

Domestic Fundamentals:

- Cotton market noticed firm tone in domestic market on Tuesday.
- Cotton prices noticed bullish tone amid strong demand from millers and exporters.
- Arrivals stood steady at 174000 bales on Tuesday compared to 183000 bales on Monday.
- Due to weak supplies, cotton future in India is likely to witness a rise this week. It has been reported that country is noticing demand from Pakistan and Bangladesh for raw cotton, China too is placing orders, but it is willing to buy yarn.
- Directorate General of Foreign Trade latest notification revealed that exporters are exempted from submitting documents in physical form for export of cotton, yarn and some other commodities whom online registration procedure has been prescribed for export. Earlier, physical form is mandatory to obtain the registration certificates (RCs). This is expected to simplify procedures for exporters.
- **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 35 lakh bales compared to 40 lakh bales last season.
- **Consumption** is expected to be around 297 lakh bales compared to 283.16 last season, according to CAB.
- **Export** according to CAB (Cotton Advisory Board) estimates, are likely to be around 90 lakh bales this season.
- **Import** according to CAB (Cotton Advisory Board) estimates, is expected to be around 17 lakh bales this season.

International Fundamentals:

- Cotton area is likely to decline next season on fall in acreage of china, as reported by ICAC.
- US sales of upland variety cotton totaled at 85,900 bales in the week ended on December 26,2013-USDA.
- China is getting its import contracts settled with India, and they prefer 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 prices to remain firm, as demand from millers and exporter are reported good.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	35	949	956.5	949	956.5	2	-3	10	0
Mar-14								1	0
Apr-14	11	1024	1037	1020	1034	18,515	-500	13289	161

	Feb-14	Mar-14	Apr-14
Spot	79.5		
Feb-14		--	
Mar-14			--

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

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14									
Mar-14	7.4	970	976.4	962.9	975	47	-14	251	13
Apr-14	10.2	1026	1036	1020	1033	517	43	494	26

	Mar-14	Apr-14
Spot	61	
Mar-14		58
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	+/-	Open	High	Low	Close
31-Jan-14	1.45	20070	20340	20010	20340
27-Feb-14	1.57	20400	20680	20340	20680
31-Mar-14	1.79	20750	21050	20650	21050
30-Apr-14	2.25	21010	21380	20990	21380
30-May-14	1.17	21540	21550	21540	21550
30-Jun-14	--	--	--	--	--

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		07-Jan-14	06-Jan-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4900	4750	150
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5200	5200	Unch
Rajkot	B.T. Cotton	5180	5090	90
Patan	B.T. Cotton	5200	5125	75
Muktsar	B.T. Cotton	5400	5300	100
Fazilika	B.T. Cotton	5515	NR	-
Bhiwani	B.T. Cotton	5500	5550	-50
Adampur	B.T. Cotton	5450	5400	50
Fatehabad	B.T. Cotton	5500	5450	50
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	5050	5000	50
Gondal	Shankar-6	NR	4985	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4500	4460	40
Muktsar	J-34	4500	4460	40
Fazilika	J-34	4520	NR	-
Bhatinda	J-34	4510	4470	40
Mansa	J-34	4500	4460	40
Sirsa	J-34	4410	4360	50
Sri-Ganganagar	J-34	4155	4136	19

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		07-Jan-14	06-Jan-14	
Amravati	Mech-1	25000	23000	2000
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
Mahesana(Kadi)	B.T. Cotton	30000	35000	-5000
Rajkot	B.T. Cotton	2750	2850	-100
Patan	B.T. Cotton	6055	5683	372
Muktsar	B.T. Cotton	425	425	Unch
Fazilika	B.T. Cotton	2000	NR	-
Bhiwani	B.T. Cotton	1000	600	400
Adampur	B.T. Cotton	1000	6500	-5500
Fatehabad	B.T. Cotton	700	800	-100
Ahmedabad	Shankar-6	102000	102000	Unch
Gondal	Shankar-6	NR	1066	-
Abohar	J-34	850	850	Unch
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	1020	1020	Unch
Sirsa	J-34	680	850	-170
Sri-Ganganagar	J-34	3400	3400	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				06-Jan-14	04-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39000	39200	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39400	39900	-500
J-34(202)	26mm	3.5 - 4.9	23	40900	40400	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39800	39400	400
Shankar-6(105)	29mm	3.5 - 4.9	28	40700	40400	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41400	41000	400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42400	42000	400
DCH-32(107)	34mm	3.0 - 3.8	33	64000	63500	500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 07/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19532	21
CCIndex(527)	NQ	NQ
CCIndex(229)	20309	9

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

Cotlook Index: As on 06/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	88.10	-1

USDA Cotton Spot Rates: As on 06/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	82.13	84.63	NIL
North Delta	81.13	83.63	NIL
South Delta	81.13	83.63	NIL
East TX-OK	79.5	81.75	1414
West Texas	79.5	82	7141
Desert SW	78.88	85.88	621
SJ Valley	79.63	90.28	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 06/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	82.93	83.80	82.66	83.63	0.69
May-14	82.91	83.74	82.70	83.61	0.68
Jul-14	82.81	83.65	82.66	83.48	0.56
Oct-14	79.56	79.56	79.56	79.56	0.48
Dec-14	77.7	78.56	77.46	78.56	0.4
Mar-15	79.31	79.31	79.31	79.31	0.4

Pakistan Cotton Spot rates: As on 06 Jan 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32kgs	7000	155	7155
Equivalent	40kgs	7502	155	7657

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