

## DOMESTIC MARKET OUTLOOK

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Cotton market noticed recovery after a long term decline in the prices. Demand from exporters and millers boosted the prices during the month. Farmers are releasing the produce as they are getting better values.

Forward Market Commission (FMC) has allowed National Commodities and Derivatives Exchange (NCDEX) to cotton seed contract, which has been came into the phase of trading from 02 January. It is believed that it will add to the value of cotton business stakeholder country wide.

Cotton export is expected to decline this season as most of the countries are willing to import yarn due to higher import duties gets levied on cotton export and thus making it costlier. Secondly cotton export has lost the export incentives under focus market scheme, which is making cotton export expensive and thus exporters are reluctant to export the same.

Restrictive policies on cotton export is putting cotton grower under pressure. Farmers are fetching very low prices as demand in domestic market has been dampen due to the quantitative restriction on export. It should be noted too that cotton crop associate risks and vulnerability with it and thus making cultivation expensive

CCI (Cotton Corporation of India) fails to foster the interest of cotton farmers as according to the farmers CCI, is not supporting them as it should.

Cotton farmers are being urged by the Agriculture Department to sell their produce through the regulated market, which are being opened by the department in order to keep middlemen at bay.

According to a survey, 93% of the cotton sown in the country was BT cotton. It is said that young farmers are mostly preferring BT cotton, due to its high productivity.

**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. Reason for the decline in the same is high labor cost, low yield and high risk associated with the crop.

**Production** of cotton according to Department of Agriculture and Co-operation (DAC) first estimates would be around 353 lakh bales (of 170 kg each), this season 2013-13, which was 340 lakh bales last season

**Yield** of cotton though initially gained significantly, but it is likely to decline during the consequences in later stages. The factors for the yield loss include excess rain in Punjab and Gujarat, cyclone in Andhra Pradesh and pest attack in few districts of Gujarat. The expected average yield would be around 520 kg per hectare

**Weather** is favorable for the harvesting of the cotton crop, though fall in temperature in north India could affect the harvesting, if it left somewhere.

## INTERNATIONAL MARKET OUTLOOK

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According to a report, the cost of importing cotton in China would be slightly higher, as Beijing has revised the protocol for calculating the tariff.

Tajikistan has harvested around 372,132 tons of cotton as till 1<sup>st</sup> December, which accounts around 93.1% of the target for current season.

WTO is willing to hold discussion for the building transparency and monitoring cotton trade. The discussion would address issues related to cotton trade, subsidies and export measure, and it would be held twice in a year.

World cotton stockpiles next year would be around 19.81 million tones, 7% bigger than what was estimated in July this year, as reported by ICAC.

Cotton production in China during the year 2013-14 would be 6.678 million tones, 12.3% lesser than previous year.

China, the largest importer in the world, is likely to show sharp decline in imports this season as it posses almost 62% of the world cotton stock and this year it is likely to utilize it, besides that import policy of china is quite restrictive and quota based.

According to the USDA estimates, United States, India and Australia followed by Uzbekistan, Brazil, Burkina and Greece would be the major exporter this year.

Unfavorable weather condition in USA, where production is likely to fall this year, has provided support to the prices.

As per the USDA estimates, following Sentiments are available as on global forefront:

**Global Production** is likely to be around 25.43 million tones, this season (2013-14), (with China's contribution of 6.96 million tones),whereas it was 26.79 million tones last season.

**Total consumption** would be around 23.88 million tones, major consumer would be China, India, Pakistan, Turkey and Brazil.

**Export** would stand around 8.38 million tones, majorly contributed by United States, India, Australia followed by Uzbekistan and Brazil.

**Import** figure would be around 8.32 million tones, major importing nations would be China, Turkey, Bangladesh followed by Vietnam and Indonesia.

**Ending Stock** is likely to be around 20.99 million tones with China ending stock of 12.47 million tones.

**Domestic Balance Sheet at Glance**

	2012-13	2013-14*	Oct_13**	Nov_13**
<b>Supply</b>				
Opening stock (CCI)	40	35		
Crop size (DAC)	365	375		
Imports (CCI)	14.59	17	1.2	0.24
Availability	419.59	427		
<b>Demand</b>				
Mill consumption (CCI)	250.14	258		
Small Mill consumption (CCI)	23.02	24		
Non-Mill consumption (CCI)	10	15		
Total consumption	283.16	297		
Export (CCI)	101.43	90	1.45	9.06
Total Demand	384.59	387		

\*As drawn by CAB (Cotton Advisory Board) as on 1-11-2013

\*\* Exim data source: IBIS (International Business Information Services)

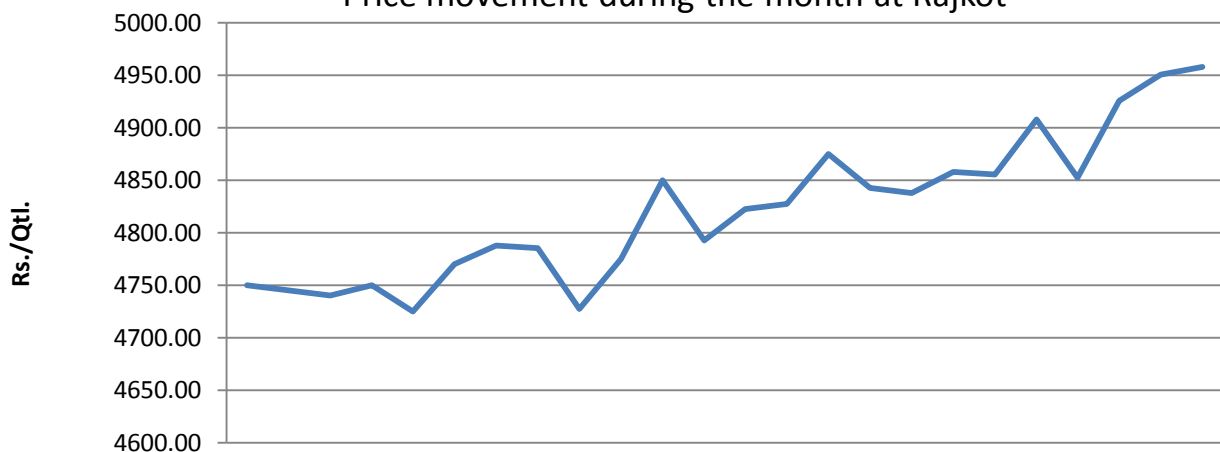
- Opening stock stood lower this season (2013-14), Imports are expected to be on higher side making total availability higher than the previous season.
- Production this season is expected to higher due to record crop, as compared to previous season which noticed down side in production.
- Total demand would be higher due to increase in consumption by mills, small mills, and non mills consumers.
- Export is likely to decline due to lesser demand from china and withdrawal of export incentives given to cotton under focus market scheme.
- Ending stock would be around 40 lakh bales, fairly higher than the current season.

### Domestic Cotton Prices and Arrivals

#### Cotton Prices at Key Spot Markets:

Centre	Variety	Prices (Rs/Qtl)		%Change
		31.12.13	30.11.13	
Amravati	Mech-1	4700	4300	4
Khandwa	Mech-1	4900	4700	2
Khargaon	Mech-1	4900	4700	2
Mahesana(Kadi)	B.T. Cotton	5075	4850	2.25
Muktsar	B.T. Cotton	5130	5050	0.8
Patan	B.T. Cotton	5260	4535	7.25
Rajkot	B.T. Cotton	5150	4810	3.4
Fazilika*	B.T. Cotton	5300	4925	3.75
Fazilika	B.T. Cotton	5400	4100	13
Bhiwani*	B.T. Cotton	5200	5000	2
Bhiwani	B.T. Cotton	5375	4100	12.75
Ahmedabad	Shankar-6	5075	4750	3.25
Gondal	Shankar-6	5300	4735	5.65
Sri-Ganganagar	J-34	4099	4050	0.49
Abohar	J-34	4315	4175	1.4
Muktsar	J-34	4310	4180	1.3

Price movement during the month at Rajkot\*



\*Variety: BT cotton


**Cotton Cumulative Arrivals in Key Centers:**

Centre	Variety	Arrivals		%Change
		31.12.13	30.11.13	
Amravati	Mech-1	288500	130000	1585
Khandwa	Mech-1	25200	13800	114
Khargaon	Mech-1	104000	103000	10
Mahesana(Kadi)	B.T. Cotton	1140000	1095000	450
Muktsar	B.T. Cotton	11305	4220	70.85
Patan	B.T. Cotton	237098	342272	-1051.74
Rajkot	B.T. Cotton	121750	151050	-293
Fazilika	B.T. Cotton	31600	24000	76
Bhiwani*	B.T. Cotton	21500	23300	-18
Ahmedabad	Shankar-6	2298400	1322600	9758
Gondal	Shankar-6	35569	43421	-78.52
Sri-Ganganagar	J-34	144500	59840	846.6
Abohar	J-34	38420	21590	168.3

**Cotton Association of India Spot Rates:**

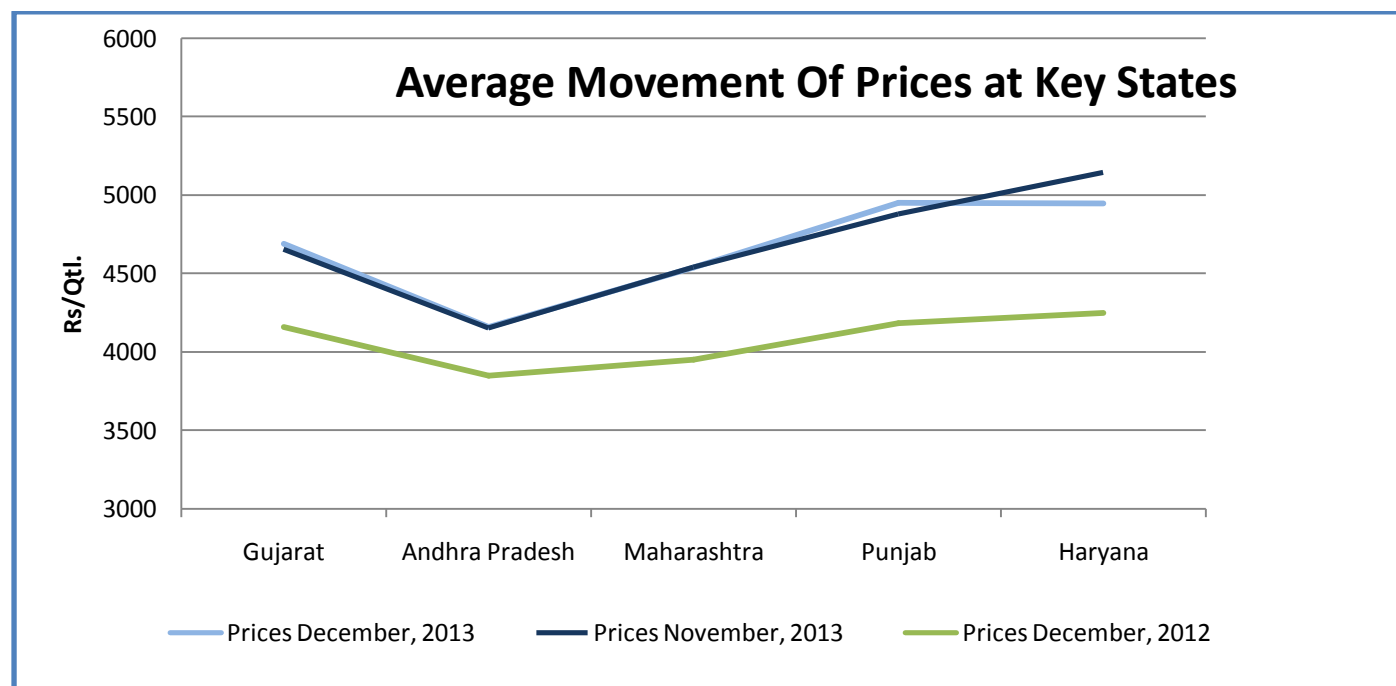
Variety Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				(30/12/2013)	(29/11/2013)	
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	38900	39600	-700
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	39600	40400	-800
J-34(202)	26mm	3.5 - 4.9	23	40200	NQ	-
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39300	38100	1200
Shankar-6(105)	29mm	3.5 - 4.9	28	40400	38800	1600
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40800	39400	1400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42300	39900	2400
DCH-32(107)	34mm	3.0 - 3.8	33	64000	56500	7500

## State-wise Prices and Arrivals

### State Wise Comparisons (All prices in Rs/Qtl)

State	Prices December, 2013	Prices November, 2013	Prices December, 2012	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4157.61	4150.35	3847.93	0.17	8.05
Chattisgarh	4888.18			—	—
Gujarat	4689.94	4654.95	4158.12	0.75	12.79
Haryana	4946.18	5144.33	4247.03	-3.85	16.46
Karnataka	4990.34	4815.38	4169.13	3.63	19.7
Madhya Pradesh	4642.45	4673.34	4053.51	-0.66	14.53
Maharashtra	4537.19	4541.23	3951.67	-0.09	14.82
Orissa	4213.34	4135	3902.21	1.89	7.97
Punjab	4951.29	4877.22	4182.12	1.52	18.39
Rajasthan	5020.81	5098.95	4336.51	-1.53	15.78
Tamil Nadu	4691.23	4796.42	4453.29	-2.19	5.34
Uttar Pradesh	5350.33	5392.86	4192.73	-0.79	27.61
Average	4756.57	4752.73	4135.84		

\*Report Generation: As per the data reported by APMCs



## State wise Arrivals (all in lakh bales of 170 kg each)

States	2012-13*		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	41285	22-12-2013	41285	22-12-2012
1. Punjab	21	4.3	21	6.23
2. Haryana	23	6.58	25	6.47
3. Rajasthan	14	3.6	17	4.82
<b>A. North Total (1+2+3)</b>	<b>58</b>	<b>14.48</b>	<b>63</b>	<b>17.52</b>
4. Gujarat	116	28.72	93	23.48
5. Maharashtra	81	16.19	79	20.12
6. Madhya Pradesh	19	5.29	19	5.42
<b>B. Central Total (4+5+6)</b>	<b>216</b>	<b>50.2</b>	<b>191</b>	<b>49.02</b>
7. Andhra Pradesh	72	14.52	84	23.59
8. Karnataka	18	4.44	15	5.55
9. Tamil Nadu	5	--	6	--
<b>C. South Total (7+8+9)</b>	<b>95</b>	<b>18.96</b>	<b>105</b>	<b>29.14</b>
10. Orissa	4	0.3	4	0.91
11. Others	2	0.37	2	0.91
<b>D. Total (10+11)</b>	<b>6</b>	<b>0.67</b>	<b>6</b>	<b>1.82</b>
<b>Grand Total (A+B+C+D)</b>	<b>375</b>	<b>84.31</b>	<b>365</b>	<b>97.5</b>

## Lint Prices:

Month	J-34		H-4		S-6	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
October	29661.92	42978*	32794.72	44155*	33517.4	46148*
November	31580.76		32844.56		33592.16	
December	32452.96		33043.92		33798.64	
January	32837.44		33008.32		33805.76	
February	35165.68		34332.64		35051.76	
March	37949.6		37664.8		38319.84	
April	36963.48		37565.12		38205.92	
May	36507.8		37490.36		37764.48	
June	38871.64		39825.72		39868.44	
July	41278.2		42278.56		42417.4	
August	43321.64		45621.4		45959.6	
September	43143.64		44891.6		47839.28	-

\*upto 31-10-2013

Source: Textile Commissioner and Cotton Association of India

**Cotton Export and Import:**
**Cotton Exports**

COTTON EXPORTS (In Lakh Bales)		
	2012-13	2013-14
Oct	2.29	1.43
Nov	7.68	9.06
Dec	15.83	
Jan	19.71	
Feb	20.67	
Mar	13.07	
Apr	2.50	
May	2.58	
Jun	3.01	
Jul	2.06	
Aug	2.5	
Sep	1.22	
Total	93.12	

**Cotton Imports**

COTTON IMPORTS (In Lakh Bales)		
	2012-13	2013-14
Oct	3.30	1.16
Nov	1.98	0.24
Dec	0.88	
Jan	0.63	
Feb	0.56	
Mar	0.55	
Apr	0.76	
May	0.80	
Jun	0.05	
Jul	1.1	
Aug	1.01	
Sep	0.99	
Total	12.61	

(Source: IBIS)

**Export Break-Up by Major Countries in Month of November-2013:**

Country	Quantity (In Lakh Bales)
China	7.83
Bangladesh	0.57
Hong kong	0.24
Vietnam	0.21
Thailand	0.05

(Source: IBIS)

**Import Break-Up by Major Countries in Month of November-2013:**

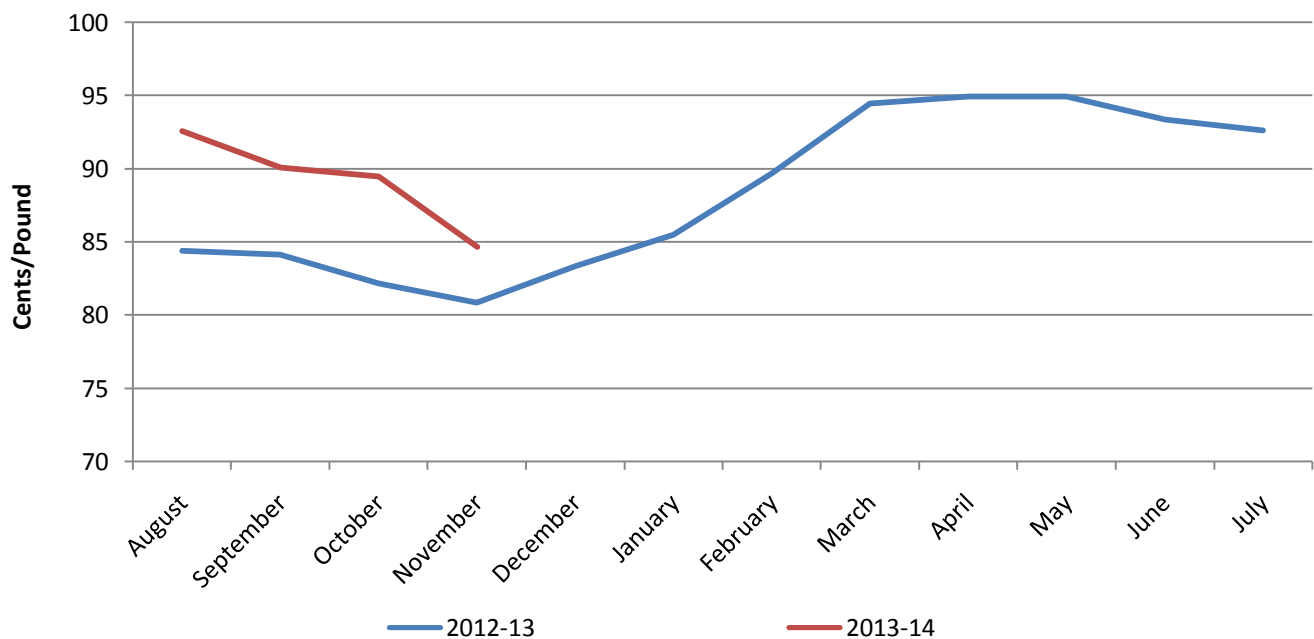
Country	Quantity (In Lakh Bales)
Usa	0.03
Cote d ivoire	0.05

(Source: IBIS)



**International Prices****World Monthly average Cotlook A Index (FE) in US Cent per pound**

Month	2012-13	2013-14
August	84.4	92.58
September	84.15	90.09
October	82.17	89.49
November	80.87	84.65
December	83.37	
January	85.51	
February	89.71	
March	94.45	
April	94.94	
May	94.92	
June	93.35	
July	92.62	

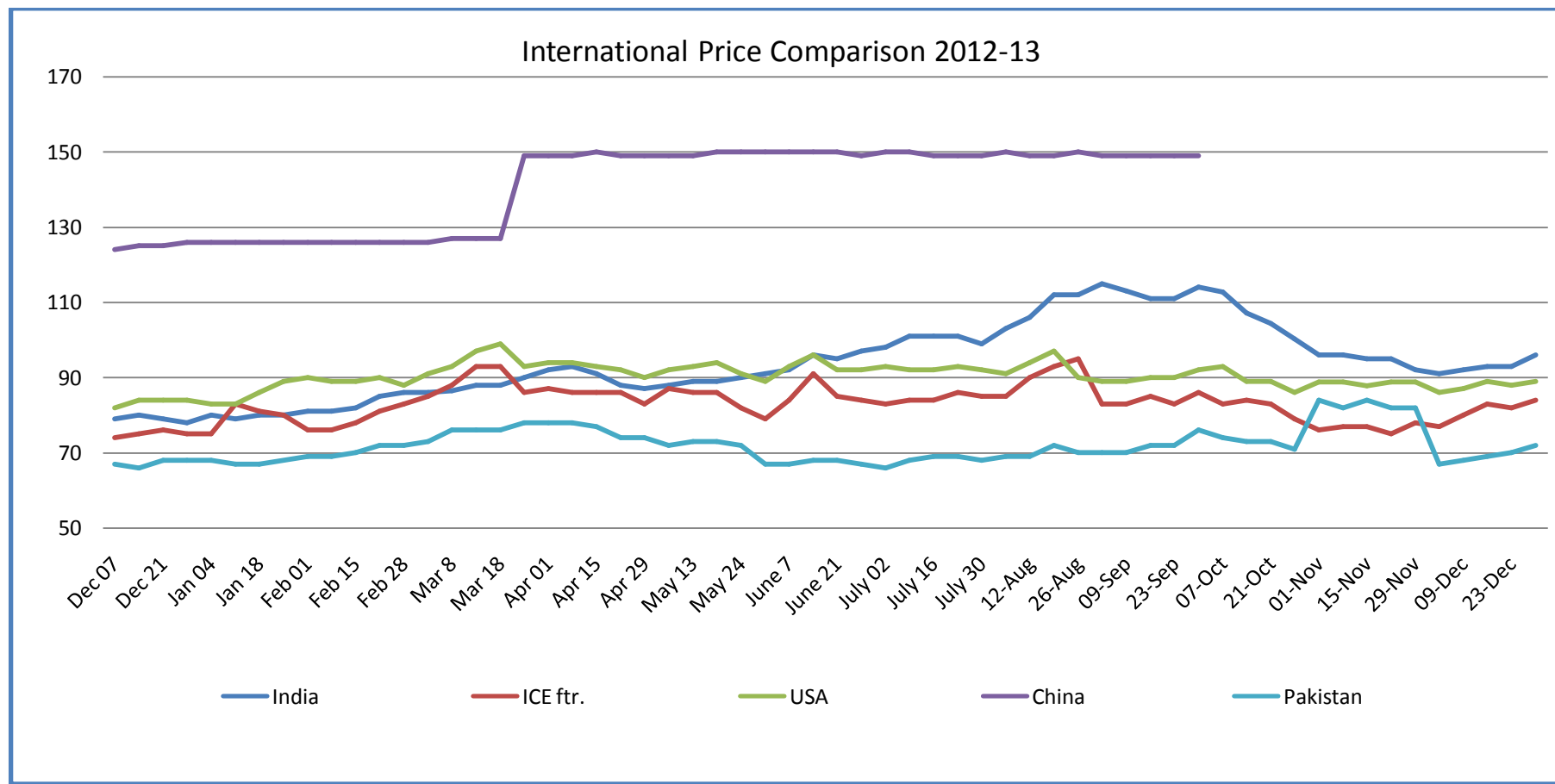
**Monthly Average Cotlook A Index**

## Cotton Future Contracts on ICE (International Market):

ICE Futures Cotton					
Contracts	30/10/2013	30/09/2013	30/10/2012	% Month change	%Y-o-Y change
<b>Oct-13</b>	37320.43	34979.64	35006.08795	6.69	<b>6.61</b>
<b>Dec-13</b>	37108.83	35200.05	—	5.42	
<b>Mar-14</b>	36994.22	35398.42	—	4.51	
<b>May-14</b>	35054.58	34336.03	—	2.09	
<b>July-14</b>	34393.34	33926.06	—	1.38	
<b>Oct-14</b>	34613.75	0.00	—	0.00	

\*PRICE UNIT-Rs/Candy (1Candy=356kg)

**International price movement**



**Technical Analysis of Cotton Futures April 2014 contract at NCDEX:**


(Rs/20 kgs)

**Monthly Outlook**

- Prices are showing uptrend in a term of recovery after a long term downtrend.
- We expect prices to remain on higher side, following the trend.
- Though there could be slight fall in between.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
950	965	1060	1075

**Expected Price range of Cotton Prices for next week**

Markets	Expected Trading Band for the coming month	Expected Trend for coming week
NCDEX	980-1040	Bullish Momentum

### ICE Cotton Futures (December 2013 Contract) Technical Analysis:



### Monthly Outlook

- March 2014 contract (ICE) closed higher in the month of December.
- Prices ranged 78.20-85.23 during the month
- Immediate support level is at 77 which could slightly slide down to 76 in coming days.
- Resistance would be at 86 which could further move upto 88

Support 2	Support 1	Resistance 1	Resistance 2
76	77	86	88

All in cents/pound

Source: MRCI

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