

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed mixed tone in domestic market on Thursday. Prices of cotton are ruling sideways due to weak demand and ample supply in the market. Arrivals stood higher at 197000 bales today compared to 195000 bales on Wednesday.

**In The News:** Outlook for cotton textile sector has been revised by India Ratings and Research (Ind-Ra) for FY15 from negative to Stable due to growing revenue and stable margins.

A Memorandum of Understanding has been signed by ICA (The International Cotton Association) and CAI (Cotton Association of India) in order to enhance the bilateral cotton trade and its related aspects. It should be noted that majority of laws and rules for overseas cotton trade are being issued by ICA, an arbitral body. The MOU between these two bodies is dedicated to dissemination of information and intelligence, training and development, exchange of delegation and resolving the members' issues.

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.

**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:

- USDA's CCC (Commodity Credit Corporation) has announced that it will implement a special quota for upland cotton. This step is taken by the department in order to stabilize the market, when the prevailing prices moves higher than the world market for a period of four weeks.
- **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	24	934.5	935	934.5	935	2	-1	10	0
Mar-14				0	0	0	0	3	1
Apr-14	7.5	1000	1007.5	996.5	1006	11,945	-361	17747	156

	Feb-14	Mar-14	Apr-14
Spot	168		
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	17.70	942.90	960.00	941.00	957.90	113	76	224	16
Apr-14	9.00	1001.00	1009.40	999.00	1009.00	332	51	462	-15

	Mar-14	Apr-14
Spot	145.1	
Mar-14		51.1
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
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 ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		6-Feb-14	5-Feb-14	
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Amravati	Mech-1	4900	4925	<b>-25</b>
Khandwa	Mech-1	5300	-	<b>-</b>
Khargaon	Mech-1	5300	-	<b>-</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5425	5400	<b>25</b>
Rajkot	B.T. Cotton	5515	5535	<b>-20</b>
Patan	B.T. Cotton	5500	5430	<b>70</b>
Muktsar	B.T. Cotton	5500	5400	<b>100</b>
Fazilika	B.T. Cotton	5550	5540	<b>10</b>
Bhiwani	B.T. Cotton	5700	5650	<b>50</b>
Adampur	B.T. Cotton	5520	5510	<b>10</b>
Fatehabad	B.T. Cotton	5550	5500	<b>50</b>
Jind	B.T. Cotton	5578	5545	<b>33</b>
Rawatsar	B.T. Cotton	5350	-	<b>-</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5500	5500	<b>Unch</b>
Gondal	Shankar-6	5465	5405	<b>60</b>
	<b>Lint</b>	<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4650	4630	<b>20</b>
Muktsar	J-34	4650	4630	<b>20</b>
Fazilika	J-34	4650	4625	<b>25</b>
Bhatinda	J-34	4665	4640	<b>25</b>
Mansa	J-34	4630	4620	<b>10</b>
Sirsa	J-34	4550	4520	<b>30</b>
Sri-Ganganagar	J-34	4301	-	<b>-</b>
Hanumangarh	B.T. Cotton	4590	-	<b>-</b>
Adilabad	>30mm	4445	4445	<b>Unch</b>
Warangal	>30mm	4451	4451	<b>Unch</b>
Guntur	>30mm	4456	4456	<b>Unch</b>
Bhainsa	>30mm	4435	4435	<b>Unch</b>

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		6-Feb-14	5-Feb-14	
Amravati	Mech-1	32500	32500	Unch
Khandwa	Mech-1	5000	-	-
Khargaon	Mech-1	5000	-	-
Mahesana(Kadi)	B.T. Cotton	80000	70000	10000
Rajkot	B.T. Cotton	4600	4500	100
Patan	B.T. Cotton	6840	7800	-960
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	600	800	-200
Adampur	B.T. Cotton	680	850	-170
Fatehabad	B.T. Cotton	600	600	Unch
Jind	B.T. Cotton	6800	1360	5440
Rawatsar	B.T. Cotton	150	-	-
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	1389	1344	45
Abohar	J-34	850	850	Unch
Muktsar	J-34	340	340	Unch
Bhatinda	J-34	28900	30600	-1700
Mansa	J-34	1190	1020	170
Sirsa	J-34	1700	2550	-850
Sri-Ganganagar	J-34	2550	-	-
Hanumangarh	B.T. Cotton	2000	-	-

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				5-Feb-14	4-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39400	39900	-500
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	39900	40400	-500
J-34(202)	26mm	3.5 - 4.9	23	42800	42600	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42000	41800	200
Shankar-6(105)	29mm	3.5 - 4.9	28	42600	42400	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43300	43100	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43900	43700	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 5/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.30	0.35

### USDA Cotton Spot Rates: As on 5/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.52	87.52	1617
North Delta	83.52	86.02	2318
South Delta	83.52	86.02	NIL
East TX-OK	80.75	83.00	1548
West Texas	80.75	82.75	3649
Desert SW	80.27	87.02	1850
SJ Valley	80.02	91.67	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 5/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	85.20	85.72	85.10	85.52	+0.12
May-14	86.10	86.38	85.80	86.08	Unch
Jul-14	85.66	85.86	85.47	85.64	+0.03
Oct-14	78.65	78.65	78.65	78.65	+0.01
Dec-14	76.88	76.97	76.67	76.94	-0.02
Mar-15	77.43	77.50	77.43	77.48	Unch

### 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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