

Domestic Fundamentals:

- Cotton market noticed mixed tone in domestic market.
- Prices of cotton ruled sideways amid mixed sentiments prevailing in the market.
- According to a research in Germany, the calorie consumption and dietary quality has been increased among the small scale cotton growers in India, due to use of Genetically Modified (GM) crop, which gave them the higher yield and ultimately the better value of their produce.
- 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 It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September.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.
- **Weather** has improved in most of the cotton growing region, which is leading to harvesting and so 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 likely to increase.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	-12	902.5	924.5	902.5	913.5	2	2	12	0
Mar-14		0	945	945	945		0	2	0
Apr-14	-8.5	996	999	988	991.5	12,402	-1,959	17697	246

	Feb-14	Mar-14	Apr-14
Spot	195.5		
Feb-14		31.5	
Mar-14			46.5

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	-9.50	939.90	944.50	931.40	933.40	30	-7	208	2
Apr-14	-9.40	1000.00	1000.00	990.10	993.00	231	-89	414	21

	Mar-14	Apr-14
Spot	175.6	
Mar-14		59.6
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	0.54	20430	20650	20370	20590
27-Feb-14	0.53	20700	20910	20620	20840
31-Mar-14	0.57	20980	21170	20870	21120
30-Apr-14	0.42	21180	21380	21080	21320
30-May-14	0.33	21410	21650	21350	21580
30-Jun-14	0.69	21700	21890	21680	21850

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		28-Jan-14	27-Jan-14	
Kapas		(Rs/Qtl)		
Amravati	Mech-1	4900	5200	-300
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Kapas		(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5500	5500	Unch
Rajkot	B.T. Cotton	5545	5610	-65
Patan	B.T. Cotton	5500	5975	-475
Muktsar	B.T. Cotton	5450	5500	-50
Fazilika	B.T. Cotton	5430	5540	-110
Bhiwani	B.T. Cotton	5550	5580	-30
Adampur	B.T. Cotton	5330	5400	-70
Fatehabad	B.T. Cotton	5500	5500	Unch
Kapas		(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5505	5500	5
Lint		Rs./Maunder (of 37.32kg each)		
Abohar	J-34	4530	4540	-10
Muktsar	J-34	4530	4550	-20
Fazilika	J-34	4525	4490	35
Bhatinda	J-34	4540	4565	-25
Mansa	J-34	4520	4535	-15
Sirsa	J-34	4425	4450	-25
Sri-Ganganagar	J-34	4183	4230	-47
Hanumangarh	J-34	4470	4480	-10
Adilabad	>30mm	4498	4508	-10
Warangal	>30mm	4498	4508	-10
Guntur	>30mm	4482	4482	Unch
Bhainsa	>30mm	4482	4482	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)	Change
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		28-Jan-14	27-Jan-14	
Amravati	Mech-1	29500	27000	2500
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Mahesana(Kadi)	B.T. Cotton	65000	50000	15000
Rajkot	B.T. Cotton	2200	4425	-2225
Patan	B.T. Cotton	6540	5286	1254
Fazilika	B.T. Cotton	1300	1600	-300
Bhiwani	B.T. Cotton	600	300	300
Adampur	B.T. Cotton	850	850	Unch
Fatehabad	B.T. Cotton	1000	450	550
Ahmedabad	Shankar-6	93500	102000	-8500
Gondal	Shankar-6	1340	1353	-13
Abohar	J-34	1190	1020	170
Muktsar		510	510	Unch
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	2040	1870	170
Sirsa	J-34	1700	1700	Unch
Sri-Ganganagar	J-34	3400	3400	Unch
Hanumangarh	J-34	1500	1500	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				27-Jan-14	25-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40700	40400	300
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41400	40900	500
J-34(202)	26mm	3.5 - 4.9	23	41500	41700	-200
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	41900	41900	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	42700	42700	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43200	43000	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44000	43900	100
DCH-32(107)	34mm	3.0 - 3.8	33	64500	64300	200

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 28/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19429	3
CCIndex(527)	NQ	NQ
CCIndex(229)	20295	9

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

Cotlook Index: As on 27/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	93.75	Unch

USDA Cotton Spot Rates: As on 27/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	83.25	86.25	NIL
North Delta	82.25	84.75	NIL
South Delta	82.25	84.75	NIL
East TX-OK	79.25	81.50	2216
West Texas	79.25	81.25	2616
Desert SW	78.75	85.25	448
SJ Valley	79.50	90.15	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 27/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	87.00	87.16	83.66	84.25	-2.96
May-14	87.41	87.41	84.24	84.71	-2.78
Jul-14	87.14	87.14	84.40	84.76	-2.65
Oct-14	78.54	78.54	78.54	78.54	-2.26
Dec-14	78.58	78.58	76.55	76.67	-1.87
Mar-15	78.70	78.70	77.39	77.39	-1.66

Pakistan Cotton Spot rates: As on 27 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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