

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Wednesday.

Prices of cotton ruled lower amid lackluster demand in the market.

Arrival stood higher at 196000 bales today compared to 192000 bales on Tuesday.

In The News: Export subsidies for textile sector are about to vanish as Indian textile sector has become globally competitive. As per the WTO law, a product is called competitive if it acquires 3.25% share in world market for two consecutive years and a competitive product is not eligible to get export subsidy. Currently India posse 3.5% shares in global market and hence it should not be given any export incentives

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 its 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, where as 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.

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	-25.5	851	851	851	851	1	-2	7	-1
Mar-14		894.5	894.5	870	870	2	2	4	1
Apr-14	-20	930	932	911	914	18703	5340	15996	-216

	Feb-14	Mar-14	Apr-14
Spot	216		
Feb-14		19	
Mar-14			44

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	-23.80	882.30	885.50	866.70	868.00	45.00	16.00	242.00	1.00
Apr-14	-18.50	931.50	933.00	912.50	916.50	589.00	277.00	859.00	21.00

	Mar-14	Apr-14
Spot	199	
Mar-14		48.5
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	-1.12	20430	20470	20270	20300
31-Mar-14	-1.1	20800	20800	20600	20620
30-Apr-14	-1.09	21050	21090	20890	20910
30-May-14	-1.17	21320	21380	21190	21200
30-Jun-14	-0.55	21670	21680	21650	21660
31-Jul-14	-0.95	21890	21890	21890	21890

DOMESTIC PRICES AND ARRIVALSCotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		26-Feb-14	25-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4925	4900	25
Khandwa	Mech-1	NR	5200	-
Khargaon	Mech-1	NR	5200	-
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5425	5500	-75
Rajkot	B.T. Cotton	5325	5330	-5
Patan	B.T. Cotton	5330	5330	Unch
Deesa	B.T. Cotton	5300	5250	50
Muktsar	B.T. Cotton	5300	5350	-50
Fazilika	B.T. Cotton	5455	5490	-35
Bhiwani	B.T. Cotton	5500	5500	Unch
Adampur	B.T. Cotton	5300	5350	-50
Fatehabad	B.T. Cotton	5400	5425	-25
Jind	B.T. Cotton	5350	5430	-80
Rawatsar (Hanumangarh)	B.T. Cotton	5375	5325	50
Hubli	B.T. Cotton	5195	5243	-48
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5400	5400	Unch
Gondal	Shankar-6	5340	5340	Unch
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5259	5271	-12
Hubli	D.C.H.	6209	5939	270
Raichur	H-44 Cotton	5080	5100	-20
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4550	4595	-45
Muktsar	J-34	4550	4600	-50
Fazilika	J-34	4595	4615	-20
Bhatinda	J-34	4570	4610	-40
Mansa	J-34	4550	4610	-60
Sirsa	J-34	4450	4475	-25
Sri-Ganganagar	J-34	4211	4249	-38
Hanumangarh	B.T. Cotton	4470	4530	-60
Adilabad	>30mm	4388	4440	-52

Warangal	>30mm	4403	4419	-16
Guntur	>30mm	4461	4461	Unch
Bhainsa	>30mm	4419	4419	Unch

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		26-Feb-14	25-Feb-14	
Amravati	Mech-1	35500	36500	-1000
Khandwa	Mech-1	NR	2500	-
Khargaon	Mech-1	NR	10000	-
Mahesana(Kadi)	B.T. Cotton	60000	50000	10000
Rajkot	B.T. Cotton	3500	3700	-200
Patan	B.T. Cotton	8400	9551	-1151
Deesa	B.T. Cotton	2000	1475	525
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	400	600	-200
Adampur	B.T. Cotton	765	1020	-255
Fatehabad	B.T. Cotton	600	600	Unch
Jind	B.T. Cotton	1360	1360	Unch
Rawatsar (Hanumangarh)	B.T. Cotton	200	300	-100
Hubli	B.T. Cotton	1760	681	1079
Ahmedabad	Shankar-6	85000	85000	Unch
Gondal	Shankar-6	1371	1450	-79
Bijapur	Bunny	802	550	252
Hubli	D.C.H.	12	4	8
Raichur	H-44 Cotton	2850	3402	-552
Abohar	J-34	850	850	Unch
Muktsar	J-34	340	255	85
Bhatinda	J-34	34000	34000	Unch
Mansa	J-34	1360	1020	340
Sirsa	J-34	2550	2040	510
Sri-Ganganagar	J-34	3400	3400	Unch
Hanumangarh	B.T. Cotton	700	1000	-300

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-Feb-14	24-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	42200	42200	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	41200	41300	-100
Shankar-6(105)	29mm	3.5 – 4.9	28	42400	42500	-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	61500	62000	-500

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 26/Feb/2014

Index	RMB/Ton	Change
CCIndex(328)	19463	1
CCIndex(527)	17890	-2
CCIndex(229)	20318	3

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

Cotlook Index: As on 25/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	95.65	1.00

USDA Cotton Spot Rates: As on 25/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	84.85	87.85	113
North Delta	84.10	86.60	NIL
South Delta	84.10	86.60	NIL
East TX-OK	81.00	83.25	2057
West Texas	81.00	83.00	818
Desert SW	80.60	87.35	NIL
SJ Valley	81.35	92.00	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 25/2/2014

Contract	Open	High	Low	Close	Change
Mar-14	88.00	88.58	85.91	86.22	-1.70
May-14	89.30	89.57	86.55	87.35	-1.95
Jul-14	88.55	88.98	86.43	87.09	-1.56
Oct-14	79.80	79.80	79.80	79.80	-1.15
Dec-14	78.13	78.58	76.99	77.51	-0.74
Mar-15	77.84	78.52	77.10	77.78	-0.97

Pakistan Cotton Spot rates: As on 25 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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