

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mostly firm tone on Friday.

**In The News:** The Government of India has given the approval for Rs. 653 crores to the state government of Maharashtra to rescue the drought hit farmers in the state and to handle the other losses occurred. Around 19,069 villages out of 39,134 have been hit badly due to drought.

The Textile Minister, Shri Santosh Kumar Gangwar instructed Cotton Corporation of India (CCI) to closely supervise and control the cotton prices. He told CCI to set up additional procurement centers wherever required and to ensure the hassle free, direct payment to farmers' bank account as foreseen in Pradhan Mantri Jan Dhan Yojana. He also expressed the need of escalation in exports of cotton and exploration of new export destinations.

The revised duty drawback rates, announced by the Union Government have brought delight for textile exporters and stakeholder. Additional product categories have been included and the drawback caps have been increased for textile exports, said Cotton Textile Export Promotion. Separate rate have been fixed for cotton yarn above 50s count. The upward revision in the rates will boost the exports and promote the value addition.

Cotton consumption of India in marketing year (Oct 2013-sept 14) is estimated 6% higher at 291.28 lakh bales, which was 275.34 lakh bales last year, as revealed by data released by Ministry of Textile. The consumption has noticed a rise of 35% in year 2013-14 when compared to the year 2006-07, when the figure was 216.18 lakh bales. Cotton consumption in India is likely to rise to 305 lakh bales this year following the amplified demand from textile mills.

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.

### 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   | 3   | 802  | 810  | 798.5 | 805.5 | 5287   | 2545   | 12500 | -315   |

  

| Spread | Apr-15 |   |   |
|--------|--------|---|---|
| Spot   | 16.5   | - | - |

(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 21-Nov.2014

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

| Contract | +/- | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Nov-14   | 100 | 16040 | 16190 | 16040 | 16150 | 332    | 186    | 1220 | -257   |
| Dec-14   | 60  | 15910 | 16020 | 15910 | 15960 | 1389   | 750    | 6115 | 12     |
| Jan-15   | 80  | 15960 | 16070 | 15960 | 16040 | 566    | 312    | 2352 | 327    |
| Feb-15   | 70  | 16090 | 16170 | 16090 | 16120 | 207    | 135    | 1236 | 319    |
| Mar-15   | 60  | 16250 | 16430 | 16250 | 16300 | 274    | 174    | 1256 | 279    |
| Apr-15   | 40  | 16450 | 16450 | 16330 | 16430 | 15     | --     | 33   | --     |

| Spread | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 |
|--------|--------|--------|--------|--------|--------|--------|
| Spot   | --     |        |        |        |        |        |
| Nov-14 |        | 190    |        |        |        |        |
| Dec-14 |        |        | -80    |        |        |        |
| Jan-15 |        |        |        | -80    |        |        |
| Feb-15 |        |        |        |        | -180   |        |
| Apr-15 |        |        |        |        |        | -130   |

\*Updated at 5: 00 PM on 21-Nov.2014

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

| Centre                 | Variety         | Prices                            |           | Change |
|------------------------|-----------------|-----------------------------------|-----------|--------|
|                        |                 | 21-Nov-14                         | 20-Nov-14 |        |
|                        | <b>Kapas</b>    | <b>(Rs./Qtl)</b>                  |           |        |
| Amravati               | Mech-1          | 4100                              | 4050      | 50     |
| Khandwa                | Mech-1          | NR                                | NR        | -      |
| Khargaon               | Mech-1          | NR                                | NR        | -      |
|                        | <b>Kapas</b>    |                                   |           |        |
| Mahesana(Kadi)         | B.T. Cotton     | 4250                              | 4200      | 50     |
| Rajkot                 | B.T. Cotton     | 4110                              | 4100      | 10     |
| Patan                  | B.T. Cotton     | 4155                              | 4175      | -20    |
| Deesa                  | B.T. Cotton     | 3900                              | 3950      | -50    |
| Muktsar                | B.T. Cotton     | 4125                              | 4100      | 25     |
| Fazilika               | B.T. Cotton     | 4015                              | 4010      | 5      |
| Bhiwani                | B.T. Cotton     | 4000                              | 4000      | Unch   |
| Adampur                | B.T. Cotton     | 3960                              | 3950      | 10     |
| Fatehabad              | B.T. Cotton     | 4000                              | 3980      | 20     |
| Dabwali                | B.T. Cotton     | 3985                              | 3980      | 5      |
| Jind                   | B.T. Cotton     | 4105                              | 4020      | 85     |
| Uchana (Jind)          | B.T. Cotton     | 3850                              | 3900      | -50    |
| Rawatsar (Hanumangarh) | B.T. Cotton     | 3950                              | 3920      | 30     |
| Hubli                  | B.T. Cotton     | NA                                | NA        | -      |
| Hathras                | B.T. Cotton(US) | NR                                | 3800      | -      |
|                        | <b>Kapas</b>    |                                   |           |        |
| Ahmedabad              | Shankar-6       | 4125                              | 4150      | -25    |
| Gondal                 | Shankar-6       | 4180                              | 4155      | 25     |
|                        | <b>Kapas</b>    |                                   |           |        |
| Hathras                | Desi            | NR                                | 4800      | -      |
| Bijapur                | Bunny           | 4049                              | 4057      | -8     |
| Hubli                  | D.C.H.          | NA                                | NA        | -      |
| Raichur                | H-44 Cotton     | 4150                              | 4000      | 150    |
| Guntur                 | Un-Ginned       | NA                                | 4050      | -      |
| Kurnool                | Un-Ginned       | 4250                              | 4250      | Unch   |
| Krishna                | Un-Ginned       | 4050                              | NA        | -      |
| East Godavari          | Un-Ginned       | 4000                              | NA        | -      |
|                        | <b>Lint</b>     | <b>Rs./Maund of 37.32kg each)</b> |           |        |
| Abohar                 | J-34            | 3415                              | 3405      | 10     |
| Muktsar                | J-34            | 3420                              | 3405      | 15     |
| Fazilika               | J-34            | 3415                              | 3405      | 10     |
| Bhatinda               | J-34            | 3415                              | 3410      | 5      |
| Mansa                  | J-34            | 3410                              | 3400      | 10     |
| Sirsa                  | J-34            | 3330                              | 3320      | 10     |
| Sri-Ganganagar         | J-34            | 3102                              | 3111      | -9     |
| Hanumangarh            | B.T. Cotton     | 4020                              | 4000      | 20     |

**Cotton Arrivals in Key Centers:**

| Centre                 | Variety         | Arrivals (Qtl) |           | Change |
|------------------------|-----------------|----------------|-----------|--------|
|                        |                 | 21-Nov-14      | 20-Nov-14 |        |
| Amravati               | Mech-1          | 400            | 400       | Unch   |
| Khandwa                | Mech-1          | NR             | NR        | -      |
| Khargaone              | Mech-1          | NR             | NR        | -      |
|                        |                 |                |           |        |
| Mahesana(Kadi)         | B.T. Cotton     | 30000          | 20000     | 10000  |
| Rajkot                 | B.T. Cotton     | 4450           | 3475      | 975    |
| Patan                  | B.T. Cotton     | 22970          | 21026     | 1944   |
| Deesa                  | B.T. Cotton     | 1400           | 1475      | -75    |
| Fazilika               | B.T. Cotton     | 2000           | 2000      | Unch   |
| Muktsar                | B.T. Cotton     | 510            | 510       | Unch   |
| Bhiwani                | B.T. Cotton     | 3000           | 3000      | Unch   |
| Adampur                | B.T. Cotton     | 1360           | 1190      | 170    |
| Fatehabad              | B.T. Cotton     | 2500           | 2000      | 500    |
| Dabwali                | B.T. Cotton     | 2200           | 2300      | -100   |
| Jind                   | B.T. Cotton     | 680            | 510       | 170    |
| Uchana (Jind)          | B.T. Cotton     | 2520           | 2200      | 320    |
| Rawatsar (Hanumangarh) | B.T. Cotton     | 1000           | 800       | 200    |
| Hubli                  | B.T. Cotton     | NA             | NA        | -      |
| Hathras                | B.T. Cotton(US) | NA             | NA        | -      |
|                        |                 |                |           |        |
| Ahmedabad              | Shankar-6       | 51000          | 42500     | 8500   |
| Gondal                 | Shankar-6       | 2313           | 2123      | 190    |
|                        |                 |                |           |        |
| Hathras                | Desi            | NR             | 150       | -      |
| Bijapur                | Bunny           | 1263           | 1454      | -191   |
| Hubli                  | D.C.H.          | NA             | NA        | -      |
| Raichur                | H-44 Cotton     | 2137           | 2565      | -428   |
| Guntur                 | Un-Ginned       | NA             | NA        | -      |
| Kurnool                | Un-Ginned       | NA             | 8         | -      |
| Krishna                | Un-Ginned       | NA             | NA        | -      |
| East Godavari          | Un-Ginned       | NA             | NA        | -      |
|                        |                 |                |           |        |
| Abohar                 | J-34            | 1360           | 1360      | Unch   |
| Bhatinda               | J-34            | 42500          | 32300     | 10200  |
| Mansa                  | J-34            | 1530           | 1530      | Unch   |
| Sirsa                  | J-34            | 2550           | 2550      | Unch   |
| Sri-Ganganagar         | J-34            | 6800           | 6800      | Unch   |
| Hanumangarh            | B.T. Cotton     | 2000           | 1000      | 1000   |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple | Micronaire | Strength/<br>GPT | Rs. Per<br>Candy | Rs. Per<br>Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|--------|
|                                       |        |            |                  | 20-Nov-14        | 19-Nov-14        |        |
| Bengal Deshi (RG)/Assam Comilla (101) | <22mm  | 5.0 - 7.0  | 15               | 33200            | 32700            | 500    |
| Bengal Deshi (SG)(201)                | <22mm  | 5.0 - 7.0  | 15               | 33700            | 33200            | 500    |
| J-34(202)                             | 26mm   | 3.5 - 4.9  | 23               | 31100            | 31000            | 100    |
| H-4/ MECH-1(105)                      | 28mm   | 3.5 - 4.9  | 27               | 32100            | 32000            | 100    |
| Shankar-6(105)                        | 29mm   | 3.5 - 4.9  | 28               | 32900            | 32800            | 100    |
| Bunny/ Brahma(105)                    | 31mm   | 3.5 - 4.9  | 30               | 33800            | 33800            | Unch   |
| MCU-5/ Surabhi(106)                   | 32mm   | 3.3 - 4.9  | 31               | 34500            | 34500            | Unch   |
| DCH-32(107)                           | 34mm   | 3.0 - 3.8  | 33               | 43000            | 43000            | Unch   |

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 21/11/2014**

| Index        | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 14651   | -30    |
| CCIndex(527) | 13597   | -12    |
| CCIndex(229) | 15166   | -21    |

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

**Cotlook Index: As on 20/11/2014**

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 66.10       | -0.70  |

**USDA Cotton Spot Rates: As on 20/11/2014**

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | bales    |
| Southeast   | 58.86               | 61.61               | 1564     |
| North Delta | 57.86               | 60.61               | 264      |
| South Delta | 57.86               | 60.61               | 264      |
| East TX-OK  | 56.25               | 57.25               | 6076     |
| West Texas  | 57.00               | 57.50               | 6551     |
| Desert SW   | 56.36               | 63.36               | Nil      |
| SJ Valley   | 57.61               | 67.51               | 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 20/11/2014**

| Contract      | Open  | High  | Low   | Close | Change       |
|---------------|-------|-------|-------|-------|--------------|
| <b>Dec-14</b> | 58.90 | 59.98 | 57.84 | 58.54 | <b>-0.57</b> |
| <b>Mar-15</b> | 59.00 | 59.88 | 58.74 | 58.86 | <b>-0.24</b> |
| <b>May-15</b> | 59.95 | 60.75 | 59.65 | 59.81 | <b>-0.23</b> |
| <b>Jul-15</b> | 60.90 | 61.35 | 60.60 | 60.75 | <b>-0.24</b> |
| <b>Oct-15</b> | 62.20 | 62.20 | 62.20 | 62.20 | <b>-0.24</b> |
| <b>Dec-15</b> | 63.11 | 63.80 | 62.98 | 62.98 | <b>-0.39</b> |

**Pakistan Cotton Spot rates: As on 20/11/2014 (in Pakistan Rupees)**

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 4850         | 150              | 5000              |
| Equivalent | 40 Kgs    | 5198         | 160              | 5358              |

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