

Domestic Fundamentals:

- Cotton prices in domestic market noticed firm tone on Thursday.
- Prices ruled higher on lower arrival and strong demand from millers and exporter.
- Arrivals stood weak at 178000 bales on Thursday compared to 208000 bales on Tuesday.
- NCDEX has announced the launch of cotton seed contract today, which will come into the trading from tomorrow onwards.
- Rupee depreciation has moved the interest of exporter and millers towards the procurement of cotton. Indian exporters seek demand from overseas markets as global production is on lower side and weak domestic currency could boost the export demand.
- Farmers are under undue pressure due to quantitative restriction on cotton export imposed by government.
- **Weather** is favorable for the harvesting in most of the region, though fall in temperature could affect harvesting in north India.
- **Area** under the cotton cultivation, according to ministry of agriculture stood 114.67 lakh hectares this season (2013-14), compared to 117.29 lakh hectares last season.
- **Production** as per the Cotton Association of India (CAI) would be around 37.88 million bales (of 170 kg each)
- **Yield** of cotton though initially gained significantly, but it is likely to decline during the consequences in later stages.
- **Opening Stock** this season stood around 37 lakh bales compared to 40 lakh bales last season.
- **Consumption** would be around 294 lakh bales compared to 287 last season.
- **Export** according to USDA estimates, are likely to be around 96.05 lakh bales this season
- **Import** according to USDA estimates, is expected to be around 14.05 lakh bales this season.

International Fundamentals:

- China is getting its import contracts settled with India, and they are preferring to import Yarn over fiber due to high import duty.
- Turkey overtakes China to purchase US cotton, has bought 1.72 million bales (480 pound each) of US cotton compared with 1.42 million bales bought by Chinese buyers. The turkish buying surge by 40% in this year while, Chinese buying demand dwindle by 60% from last year.
- **World production**, according to the ICAC estimates, is likely to be around 25.64 million tones during this season (2013-14), whereas it was 26.88 million tones previous season.
- **Global cotton consumption** is expected to be around 23.77 million tones this season, compared to 23.34 million tones last season.
- **Ending stock** of cotton on global front would be around 20.32 million tones this season versus 18.44 million tones last season.

Outlook

We expect domestic market to notice firm tone in domestic market as demand is expected to be strong.

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

Contract	+/-	Open	High	Low	Close	Volume	Change
Feb-14	-21.5	918	918	918	918	1	0
Mar-14	-5.5	954.5	954.5	948	948	2	-4
Apr-14	-14.5	1015	1019	998.5	1000.50	14,235	-1

	Feb-14	Mar-14	
Spot	115		
Feb-14		30	
Mar-14			52

NB: Spread was done by taking avg spot prices at Rajkot – B.T. Cotton market.
Future

MCX Kapas Futures : (Prices in Rs/20kg)

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14									
Mar-14	-8	954	960.6	949.5	950.9	39	-12	237	8
Apr-14	-10.4	1017.4	1017.5	1002.5	1004.6	329	145	386	62

	Mar-14	Apr-14	
Spot	82.1		
Mar-14		53.7	
Apr-14			

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

MCX Cotton Futures Closed (29 mm Variety):

Contract	% Change	Open	High	Low	Close
31-Dec-13	-0.9	20000	20140	19740	19750
31-Jan-14	-0.99	20340	20450	20060	20070
27-Feb-14	-0.78	20720	20720	20380	20400
31-Mar-14	-0.48	20890	20940	20700	20700
30-Apr-14	-0.57	21430	21430	21060	21060
30-May-14	--	--	--	--	--

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		2-Jan-14	31-Dec-13	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4750	4700	50
Khandwa	Mech-1	4900	NR	-
Khargaon	Mech-1	4900	NR	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5200	5075	125
Rajkot	B.T. Cotton	5165	5130	35
Patan	B.T. Cotton	5125	5260	-135
Muktsar	B.T. Cotton	5300	5150	150
Fazilika	B.T. Cotton	5350	5300	50
Bhiwani	B.T. Cotton	5425	5400	25
Adampur	B.T. Cotton	5340	5200	140
Fatehabad	B.T. Cotton	5300	5375	-75
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	5125	5075	50
Gondal	Shankar-6	5015	5300	-285
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4310	4315	-5
Muktsar	J-34	4330	4310	20
Fazilika	J-34	4325	4320	5
Bhatinda	J-34	4375	4325	50
Mansa	J-34	4410	4400	10
Sirsa	J-34	4350	4325	25
Sri-Ganganagar	J-34	4113	4099	14

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		2-Jan-14	31-Dec-13	
Amravati	Mech-1	20000	20000	Unch
Khandwa	Mech-1	3500	NR	-
Khargaon	Mech-1	5000	NR	-
Mahesana(Kadi)	B.T. Cotton	45000	40000	5000
Rajkot	B.T. Cotton	2900	2950	-50
Patan	B.T. Cotton	4782	4785	-3
Muktsar	B.T. Cotton	425	340	85
Fazilika	B.T. Cotton	1800	1800	Unch
Bhiwani	B.T. Cotton	1500	1500	Unch
Adampur	B.T. Cotton	2500	1000	1500
Fatehabad	B.T. Cotton	1000	800	200
Ahmedabad	Shankar-6	110500	102000	8500
Gondal	Shankar-6	1162	500	662
Abohar	J-34	850	1020	-170
Bhatinda	J-34	26350	48450	-22100
Mansa	J-34	680	850	-170
Sirsa	J-34	510	1700	-1190
Sri-Ganganagar	J-34	3400	4250	-850

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				1-Jan-14	30-Dec-13	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38900	38900	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39600	39600	Unch
J-34(202)	26mm	3.5 - 4.9	23	40100	40200	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39200	39300	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	40200	40400	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40800	40800	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42000	42300	-300
DCH-32(107)	34mm	3.0 - 3.8	33	63500	64000	-500

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 2 Jan 2014

Index	RMB/Ton	Change
CCIndex(328)	19530	-4
CCIndex(527)	NQ	-
CCIndex(229)	20313	-6

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

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USDA Cotton Spot Rates: As on 31/12/2013

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	83.64	86.64	272
North Delta	82.64	85.14	Nil
South Delta	82.64	85.14	Nil
East TX-OK	80.00	82.25	2502
West Texas	80.00	82.50	24366
Desert SW	79.64	86.64	Nil
SJ Valley	80.39	91.04	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 31/12/2013

Contract	Open	High	Low	Close	Change
Mar-14	84.46	85.29	84.40	84.64	-0.02
May-14	83.97	84.83	83.97	84.40	0.22
Jul-14	83.62	84.39	83.62	83.98	0.06
Oct-14	79.75	79.75	79.75	79.75	0.23
Dec-14	78.00	78.70	78.00	78.43	0.41
Mar-15	78.87	78.96	78.87	78.96	0.44

Pakistan Cotton Spot rates: As on 1 Jan 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6950	155	7105
Equivalent	40 Kgs	7448	155	7603

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