

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone on Tuesday.

**In The News:** The major cotton producing nations including India, China and Pakistan are worried about the crashing of cotton prices. Prices of cotton in these countries have fallen by around 25-30%. As the situation is hurting cotton growers, these countries have started taking steps to rescue the falling prices either by market intervention or by presenting subsidies to the farmers.

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.

### International Fundamentals:

China monthly cotton imports hits its five year low in October this year. The country has imported 81,900 tonnes of cotton in the October month, 42% lower when compared to same month last year. Also, for the first time, monthly import of the fiber fell below the level of 100,000 tonnes since October 2010. Besides the delayed harvest in major exporting nations including India and USA, the restriction on subsidized imports has lowered the import. China limits the low tariff import up to 2.3 million tonnes this year which was 4.2 million tonnes previous year.

According to the latest report released by USDA, as on November 16, 2014, 69% of cotton has been harvested as compared to 62% last week. The same was 66% last year and 74% as five year average.

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).

### 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	9.5	786	797	786	795	3425	37	12530	905

  

Spread	Apr-15		
Spot	25	-	-

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

\*Updated at 5:00 PM on 18-Nov.2014

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Nov-14	150	15840	16030	15840	15960	1220	663	1546	-372
Dec-14	110	15720	15840	15720	15800	1326	222	6009	9
Jan-15	110	15860	15960	15850	15920	441	139	1773	357
Feb-15	110	16050	16090	16030	16050	55	-33	819	30
Mar-15	120	16120	16280	16120	16210	92	60	777	40
Apr-15	--	--	--	--	--	--	--	--	--

  

Spread	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Spot	--					
Nov-14		160				
Dec-14			-120			
Jan-15				-130		
Feb-15					-160	
Apr-15						

\*Updated at 5: 00 PM on 18-Nov.2014

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		18-Nov-14	17-Nov-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	4075	4050	25
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
	<b>Kapas</b>			
Mahesana(Kadi)	B.T. Cotton	4150	4100	50
Rajkot	B.T. Cotton	4100	4140	-40
Patan	B.T. Cotton	4170	4175	-5
Deesa	B.T. Cotton	3950	3905	45
Muktsar	B.T. Cotton	4050	4100	-50
Fazilika	B.T. Cotton	4041	4025	16
Bhiwani	B.T. Cotton	4080	4050	30
Adampur	B.T. Cotton	3940	NR	-
Fatehabad	B.T. Cotton	3980	4000	-20
Dabwali	B.T. Cotton	3965	3980	-15
Jind	B.T. Cotton	4000	4050	-50
Uchana (Jind)	B.T. Cotton	4000	4020	-20
Rawatsar (Hanumangarh)	B.T. Cotton	3950	3950	Unch
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	3800	NR	-
	<b>Kapas</b>			
Ahmedabad	Shankar-6	4150	4100	50
Gondal	Shankar-6	4040	4080	-40
	<b>Kapas</b>			
Hathras	Desi	4500	NR	-
Bijapur	Bunny	4040	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4100	4100	Unch
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	4250	-
Krishna	Un-Ginned	NA	4050	-
East Godavari	Un-Ginned	4000	4000	Unch
	<b>Lint</b>	<b>Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	3405	3410	-5
Muktsar	J-34	3400	3400	Unch
Fazilika	J-34	3415	3410	5
Bhatinda	J-34	3400	3410	-10
Mansa	J-34	3400	3395	5
Sirsa	J-34	3310	3320	-10
Sri-Ganganagar	J-34	3130	3140	-9
Hanumangarh	B.T. Cotton	3950	3950	Unch

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		18-Nov-14	17-Nov-14	
Amravati	Mech-1	350	350	Unch
Khandwa	Mech-1	NR	NR	-
Khargaone	Mech-1	NR	NR	-
Mahesana(Kadi)	B.T. Cotton	20000	15000	5000
Rajkot	B.T. Cotton	2150	4111	-1961
Patan	B.T. Cotton	26010	26170	-160
Deesa	B.T. Cotton	1500	1000	500
Fazilika	B.T. Cotton	2000	2000	Unch
Muktsar	B.T. Cotton	510	510	Unch
Bhiwani	B.T. Cotton	4000	3500	500
Adampur	B.T. Cotton	1360	NA	-
Fatehabad	B.T. Cotton	2200	2000	200
Dabwali	B.T. Cotton	1800	1700	100
Jind	B.T. Cotton	102	850	-748
Uchana (Jind)	B.T. Cotton	2000	2100	-100
Rawatsar (Hanumangarh)	B.T. Cotton	1000	800	200
Hubli	B.T. Cotton	NA	NA	-
Hathras	B.T. Cotton(US)	100	100	Unch
Ahmedabad	Shankar-6	28900	17000	11900
Gondal	Shankar-6	2222	796	1426
Hathras	Desi	300	NR	-
Bijapur	Bunny	1132	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	2962	2280	682
Guntur	Un-Ginned	NA	NA	-
Kurnool	Un-Ginned	NA	9	-
Krishna	Un-Ginned	NA	NA	-
East Godavari	Un-Ginned	NA	NA	-
Abohar	J-34	1700	2040	-340
Bhatinda	J-34	38250	39100	-850
Mansa	J-34	1530	1360	170
Sirsa	J-34	2040	2040	Unch
Sri-Ganganagar	J-34	6800	6800	Unch
Hanumangarh	B.T. Cotton	1500	3000	-1500

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				17-Nov-14	15-Nov-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	32700	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33200	Unch
J-34(202)	26mm	3.5 - 4.9	23	30900	30900	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	31800	31700	100
Shankar-6(105)	29mm	3.5 – 4.9	28	32600	32500	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33600	33500	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34300	34200	100
DCH-32(107)	34mm	3.0 - 3.8	33	43000	43000	Unch

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 18/11/2014**

Index	RMB/Ton	Change
CCIndex(328)	14736	-37
CCIndex(527)	13659	-8
CCIndex(229)	15277	-22

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

**Cotlook Index: As on 17/11/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	66.60	0.60

**USDA Cotton Spot Rates: As on 17/11/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	61.60	58.85	NIL
North Delta	60.60	57.85	NIL
South Delta	60.60	57.85	NIL
East TX-OK	57.25	56.25	4612
West Texas	57.50	57.00	2782
Desert SW	63.60	56.60	NIL
SJ Valley	67.75	57.85	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 17/11/2014**

Contract	Open	High	Low	Close	Change
<b>Dec-14</b>	59.56	59.66	58.66	58.81	<b>-0.99</b>
<b>Mar-15</b>	59.5	59.51	58.91	59.1	<b>-0.53</b>
<b>May-15</b>	60.5	60.5	59.84	60.12	<b>-0.54</b>
<b>Jul-15</b>	61.18	61.26	60.72	61.05	<b>-0.53</b>
<b>Oct-15</b>	62.49	62.49	62.49	62.49	<b>-0.53</b>
<b>Dec-15</b>	63.64	63.7	63.32	63.45	<b>-0.53</b>

**Pakistan Cotton Spot rates: As on 17/11/2014 (in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	4950	150	5100
Equivalent	40 Kgs	5305	160	5465

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