

Domestic Fundamentals:

Market Outlook: Cotton market noticed weak tone on Friday.

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

Arrival stood lower at 181000 bales today compared to 196000 bales on Wednesday.

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	7	826	858	826	858	3	2	5	-2
Mar-14		860	870	856	856	6	4	8	4
Apr-14	-33	909	909	878.5	882	24258	5555	16482	486

	Feb-14	Mar-14	Apr-14
Spot	187		
Feb-14		-2	
Mar-14			26

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	-20.40	860.00	864.90	844.80	850.50	57.00	12.00	236.00	-6.00
Apr-14	-30.90	906.00	916.00	881.50	885.00	926.00	337.00	937.00	78.00

	Mar-14	Apr-14
Spot	194.5	
Mar-14		34.5
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
31-Mar-14	20500	20620	20130	20160	20500
30-Apr-14	20800	20890	20410	20450	20800
30-May-14	21120	21160	20720	20770	21120
30-Jun-14	21290	21300	21050	21050	21290
31-Jul-14	--	--	--	--	--

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		28-Feb-14	26-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4850	4925	-75
Khandwa	Mech-1	5150	-	-
Khargaon	Mech-1	5150	-	-
	Kapas	(Rs/Qtl)		
Mahesana(Kadi)	B.T. Cotton	5350	5425	-75
Rajkot	B.T. Cotton	5225	5325	-100
Patan	B.T. Cotton	5255	5330	-75
Deesa	B.T. Cotton	5300	5300	Unch
Muktsar	B.T. Cotton	5350	5300	50
Fazilika	B.T. Cotton	5380	5455	-75
Bhiwani	B.T. Cotton	5400	5500	-100
Adampur	B.T. Cotton	5268	5300	-32
Fatehabad	B.T. Cotton	5390	5400	-10
Jind	B.T. Cotton	5340	5350	-10
Rawatsar (Hanumangarh)	B.T. Cotton	5400	5375	25
Hubli	B.T. Cotton	5195	5195	Unch
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5300	5400	-100
Gondal	Shankar-6	5325	5340	-15
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5209	5259	-50
Hubli	D.C.H.	6209	6209	Unch
Raichur	H-44 Cotton	5100	5080	20
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4510	4550	-40
Muktsar	J-34	4525	4550	-25
Fazilika	J-34	4480	4595	-115
Bhatinda	J-34	4535	4570	-35
Mansa	J-34	4485	4550	-65
Sirsa	J-34	4385	4450	-65
Sri-Ganganagar	J-34	4174	4211	-37
Hanumangarh	B.T. Cotton	4420	4470	-50
Adilabad	>30mm	4367	4388	-21
Warangal	>30mm	4372	4403	-31


01st March, 2014

Guntur	>30mm	4414	4461	-47
Bhainsa	>30mm	4398	4419	-21

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		28-Feb-14	26-Feb-14	
Amravati	Mech-1	34500	35500	-1000
Khandwa	Mech-1	2000	-	-
Khargaon	Mech-1	8000	-	-
Mahesana(Kadi)	B.T. Cotton	50000	60000	-10000
Rajkot	B.T. Cotton	7300	3500	3800
Patan	B.T. Cotton	9375	8400	975
Deesa	B.T. Cotton	2000	2000	Unch
Fazilika	B.T. Cotton	1200	1200	Unch
Bhiwani	B.T. Cotton	200	400	-200
Adampur	B.T. Cotton	510	765	-255
Fatehabad	B.T. Cotton	2000	600	1400
Jind	B.T. Cotton	680	1360	-680
Rawatsar (Hanumangarh)	B.T. Cotton	250	200	50
Hubli	B.T. Cotton	-	1760	-
Ahmedabad	Shankar-6	110500	85000	25500
Gondal	Shankar-6	1500	1371	129
Bijapur	Bunny	1161	802	359
Hubli	D.C.H.	-	12	-
Raichur	H-44 Cotton	1275	2850	-1575
Abohar	J-34	510	850	-340
Muktsar	J-34	510	340	170
Bhatinda	J-34	30600	34000	-3400
Mansa	J-34	680	1360	-680
Sirsa	J-34	1700	2550	-850
Sri-Ganganagar	J-34	1700	3400	-1700
Hanumangarh	B.T. Cotton	1000	700	300

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				26-Feb-14	25-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38500	39000	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39500	-500
J-34(202)	26mm	3.5 - 4.9	23	41700	42200	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41000	41200	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	42200	42400	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42800	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43500	-200
DCH-32(107)	34mm	3.0 - 3.8	33	61000	61500	-500

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 28/Feb/2014

Index	RMB/Ton	Change
CCIndex(328)	19466	1
CCIndex(527)	17886	-3
CCIndex(229)	20325	6

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

Cotlook Index: As on 27/2/2014

Cotlook Indices	Cents/Pound	Change
A-Index	92.65	-1.00

USDA Cotton Spot Rates: As on 27/2/2014

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	85.56	88.56	4394
North Delta	84.56	87.06	NIL
South Delta	84.56	87.06	NIL
East TX-OK	81.50	83.75	938
West Texas	81.50	83.50	293
Desert SW	81.06	87.81	NIL
SJ Valley	81.81	92.46	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 27/2/2014



Contract	Open	High	Low	Close	Change
Mar-14	85.22	86.91	84.65	86.91	+1.54
May-14	86.31	88.18	86.12	87.81	+1.44
Jul-14	86.00	87.53	85.67	87.27	+1.32
Oct-14	79.00	80.27	79.00	80.27	+1.19
Dec-14	76.62	77.94	76.50	77.84	+1.07
Mar-15	77.58	78.18	77.45	78.18	+1.01

Pakistan Cotton Spot rates: As on 27 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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