

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to mixed tone in domestic market on Saturday. Prices of cotton moving range bound amid indecision prevailing in the market. Arrival stood lower at 191000 bales today compared to 196000 bales on Friday.

In The News: India has imported 2 million bales of cotton (of 170 kgs each) till now during the current season (Oct'13-Sep'14), though total imports expected for this season was 1.2 million, as targeted by Cotton Advisory Board (CAB). Mills, particularly from southern India are finding it competitive to source cotton from overseas than from domestic market as the transportation expenses are very high when they buy the produce any of the western region of the country. Availability of 90-180 days credit facility also persuading millers to buy from other nation. It should be noted that most of the supplies are coming from African regions.

India has become one of the top GM crop growers all around world. Plantation of BT cotton, the only approved GM crop for cultivation in India, has made nation the fourth largest genetically modified crop grower in the world. It should be noted that area under cultivation BT cotton stood 11 million hectares, whereas total area under cotton cultivation this season stood 11.4 million hectares, according to Ministry of Agriculture. Currently USA has largest area under GM crops followed by Brazil, Argentina and India.

India is noticing demand for cotton from overseas markets majorly from China due to its superior quality. Corser cotton particularly is in demand.

Weather has improved in most of the cotton growing region, leading to harvesting and so the 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 estimates of Department of Agriculture and cooperation (DAC) would be around 353 lakh bales (of 170 kg each), compared to 340 lakh bales last year.

Yield of cotton though initially gained significantly, but it is likely to decline during the consequences in later stages.

Export according to USDA estimates, are likely to be around 96.05 lakh bales this season (2013-14), versus 101.43 last season.

Import as per the USDA estimates, would be around 14.05 lakh bales this season, compared to 14.59 lakh bales previous season.

International Fundamentals:

- World cotton export would be on lower side as China is about to offload the existing inventories and not intended to import; besides it has restricted the import by imposing import quotas.
- **World production**, according to the USDA february'14 estimates, is likely to be around 25.402 million tones during this season (2013-14), whereas it was 26.796 million tones previous season.

Outlook

We expect domestic prices to remain sideways to weak, as demand is expected to be sluggish.

NCDEX Kapas Futures : (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|-------|--------|
| Feb-14 | 0 | 901 | 910 | 901 | 910 | 1 | 0 | 11 | 0 |
| Mar-14 | | 944.5 | 944.5 | 915 | 922.5 | 12 | 12 | 4 | 1 |
| Apr-14 | 1.5 | 960 | 963 | 955.5 | 961 | 4264 | -5558 | 18312 | 468 |

| | Feb-14 | Mar-14 | Apr-14 |
|--------|--------|--------|--------|
| Spot | 165 | | |
| Feb-14 | | 12.5 | |
| Mar-14 | | | 38.5 |

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 | 2.50 | 921.50 | 925.00 | 921.50 | 923.30 | 2.00 | -3.00 | 243.00 | -2.00 |
| Apr-14 | 1.70 | 968.00 | 968.00 | 957.50 | 961.90 | 131.00 | -349.00 | 711.00 | -5.00 |

| | Mar-14 | Apr-14 |
|--------|--------|--------|
| Spot | 151.7 | |
| Mar-14 | | 38.6 |
| 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 | 0.05 | 20710 | 20790 | 20650 | 20730 |
| 31-Mar-14 | 0.19 | 20990 | 21090 | 20930 | 21040 |
| 30-Apr-14 | 0.09 | 21270 | 21360 | 21230 | 21310 |
| 30-May-14 | 0.09 | 21550 | 21650 | 21550 | 21600 |
| 30-Jun-14 | 0.09 | 21910 | 21910 | 21900 | 21900 |
| 31-Jul-14 | -- | -- | -- | -- | -- |

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|-----------|--------|
| | | 22-Feb-14 | 21-Feb-14 | |
| | Kapas | (Rs/Qtl) | | |
| Amravati | Mech-1 | 4900 | 4900 | Unch |
| Khandwa | Mech-1 | Closed | 5250 | - |
| Khargaon | Mech-1 | Closed | 5250 | - |
| | Kapas | (Rs/Qtl) | | |
| Mahesana(Kadi) | B.T. Cotton | 5500 | 5500 | Unch |
| Rajkot | B.T. Cotton | 5375 | 5425 | -50 |
| Patan | B.T. Cotton | 5380 | 5355 | 25 |
| Deesa | B.T. Cotton | 5200 | 5255 | -55 |
| Muktsar | B.T. Cotton | 5400 | 5400 | Unch |
| Fazilika | B.T. Cotton | 5505 | 5490 | 15 |
| Bhiwani | B.T. Cotton | 5630 | 5625 | 5 |
| Adampur | B.T. Cotton | 5435 | 5430 | 5 |
| Fatehabad | B.T. Cotton | 5500 | 5450 | 50 |
| Jind | B.T. Cotton | 5550 | 5515 | 35 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 5300 | 5400 | -100 |
| Hubli | B.T. Cotton | - | - | - |
| | Kapas | (Rs/Qtl) | | |
| Ahmedabad | Shankar-6 | 5450 | 5450 | Unch |
| Gondal | Shankar-6 | 5365 | 5370 | -5 |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | - | 5261 | - |
| Hubli | D.C.H. | - | - | - |
| Raichur | H-44 Cotton | - | 5115 | - |
| | Lint | Rs./Maund (of 37.32kg each) | | |
| Abohar | J-34 | 4610 | 4620 | -10 |
| Muktsar | J-34 | 4615 | 4635 | -20 |
| Fazilika | J-34 | 4600 | 4520 | 80 |
| Bhatinda | J-34 | 4630 | 4630 | Unch |
| Mansa | J-34 | 4620 | 4630 | -10 |
| Sirsa | J-34 | 4500 | 4500 | Unch |
| Sri-Ganganagar | J-34 | 4277 | 4277 | Unch |
| Hanumangarh | B.T. Cotton | 4550 | 4550 | Unch |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|-----------|--------|
| | | 22-Feb-14 | 21-Feb-14 | |
| Amravati | Mech-1 | 35000 | 35500 | -500 |
| Khandwa | Mech-1 | Closed | 2200 | - |
| Khargaon | Mech-1 | Closed | 9000 | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 45000 | 60000 | -15000 |
| Rajkot | B.T. Cotton | 2950 | 3600 | -650 |
| Patan | B.T. Cotton | 8200 | 7926 | 274 |
| Deesa | B.T. Cotton | 500 | 1000 | -500 |
| Fazilika | B.T. Cotton | 1200 | 1200 | Unch |
| Bhiwani | B.T. Cotton | 800 | 600 | 200 |
| Adampur | B.T. Cotton | 510 | 850 | -340 |
| Fatehabad | B.T. Cotton | 800 | 800 | Unch |
| Jind | B.T. Cotton | 3570 | 2176 | 1394 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 200 | 100 | 100 |
| Hubli | B.T. Cotton | - | - | - |
| | | | | |
| Ahmedabad | Shankar-6 | 85000 | 85000 | Unch |
| Gondal | Shankar-6 | 1081 | 1519 | -438 |
| | | | | |
| Bijapur | Bunny | - | 893 | - |
| Hubli | D.C.H. | - | - | - |
| Raichur | H-44 Cotton | - | 1962 | - |
| | | | | |
| Abohar | J-34 | 255 | 850 | -595 |
| Muktsar | J-34 | 340 | 340 | Unch |
| Bhatinda | J-34 | 25500 | 30600 | -5100 |
| Mansa | J-34 | 1360 | 1360 | Unch |
| Sirsa | J-34 | 1700 | 2040 | -340 |
| Sri-Ganganagar | J-34 | 4250 | 4250 | Unch |
| Hanumangarh | B.T. Cotton | 2000 | 1000 | 1000 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 21-Feb-14 | 20-Feb-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 39000 | 39000 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 39500 | 39500 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 42400 | 42400 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 41300 | 41400 | -100 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 42500 | 42600 | -100 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 42800 | 42800 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 43500 | 43500 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 62500 | 63000 | -500 |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 21/Feb/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 19458 | Unch |
| CCIndex(527) | 17900 | Unch |
| CCIndex(229) | 20311 | -2 |

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

Cotlook Index: As on 21/2/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 93.90 | -0.25 |

USDA Cotton Spot Rates: As on 21/2/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 85.85 | 88.85 | 103 |
| North Delta | 85.1 | 87.6 | NIL |
| South Delta | 85.1 | 87.6 | NIL |
| East TX-OK | 82 | 84.25 | 719 |
| West Texas | 82 | 84 | 1477 |
| Desert SW | 81.6 | 88.35 | NIL |
| SJ Valley | 82.35 | 93 | 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 21/2/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|-------------|
| Mar-14 | 86.29 | 88.05 | 86.29 | 87.09 | 0.72 |
| May-14 | 87.6 | 88.9 | 87.55 | 88.35 | 0.7 |
| Jul-14 | 87.41 | 88.38 | 87.33 | 88.23 | 0.8 |
| Oct-14 | 80.68 | 80.68 | 80.68 | 80.68 | 0.47 |
| Dec-14 | 77.9 | 78.14 | 77.75 | 78.14 | 0.15 |
| Mar-15 | 78.54 | 78.59 | 78.54 | 78.59 | 0.12 |

Pakistan Cotton Spot rates: As on 21 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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