

Domestic Fundamentals:

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

In The News: National Agriculture Cooperative Marketing Federation of India Ltd. (NAFED) has sold 10,000 bales of cotton last week in local market, and about 11500 bales of cotton is left at Adilabad, Guntur and Warangal warehouses.

India is looking for the duty free access to the markets of European Union for its Garments and Textiles. Textile Minister K.S. Rao said that India is already negotiating with Germany and UK for zero duty access. He also said that Ministry of Textile has discussed with Finance Ministry for an interest rate subvention of 3%-4% for textile exporters.

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.

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	0	0	0	0	-1	10	0
Mar-14		0	0	0	0	0	0	2	0
Apr-14	4	979	983	975	980.5	7,336	-1,178	18037	-8

	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	-1.80	929.00	930.00	923.50	923.50	7	-3	211	-3
Apr-14	4.70	983.00	986.00	978.00	984.00	392	2	497	-10

	Mar-14	Apr-14
Spot	186.5	
Mar-14		60.5
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
27-Feb-14	0.29	20580	20680	20550	20640
31-Mar-14	0.34	20890	20980	20860	20950
30-Apr-14	0.28	21160	21230	21110	21190
30-May-14	0.14	21440	21500	21400	21450
30-Jun-14	0.09	21740	21740	21740	21740

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		3-Feb-14	1-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	5000	4950	50
Khandwa	Mech-1	5300	-	-
Khargaon	Mech-1	5300	-	-
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5400	5400	Unch
Rajkot	B.T. Cotton	5550	5525	25
Patan	B.T. Cotton	5400	5360	40
Muktsar	B.T. Cotton	5500	5500	Unch
Fazilika	B.T. Cotton	5520	5525	-5
Bhiwani	B.T. Cotton	5600	5580	20
Adampur	B.T. Cotton	5460	5450	10
Fatehabad	B.T. Cotton	5525	5490	35
Jind	B.T. Cotton	5525	5500	25
Rawatsar (Hanumangarh)	B.T. Cotton	5350	5300	50
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5450	5450	Unch
Gondal	Shankar-6	5105	5385	-280
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4590	4580	10
Muktsar	J-34	4590	4600	-10
Fazilika	J-34	4590	4560	30
Bhatinda	J-34	4600	4580	20
Mansa	J-34	4580	4570	10
Sirsa	J-34	4490	4485	5
Sri-Ganganagar	J-34	4230	4230	Unch
Hanumangarh	B.T. Cotton	4520	4400	120
Adilabad	>30mm	4466	4476	-10
Warangal	>30mm	4472	4477	-5
Guntur	>30mm	4466	4471	-5
Bhainsa	>30mm	4456	4445	11

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		3-Feb-14	1-Feb-14	
Amravati	Mech-1	35000	30000	5000
Khandwa	Mech-1	6000	-	-
Khargaon	Mech-1	6000	-	-
Mahesana(Kadi)	B.T. Cotton	85000	80000	5000
Rajkot	B.T. Cotton	4100	4100	Unch
Patan	B.T. Cotton	5640	5500	140
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	600	500	100
Adampur	B.T. Cotton	1190	170	1020
Fatehabad	B.T. Cotton	650	800	-150
Jind	B.T. Cotton	5100	2720	2380
Rawatsar (Hanumangarh)	B.T. Cotton	450	250	200
Ahmedabad	Shankar-6	102000	102000	Unch
Gondal	Shankar-6	1323	995	328
Abohar	J-34	850	850	Unch
Muktsar	J-34	425	340	85
Bhatinda	J-34	34000	30600	3400
Mansa	J-34	1360	1700	-340
Sirsa	J-34	2550	2550	Unch
Sri-Ganganagar	J-34	5100	1700	3400
Hanumangarh	B.T. Cotton	500	2000	-1500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				1-Feb-14	31-Jan-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40200	40700	-500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	40900	41400	-500
J-34(202)	26mm	3.5 - 4.9	23	42300	41600	700
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41900	41800	100
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43300	43200	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43900	44000	-100

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 31/1/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.75	0.5

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	3037
North Delta	83.83	86.33	NIL
South Delta	83.83	86.33	NIL
East TX-OK	81.00	83.25	3055
West Texas	81.00	83.00	4768
Desert SW	80.58	87.33	602
SJ Valley	81.33	91.98	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 31/1/2014

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

Pakistan Cotton Spot rates: As on 1 Feb 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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2013 Indian Agribusiness Systems Pvt Ltd.