

## Domestic Fundamentals:

- Cotton market noticed weak tone in domestic market.
- Prices of cotton ruled lower amid higher arrivals of produce as weather improves.
- Arrivals stood higher at 170000 on Saturday, compared to 163000 on Friday.
- According to a report from Reuters, an export incentive for cotton yarn has been restored. Directorate general of foreign trade (DGFT) though gave no reason for the same. It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September. Secretary General of confederation of Indian textile industry (CITI) said that those who will export more than the previous year will be eligible for the 2 percent incremental export benefit.
- As per the report from Reuters, the position of India being the second largest exporter could get tumbled and it could become importer within three to four years. Reason for the same is the degraded yield which could force textile mills to compete with China, the largest producer of cotton.
- **Weather** has improved slightly in most of the cotton growing region, which has improved the arrivals.
- **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 37.60 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:

- Burkina Faso's (West Africa) cotton output surged by 14% to 7.1 lakh tonne in 2013-14.
- As per the reports, prices of cotton are being dictated by China import and stockpiling policy. Currently about 45 million bales of cotton is being stocked in China government reserves which is creating artificial shortage of cotton on global forefront. Cotton stakeholders are closely looking over the moves of China in order to determine the future of cotton. If China does not release the stocks, prices of cotton would move sharply and condition could reverse if it starts using its own inventory to fulfill its need of cotton. It should be noted that China has restrictive policy for imports.
- Australia is expected to lag on production of cotton at 4 million bales (227kgs), due to dry and hot weather.
- **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 sideways to weak in coming days as arrivals are about to pick the pace.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14							-5	12	1
Mar-14								2	0
Apr-14	-4.5	999	1001.5	992	996.5	8,286	-10,229	17279	-207

	Feb-14	Mar-14	Apr-14
Spot	--		
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	-0.40	938.80	943.80	938.20	941.50	5	-36	208	-1
Apr-14	-6.10	1001.50	1004.50	995.70	998.40	129	-271	445	2

	Mar-14	Apr-14
Spot	166.5	
Mar-14		56.9
Apr-14		

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

**MCX Cotton Futures Closed (29 mm Variety):**

Contract	Change%	Open	High	Low	Close
31-Jan-14	-60	20510	20520	20400	20480
27-Feb-14	-70.00	20790.00	20810.00	20660.00	20730.00
31-Mar-14	-70.00	21040.00	21070.00	20930.00	21000.00
30-Apr-14	-80.00	21300.00	21320.00	21150.00	21230.00
30-May-14	-80.00	21550.00	21550.00	21440.00	21510.00
30-Jun-14	-60.00	21700.00	21700.00	21700.00	21700.00

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		25-Jan-14	24-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	5000	5000	Unch
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5500	5550	-50
Rajkot	B.T. Cotton	5540	5565	-25
Patan	B.T. Cotton	5590	5555	35
Muktsar	B.T. Cotton	5500	5550	-50
Fazilika	B.T. Cotton	5670	5680	-10
Bhiwani	B.T. Cotton	5600	5640	-40
Adampur	B.T. Cotton	5400	5450	-50
Fatehabad	B.T. Cotton	5500	5585	-85
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	-	5455	-
<b>Lint</b>		<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4570	4580	-10
Muktsar	J-34	4570	4590	-20
Fazilika	J-34	4565	4590	-25
Bhatinda	J-34	4585	4590	-5
Mansa	J-34	4560	4575	-15
Sirsa	J-34	4470	4490	-20
Sri-Ganganagar	J-34	4230	4230	Unch
Hanumangarh	J-34	4500	4525	-25
Adilabad	>30mm	4780	4550	230
Warangal	>30mm	4508	4550	-42
Guntur	>30mm	4487	4524	-37
Bhainsa	>30mm	4497	4524	-27

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		25-Jan-14	24-Jan-14	
Amravati	Mech-1	28000	29000	-1000
Khandwa	Mech-1	NR	NR	-
Khargaon	Mech-1	NR	NR	-
Mahesana(Kadi)	B.T. Cotton	50000	40000	10000
Rajkot	B.T. Cotton	5250	4000	1250
Patan	B.T. Cotton	5700	6050	-350
Muktsar	B.T. Cotton	340	340	Unch
Fazilika	B.T. Cotton	1000	1000	Unch
Bhiwani	B.T. Cotton	500	600	-100
Adampur	B.T. Cotton	300	300	Unch
Fatehabad	B.T. Cotton	1300	600	700
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	-	1314	-
Abohar	J-34	850	850	Unch
Bhatinda	J-34	25500	15300	10200
Mansa	J-34	1360	1020	340
Sirsa	J-34	1360	850	510
Sri-Ganganagar	J-34	1700	1700	Unch
Hanumangarh	J-34	2200	2000	200

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-Jan-14	24-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	40400	40900	-500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	40900	41400	-500
J-34(202)	26mm	3.5 - 4.9	23	41600	42200	-600
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41700	41700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42600	42700	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42900	43100	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43900	44200	-300
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	Unch

## INTERNATIONAL PRICES AND INDICES

### China Cotton Index: As on 24/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19419	11
CCIndex(527)	NQ	NQ
CCIndex(229)	20276	15

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

### Cotlook Index: As on 24/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	93.75	-0.50

### USDA Cotton Spot Rates: As on 24/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	86.21	89.21	2464
North Delta	85.21	87.71	NIL
South Delta	85.21	87.71	NIL
East TX-OK	80.75	83	968
West Texas	80.75	82.75	5086
Desert SW	81.71	88.21	500
SJ Valley	82.46	93.11	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 24/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	87.29	88.19	86.49	87	Unch
May-14	87.42	88.28	86.75	87	Unch
Jul-14	87.25	88	86.61	87	Unch
Oct-14	80.8	80.8	80.8	80.8	-0.45
Dec-14	79.14	79.49	78.33	79	-1
Mar-15	80	80	78.93	79.05	-0.94

### Pakistan Cotton Spot rates: As on 23 Jan 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32kgs	7050	155	7205
Equivalent	40kgs	7555	155	7710

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