

Cotton Domestic Fundamental

Current Market Scenario: Cotton market is moving range bound amid weak export demand and ample supplies in the country. Prices are likely to decline in near term as China has revised the cotton policy and it has set buying prices for cotton to 17250 from 18000 Yuan per ton, which has also affected the prices of cotton in domestic market.

News Highlights: As per the latest estimates by ICF (Indian Cotton Federation), cotton production in India would be around in 37.6 million bales (each of 170 kg.) in season 2013-14, which was estimated to be around 36.1 million bales in January. ICF has also mentioned that there is no yield loss in Andhra Pradesh as anticipated earlier. In Maharashtra also, both yield and quality is far better what was expected before. Though Gujarat is expected to decline on output at 12 million bales in 2013-14, which was earlier estimated to be around 12.5 million bales.

Department of Agriculture, Government of Karnataka has banned the sale of Bt cotton seeds produced by Maharashtra Hybrid Company (Mahyco) on supply of substandard quality of seeds. As reported by protesting farmers, kharif crop failed in Haveri, Chitradurga, Dharwad, Belgaum and Bellary districts due to the bad quality seeds supplied by Mahyco.

Cotton yarn prices are under pressure as China has revised the buying prices for yarn. One of the reason for the same is the having situation of strong rupee versus dollar. Under the new policy applicable from April 1st 2014, government has lowered the bids from current floor price of 18000 Yuan per ton to 17250 per ton.

A suggestion of moderate increase of 1-5% in MSP has been proposed by Commission of Agriculture Costs and Practices (CACP) for the agriculture commodities of Kharif crop season 2014-15. This recommendation has been forwarded to the Ministry of Agriculture, where final decision would be made by the new cabinet after the elections.

Export of cotton from India is picking uptrend amid exchange rate stability. China is showing good demand for Indian cotton. Pakistan, Bangladesh, Vietnam and Indonesia have also reported higher demand.

Cotton exports from India have increased by 5 percent on Y-o-Y basis in February to 7.8 million bales on higher international demand. However in coming month, it is likely to decline. As per the estimates of USDA, total cotton export from India this year would be around 10.2 million bales.

Africa is finding scope to sell their cotton in India. A delegation of 18 members from Africa is visiting Coimbatore and other cotton hubs in India. International Cotton Trade, an alliance of World Trade Organization (WTO) and United Nations (UN), is initiating a mission to make access for African cotton in Indian market. It is being reported that its fourth visit of the team in three months.

Domestic Balance Sheet

All figures in Lakh Bales (of 170 Kgs. Each)							
Item	2012-13	2013-14	Oct_13*	Nov_13*	Dec_13*	Jan_14*	Feb_14*
Supply							
Opening stock (CCI)	40	35					
Crop size (DAC)	350	356.02					
Imports (CCI)	14.59	17	1.2	0.24	0.133	0.41	0.46
Availability	404.59	408.02					
Demand							
Mill consumption (CCI)	250.14	258					
Small Mill consumption (CCI)	23.02	24					
Non-Mill consumption (CCI)	10	15					
Total consumption (USDA)	283.16	297					
Export (USDA)	101.43	90	1.45	9.06	23.12	68.6	13.15
Total Demand	384.59	387					

CCI: Cotton Corporation of India

DAC: Department of Agriculture and cooperation

USDA : United States Department of Agriculture

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

Balance Sheet Highlights

Opening stock this season (Oct.'13-Sep'14) would be on lower side amid lesser production last season. Crop size is comparatively high from the last season due to the boosted yield driven by plantation of BT cotton.

Despite the higher production, Imports would be on higher side amid increased demand in domestic market and cheaper cotton available in overseas.

Taking all the factors collectively, total availability of cotton this season would be higher, which could put pressure on the domestic prices.

Consumption has increased, which would lift the total demand up though there is moderate fall in exports due to the weak global market.

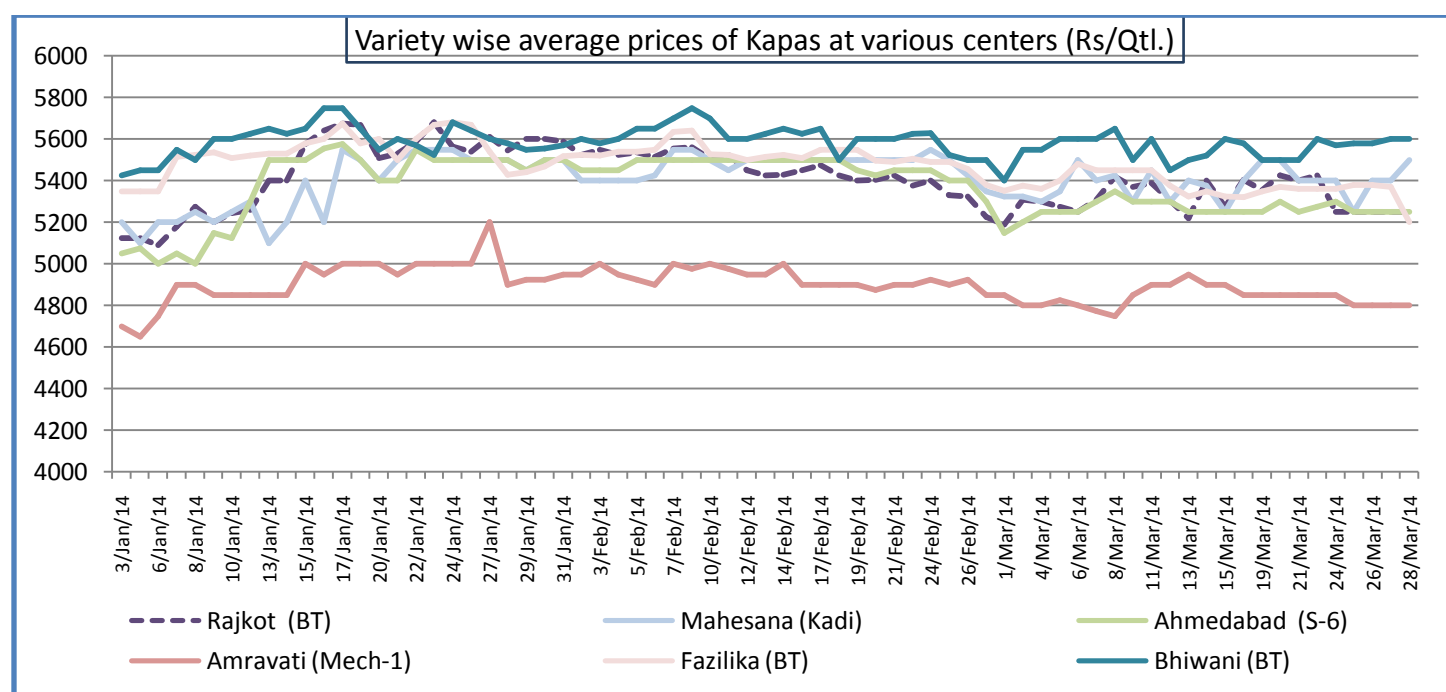
Domestic Prices and Arrival Trend

Cotton Prices at Key Centers:

Centre	Variety	Prices		% Change
		31-Mar-14	28-Feb-14	
	Kapas	(Rs/Qtl)		
Amravati	Mech-1	4800	4850	-1.03
Khandwa	Mech-1	Closed	5150	-
Khargaon	Mech-1	Closed	5150	-
	Kapas			
Mahesana(Kadi)	B.T. Cotton	5400	5350	0.93
Rajkot	B.T. Cotton	Closed	5225	-
Patan	B.T. Cotton	Closed	5255	-
Deesa	B.T. Cotton	Closed	5300	-
Muktsar	B.T. Cotton	5310	5350	-0.75
Fazilika	B.T. Cotton	5425	5380	0.84
Bhiwani	B.T. Cotton	5600	5400	3.70
Adampur	B.T. Cotton	5375	5268	2.03
Fatehabad	B.T. Cotton	5400	5390	0.19
Dabwali	B.T. Cotton	5315	-	-
Jind	B.T. Cotton	5460	5340	2.25
Uchana (Jind)	B.T. Cotton	5430	-	-
Rawatsar (Hanumangarh)	B.T. Cotton	5340	5400	-1.11
Hubli	B.T. Cotton	Closed	5195	
	Kapas	(Rs/Qtl)		
Ahmedabad	Shankar-6	5200	5300	-1.89
Gondal	Shankar-6	Closed	5325	
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	Closed	5209	-
Hubli	D.C.H.	Closed	6209	-
Raichur	H-44 Cotton	Closed	5100	-
	Lint	Rs./Maund (of 37.32kg each)		
Abohar	J-34	4600	4510	2.00
Muktsar	J-34	4590	4525	1.44
Fazilika	J-34	4625	4480	3.24
Bhatinda	J-34	4615	4535	1.76

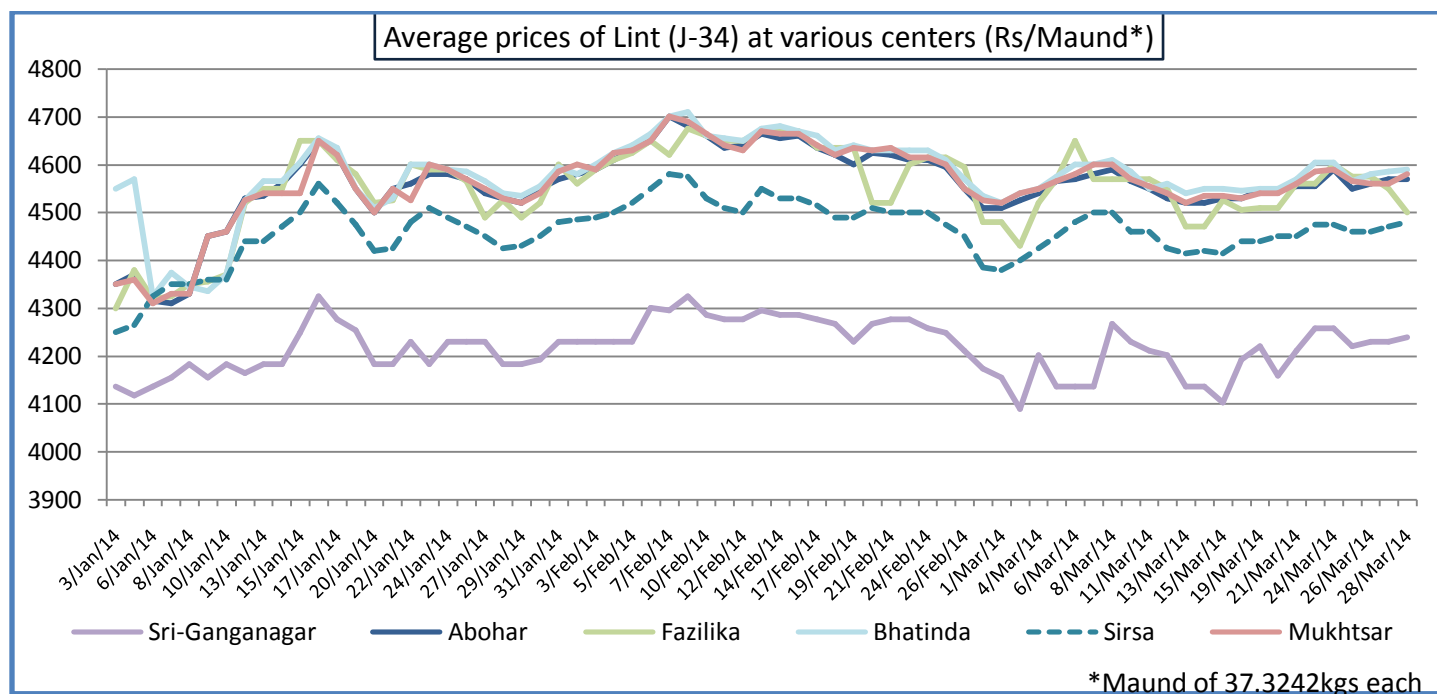
Mansa	J-34	4590	4485	2.34
Sirsa	J-34	4480	4385	2.17
Sri-Ganganagar	J-34	Closed	4174	-
Hanumangarh	B.T. Cotton	4500	4420	1.81
Adilabad	>30mm	4314	4367	-1.21
Warangal	>30mm	Closed	4372	-
Guntur	>30mm	4403	4414	-0.25
Bhainsa	>30mm	NA	4398	-

Average Prices of Kapas (Seed Cotton) at Various Centers:



The graph mentioned above is showing the range bound movement of kapas in domestic market. Among the mentioned markets, Bhiwani is fetching the highest prices, whereas Amravati is far lower than the others. Also the price sheet is showing a slight improvement in the prices in spot market. Though the movement of the price stood range bound.

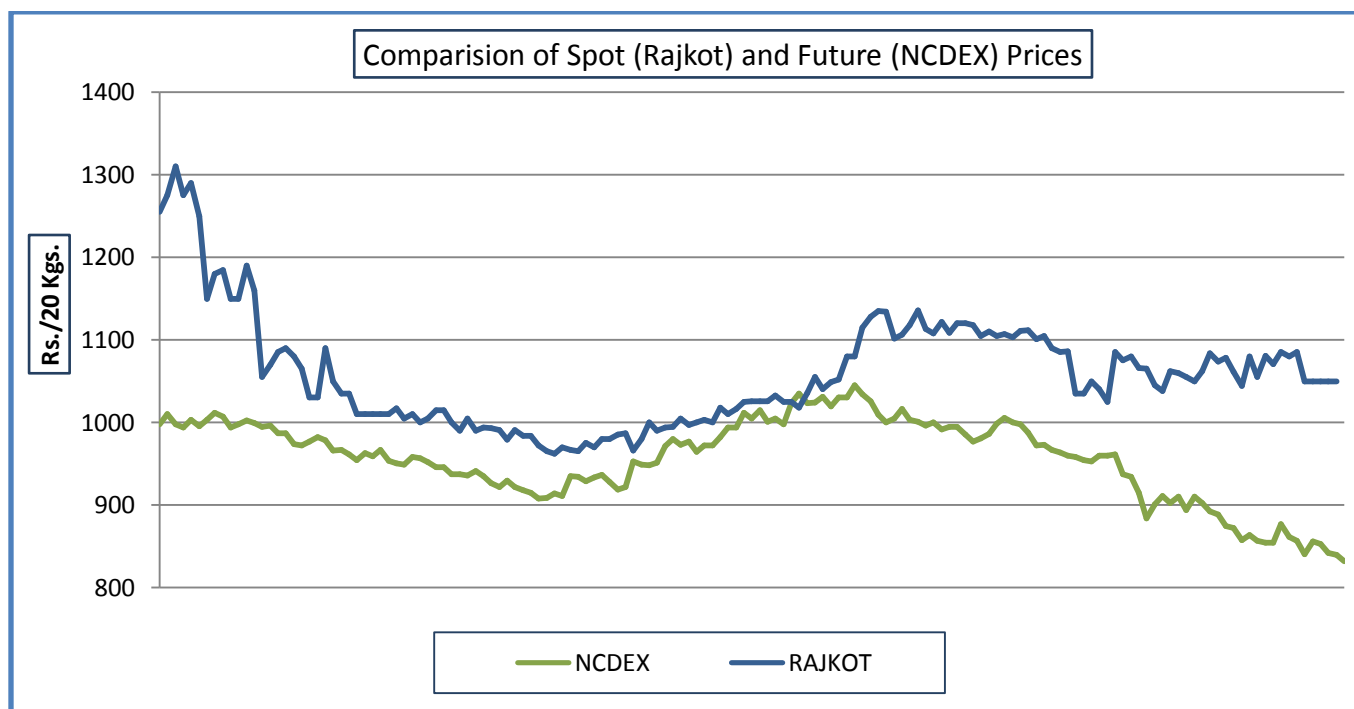
Average Prices of Lint at Various Centers:



Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy		% Change
				29-Mar-14	28-Feb-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38000	38500	-1.299
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	39000	-1.282
J-34(202)	26mm	3.5 - 4.9	23	42200	41700	1.199
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40400	41000	-1.463
Shankar-6(105)	29mm	3.5 - 4.9	28	41800	42200	-0.948
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42200	42600	-0.939
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43200	43300	-0.231
DCH-32(107)	34mm	3.0 - 3.8	33	60500	61000	-0.820

Movement of Prices at Spot and Future Market

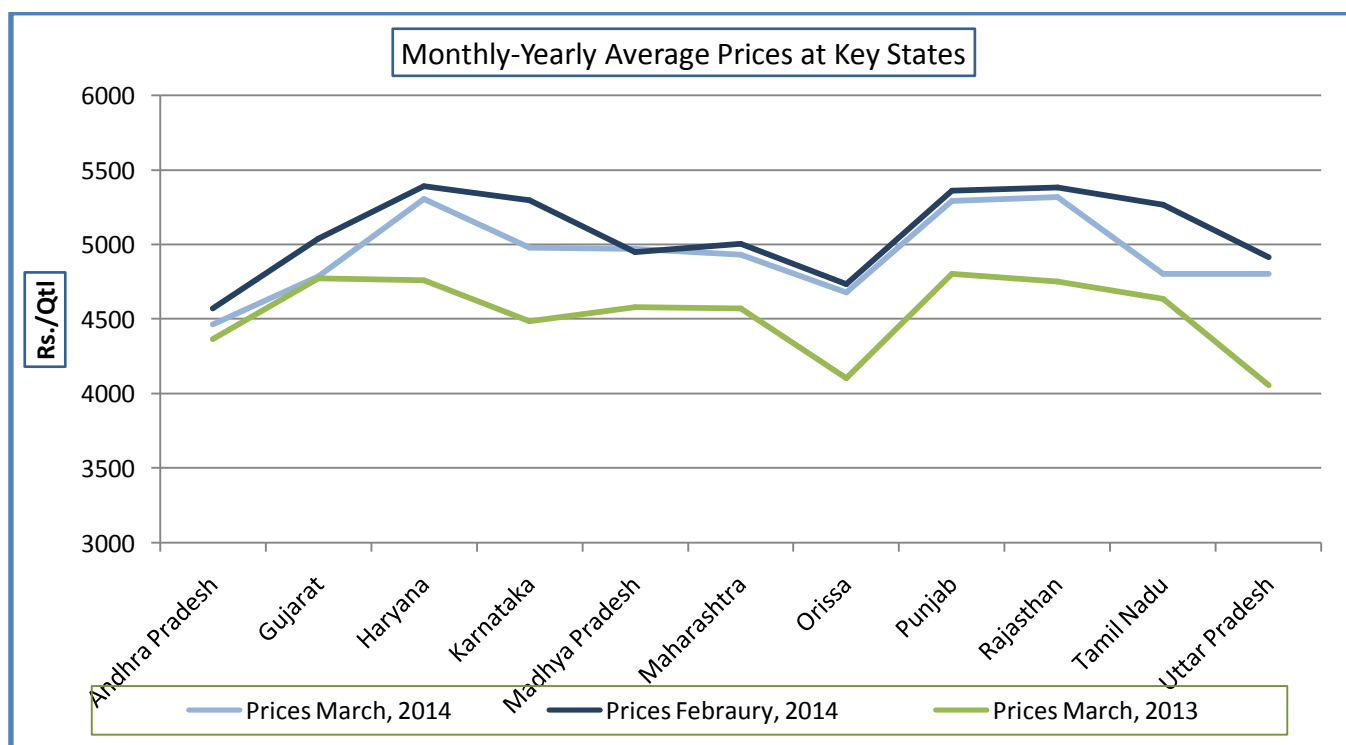


Spot prices are moving in range with weak biasness whereas future prices are continuously heading downwards For the coming course of time too. We are expecting weak movement in future market and fluctuating movement in spot market.

State wise Prices (Rs./Qtl.)

State	Prices March, 2014	Prices February, 2014	Prices March, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4465.7	4571.46	4367.01	-2.31	2.26
Gujarat	4786.82	5039.08	4774.4	-5.01	0.26
Haryana	5306.36	5393.58	4761.94	-1.62	11.43
Karnataka	4980.88	5298.17	4485.53	-5.99	11.04
Madhya Pradesh	4971.61	4950.15	4579.79	0.43	8.56
Maharashtra	4934.26	5006.12	4573.28	-1.44	7.89
Orissa	4679.14	4736.52	4104	-1.21	14.01
Punjab	5291.68	5360.84	4805.05	-1.29	10.13
Rajasthan	5318.81	5384.71	4752.27	-1.22	11.92
Tamil Nadu	4805.34	5267.86	4638.4	-8.78	3.6
Uttar Pradesh	4803.1	4916.99	4055.47	-2.32	18.44
Average	5389.69	5358.87	4536.1		

Source:Agmarknet, All figures in Rs./Quintal



Prices this year are prevailing higher compared to the previous year over the quality concerns. Among the major states, Rajasthan recorded the highest prices followed by Haryana and Punjab this month. Whereas during last month, highest quotation was reported in Haryana.

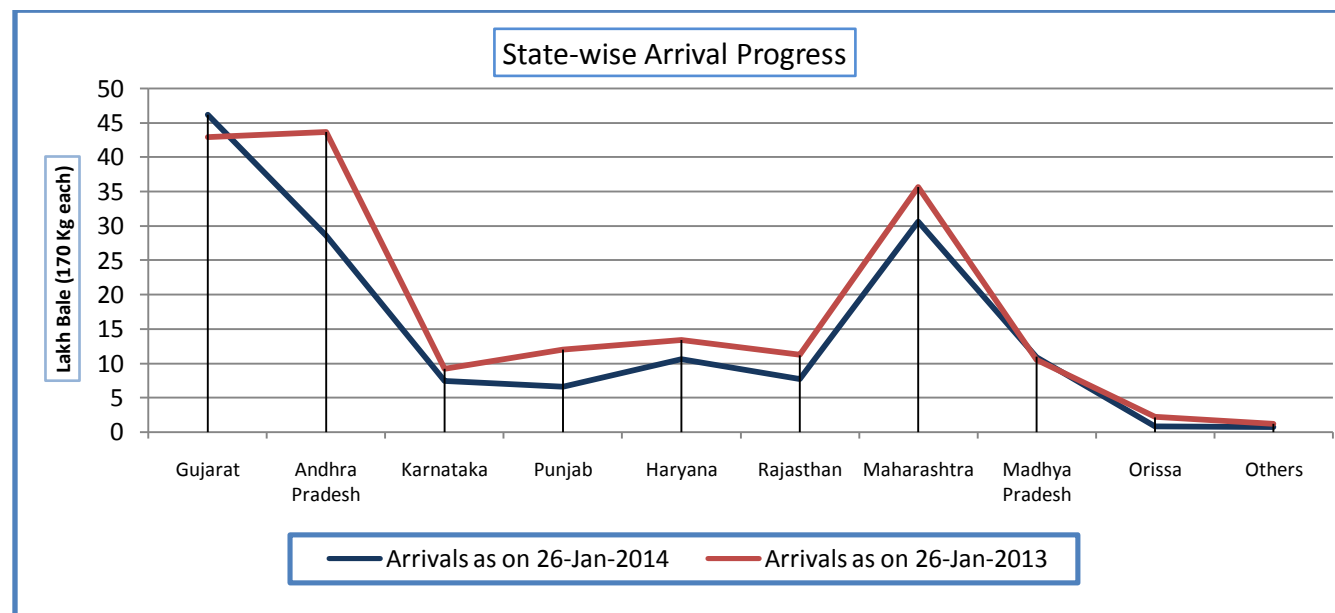
Cotton Arrivals at Major Markets:

Centre	Variety	Arrivals (Qtl)		% Change
		31-Mar-14	29-Mar-14	
Amravati	Mech-1	786000	791000	-0.63
Khandwa	Mech-1	26500	45900	-42.27
Khargaon	Mech-1	89000	124000	-28.23
Mahesana(Kadi)	B.T. Cotton	805000	1477500	-45.52
Rajkot	B.T. Cotton	19684	93950	-79.05
Patan	B.T. Cotton	182767	153731	18.89
Deesa	B.T. Cotton	21250	27350	-22.30
Fazilika	B.T. Cotton	18050	26400	-31.63
Bhiwani	B.T. Cotton	12200	13800	-11.59
Adampur	B.T. Cotton	17850	19550	-8.70
Fatehabad	B.T. Cotton	17315	19650	-11.88
Dabwali	B.T. Cotton	2270	-	-
Jind	B.T. Cotton	11671	103913	-88.77
Uchana (Jind)	B.T. Cotton	19000	-	-
Rawatsar (Hanumangarh)	B.T. Cotton	4910	5210	-5.76
Hubli	B.T. Cotton	17448	18473	-5.55
Ahmedabad	Shankar-6	1802000	2121600	-15.06
Gondal	Shankar-6	19684	26963	-27.00
Bijapur	Bunny	22749	27208	-16.39
Hubli	D.C.H.	706	142	397.18
Raichur	H-44 Cotton	61375	53474	14.78
Abohar	J-34	16830	18445	-8.76
Muktsar	J-34	7650	9265	-17.43
Bhatinda	J-34	610640	724200	-15.68
Mansa	J-34	19890	23970	-17.02
Sirsa	J-34	35870	47430	-24.37
Sri-Ganganagar	J-34	41140	83640	-50.81
Hanumangarh	B.T. Cotton	18950	26350	-28.08

State wise Arrivals (in lakh bales of 170 kgs each):

States	2013-14		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	1/11/2013	26-1-2014	1/11/2012	26-1-2013
1. Punjab	21	6.62	21	12
2. Haryana	23	10.64	25	13.41
3. Rajasthan	14	7.78	17	11.19
A. North Total (1+2+3)	58	25.04	63	36.6
4. Gujarat	116	46.19	93	42.92
5. Maharashtra	81	30.67	79	35.67
6. Madhya Pradesh	19	10.93	19	10.46
B. Central Total (4+5+6)	216	87.79	191	89.05
7. Andhra Pradesh	72	28.57	84	43.67
8. Karnataka	18	7.46	15	9.2
9. Tamil Nadu	5	0.93	6	0.41
C. South Total (7+8+9)	95	36.96	105	53.28
10. Orissa	4	0.86	4	2.15
11. Others	2	0.76	2	1.15
D. Total (10+11)	6	1.62	6	3.3
Grand Total (A+B+C+D)	375	151.41	365	182.23

Source : Cotton Corporation of India

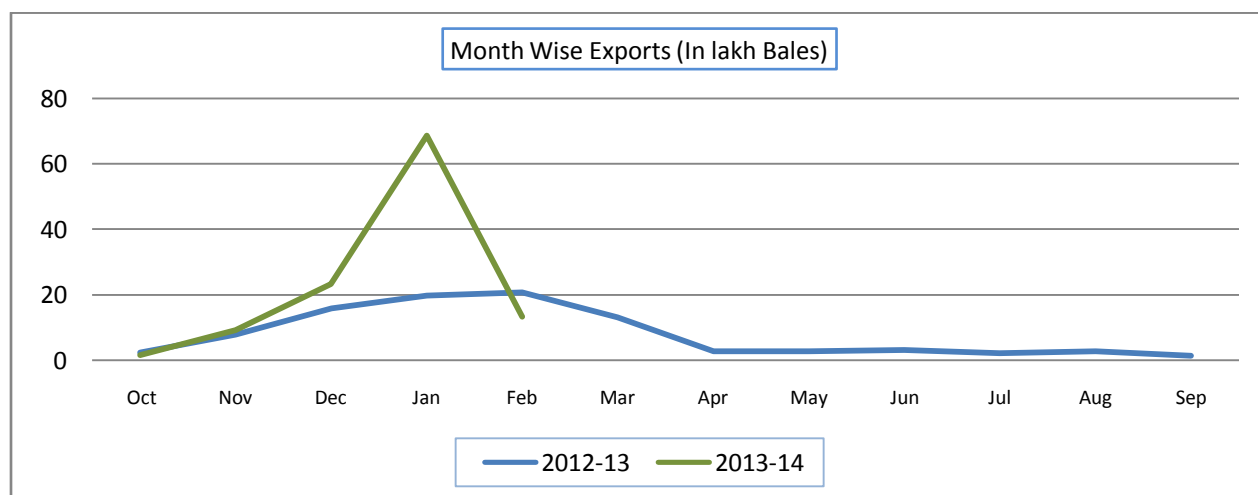


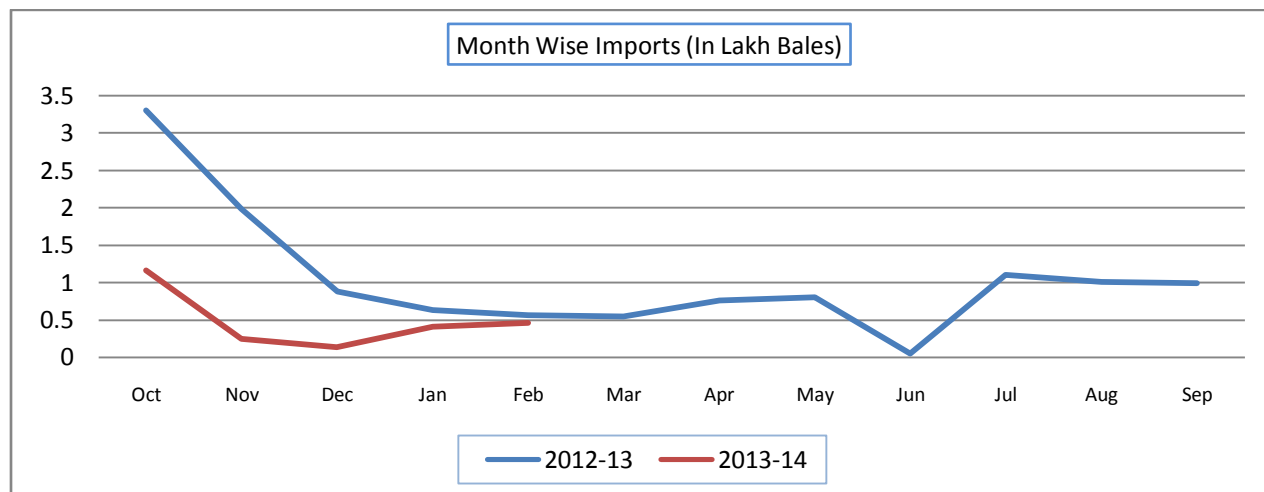
Cotton Export and Import Scenario

Cotton Exports(In Lakh Bales)		
Month	2012-13	2013-14
Oct	2.29	1.43
Nov	7.68	9.06
Dec	15.83	23.12
Jan	19.71	68.6
Feb	20.67	13.15
Mar	13.07	
Apr	2.5	
May	2.58	
Jun	3.01	
Jul	2.06	
Aug	2.5	
Sep	1.22	
Total	93.12	115.36

Cotton Imports(In Lakh Bales)		
Month	2012-13	2013-14
Oct	3.3	1.16
Nov	1.98	0.24
Dec	0.88	0.133
Jan	0.63	0.41
Feb	0.56	0.46
Mar	0.55	
Apr	0.76	
May	0.8	
Jun	0.05	
Jul	1.1	
Aug	1.01	
Sep	0.99	
Total	12.61	2.403

Source: IBIS





Export Break Up by Major Countries During February'14	
Country	Quantity (In Lakh Bales)
China	5.43
Bangladesh	2.65
Pakistan	1.04
Vietnam	0.97
Turkey	0.57

Import Break Up by Major Countries During February'14	
Country	Quantity (In Lakh Bales)
USA	0.23
Pakistan	0.08
Sudan	0.05
Egypt	0.03
Israel	0.02

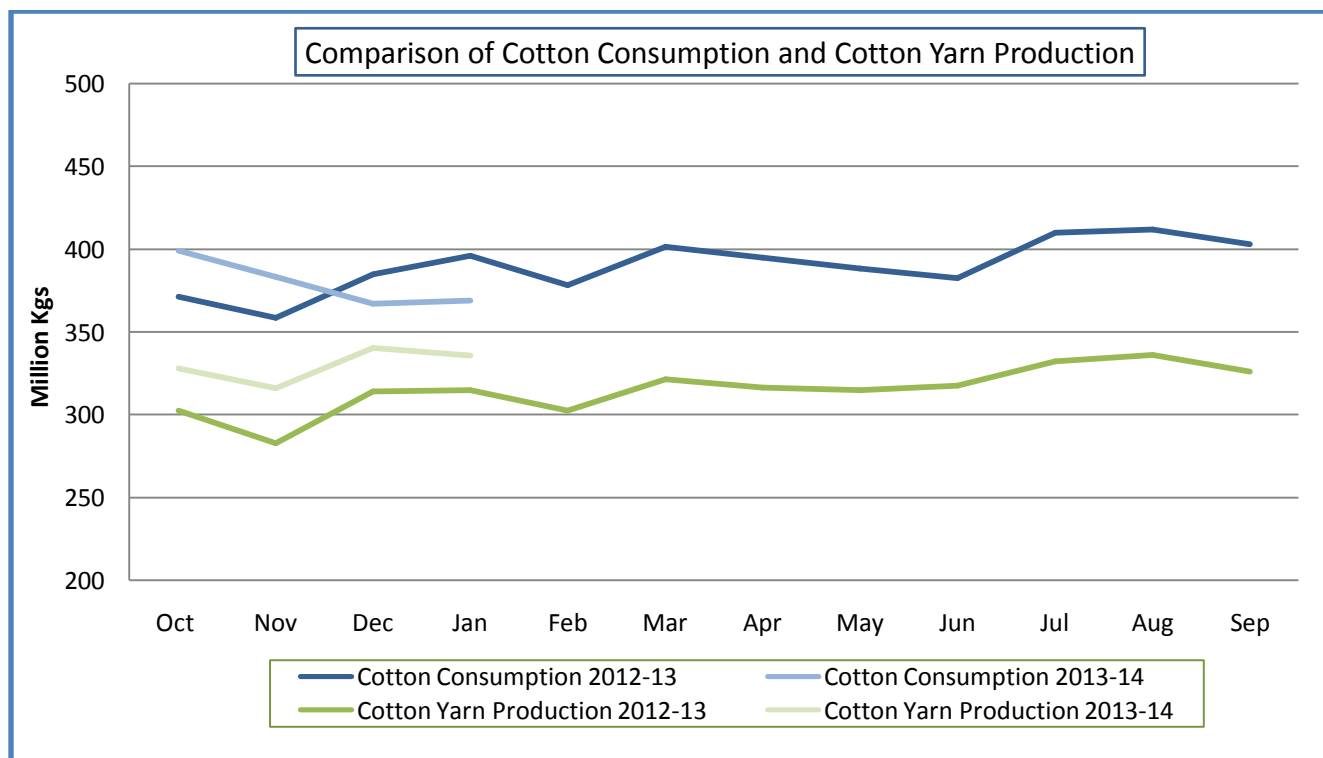
Cotton Yarn Dynamics

Cotton Consumption and Cotton yarn Production:

Cotton consumption during the initial month of the season stood higher on Y-o-Y basis and fallen in later course and moved flat thereafter, similarly cotton yarn production stood higher in initial stages of the season and started fluctuating later.

Month	Cotton Consumption 2012-13	Cotton Consumption 2013-14	Cotton Yarn Production 2012-13	Cotton Yarn Production 2013-14
Oct	371.35	399.24	302.65	327.98
Nov	358.54	383.27	282.88	316.01
Dec	384.75	367.21	314.21	340.37
Jan	396.02	368.92	315.07	335.83
Feb	378.1		302.59	
Mar	401.38		321.57	
Apr	394.75		316.61	
May	388.47		314.97	
Jun	382.64		317.68	
Jul	409.9		332.12	
Aug	411.96		336.29	
Sep	402.88		326.09	

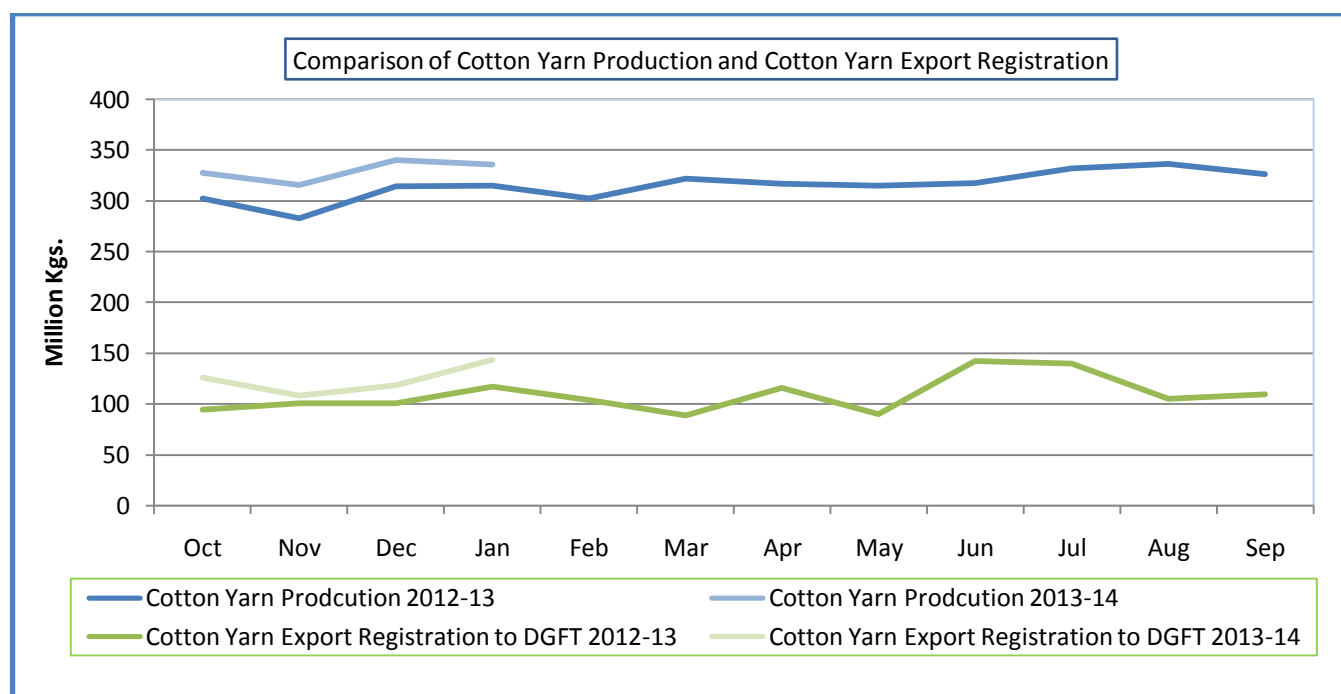
Figures in Million Kgs.



Cotton yarn Production and Cotton Yarn Export:

Month	Cotton Yarn Production 2012-13	Cotton Yarn Production 2013-14	Cotton Yarn Export Registration to DGFT 2012-13	Cotton Yarn Export Registration to DGFT 2013-14
Oct	302.65	327.98	94.46	125.88
Nov	282.88	316.01	100.77	108.52
Dec	314.21	340.37	100.77	118.736
Jan	315.07	335.83	117.14	143.813
Feb	302.59		103.95	
Mar	321.57		88.68	
Apr	316.61		115.96	
May	314.97		90.15	
Jun	317.68		142.297	
Jul	332.12		139.745	
Aug	336.29		104.913	
Sep	326.09		109.64	

Figures in Million Kgs.



Technical Analysis of Cotton Future

Commodity	Kapas
Exchange	NCDEX
Contract Month	April'14



Weekly Technical Outlook

- Prices of cotton noticed overall downward movement with mixed short-term fluctuations.
- Candlesticks depict bearishness in the market for the near term.
- Though RSI is moving high in neutral region depicting bullishness in near term.
- We expect prices to remain in range.

Expected Price Range During Coming Month

Expected Trend	Expected Trading Band
Range-Bound with Weak Biasness	750-900

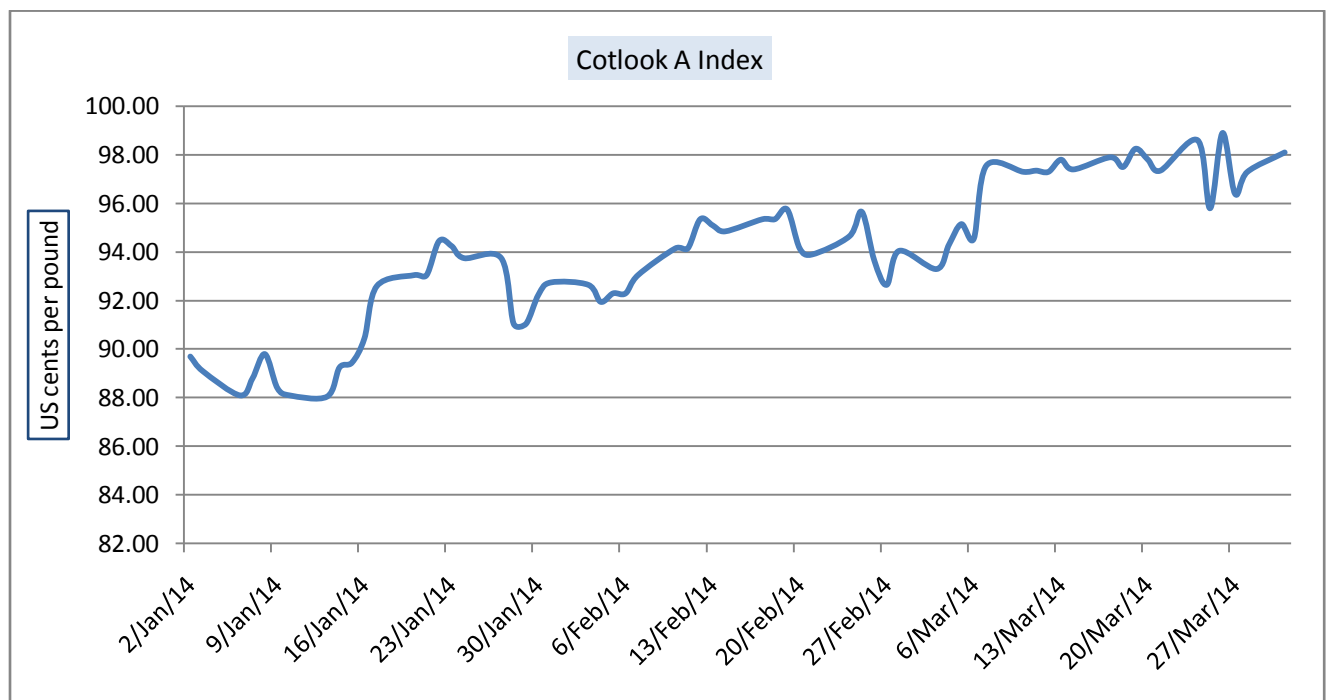
Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
750	720	950	1000

International Market Scenario

Current Market Scenario: International market is bullish from the past two consecutive months on the factors like deficit global production and prospect demand that could occur from China on lower production in the country. Currently international market is keeping eye on the Chinese cotton policy, which could bring significant movements in the prices as anticipated by most of the cotton stakeholders.

Though prices of cotton are moving higher but we could clearly expect a fall in the same as world ending stock is likely to be higher this year also, following the same trend from the last four years. This is quiet obvious from this fact that we have ample supply of cotton.



News Highlights: USA, largest exporter of cotton in the world, is expected to see increase in **acreage** of upland cotton by 7% this season to 11.1 million acres. Last year area under cultivation of upland was 10.9 million acres. At the same time acreage of Pima cotton is likely to decline to 158000 acres, facing a fall of 21% on year on year basis.

Global cotton ending stock, according to International Cotton Advisory Committee (ICAC) is likely to be around 21.04 million tons in 2014-15, nearly 5% higher of the ending stock expected in 2013-14, which would be around 20.04 million tons as reported by ICAC.

Cotton sowing in Uzbekistan, one of the top cotton producers in the world is likely to be delayed by about two weeks to end of April this year, as predicted by USDA. Reason for the same is the unfavorable rainy weather forecasted in April. As area would remain unchanged this year, production could decline as yield is likely to fall.

World Cotton Balance Sheet

Particulars	2012-13	2013-14*
SUPPLY		
Opening stock	15.963	19.438
Production	26.796	25.405
Imports	10.005	8.368
Availability	52.764	53.211
DEMAND		
Consumption	23.156	23.778
Exports	10.17	8.371
Total Disappearance	33.326	32.149
Ending Stock	19.438	21.062

Source: USDA (*March Advance Estimates by USDA), Figures in Million Metric Tonnes

Balance Sheet Highlights

Opening stock is higher this year compared to the previous year, which is adding weight to the total availability. Production is on weaker side primarily because of lower production in China and USA. Imports are showing fall this year compared to previous as China would demand less on its stock releasing policy.

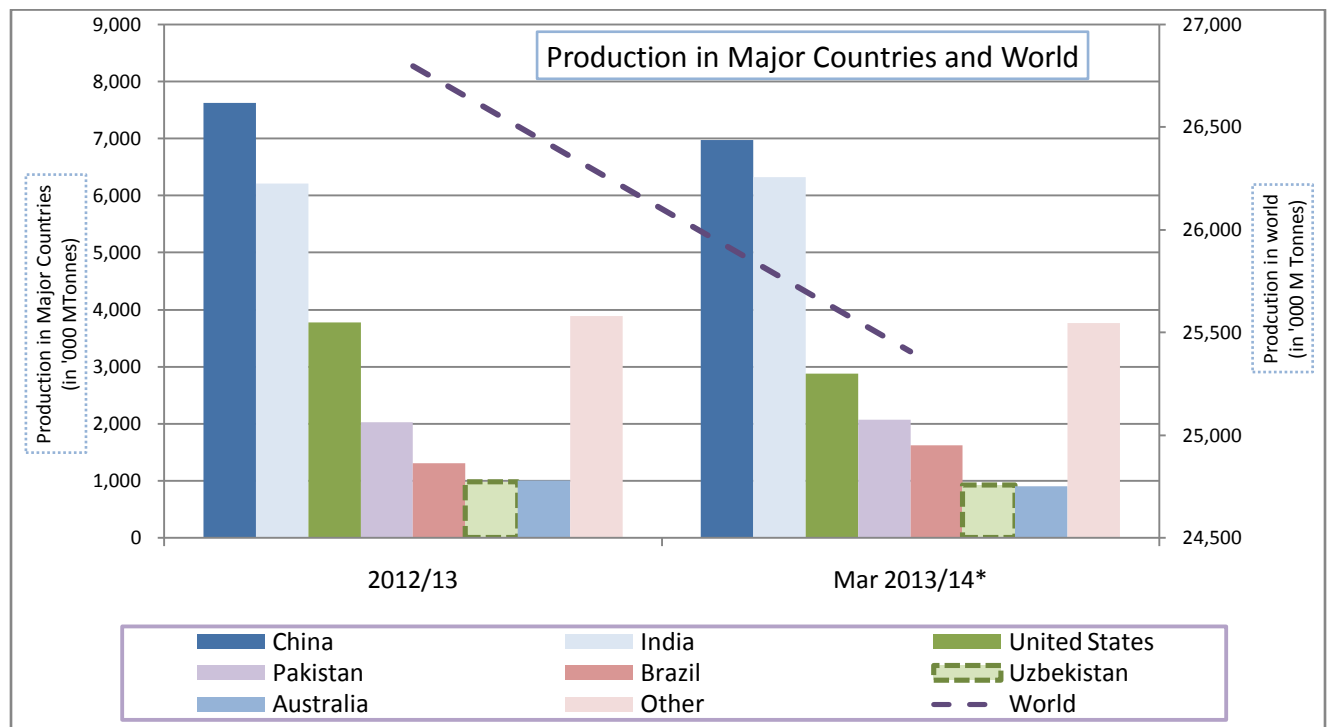
Adding all the factors mentioned above, global cotton availability is higher compared to the previous year. Consumption has been increased this year mostly because of the boosted demands from Asian nations, though exports are being declined.

There is a demand gap as we have leading supply and there is ample supply to fulfill the demand currently world stock is on higher side for the fifth consecutive year. China holds the largest share in world stock.

Global Cotton Production Dynamics

World production would be on weaker side amid lower production in China, USA, Australia and Uzbekistan. India, after facing fall in production last year, is likely to show gain in production this year owing moderate weather.

Brazil and Pakistan too are showing higher production prospects this year, compared to previous.



Global production though showing declining trends since last two years, there would not be the supply shortage as there is ample stock available to quench the demand, though it could be slightly dictated by China stock holding and releasing policies.

Global Export and Import Scenario

World export is declining which is clearly depicted by the fall in the individual exports by countries; reason for the same is the stock inventories available for the consumption.

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

China, the world largest importer of cotton is expected to show sharp decline in the imports, due to its restrictive import policy and surplus of stock available.

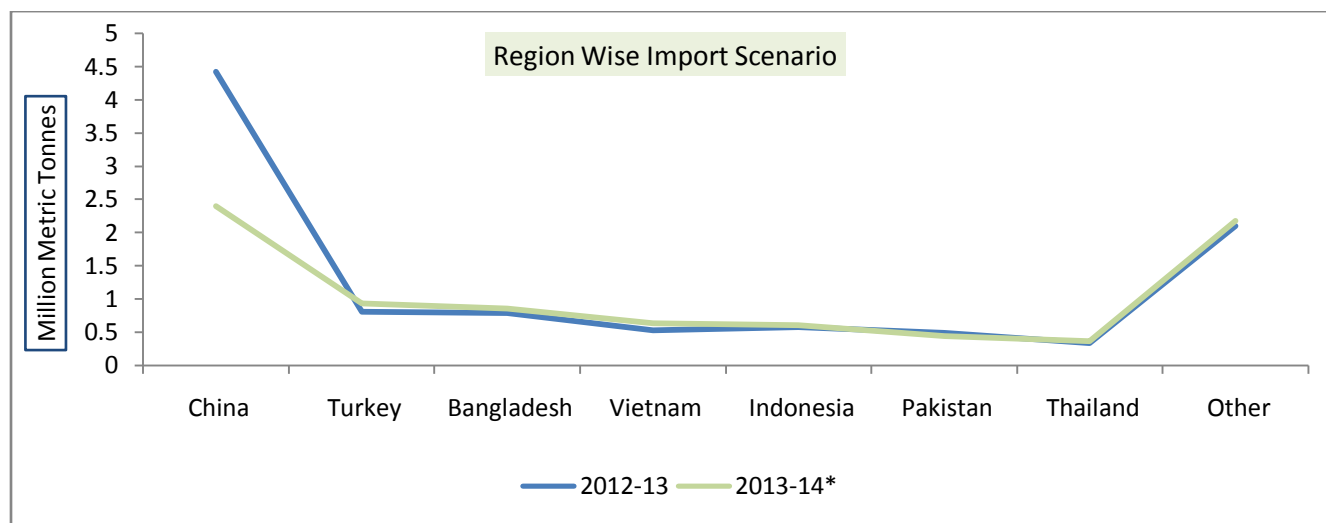
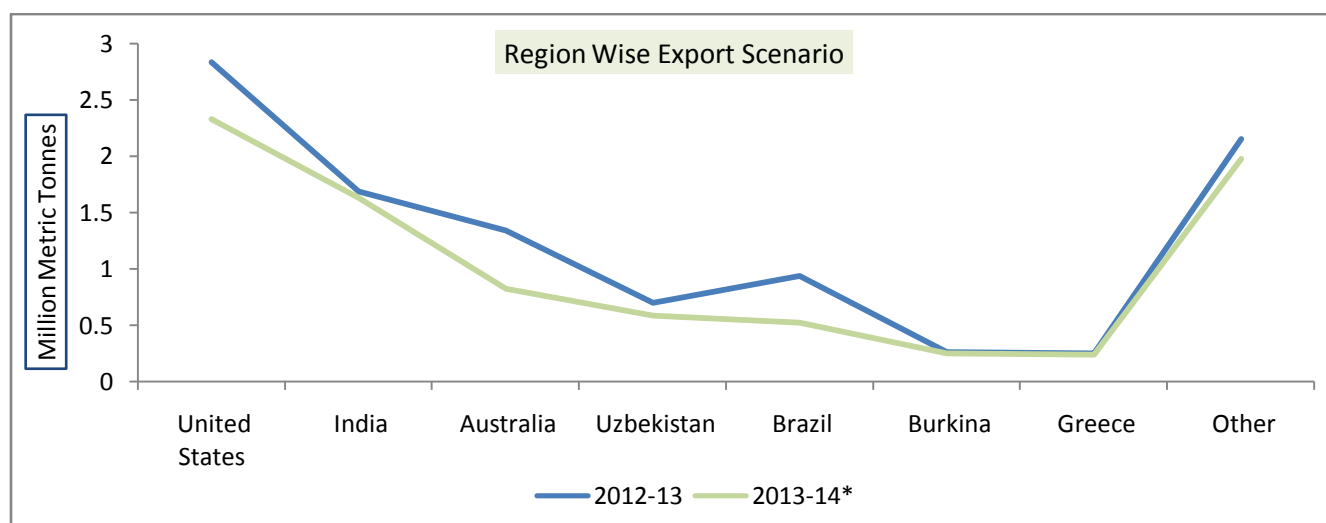
Scenario of other major importing nations are different that of China. They all are showing rise in imports due to their increased consumption.

Export	2012-13	2013-14*
United States	2.836	2.33
India	1.687	1.633
Australia	1.344	0.827
Uzbekistan	0.697	0.588
Brazil	0.938	0.523
Burkina	0.261	0.25
Greece	0.25	0.239
Other	2.156	1.98
Total	10.17	8.371

*USDA advance estimate, All figures in Million Metric Tonnes

Imports	2012-13	2013-14*
China	4.426	2.395
Turkey	0.804	0.925
Bangladesh	0.784	0.849
Vietnam	0.525	0.631
Indonesia	0.566	0.599
Pakistan	0.479	0.435
Thailand	0.329	0.359
Other	2.093	2.173
Total	10.005	8.368

*USDA advance estimate, All figures in Million Metric Tonnes

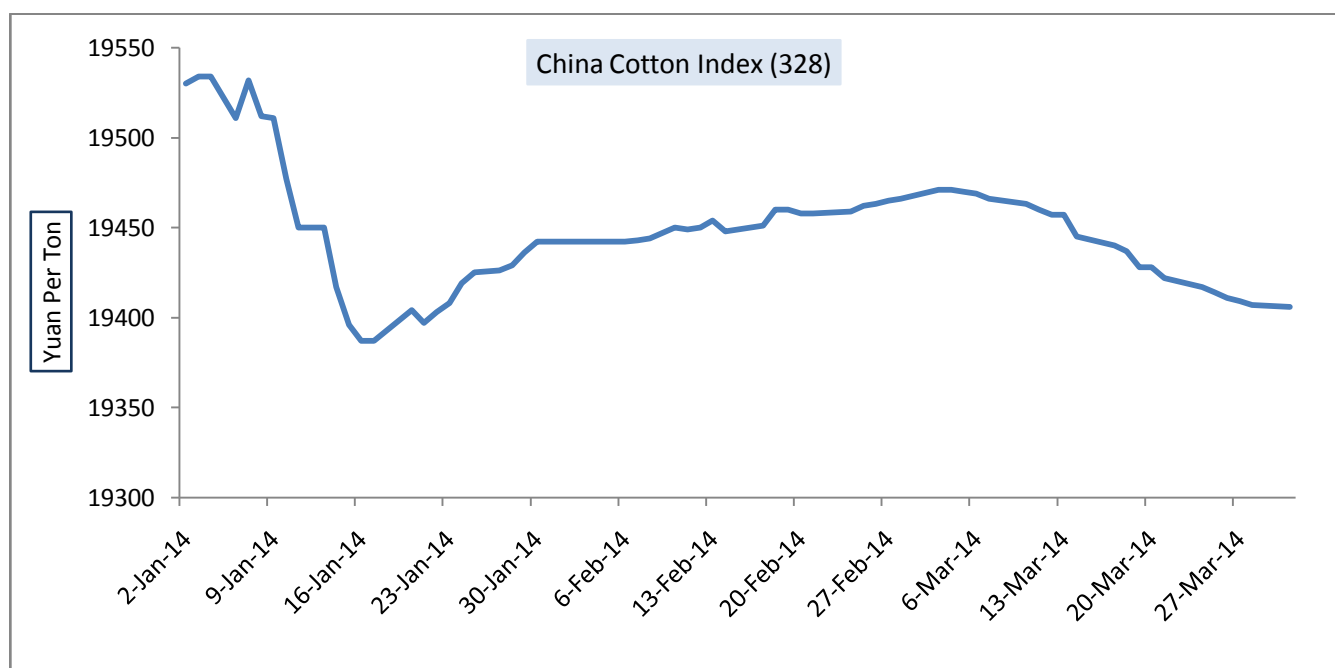


International Prices and Indices

China Cotton Index

China index is showing downwards movement from the last month on sluggish demand. It should be noted that China has revised the floor price for buying cotton yarn from 18000 to 17250 Yuan per ton w.e.f April 01st 2014, which has impacted cotton prices remarkably.

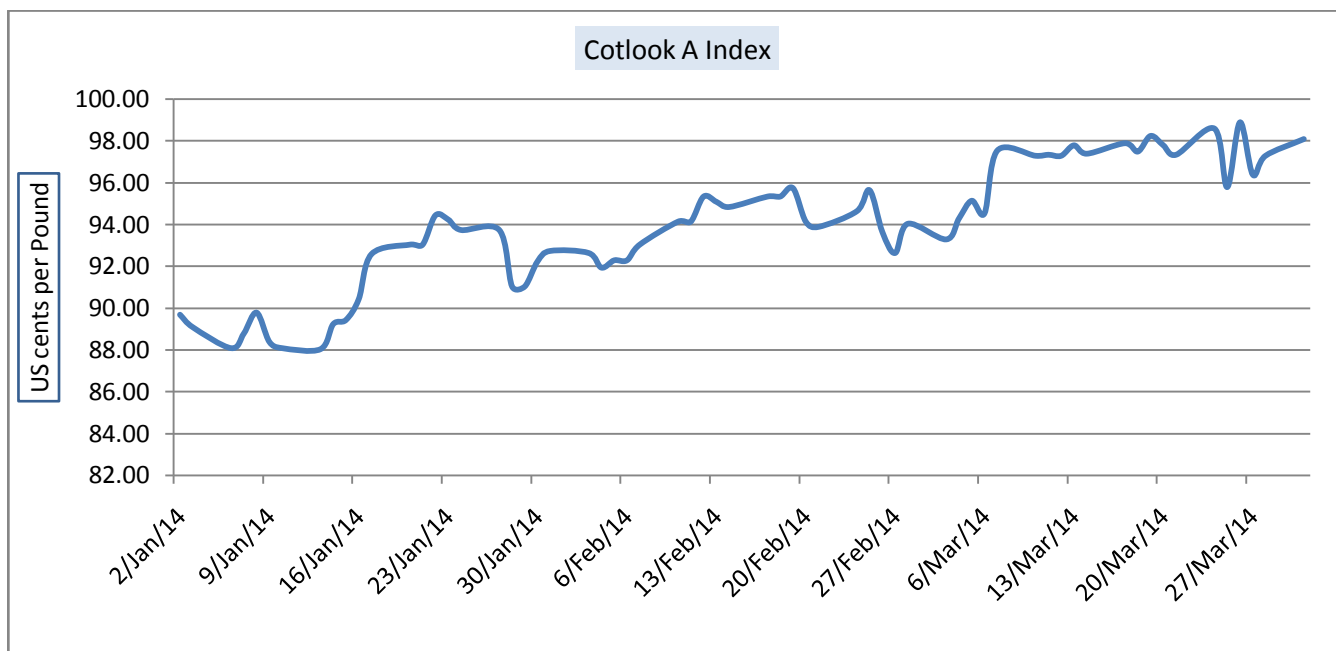
CC Indices	31-03-2014	28-02-2014	% Change
CC Index(229)	20249	20325	-0.37
CC Index(328)	19406	19466	-0.31
CC Index(527)	17705	17886	-1.01
Figures in Yuan per Ton			



Cotlook A Index

Cotlook A index is moving high from the previous months. As prices in Far East are moving high compared to the previous year. There is good demand from Bangladesh for cotton on boost in garments export from the country. In India also price remained high this year on Y-o-Y basis.

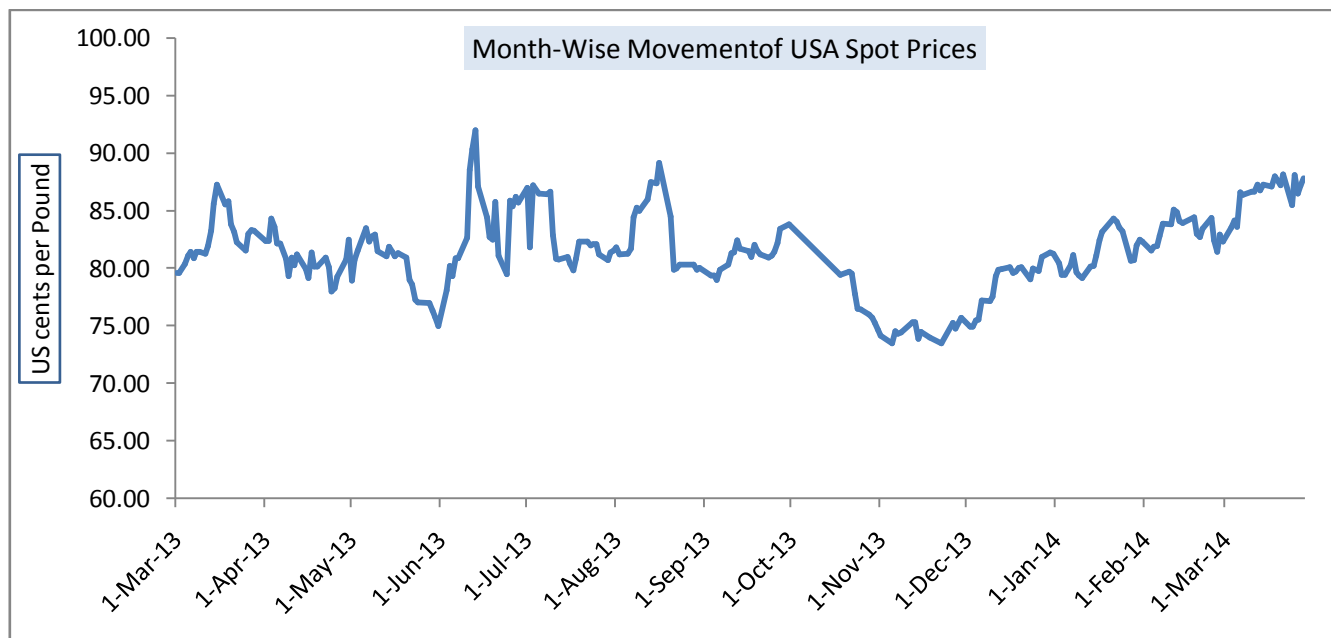
Cotlook A Index		
31-03-2014	28-02-2014	% Change
98.1	94.05	4.31
Figures in US Cents per Pound		



USA Spot Prices

Spot prices in USA are moving higher compared to the previous months of the season. Currently prices are above the quotes of previous year during the same period. We expect prices to move high further in coming days.

USA Spot Prices			
Date	31-03-2014	28-02-2014	% Change
Prices	87.69	79.53	-12.31
Figures in US Cents per Pound			



ICE Cotton Future:

Contracts	31/03/2014	28/02/2014	31/03/2013	% Month Change	% Y-o-Y Change
Mar-14		86.59	87.18	-	-
May-14	93.52	87.14	86.62	7.32	7.79
Jul-14	93.55	86.89		7.66	-
Oct-14	82.14	80.07		2.59	-
Dec-14	80.00	77.82		2.80	-
Mar-15	79.86	78.30		1.99	-
May-15	79.81				-

Source: MRCI, Figures in US Cents Per Pound

ICE cotton future is on uptrend on M-o-M and on Y-o-Y basis. Movement of prices in international spot market and future market clearly beckons that the cotton is on bullish trend. There is a fair increase in world consumption which has lifted the prices up.

Major demands are being recorded from Asian countries though China the largest importer has decided not to buy much as it has ample stock available for the domestic consumption.

Technical Analysis of Cotton Future

Commodity	Cotton
Exchange	ICE
Contract Month	May'14



Weekly Technical Outlook

- Prices of cotton noticed uptrend during the month.
- Candlesticks depict bullish movement in the near term.
- Steady movement of aligned open interest and volume though beckons stagnancy.
- We expect prices to remain in range in the coming month.

Expected Price Range During Coming Month

Expected Trend	Expected Trading Band
Range Bound Momentum	88-98

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
85	86	99	100

Source : MRCI

All figures in US cents per pound

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