

Domestic Fundamentals:

Market Outlook: Cotton market noticed steady to firm tone.

In The News: According to the state agriculture departments, In Gujarat 28.20 lakh hectares has been sown for cotton as on August 04, around 1.71 lakh hectares than previous year and 103% of the three year average. In Maharashtra 36.30 lakh hectares of the area has been planted for cotton as on August 04, which is 96% of the targeted area. Cotton acreage was 38.43 lakh hectares in the state last year. In Andhra Pradesh, cotton planting was being recorded 52% higher of the normal area as on August 06 this season. According to the cotton seed companies, sale of cotton seed stood higher by about 15 to 20 lakh packets so far compared to the previous year.

Government of Tamil Nadu announced the launching of cotton cultivation mission with an initial outlay of Rs 50 crore in order to amplify cotton acreage and hence the production in the state.

First quarter of current fiscal year witnessed timid sentiments in the textile industry. The reason for the same is decline in cotton yarn export to China and lackluster demand for fabrics and made-up from European countries. There is a situation of leading supplies and hence depending on the counts, prices of cotton yarn fell by Rs. 10 to Rs. 25 per Kg.

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.

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.

International Fundamentals:

Cotton output in Bangladesh is likely to be around 115,000 and 120,000 bales in Marketing year 2013/14 and 2014/15 respectively due to good weather conditions and increased usage of hybrid seeds. Cotton imports are expected to increase by 8.3% to 3.9 million bales in MY 2013/14 and 7.6% to 4.2 million bales in MY 2014/15.

According to the latest report released by USDA, as on August 03, 2014, 53% of cotton crop in USA is in excellent to good condition compared to 54% a week ago and 45% a year ago. 95% squaring has reported in cotton which was 87% last week and 95% a year ago. 68% of setting bolls reported which was 49% a week and 51% a year ago.

Cotton planting area in China has been falling gradually in recent years as a result of declining planting profit and rising production cost, said National Development and Reform Commission (NDRC). As predicted by China Cotton Association, cotton area is expected to fall to 4.08 million hectares, 12.6 percent down year on year.

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

Outlook

We expect domestic prices to remain firm to sideways in near term.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|-------|-----|-------|--------|--------|------|--------|
| Apr-15 | -3 | 829 | 833.5 | 824 | 826 | 3290 | -348 | 9759 | 375 |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | 226 | -- | -- |

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

*Updated at 5:00 pm on 7th August, 2014

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-14 | -80 | 18150 | 18170 | 18050 | 18090 | 483 | -403 | 1845 | -47 |
| Nov-14 | -70 | 17280 | 17340 | 17210 | 17210 | 145 | -144 | 2477 | -41 |
| Dec-14 | -60 | 17100 | 17170 | 17060 | 17060 | 190 | -58 | 2790 | 31 |

| Spread | Oct-14 | Nov-14 | Dec-14 | |
|--------|--------|--------|--------|----|
| Spot | -- | | | |
| Oct-14 | | 880 | | |
| Nov-14 | | | 150 | |
| Dec-14 | | | | -- |

*Updated at 5:00 pm on 7th August, 2014

Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|----------|--------|
| | | 7-Aug-14 | 6-Aug-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 5300 | 5200 | 100 |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 5260 | 5300 | -40 |
| 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 | 5100 | Unch |
| 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 | 4955 | 4955 | Unch |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | 5269 | 5239 | 30 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4900 | 4800 | 100 |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4360 | 4320 | 40 |
| Muktsar | J-34 | 4350 | 4325 | 25 |
| Fazilika | J-34 | NA | NA | - |
| Bhatinda | J-34 | 4390 | 4365 | 25 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4330 | 4280 | 50 |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|----------|--------|
| | | 7-Aug-14 | 6-Aug-14 | |
| Amravati | Mech-1 | 30 | NA | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 2400 | 2300 | 100 |
| 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 | 235 | 216 | 19 |
| | | | | |
| Bijapur | Bunny | 266 | 244 | 22 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 100 | 90 | 10 |
| | | | | |
| 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 |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 6-Aug-14 | 5-Aug-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 38800 | 38800 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 39300 | 39300 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 39600 | 39100 | 500 |

| | | | | | | |
|---------------------|------|-----------|----|-------|-------|------|
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 38900 | 38700 | 200 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 39900 | 39700 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 42000 | 41800 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 42900 | 42700 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 58500 | 58500 | Unch |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 7/8/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 17135 | -2 |
| CCIndex(527) | 16042 | -1 |
| CCIndex(229) | 17770 | -5 |

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

Cotlook Index: As on 6/8/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 73.15 | -0.50 |

USDA Cotton Spot Rates: As on 6/8/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 67.97 | 71.72 | 112 |
| North Delta | 66.97 | 69.47 | Nil |
| South Delta | 66.97 | 69.47 | Nil |
| East TX-OK | 63.5 | 64.5 | Nil |
| West Texas | 63.5 | 64 | Nil |
| Desert SW | 62.97 | 69.72 | Nil |
| SJ Valley | 63.22 | 73.87 | 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 6/8/2014

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Oct-14 | 63.87 | 64.17 | 63.81 | 63.97 | 0.51 |
| Dec-14 | 63.76 | 65.08 | 63.75 | 64.35 | 0.61 |
| Mar-15 | 64.61 | 65.71 | 64.56 | 65.13 | 0.61 |
| May-15 | 66.02 | 66.26 | 65.8 | 66.09 | 0.55 |
| Jul-15 | 67.14 | 67.2 | 66.9 | 67.16 | 0.51 |
| Oct-15 | 67.52 | 67.52 | 67.52 | 67.52 | 0.48 |

Pakistan Cotton Spot rates: As on 6/8/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5375 | 155 | 5530 |
| Equivalent | 40 Kgs | 5760 | 155 | 5915 |

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.