

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Saturday.

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	--	--	--	--	--	--	--	--	--

Spread	Apr-15		
Spot	--	-	-

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

*Market Closed

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Nov-14	--	--	--	--	--	--	--	--	--
Dec-14	--	--	--	--	--	--	--	--	--
Jan-15	--	--	--	--	--	--	--	--	--
Feb-15	--	--	--	--	--	--	--	--	--
Mar-15	--	--	--	--	--	--	--	--	--
Apr-15	--	--	--	--	--	--	--	--	--

Spread	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Spot	--					
Nov-14		--				
Dec-14			--			
Jan-15				--		
Feb-15					--	
Apr-15						--

*Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		15-Nov-14	14-Nov-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4100	4100	Unch
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	4175	4150	25
Rajkot	B.T. Cotton	NR	4090	-
Patan	B.T. Cotton	4110	4125	-15
Deesa	B.T. Cotton	3965	3925	40
Muktsar	B.T. Cotton	4100	4125	-25
Fazilika	B.T. Cotton	3950	3950	Unch
Bhiwani	B.T. Cotton	4000	3980	20
Adampur	B.T. Cotton	3950	3960	-10
Fatehabad	B.T. Cotton	NR	4000	-
Dabwali	B.T. Cotton	3965	3955	10
Jind	B.T. Cotton	4050	4025	25
Uchana (Jind)	B.T. Cotton	4000	4025	-25
Rawatsar (Hanumangarh)	B.T. Cotton	3950	4040	-90
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	3600	3500	100
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	4100	4100	Unch
Gondal	Shankar-6	NA	4005	-
	Kapas	(Rs/Qtl)		
Hathras	Desi	4500	4500	Unch
Bijapur	Bunny	NA	4097	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4000	-
Guntur	Un-Ginned	NA	4050	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	NA	4000	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	3395	3385	10
Muktsar	J-34	3390	3385	5
Fazilika	J-34	3375	3350	25
Bhatinda	J-34	3400	3390	10
Mansa	J-34	3390	3385	5

Sirsa	J-34	3305	3290	15
Sri-Ganganagar	J-34	3121	3083	38
Hanumangarh	B.T. Cotton	3950	3925	25

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		15-Nov-14	14-Nov-14	
Amravati	Mech-1	300	350	-50
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
Mahesana(Kadi)	B.T. Cotton	20000	15000	5000
Rajkot	B.T. Cotton	NA	2425	-
Patan	B.T. Cotton	25602	24775	827
Deesa	B.T. Cotton	1775	560	1215
Fazilika	B.T. Cotton	2000	2000	Unch
Muktsar	B.T. Cotton	425	510	-85
Bhiwani	B.T. Cotton	3000	3000	Unch
Adampur	B.T. Cotton	1020	1190	-170
Fatehabad	B.T. Cotton	NA	1700	-
Dabwali	B.T. Cotton	850	800	50
Jind	B.T. Cotton	842	544	298
Uchana (Jind)	B.T. Cotton	2000	2100	-100
Rawatsar (Hanumangarh)	B.T. Cotton	1000	1000	Unch
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	NA	100	-
Ahmedabad	Shankar-6	39100	34000	5100
Gondal	Shankar-6	NA	2047	-
Hathras	Desi	400	250	150
Bijapur	Bunny	NA	1814	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	2837	-
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	NA	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	2040	2040	Unch
Bhatinda	J-34	37400	39100	-1700
Mansa	J-34	1190	1190	Unch

Sirsa	J-34	1700	2550	-850
Sri-Ganganagar	J-34	5100	7650	-2550
Hanumangarh	B.T. Cotton	1000	2500	-1500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				14-Nov-14	13-Nov-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	33100	-400
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33700	-500
J-34(202)	26mm	3.5 - 4.9	23	30800	30800	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	31700	31900	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	32400	32500	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33400	33600	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34400	34600	-200
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 14/11/2014

Cotlook Indices	Cents/Pound	Change
A-Index	66.00	-1.40

USDA Cotton Spot Rates: As on 14/11/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	59.38	62.13	1212
North Delta	58.38	61.13	Nil
South Delta	58.38	61.13	Nil
East TX-OK	56.75	57.75	822
West Texas	57.25	57.75	840
Desert SW	57.13	64.13	Nil
SJ Valley	58.38	68.28	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 14/11/2014

Contract	Open	High	Low	Close	Change
Dec-14	59.76	60.37	59.60	59.80	0.07
Mar-15	58.75	59.7	58.75	59.63	0.88
May-15	59.82	60.71	59.81	60.66	0.84
Jul-15	60.75	61.61	60.75	61.58	0.83
Oct-15	63.02	63.02	63.02	63.02	0.83
Dec-15	63.42	64	63.3	63.98	0.83

Pakistan Cotton Spot rates: As on 14/11/2014 (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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