

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone in domestic market on Tuesday. Prices of cotton ruled lower amid thin demand and concerns of record production. Arrivals stood higher at 202000 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	-1	911	911	911	911	2	-1	10	0
Mar-14		0	0	0	0	0	0	2	0
Apr-14	5.5	983	987	977	986.5	6,903	-433	17678	-359

	Feb-14	Mar-14	Apr-14
Spot	194		
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	4.10	920.60	931.00	920.60	931.00	9	2	208	-3
Apr-14	4.70	983.50	989.80	980.50	989.00	162	-230	499	2

	Mar-14	Apr-14
Spot	174	
Mar-14		58
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	0.44	20650	20740	20570	20730
31-Mar-14	0.53	20940	21040	20880	21040
30-Apr-14	0.47	21170	21300	21140	21290
30-May-14	0.42	21430	21570	21420	21570
30-Jun-14	--	--	--	--	--

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		4-Feb-14	3-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4950	5000	-50
Khandwa	Mech-1	NR	5300	-
Khargaon	Mech-1	NR	5300	-
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5400	5400	Unch
Rajkot	B.T. Cotton	5525	5550	-25
Patan	B.T. Cotton	Closed	5400	-
Muktsar	B.T. Cotton	5500	5500	Unch
Fazilika	B.T. Cotton	5540	5520	20
Bhiwani	B.T. Cotton	5650	5600	50
Adampur	B.T. Cotton	5490	5460	30
Fatehabad	B.T. Cotton	5500	5525	-25
Jind	B.T. Cotton	5576	5525	51
Rawatsar	B.T. Cotton	Closed	5350	-
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5450	5450	Unch
Gondal	Shankar-6	5355	5105	250
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4610	4590	20
Muktsar	J-34	4625	4590	35
Fazilika	J-34	4610	4590	20
Bhatinda	J-34	4625	4600	25
Mansa	J-34	4600	4580	20
Sirsa	J-34	4500	4490	10
Sri-Ganganagar	J-34	4230	4230	Unch
Hanumangarh	B.T. Cotton	4530	4520	10
Adilabad	>30mm	4445	4466	-21
Warangal	>30mm	4451	4472	-21
Guntur	>30mm	4456	4466	-10
Bhainsa	>30mm	4435	4456	-21

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		4-Feb-14	3-Feb-14	
Amravati	Mech-1	33500	35000	-1500
Khandwa	Mech-1	NR	6000	-
Khargaon	Mech-1	NR	6000	-
Mahesana(Kadi)	B.T. Cotton	85000	85000	Unch
Rajkot	B.T. Cotton	3900	4100	-200
Patan	B.T. Cotton	NR	5640	-
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	500	600	-100
Adampur	B.T. Cotton	1020	1190	-170
Fatehabad	B.T. Cotton	1000	650	350
Jind	B.T. Cotton	5950	5100	850
Rawatsar	B.T. Cotton	NR	450	-
Ahmedabad	Shankar-6	93500	102000	-8500
Gondal	Shankar-6	967	1323	-356
Abohar	J-34	850	850	Unch
Muktsar	J-34	510	425	85
Bhatinda	J-34	30600	34000	-3400
Mansa	J-34	1360	1360	Unch
Sirsa	J-34	2720	2550	170
Sri-Ganganagar	J-34	1700	5100	-3400
Hanumangarh	B.T. Cotton	250	500	-250

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				3-Feb-14	1-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	40200	-300
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	40400	40900	-500
J-34(202)	26mm	3.5 - 4.9	23	42600	42300	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41900	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42400	42500	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43300	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43700	43900	-200
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 3/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.65	-0.10

USDA Cotton Spot Rates: As on 3/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.01	87.01	NIL
North Delta	83.01	85.51	NIL
South Delta	83.01	85.51	NIL
East TX-OK	80.25	82.50	841
West Texas	80.25	82.25	2367
Desert SW	79.76	86.51	NIL
SJ Valley	80.51	91.16	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 3/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	85.83	85.89	84.76	85.01	-0.82
May-14	86.28	86.45	85.34	85.57	-0.76
Jul-14	85.90	86.19	85.00	85.16	-0.78
Oct-14	78.12	78.12	78.12	78.12	-0.41
Dec-14	76.34	76.45	75.96	76.36	-0.04
Mar-15	76.70	76.94	76.70	76.91	+0.05

Pakistan Cotton Spot rates: As on 3 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

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