

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to firm tone on Thursday.

In The News: Farmers of agriculture crops including cotton could face trouble selling their produce at minimum selling price (MSP) as NAFED, the main agency which undertakes the MSP procurement is through the severe financial crisis. The National Agriculture Cooperative Marketing Federation of India (NAFED) facing the liquidity crunch which is making it impaired to go for any MSP operation. Besides the sum of Rs. 300 crore which is owed to it by central government, it has the hole of Rs. 1200 crore in its accounts book due to an investment fraud.

Cotton production in India would be around 405.50 lakh bales this season (Oct'14-Sep'15) compared to 407.25 lakh bales a season ago, according to Cotton Association of India (CAI). The decline in the crop output is anticipated due to fall in productivity in Gujarat, the major cotton producing state in India. According to CAI, Gujarat is likely to produce 126 lakh bales of cotton this year compared to 129.25 lakh bales last year. The total supply would be around 477.40 lakh bales, domestic consumption is projected to be around 306 lakh bales, and hence leaving the surplus of 171.40 lakh bales estimated CAI in its balance sheet for season 2014-15.

In order to discuss the measures to control the continuously falling cotton prices, Agriculture Minister Radha Mohan Singh has called a meeting with textile and commerce counterparts today. The government has decided to set up more procurement centers primarily in major cotton producing states including Gujarat, Maharashtra, Andhra Pradesh and Telangana. Cotton Corporation of India (CCI) has been asked to procure the produce by setting up procurement centers wherever the prices are ruling below the MSP. To relief the farmers from the price crash, the government has freed the cotton procurement from cap i.e. they agencies would buy the whatever quantity comes to them.

Sharad Pawar, President of Nationalist Congress Party (NCP) has blamed the newly formed BJP government for ignoring farmers in the state. According to him, farmers particularly of cotton and sugarcane are facing troublesome situation as they are getting low prices of their produce and BJP government has also stopped procuring cotton from this year. Furthermore the subsidy of Rs. 300 per quintal which was given to the farmers by the state government has also been terminated.

Karnataka government is planning to introduce a Karnataka Cotton bill, 2014 in order to regulate the cotton prices in the state. The bill foresees the constitution of an authority which would be headed by Directorate of Agriculture Department for setting of prices of Bt cotton seed each year. The department of agriculture has designed the bill on the outline Maharashtra Cotton Seed Act, 2009. The bill would like act safety umbrella by putting the obligation to the seed companies to pay the compensation on the crop failure and supply of spurious seeds. Bt was introduced in year 2002 in India, currently over six lakh hectares of land has been planted for Bt cotton in Karnataka state only.

The agriculture minister of Haryana, O P Dhankar, said that affected farmer will be compensated for the crop loss, if the field study proves the damage in the crop. He also said that the new BJP government formed in the state is dedicated to ensure genuine prices to the farmers for their produce including the paddy and cotton.

Cotton yield is expected to fall drastically in Nizamabad district of Andhra Pradesh due to pest attack in the crop which has led to withered cotton bolls. Around 3.33 lakh hectares was sown for cotton in Nizamabad district and only 30-40% yield is expected in the Kharif cotton.

International Fundamentals:

USDA has raised the world cotton production estimates for the season 2014/15. Output of cotton would be around 26.04 million tonnes in the current season (2014/15) which was projected 25.99 million tonnes last month. According to USDA, global cotton production stood 26.90 million tonnes during previous season (2013/14).

Brazil monthly cotton export stood 148,500 tonnes in October 2014, the highest monthly volume recorded in last two years. The same could lift the estimated export volume for the year 2014, which is 660,000 tonnes forecasted by Conab.

China has announced that it will pay subsidy of Yuan 2000 (USD 330) to the farmers on per tonnes of cotton harvested outside the top producing region, Xinjiang.

Outlook

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

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|-------|-----|-------|--------|--------|-------|--------|
| Apr-15 | -4 | 801 | 801.5 | 795 | 798.5 | 2244 | 51 | 11285 | -225 |

| Spread | Apr-15 | | |
|--------|--------|---|---|
| Spot | 15.5 | - | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*updated on 13 Nov 2014 at 5:00 pm

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|------|-------|-------|-------|-------|--------|--------|------|--------|
| Nov-14 | -10 | 15870 | 15910 | 15850 | 15910 | 319 | 29 | 1969 | -78 |
| Dec-14 | -10 | 15780 | 15850 | 15780 | 15830 | 641 | 116 | 5918 | -142 |
| Jan-15 | -20 | 15910 | 15920 | 15870 | 15900 | 260 | 112 | 1247 | 174 |
| Feb-15 | -50 | 16010 | 16030 | 16000 | 16020 | 28 | -100 | 747 | 10 |
| Mar-15 | -100 | 16130 | 16150 | 16120 | 16140 | 28 | -151 | 716 | 20 |
| Apr-15 | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| Spread | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 |
|--------|--------|--------|--------|--------|--------|--------|
| Spot | -- | | | | | |
| Nov-14 | | 50 | | | | |
| Dec-14 | | | -80 | | | |
| Jan-15 | | | | -110 | | |
| Feb-15 | | | | | -120 | |
| Apr-15 | | | | | | -- |

*updated on 13 Nov 2014 at 5:00 pm

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|-----------------|-----------------------------------|-----------|-------------|
| | | 13-Nov-14 | 12-Nov-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 4075 | 4090 | -15 |
| Khandwa | Mech-1 | 4100 | 4000 | 100 |
| Khargaon | Mech-1 | 4100 | 4000 | 100 |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4150 | 4200 | -50 |
| Rajkot | B.T. Cotton | 4075 | 4050 | 25 |
| Patan | B.T. Cotton | 4180 | 3900 | 280 |
| Deesa | B.T. Cotton | 3955 | 3905 | 50 |
| Muktsar | B.T. Cotton | 4000 | 4100 | -100 |
| Fazilika | B.T. Cotton | 4015 | 4025 | -10 |
| Bhiwani | B.T. Cotton | 4050 | 4000 | 50 |
| Adampur | B.T. Cotton | 4010 | 4025 | -15 |
| Fatehabad | B.T. Cotton | 4020 | 4025 | -5 |
| Dabwali | B.T. Cotton | 3950 | 3920 | 30 |
| Jind | B.T. Cotton | 4250 | 4120 | 130 |
| Uchana (Jind) | B.T. Cotton | 4000 | 3990 | 10 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 3950 | 3950 | Unch |
| Hubli | B.T. Cotton | NA | NA | - |
| Hathras | B.T. Cotton(US) | NA | 3500 | - |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4100 | 4100 | Unch |
| Gondal | Shankar-6 | 4080 | 4055 | 25 |
| | Kapas | | | |
| Hathras | Desi | NR | 4500 | - |
| Bijapur | Bunny | 4123 | 4120 | 3 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4050 | 4100 | -50 |
| Guntur | Un-Ginned | 4050 | 4050 | Unch |
| Kurnool | Un-Ginned | 4250 | NA | - |
| Krishna | Un-Ginned | 4050 | NA | - |
| East Godavari | Un-Ginned | NA | 4000 | - |
| | Lint | Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 3385 | 3385 | Unch |
| Muktsar | J-34 | 3385 | 3400 | -15 |
| Fazilika | J-34 | 3380 | 3380 | Unch |
| Bhatinda | J-34 | 3390 | 3350 | 40 |
| Mansa | J-34 | 3390 | 3385 | 5 |
| Sirsa | J-34 | 3300 | 3300 | Unch |
| Sri-Ganganagar | J-34 | 3110 | 3100 | 10 |

| | | | | |
|-------------|-------------|------|------|------------|
| Hanumangarh | B.T. Cotton | 3950 | 4000 | -50 |
|-------------|-------------|------|------|------------|

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-----------------|----------------|-----------|--------------|
| | | 13-Nov-14 | 12-Nov-14 | |
| Amravati | Mech-1 | 325 | 275 | 50 |
| Khandwa | Mech-1 | 800 | 900 | -100 |
| Khargaone | Mech-1 | 8000 | 13000 | -5000 |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 20000 | 25000 | -5000 |
| Rajkot | B.T. Cotton | 3650 | 3750 | -100 |
| Patan | B.T. Cotton | 21030 | 27160 | -6130 |
| Deesa | B.T. Cotton | 525 | 1350 | -825 |
| Fazilika | B.T. Cotton | 1300 | 1200 | 100 |
| Muktsar | B.T. Cotton | 510 | 510 | Unch |
| Bhiwani | B.T. Cotton | 3000 | 5000 | -2000 |
| Adampur | B.T. Cotton | 1020 | 1020 | Unch |
| Fatehabad | B.T. Cotton | 1600 | 1800 | -200 |
| Dabwali | B.T. Cotton | 1500 | 1000 | 500 |
| Jind | B.T. Cotton | 680 | 765 | -85 |
| Uchana (Jind) | B.T. Cotton | 2150 | 1980 | 170 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 1000 | 1000 | Unch |
| Hubli | B.T. Cotton | NA | NA | - |
| Hathras | B.T. Cotton(US) | NA | 12 | - |
| | | | | |
| Ahmedabad | Shankar-6 | 42500 | 42500 | Unch |
| Gondal | Shankar-6 | 2238 | 2679 | -441 |
| | | | | |
| Hathras | Desi | NA | 300 | - |
| Bijapur | Bunny | 1151 | 1290 | -139 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 3340 | 1612 | 1728 |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | 8 | NA | - |
| Krishna | Un-Ginned | NA | NA | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | | | | |
| Abohar | J-34 | 2040 | 2040 | Unch |
| Bhatinda | J-34 | 37400 | 34000 | 3400 |
| Mansa | J-34 | 850 | 1020 | -170 |
| Sirsa | J-34 | 2210 | 2040 | 170 |
| Sri-Ganganagar | J-34 | 6800 | 6800 | Unch |
| Hanumangarh | B.T. Cotton | 3000 | 3000 | Unch |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|-------------|
| | | | | 12-Nov-14 | 11-Nov-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | <22mm | 5.0 - 7.0 | 15 | 33800 | 34500 | -700 |
| Bengal Deshi (SG)(201) | <22mm | 5.0 - 7.0 | 15 | 34400 | 35100 | -700 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 30900 | 30900 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 31900 | 31900 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 32600 | 32600 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 33700 | 33900 | -200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34600 | 34600 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 43000 | 43000 | Unch |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 13/11/2014

| Index | RMB/Ton | Change |
|--------------|---------|-----------|
| CCIndex(328) | 14801 | -1 |
| CCIndex(527) | 13689 | 2 |
| CCIndex(229) | 15326 | -1 |

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

Cotlook Index: As on 12/11/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|-------------|
| A-Index | 68.50 | 0.15 |

USDA Cotton Spot Rates: As on 12/11/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|-------------|
| | cents/lb. | | bales |
| Southeast | 60.94 | 63.69 | 1122 |
| North Delta | 60.44 | 63.19 | Nil |
| South Delta | 60.44 | 63.19 | Nil |
| East TX-OK | 60.25 | 61.25 | 4072 |
| West Texas | 60.50 | 61.00 | 2535 |
| Desert SW | 59.94 | 66.94 | Nil |
| SJ Valley | 60.69 | 70.59 | 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 12/11/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|--------------|
| Dec-14 | 63.19 | 63.65 | 61.90 | 61.94 | -1.36 |
| Mar-15 | 61.40 | 62.03 | 60.08 | 60.34 | -1.19 |
| May-15 | 62.38 | 63.01 | 61.15 | 61.41 | -1.16 |
| Jul-15 | 63.25 | 63.88 | 62.15 | 62.33 | -1.12 |
| Oct-15 | 63.65 | 63.65 | 63.65 | 63.65 | -1.12 |
| Dec-15 | 65.70 | 66.17 | 64.7 | 64.81 | -1.12 |

Pakistan Cotton Spot rates: As on 12/11/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5050 | 150 | 5200 |
| Equivalent | 40 Kgs | 5412 | 160 | 5572 |

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