

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Friday.

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 and discussed with textile and commerce counterparts. 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:

Cotton Future for March delivery on Intercontinental Exchange (ICE) dropped 2.6% and settled at 58.75 US cents a pound in second half today, the lowest since September 2009. The increasing world cotton inventory is the major factor of this drastic price fall. According to USDA cotton ending stock would stand around 23.375 million tonnes this season which was 22.094 million tonnes in 2013-14 and 11.019 million tonnes in 2010-11.

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.

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	2.5	787	792	785	790	3388	1144	11625	340

Spread	Apr-15		
Spot	24	-	-

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

*updated on 14 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	100	15750	15900	15740	15860	557	238	1918	-51
Dec-14	120	15630	16020	15630	15770	1104	463	6000	82
Jan-15	80	15800	15870	15740	15850	302	42	1416	169
Feb-15	70	15920	15960	15870	15960	88	60	789	42
Mar-15	70	16040	16100	16000	16100	32	4	737	21
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Spot	--					
Nov-14		90				
Dec-14			-80			
Jan-15				-110		
Feb-15					-140	
Apr-15						--

*updated on 14 Nov 2014 at 5:00 pm

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		14-Nov-14	13-Nov-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4100	4075	25
Khandwa	Mech-1	NR	4100	-
Khargaon	Mech-1	NR	4100	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	4150	4150	Unch
Rajkot	B.T. Cotton	4090	4075	15
Patan	B.T. Cotton	4125	4180	-55
Deesa	B.T. Cotton	3925	3955	-30
Muktsar	B.T. Cotton	4125	4000	125
Fazilika	B.T. Cotton	3950	4015	-65
Bhiwani	B.T. Cotton	3980	4050	-70
Adampur	B.T. Cotton	3960	4010	-50
Fatehabad	B.T. Cotton	4000	4020	-20
Dabwali	B.T. Cotton	3955	3950	5
Jind	B.T. Cotton	4025	4250	-225
Uchana (Jind)	B.T. Cotton	4025	4000	25
Rawatsar (Hanumangarh)	B.T. Cotton	4040	3950	90
Hubli	B.T. Cotton	NA	4100	-
Hathras	B.T. Cotton(US)	3500	NA	-
	Kapas			
Ahmedabad	Shankar-6	4100	4100	Unch
Gondal	Shankar-6	4005	4080	-75
	Kapas			
Hathras	Desi	4500	NR	-
Bijapur	Bunny	4097	4123	-26
Hubli	D.C.H.	NA	4740	-
Raichur	H-44 Cotton	4000	4050	-50
Guntur	Un-Ginned	4050	4050	Unch
Kurnool	Un-Ginned	NA	4250	-
Krishna	Un-Ginned	4050	4050	Unch
East Godavari	Un-Ginned	4000	NA	-
	Lint	Rs./Maunder of 37.32kg each)		
Abohar	J-34	3385	3385	Unch
Muktsar	J-34	3385	3385	Unch
Fazilika	J-34	3350	3380	-30
Bhatinda	J-34	3390	3390	Unch
Mansa	J-34	3385	3390	-5
Sirsa	J-34	3290	3300	-10
Sri-Ganganagar	J-34	3083	3111	-28
Hanumangarh	B.T. Cotton	3925	3950	-25

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		14-Nov-14	13-Nov-14	
Amravati	Mech-1	350	325	25
Khandwa	Mech-1	NR	800	-
Khargane	Mech-1	NR	8000	-
Mahesana(Kadi)	B.T. Cotton	15000	20000	-5000
Rajkot	B.T. Cotton	2425	3650	-1225
Patan	B.T. Cotton	24775	21030	3745
Deesa	B.T. Cotton	560	525	35
Fazilika	B.T. Cotton	2000	1300	700
Muktsar	B.T. Cotton	510	510	Unch
Bhiwani	B.T. Cotton	3000	3000	Unch
Adampur	B.T. Cotton	1190	1020	170
Fatehabad	B.T. Cotton	1700	1600	100
Dabwali	B.T. Cotton	800	1500	-700
Jind	B.T. Cotton	544	680	-136
Uchana (Jind)	B.T. Cotton	2100	2150	-50
Rawatsar (Hanumangarh)	B.T. Cotton	1000	1000	Unch
Hubli	B.T. Cotton	NA	208	-
Hathras	B.T. Cotton(US)	100	NA	-
Ahmedabad	Shankar-6	34000	42500	-8500
Gondal	Shankar-6	2047	2238	-191
Hathras	Desi	250	NA	-
Bijapur	Bunny	1814	1151	663
Hubli	D.C.H.	NA	84	-
Raichur	H-44 Cotton	2837	3340	-503
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	8	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	2040	2040	Unch
Bhatinda	J-34	39100	37400	1700
Mansa	J-34	1190	850	340
Sirsa	J-34	2550	2210	340
Sri-Ganganagar	J-34	7650	6800	850
Hanumangarh	B.T. Cotton	2500	3000	-500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-Nov-14	12-Nov-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	33100	33800	-700
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	33700	34400	-700
J-34(202)	26mm	3.5 - 4.9	23	30800	30900	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	31900	31900	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	32500	32600	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33600	33700	-100
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 14/11/2014

Index	RMB/Ton	Change
CCIndex(328)	14786	-15
CCIndex(527)	13673	-16
CCIndex(229)	15310	-16

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

Cotlook Index: As on 13/11/2014

Cotlook Indices	Cents/Pound	Change
A-Index	67.40	-1.10

USDA Cotton Spot Rates: As on 13/11/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	58.73	61.48	Nil
North Delta	58.23	60.98	Nil
South Delta	58.23	60.98	Nil
East TX-OK	58.00	59.00	616
West Texas	58.25	58.75	640
Desert SW	57.73	64.73	Nil
SJ Valley	58.48	68.38	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 13/11/2014

Contract	Open	High	Low	Close	Change
Dec-14	61.94	62.53	59.51	59.73	-2.21
Mar-15	60.48	60.78	58.57	58.75	-1.59
May-15	61.53	61.68	59.60	59.82	-1.59
Jul-15	62.15	62.60	60.59	60.75	-1.58
Oct-15	62.19	62.19	62.19	62.19	-1.46
Dec-15	64.60	65.01	62.95	63.15	-1.66

Pakistan Cotton Spot rates: As on 13/11/2014 (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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