

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone in domestic market on Wednesday. Prices of cotton are ruling sideways due to weak demand and ample supply in the market. Arrivals stood lower at 195000 bales today compared to 202000 bales on Tuesday.

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	12	923	923	923	923	1	-1	10	0
Mar-14	-3	942	942	942	942	1	0	2	0
Apr-14	12.5	989.5	1000	984.5	998.5	12,306	5,403	17591	-87

	Feb-14	Mar-14	Apr-14
Spot	184		
Feb-14		19	
Mar-14			56.5

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	14.70	933.40	942.90	925.10	941.40	37	28	208	0
Apr-14	12.10	988.50	1001.10	987.00	1000.60	281	119	477	-22

	Mar-14	Apr-14
Spot	165.6	
Mar-14		59.2
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	0.82	20740	20920	20700	20900
31-Mar-14	0.81	21050	21230	21010	21200
30-Apr-14	0.8	21300	21490	21300	21460
30-May-14	0.98	21630	21750	21580	21710
30-Jun-14	0.74	21890	21900	21890	21900

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		5-Feb-14	4-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4925	4950	-25
Khandwa	Mech-1	Closed	Closed	-
Khargaon	Mech-1	Closed	Closed	-
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5400	5400	Unch
Rajkot	B.T. Cotton	5535	5525	10
Patan	B.T. Cotton	5430	-	-
Muktsar	B.T. Cotton	5400	5500	-100
Fazilika	B.T. Cotton	5540	5540	Unch
Bhiwani	B.T. Cotton	5650	5650	Unch
Adampur	B.T. Cotton	5510	5490	20
Fatehabad	B.T. Cotton	5500	5500	Unch
Jind	B.T. Cotton	5545	5576	-31
Rawatsar (Hanumangarh)	B.T. Cotton	Closed	Closed	-
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5450	50
Gondal	Shankar-6	5405	5355	50
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4630	4610	20
Muktsar	J-34	4630	4625	5
Fazilika	J-34	4625	4610	15
Bhatinda	J-34	4640	4625	15
Mansa	J-34	4620	4600	20
Sirsa	J-34	4520	4500	20
Sri-Ganganagar	J-34	Closed	4230	-
Hanumangarh	B.T. Cotton	Closed	4530	-
Adilabad	>30mm	4445	4445	Unch
Warangal	>30mm	4451	4451	Unch
Guntur	>30mm	4456	4456	Unch
Bhainsa	>30mm	4435	4435	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		5-Feb-14	4-Feb-14	
Amravati	Mech-1	32500	33500	-1000
Khandwa	Mech-1	Closed	Closed	-
Khargaon	Mech-1	Closed	Closed	-
Mahesana(Kadi)	B.T. Cotton	70000	85000	-15000
Rajkot	B.T. Cotton	4500	3900	600
Patan	B.T. Cotton	7800	-	-
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	800	500	300
Adampur	B.T. Cotton	850	1020	-170
Fatehabad	B.T. Cotton	600	1000	-400
Jind	B.T. Cotton	1360	5950	-4590
Rawatsar (Hanumangarh)	B.T. Cotton	Closed	Closed	-
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	1344	967	377
Abohar	J-34	850	850	Unch
Muktsar	J-34	340	510	-170
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	1020	1360	-340
Sirsa	J-34	2550	2720	-170
Sri-Ganganagar	J-34	Closed	1700	-
Hanumangarh	B.T. Cotton	Closed	250	-

Cotton Association of India Spot Rates:

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

Cotlook Indices	Cents/Pound	Change
A-Index	91.95	-0.7

USDA Cotton Spot Rates: As on 4/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.40	87.40	703
North Delta	83.40	85.90	NIL
South Delta	83.40	85.90	NIL
East TX-OK	80.50	82.75	1311
West Texas	80.50	82.50	2551
Desert SW	80.15	86.90	NIL
SJ Valley	80.90	91.55	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 4/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	85.10	86.30	85.10	85.40	+0.39
May-14	85.82	86.96	85.69	86.08	+0.51
Jul-14	85.35	86.61	85.28	85.61	+0.45
Oct-14	78.64	78.64	78.64	78.64	+0.52
Dec-14	76.45	76.98	76.42	76.96	+0.60
Mar-15	77.31	77.48	77.13	77.48	+0.57

Pakistan Cotton Spot rates: As on 4 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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