

Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone in domestic market on Saturday. Prices of cotton ruled lower amid thin demand and concerns of record production. Arrivals stood lower at 198000 bales today compared to 209000 bales on Saturday.

**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 It should be noted that incentives from raw cotton and cotton yarn were withdrawn in September.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 demand is likely to be sluggish.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-14	0	0	912	912	912		-1	10	-1
Mar-14		0	945	945	945		0	2	0
Apr-14	-9	980.5	980.5	973.5	976.5	8,514	-2,226	18045	-433

	Feb-14	Mar-14	Apr-14
Spot	193		
Feb-14		33	
Mar-14			31.5

**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	-7.40	926.00	928.60	920.10	925.30	10	-7	214	5
Apr-14	-9.40	985.00	985.50	976.50	979.30	390	110	507	41

	Mar-14	Apr-14
Spot	179.7	
Mar-14		54
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
		1-Feb-14	31-Jan-14	
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Amravati	Mech-1	4950	4950	<b>Unch</b>
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5400	5500	<b>-100</b>
Rajkot	B.T. Cotton	5525	5590	<b>-65</b>
Patan	B.T. Cotton	5360	5425	<b>-65</b>
Muktsar	B.T. Cotton	5500	5500	<b>Unch</b>
Fazilika	B.T. Cotton	5525	5517	<b>8</b>
Bhiwani	B.T. Cotton	5580	5600	<b>-20</b>
Adampur	B.T. Cotton	5450	5470	<b>-20</b>
Fatehabad	B.T. Cotton	5490	5550	<b>-60</b>
Jind	B.T. Cotton	5500	5510	<b>-10</b>
Rawatsar (Hanumangarh)	B.T. Cotton	5300	5325	<b>-25</b>
<b>Kapas</b>		<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5450	5500	<b>-50</b>
Gondal	Shankar-6	5385	5465	<b>-80</b>
<b>Lint</b>		<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4580	4570	<b>10</b>
Muktsar	J-34	4600	4585	<b>15</b>
Fazilika	J-34	4560	4600	<b>-40</b>
Bhatinda	J-34	4580	4595	<b>-15</b>
Mansa	J-34	4570	4575	<b>-5</b>
Sirsa	J-34	4485	4480	<b>5</b>
Sri-Ganganagar	J-34	4230	4230	<b>Unch</b>
Hanumangarh	B.T. Cotton	4400	4450	<b>-50</b>
Adilabad	>30mm	4476	4498	<b>-22</b>
Warangal	>30mm	4477	4498	<b>-21</b>
Guntur	>30mm	4471	4482	<b>-11</b>
Bhainsa	>30mm	4445	4482	<b>-37</b>

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		1-Feb-14	31-Jan-14	
Amravati	Mech-1	30000	30000	Unch
Khandwa	Mech-1	-	-	-
Khargaon	Mech-1	-	-	-
Mahesana(Kadi)	B.T. Cotton	80000	80000	Unch
Rajkot	B.T. Cotton	4100	5450	-1350
Patan	B.T. Cotton	5500	6571	-1071
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	500	600	-100
Adampur	B.T. Cotton	170	850	-680
Fatehabad	B.T. Cotton	800	650	150
Jind	B.T. Cotton	2720	5100	-2380
Rawatsar (Hanumangarh)	B.T. Cotton	250	400	-150
Ahmedabad	Shankar-6	102000	93500	8500
Gondal	Shankar-6	995	2000	-1005
Abohar	J-34	850	850	Unch
Muktsar	J-34	340	340	Unch
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	1700	1530	170
Sirsa	J-34	2550	2040	510
Sri-Ganganagar	J-34	1700	3400	-1700
Hanumangarh	B.T. Cotton	2000	1500	500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				31-Jan-14	30-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40700	41200	-500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	41400	41900	-500
J-34(202)	26mm	3.5 - 4.9	23	42400	42100	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42000	42100	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42800	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43400	43500	-100

03<sup>rd</sup> February 2014

MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44100	44300	<b>-200</b>
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64000	<b>Unch</b>

**INTERNATIONAL PRICES AND INDICES****China Cotton Index: As on 30/Jan/2014**

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

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

**Cotlook Index: As on 31/1/2014**

Cotlook Indices	Cents/Pound	Change
A-Index	92.75	<b>0.5</b>

**USDA Cotton Spot Rates: As on 31/1/2014**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.83	87.83	<b>3037</b>
North Delta	83.83	86.33	<b>NIL</b>
South Delta	83.83	86.33	<b>NIL</b>
East TX-OK	81.00	83.25	<b>3055</b>
West Texas	81.00	83.00	<b>4768</b>
Desert SW	80.58	87.33	<b>602</b>
SJ Valley	81.33	91.98	<b>NIL</b>

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 31/1/2014**

Contract	Open	High	Low	Close	Change
<b>Mar-14</b>	86.03	86.55	85.70	85.83	<b>-0.20</b>
<b>May-14</b>	86.76	87.25	86.18	86.33	<b>-0.54</b>
<b>Jul-14</b>	86.31	86.92	85.70	85.94	<b>-0.70</b>
<b>Oct-14</b>	78.53	78.53	78.53	78.53	<b>-0.45</b>
<b>Dec-14</b>	76.53	76.79	76.30	76.40	<b>-0.20</b>
<b>Mar-15</b>	77.19	77.19	76.80	76.86	<b>-0.24</b>

**Pakistan Cotton Spot rates: As on 31 Jan 2014 (in Pakistan Rupees)**

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

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