton Production Forecast. Informa Economics forecast 2015 upland cotton acres in the United States at 9.38 million acres and total plantings of the fiber at 9.6 million acres, both down sharply from the prior year.The total cotton estimate was also down 13.1 percent from 2014. The farmers are willing to shift towards soybean in the mid-south region.

The China's Xinjiang Department of Agriculture announced on December 23,2014 that Xinjiang cotton acreage total to 29.67 million mu in 2014.

In 2015 decline in US and World acreage is expected on lower prices, and this will leads to retract the supply-side (production). And if, demand also show improvement then cotton prices may show some improvement-Southeast Farm Press.

Pakistan Bureau of Statistics revealed that textile and clothing export surged to $1.128 billion in November 2014 from $998.143 million in the corresponding period of last year, an increase of 7.01 per cent.

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 tonnnes 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.

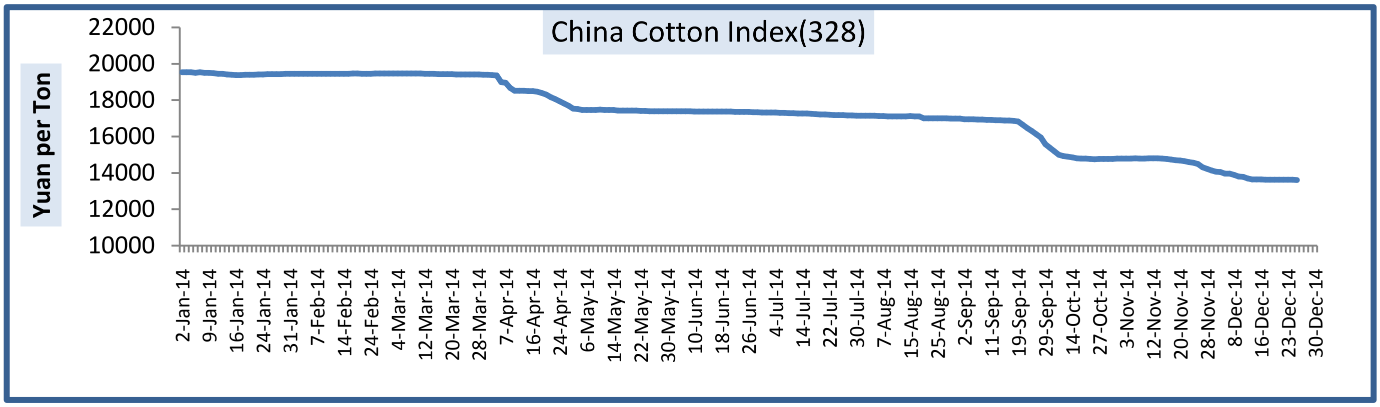
According to U.S. Department of Agriculture (USDA), cotton imports by Thailand are likely to fall in 2014/15 following the deficit in cotton consumption by textile counterparts. Yarn spinners and fabric weavers in Thailand are facing the problem of higher production cost and weak global economy.

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

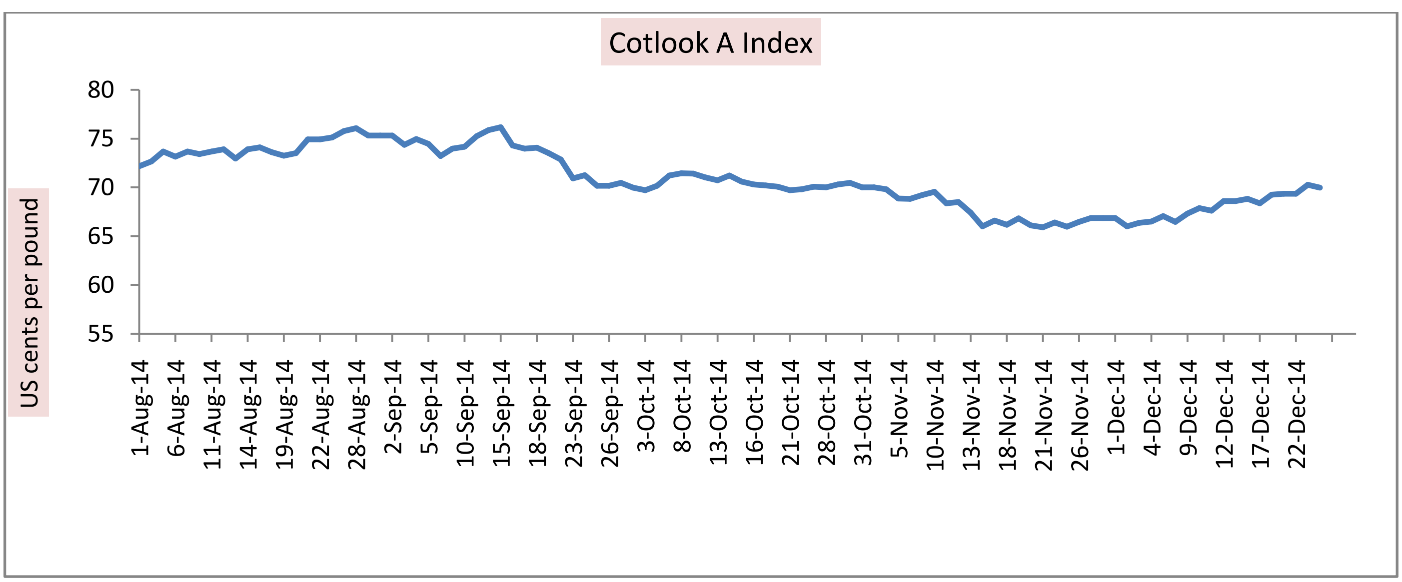
China Cotton Index:

CC Indices	Weekly Average Price as on		% Change
	24-Dec-14	19-Dec-14	
CC Index(229)	14315	14329	-0.10
CC Index(328)	12698	13636	-6.88
CC Index(527)	13617	12730	6.97
			Prices in Yuan per Ton



Cotlook A Index:

Cotlook A Index	Weekly Average Price as on		% Change
	24-Dec-14	19-Dec-14	
Prices	69.85	68.87	1.42
			Prices in US cents per Pound

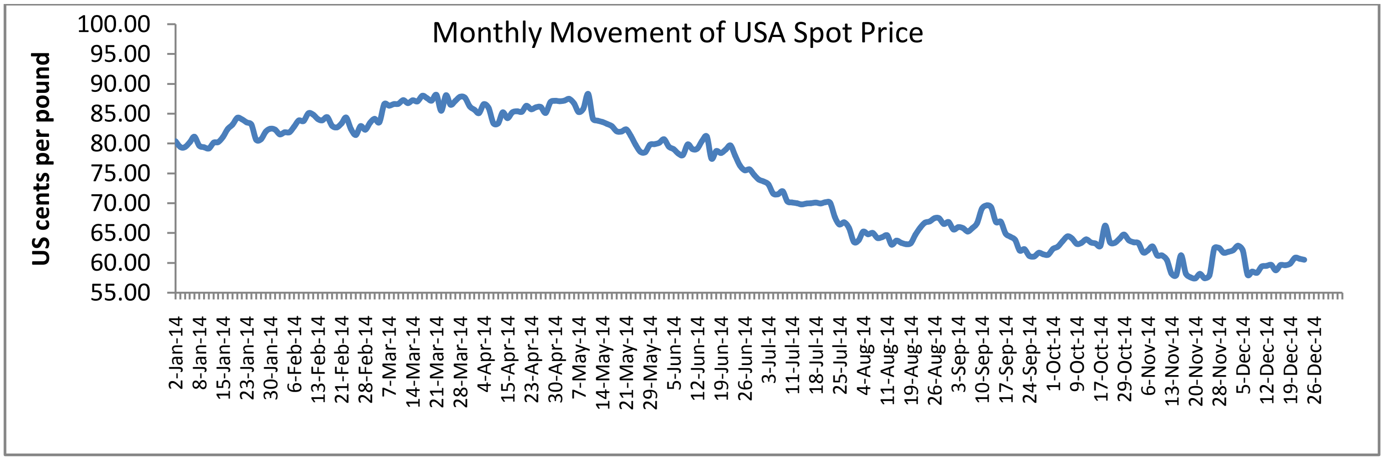


AGRIWATCH

Cotton-Weekly-Research-Report
29 December 2014

USA Spot Prices:

USA Spot Prices	Weekly Average Price as on		% Change
	24-Dec-14	19-Dec-14	
Prices	60.52	59.52	1.68
			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):

Contract Month	As on date	Week Ago	Month Ago	Year Ago	% Week change	% M-O-M change	%Y-o-Y change
	24-Dec-14	17-Dec-14	24-Nov-14	24-Dec-13			
March	61.78	60.65	58.81	83.18	1.86	1.86	-25.73
May	62.24	61.16	59.74	82.81	1.77	1.77	-24.84
July	62.93	61.87	60.71	82.71	1.71	1.71	-23.91
October	64.19	63.23	62.24	78.58	1.52	1.52	-18.31
December	65.33	64.43	63.11	77.32	1.40	1.40	-15.51
March	66.37	65.57		77.82	1.22	1.22	-14.71

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	800-830

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
796	785	830	840
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	60.80-62.50

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			