

## Domestic Fundamentals:

**Market Outlook:** Cotton market noticed weak tone in domestic market on Monday. Prices of cotton are ruling sideways due to weak demand and ample supply in the market. Arrivals stood higher at 218000 bales today compared to 196000 bales on Saturday.

**In The News:** Union Agriculture Minister Sharad Pawar said that we are no more dependent on cotton and wheat imports, in fact we have earned the foreign exchange of Rs.2.32 lakh crore by exporting these two commodities to foreign countries.

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.

**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	2	935	937	935	937	4	-1	9	9
Mar-14				0	0	0	0	2	0
Apr-14	-10.5	994	994	982	987	12,284	5,776	17517	289

	Feb-14	Mar-14	Apr-14
Spot	164		
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	-7.80	949.00	951.60	940.00	945.00	67	53	256	35
Apr-14	-9.70	996.00	1000.00	986.00	990.30	402	196	519	22

	Mar-14	Apr-14
Spot	156	
Mar-14		45.3
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	-0.48	20960	20970	20800	20870
31-Mar-14	-0.47	21250	21300	21120	21200
30-Apr-14	-0.37	21540	21570	21420	21490
30-May-14	-0.46	21830	21850	21730	21810
30-Jun-14	-0.32	22120	22130	22120	22130

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Market:**

Centre	Variety	Prices		Change
		10-Feb-14	8-Feb-14	
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Amravati	Mech-1	5000	4975	25
Khandwa	Mech-1	5250	-	-
Khargaon	Mech-1	5250	-	-
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Mahesana(Kadi)	B.T. Cotton	5500	5550	-50
Rajkot	B.T. Cotton	5505	5560	-55
Patan	B.T. Cotton	5485	5525	-40
Muktsar	B.T. Cotton	5500	5500	Unch
Fazilika	B.T. Cotton	5528	5640	-112
Bhiwani	B.T. Cotton	5600	5700	-100
Adampur	B.T. Cotton	5475	5550	-75
Fatehabad	B.T. Cotton	5525	5600	-75
Jind	B.T. Cotton	5550	5630	-80
Rawatsar (Hanumangarh)	B.T. Cotton	5400	5500	-100
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5440	5475	-35
	<b>Lint</b>	<b>Rs./Maund (of 37.32kg each)</b>		
Abohar	J-34	4660	4680	-20
Muktsar	J-34	4665	4690	-25
Fazilika	J-34	4660	4675	-15
Bhatinda	J-34	4660	4710	-50
Mansa	J-34	4650	4680	-30
Sirsa	J-34	4530	4575	-45
Sri-Ganganagar	J-34	4287	4324	-37
Hanumangarh	B.T. Cotton	4600	4650	-50
Adilabad	>30mm	4482	4498	-16
Warangal	>30mm	4493	4508	-15
Guntur	>30mm	4461	4471	-10
Bhainsa	>30mm	4498	4498	Unch

**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		10-Feb-14	8-Feb-14	
Amravati	Mech-1	33500	33000	500
Khandwa	Mech-1	3000	-	-
Khargaon	Mech-1	10000	-	-
Mahesana(Kadi)	B.T. Cotton	90000	90000	Unch
Rajkot	B.T. Cotton	3800	3800	Unch
Patan	B.T. Cotton	6445	6353	92
Fazilika	B.T. Cotton	1500	1100	400
Bhiwani	B.T. Cotton	500	1500	-1000
Adampur	B.T. Cotton	850	1020	-170
Fatehabad	B.T. Cotton	800	1000	-200
Jind	B.T. Cotton	5100	6800	-1700
Rawatsar (Hanumangarh)	B.T. Cotton	300	150	150
Ahmedabad	Shankar-6	93500	93500	Unch
Gondal	Shankar-6	1843	1850	-7
Abohar	J-34	1020	680	340
Muktsar	J-34	340	255	85
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	1020	510	510
Sirsa	J-34	1700	1700	Unch
Sri-Ganganagar	J-34	4250	3400	850
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
				9-Feb-14	8-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	39700	200
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	40400	40200	200
J-34(202)	26mm	3.5 - 4.9	23	43200	43200	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42500	42400	100
Shankar-6(105)	29mm	3.5 - 4.9	28	43200	43100	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43900	43800	100


11<sup>th</sup> February 2014

MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44500	44400	100
DCH-32(107)	34mm	3.0 - 3.8	33	64300	64200	100

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 10/Feb/2014

Index	RMB/Ton	Change
CCIndex(328)	19450	6
CCIndex(527)	17928	3
CCIndex(229)	20321	12

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

#### Cotlook Index: As on 7/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	93.05	0.75

#### USDA Cotton Spot Rates: As on 7/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	86.47	89.47	1913
North Delta	85.72	88.22	481
South Delta	85.72	88.22	919
East TX-OK	82	84.25	1871
West Texas	82	84	4838
Desert SW	82.22	88.97	Unch
SJ Valley	82.97	93.62	Unch

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 72/2014

Contract	Open	High	Low	Close	Change
Mar-14	86.05	88.05	85.84	87.47	1.16
May-14	86.79	88.5	86.48	87.85	0.93
Jul-14	86.27	88	86	87	0.64
Oct-14	79.88	80	80	79.88	0.67
Dec-14	77.05	78	77	77.94	0.71
Mar-15	78.40	78.52	78.39	78.47	0.76

#### Pakistan Cotton Spot rates: As on 8 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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