

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone in domestic market on Friday. Prices of cotton ruled lower amid higher arrivals and concerns of record production. Arrivals stood higher at 209000 bales today compared to 196000 bales on Friday.

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 It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September.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	-9.5	912	912	912	912	1	-1	11	0
Mar-14		0	0	0	0	0	0	2	0
Apr-14	-11.5	995.5	995.5	981	983	10,740	-152	18478	537

	Feb-14	Mar-14	Apr-14
Spot	206		
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	-6.60	935.00	936.60	930.40	931.90	17	-1	209	2
Apr-14	-11.30	996.00	997.40	985.50	986.00	280	-60	466	50

	Mar-14	Apr-14
Spot	186.1	
Mar-14		54.1
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 ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		31-Jan-14	30-Jan-14	
Kapas		(Rs/Qtl)		
Amravati	Mech-1	4950	-	-
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Kapas		(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5500	5500	Unch
Rajkot	B.T. Cotton	5590	5600	-10
Patan	B.T. Cotton	5425	5410	15
Muktsar	B.T. Cotton	5500	5550	-50
Fazilika	B.T. Cotton	5517	5470	47
Bhiwani	B.T. Cotton	5600	5570	30
Adampur	B.T. Cotton	5470	5420	50
Fatehabad	B.T. Cotton	5550	5500	50
Jind	B.T. Cotton	5510	5500	10
Rawatsar (Hanumangarh)	B.T. Cotton	5325	-	-
Kapas		(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5465	5465	Unch
Lint		Rs./Maund (of 37.32kg each)		
Abohar	J-34	4570	4550	20
Muktsar	J-34	4585	4540	45
Fazilika	J-34	4600	4520	80
Bhatinda	J-34	4595	4555	40
Mansa	J-34	4575	4535	40
Sirsa	J-34	4480	4450	30
Sri-Ganganagar	J-34	4230	4193	37
Hanumangarh	B.T. Cotton	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
		31-Jan-14	30-Jan-14	
Amravati	Mech-1	30000	-	-
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Mahesana(Kadi)	B.T. Cotton	80000	65000	15000
Rajkot	B.T. Cotton	5450	6625	-1175
Patan	B.T. Cotton	6571	5968	603
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	600	800	-200
Adampur	B.T. Cotton	850	1020	-170
Fatehabad	B.T. Cotton	650	650	Unch
Jind	B.T. Cotton	5100	4250	850
Rawatsar (Hanumangarh)	B.T. Cotton	400	-	-
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	2000	3000	-1000
Abohar	J-34	850	850	Unch
Muktsar	J-34	340	510	-170
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	1530	2040	-510
Sirsa	J-34	2040	1700	340
Sri-Ganganagar	J-34	3400	5100	-1700
Hanumangarh	B.T. Cotton	1500	-	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				30-Jan-14	29-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	41200	40700	500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	41900	41400	500
J-34(202)	26mm	3.5 - 4.9	23	42100	41600	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42100	41800	300
Shankar-6(105)	29mm	3.5 - 4.9	28	42800	42500	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43200	300

MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44300	44000	300
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 30/Jan/2014

Index	RMB/Ton	Change
CCIndex(328)	19442	6
CCIndex(527)	17926	2
CCIndex(229)	20305	5

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

Cotlook Index: As on 30/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.25	1.2

USDA Cotton Spot Rates: As on 30/1/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	85.03	88.03	3020
North Delta	84.03	86.53	NIL
South Delta	84.03	86.53	NIL
East TX-OK	81.00	83.25	2992
West Texas	81.00	83.00	9824
Desert SW	80.78	87.53	1000
SJ Valley	81.53	92.18	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 30/1/2014

Contract	Open	High	Low	Close	Change
Mar-14	85.50	86.81	85.25	86.03	+0.48
May-14	86.23	87.67	86.03	86.87	+0.63
Jul-14	86.29	87.67	86.05	86.64	+0.34
Oct-14	78.98	78.98	78.98	78.98	+0.06
Dec-14	76.85	77.10	76.50	76.60	-0.22
Mar-15	77.24	77.24	77.10	77.10	-0.14

Pakistan Cotton Spot rates: As on 30 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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