

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm movement.

In The News: According to Ministry of Agriculture, around 104.84 lakh hectare of area has been sown for cotton this year as on August 01, around 3.39% lower than the previous year, when it was 108.52 lakh hectares during the same period.

According to the State Agriculture Department, as on July 28, sowing of cotton in Gujarat has reached to 2.58 million hectares, 95.11% of the total area sown last year which was 2.61 million hectares.

Cotton farmers in India have requested the Union Government to impose import ban on cotton and issue measures to revive cotton export. Vidarbha Janandolan Samiti has said that prices of cotton have declined drastically since the new government has formed. Farmers urged the government to increase the Minimum Support Prices (MSP) from the existing Rs.4050 per quintal to Rs 6500 per quintal.

The Government of India has reduced insurance premium on cotton crop from 17.19% to 6%, giving relief to farmers in cotton-growing states like Gujarat and Maharashtra, after fears of weak monsoon gripped farmers.

The worries of cotton farmers are likely to be continued throughout the season though the rainfall has revived significantly. Situation for cotton is getting critical as delayed sowing has increased the sowing expenditure on one hand and expectation of less remunerative prices of cotton on other hand. The late sowing has pushed back the season by about 40 days hence new crop is likely to come in November or early December.

China's cotton import demand between September and December is likely to surge to low inventories and a lack of high-quality cotton in the huge state reserves. Currently, prices are dwindling on Uncertainty over a policy shift to crop subsidies in China and record production in USA and India-Jernigan Commodities.

With the revival of monsoon, cotton sowing in the key central regions of the country is picking up. Although continuous rains in Maharashtra slowed down the planting pace, the sowing is likely to gain momentum in coming days. According to the Central Institute of Cotton Research (CICR), despite the delayed sowing, cotton acreage would be around 110 lakh hectares this season, which was 115 lakh hectares last season.

Cotton Corporation of India (CCI), a public sector undertaking which carries out market intervention in order to support cotton farmers, has signed a Memorandum of Understanding (MoU) with National Textile Corporation (NTC) to set up a Ginning cum Pressing (GNP) mill in the Telangana. Also CCI plans to set up a warehouse with storage capacity of 100,000 tonnes.

According to Ministry of Agriculture and Ministry of Textile, cotton output in India during season 2014-15 is expected to decline to five year low to 30 million bales (of 170 kg. each), measuring a decline of 17% from the current year's production which is 36.5 million bales, as estimated in third advance estimate by Department of Agriculture and Co-operation.

Cotton imports are expected to notice a two-fold rise in the current season due to higher domestic prices than abroad. As estimated by Confederation of Indian Textile Industry (CITI), cotton imports would stand around 1.5 million bales (of 170 kg each) this season (Oct'13-Sep'14) compared to 0.7 million bales last season.

International Fundamentals:

Morgan Stanley expects USA cotton crop production at 17.2 Million Bales; 4.2% higher than the USDA's estimates.

As reported by Vietnam Plus, the Government of Vietnam will assist cultivation of cotton in its provinces by allocating around 13,600 kg of cotton seeds to the cotton growers.

According to the latest report released by USDA, on July 20, 2014, 52% of cotton crop in USA was in excellent to good condition compared to 53% a week ago and 44% a year ago. 76 % squaring has reported in cotton which was 70% last week and 85% a year ago.

Cotton crop in China is witnessing a slower and dull growth this year compared to previous year due to unfavorable weather conditions and pest damage, said China Cotton Association (CCA). The CCA also forecasted that China's cotton planting area would fall to 4.08 million hectares in 2014, lower 12.6 percent year on year basis.

Outlook

We expect domestic prices to remain sideways in near term.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Apr-15 | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | -- | -- | -- |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Market Closed

MCX Cotton Futures*: (Prices in Rs/170 kgs)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Oct-14 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Nov-14 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Dec-14 | -- | -- | -- | -- | -- | -- | -- | -- | -- |

| Spread | Oct-14 | Nov-14 | Dec-14 | |
|--------|--------|--------|--------|--|
| Spot | -- | | | |
| Oct-14 | | -- | | |
| Nov-14 | | | -- | |
| Dec-14 | | | | |

*Market Closed

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|-----------------------------------|----------|--------|
| | | 2-Aug-14 | 1-Aug-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 5300 | 5250 | 50 |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 5215 | 5145 | 70 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Muktsar | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 5100 | 5050 | 50 |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Ahmedabad | Shankar-6 | NA | NA | - |
| Gondal | Shankar-6 | 4805 | 4735 | 70 |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | 4869 | 5039 | -170 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4615 | NR | - |
| | Lint | Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4230 | 4190 | 40 |
| Muktsar | J-34 | 4200 | 4190 | 10 |
| Fazilika | J-34 | NA | NA | - |
| Bhatinda | J-34 | 4260 | 4250 | 10 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4160 | 4145 | 15 |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|----------|--------|
| | | 2-Aug-14 | 1-Aug-14 | |
| Amravati | Mech-1 | 50 | NA | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 1400 | 600 | 800 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | NA | NA | - |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | | | | |
| Ahmedabad | Shankar-6 | NA | NA | - |
| Gondal | Shankar-6 | 168 | 70 | 98 |
| | | | | |
| Bijapur | Bunny | 78 | 67 | 11 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 60 | NA | - |
| | | | | |
| Abohar | J-34 | NA | NA | - |
| Muktsar | J-34 | NA | NA | - |
| Bhatinda | J-34 | NA | NA | - |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | NA | NA | - |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 1-Aug-14 | 31-Jul-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 37400 | 37500 | -100 |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 37900 | 38000 | -100 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 38200 | 38300 | -100 |

| | | | | | | |
|---------------------|------|-----------|----|-------|-------|-------------|
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 38000 | 38500 | -500 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 39000 | 39500 | -500 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 40800 | 41300 | -500 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 41700 | 42200 | -500 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 58500 | 58800 | -300 |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 1/8/2014

| Index | RMB/Ton | Change |
|--------------|---------|-------------|
| CCIndex(328) | 17138 | -1 |
| CCIndex(527) | 16046 | Unch |
| CCIndex(229) | 17782 | -13 |

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

Cotlook Index: As on 1/8/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------------|
| A-Index | 72.15 | -1.10 |

USDA Cotton Spot Rates: As on 1/8/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 67.49 | 71.24 | 20 |
| North Delta | 65.99 | 68.49 | Nil |
| South Delta | 65.99 | 68.49 | Nil |
| East TX-OK | 62.00 | 63.00 | 14 |
| West Texas | 62.00 | 62.50 | 43 |
| Desert SW | 61.49 | 68.24 | Nil |
| SJ Valley | 61.74 | 72.39 | 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 1/8/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|-------------|
| Oct-14 | 62.33 | 62.97 | 61.34 | 62.49 | 0.40 |
| Dec-14 | 62.74 | 63.97 | 62.02 | 63.27 | 0.40 |
| Mar-15 | 63.51 | 64.59 | 62.70 | 63.91 | 0.40 |
| May-15 | 64.55 | 65.66 | 63.82 | 65.02 | 0.36 |
| Jul-15 | 65.71 | 66.70 | 65.02 | 66.17 | 0.30 |
| Oct-15 | 66.60 | 66.60 | 66.60 | 66.60 | 0.30 |

Pakistan Cotton Spot rates: As on 28/7/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5700 | 155 | 5855 |
| Equivalent | 40 Kgs | 6109 | 155 | 6264 |

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.