

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone in domestic market on Tuesday. Prices of cotton are ruling sideways due to weak demand and ample supply in the market.

In The News: Traders from Pakistan are buying cotton particularly from Maharashtra, followed by Gujarat and Andhra Pradesh at fairly good prices. Sourcing cotton from India is being proved price competitive for Pakistan due to the superior quality of produce and lesser transportation expenses due to proximity. It is believed that China will soon lag in the Garment and Textile sector due to higher cost associated with the industry, which will create a void, and that has to be filled by other Asian nations including Pakistan. Though Shiv Sena is protesting against these kinds of trades between India and Pakistan, the farmers and traders are willing to maintain bilateral trade relations.

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.

A Memorandum of Understanding (MOU) 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.

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	0	0	0	0	0	0	-4	12	3
Mar-14	0	0	0	0	0	0	0	2	0
Apr-14	-17	984	984	968.5	970.5	16361	4077	18092	575

	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	-10.70	940.50	940.50	932.00	932.00	19.00	-48.00	252.00	-4.00
Apr-14	-15.40	989.50	989.50	974.50	974.80	618.00	216.00	592.00	73.00

	Mar-14	Apr-14
Spot	169	
Mar-14		42.8
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	-1.25	20830	20850	20600	20610
31-Mar-14	-1.41	21180	21180	20900	20910
30-Apr-14	-1.3	21450	21450	21200	21210
30-May-14	-1.19	21740	21740	21520	21520
30-Jun-14	-1.13	22030	22030	21870	21870

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		11-Feb-14	10-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4975	5000	-25
Khandwa	Mech-1	5300	5250	50
Khargaon	Mech-1	5300	5250	50
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5450	5500	-50
Rajkot	B.T. Cotton	5525	5505	20
Patan	B.T. Cotton	5435	5485	-50
Muktsar	B.T. Cotton	5500	5500	Unch
Fazilika	B.T. Cotton	5525	5528	-3
Bhiwani	B.T. Cotton	5600	5600	Unch
Adampur	B.T. Cotton	5465	5475	-10
Fatehabad	B.T. Cotton	5515	5525	-10
Jind	B.T. Cotton	5517	5550	-33
Rawatsar (Hanumangarh)	B.T. Cotton	5370	5400	-30
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5500	5500	Unch
Gondal	Shankar-6	5440	5440	Unch
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4635	4660	-25
Muktsar	J-34	4640	4665	-25
Fazilika	J-34	4650	4660	-10
Bhatinda	J-34	4655	4660	-5
Mansa	J-34	4620	4650	-30
Sirsa	J-34	4510	4530	-20
Sri-Ganganagar	J-34	4277	4287	-10
Hanumangarh	B.T. Cotton	4535	4600	-65
Adilabad	>30mm	-	4482	-
Warangal	>30mm	-	4493	-
Guntur	>30mm	-	4461	-
Bhainsa	>30mm	-	4498	-

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		11-Feb-14	10-Feb-14	
Amravati	Mech-1	34500	33500	1000
Khandwa	Mech-1	2500	3000	-500
Khargaon	Mech-1	8000	10000	-2000
Mahesana(Kadi)	B.T. Cotton	80000	90000	-10000
Rajkot	B.T. Cotton	4100	3800	300
Patan	B.T. Cotton	7040	6445	595
Fazilika	B.T. Cotton	1500	1500	Unch
Bhiwani	B.T. Cotton	600	500	100
Adampur	B.T. Cotton	1020	850	170
Fatehabad	B.T. Cotton	800	800	Unch
Jind	B.T. Cotton	5100	5100	Unch
Rawatsar (Hanumangarh)	B.T. Cotton	300	300	Unch
Ahmedabad	Shankar-6	98600	93500	5100
Gondal	Shankar-6	1210	1843	-633
Abohar	J-34	850	1020	-170
Muktsar	J-34	425	340	85
Bhatinda	J-34	30600	30600	Unch
Mansa	J-34	850	1020	-170
Sirsa	J-34	2550	1700	850
Sri-Ganganagar	J-34	5100	4250	850
Hanumangarh	B.T. Cotton	1500	2000	-500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				10-Feb-14	9-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	42800	43200	-400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42000	42500	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	42800	43200	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43900	-400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44400	44500	-100
DCH-32(107)	34mm	3.0 - 3.8	33	64000	64300	-300

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 11/Feb/2014

Index	RMB/Ton	Change
CCIndex(328)	19449	-1
CCIndex(527)	17937	9
CCIndex(229)	20319	-2

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

Cotlook Index: As on 10/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	94.15	1.10

USDA Cotton Spot Rates: As on 10/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	86.37	89.37	469
North Delta	85.62	88.12	Unch
South Delta	85.62	88.12	Unch
East TX-OK	82.00	84.25	7662
West Texas	82.00	84.00	11055
Desert SW	82.12	88.87	Unch
SJ Valley	82.87	93.52	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 10/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	87.54	88.84	87.04	87.37	-0.10
May-14	88.03	89.25	87.48	87.90	+0.05
Jul-14	87.27	88.52	86.89	87.18	+0.07
Oct-14	80.00	80.00	80.00	80.00	+0.12
Dec-14	77.89	77.93	77.35	77.82	-0.12
Mar-15	78.40	78.40	78.18	78.36	-0.11

Pakistan Cotton Spot rates: As on 10 Feb 2014 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32kgs	6900	155	7055
Equivalent	40kgs	7395	155	7550

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