

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone in domestic market on Thursday. Prices of cotton ruled higher amid lagging arrivals and concerns of overseas demand. Arrivals stood higher at 196000 bales today compared to 199000 bales on Wednesday.

**In The News:** Cotton prices are likely to get a uptrend movement as export enquiry has been reported in the market and government is likely to take a call on allowing more export. Further demand has been noticed from Pakistan and Bangladesh for premium quality Indian cotton.

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 It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September.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	8.5	902	930	902	930	2	1	11	-1
Mar-14		0	0	0	0	0	0	2	0
Apr-14	1.5	995	1002	993	994	10,892	1,440	17941	660

	Feb-14	Mar-14	Apr-14
Spot	190		
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	4.30	940.00	943.00	935.60	937.00	18	4	207	0
Apr-14	1.90	1000.00	1004.00	995.00	996.50	340	136	416	-10

	Mar-14	Apr-14
Spot	183	
Mar-14		59.5
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	0.05	20610	20610	20410	20420
27-Feb-14	0.05	20750	20820	20650	20670
31-Mar-14	0.14	21040	21120	20930	20970
30-Apr-14	0.24	21270	21330	21160	21180
30-May-14	0.05	21500	21540	21430	21430
30-Jun-14	0.28	21760	21760	21760	21760

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

Centre	Variety	Prices		Change
		30-Jan-14	29-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	Closed	4925	-
Khandwa	Mech-1	Closed	-	-
Khargaon	Mech-1	Closed	-	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5500	5450	50
Rajkot	B.T. Cotton	5600	5600	Unch
Patan	B.T. Cotton	5410	5365	45
Muktsar	B.T. Cotton	5550	5500	50
Fazilika	B.T. Cotton	5470	5440	30
Bhiwani	B.T. Cotton	5570	5555	15
Adampur	B.T. Cotton	5420	5350	70
Fatehabad	B.T. Cotton	5500	5425	75
Jind	B.T. Cotton	5700	5427	273
Rawatsar (Hanumangarh)	B.T. Cotton	Closed	5325	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5500	5450	50
Gondal	Shankar-6	5465	5440	25
<b>Lint</b>		<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4550	4520	30
Muktsar	J-34	4540	4520	20
Fazilika	J-34	4520	4490	30
Bhatinda	J-34	4555	4535	20
Mansa	J-34	4535	4500	35
Sirsa	J-34	4450	4430	20
Sri-Ganganagar	J-34	4193	4183	10
Hanumangarh	B.T. Cotton	Closed	4450	-
Adilabad	>30mm	4498	4498	Unch
Warangal	>30mm	4498	4498	Unch
Guntur	>30mm	4482	4482	Unch
Bhainsa	>30mm	4482	4482	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		30-Jan-14	29-Jan-14	
Amravati	Mech-1	Closed	29500	-
Khandwa	Mech-1	Closed	-	-
Khargaon	Mech-1	Closed	-	-
Mahesana(Kadi)	B.T. Cotton	65000	70000	-5000
Rajkot	B.T. Cotton	6625	6500	125
Patan	B.T. Cotton	5968	6767	-799
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	800	600	200
Adampur	B.T. Cotton	1020	850	170
Fatehabad	B.T. Cotton	650	400	250
Jind	B.T. Cotton	4250	6800	-2550
Rawatsar (Hanumangarh)	B.T. Cotton	Closed	250	-
Ahmedabad	Shankar-6	93500	85000	8500
Gondal	Shankar-6	3000	1452	1548
Abohar	J-34	850	1190	-340
Muktsar	J-34	510	510	Unch
Bhatinda	J-34	30600	37400	-6800
Mansa	J-34	2040	170	1870
Sirsa	J-34	1700	1700	Unch
Sri-Ganganagar	J-34	5100	3400	1700
Hanumangarh	B.T. Cotton	Closed	1500	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				29-Jan-14	28-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40700	40700	Unch
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	41400	41400	Unch
J-34(202)	26mm	3.5 - 4.9	23	41600	41400	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41800	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43200	43200	Unch

MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44000	44000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64500	-500

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 30/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19442	6
CCIndex(527)	NQ	NQ
CCIndex(229)	20305	5

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

#### Cotlook Index: As on 29/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	91.05	Unch

#### USDA Cotton Spot Rates: As on 29/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.55	87.55	NIL
North Delta	83.55	86.05	NIL
South Delta	83.55	86.05	NIL
East TX-OK	80.50	82.75	1132
West Texas	80.50	82.50	5260
Desert SW	80.30	87.05	588
SJ Valley	81.05	91.70	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 29/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	84.37	86.61	84.00	85.55	+1.20
May-14	84.95	87.16	84.77	86.24	+1.39
Jul-14	85.00	87.18	84.91	86.30	+1.37
Oct-14	78.92	78.92	78.92	78.92	+0.18
Dec-14	76.90	77.02	76.53	76.82	-0.09
Mar-15	77.28	77.65	77.24	77.24	-0.27

#### Pakistan Cotton Spot rates: As on 29 Jan 2014 (in Pakistan Rupees)

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

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