

## Cotton Domestic Fundamental

**Current Market Scenario: Cotton market noticed firm movement during the month (June'14).** Prices of Kapas and lint moved mostly firm at the key centers. Future market too remained in uptrend.

**News Highlights: The deficit rainfall this year has created havoc among the farmers of Vidarbha region of Maharashtra,** the second largest grower of cotton. Farmers who had sowed cotton are now in fear of crop loss as scanty rainfall is expected this year. According latest IMD weather report, monsoon is likely to arrive late in western Vidarbha. It is expected that it would reach there by around 3-5 July.

**According to Ministry of Agriculture,** area sown for cotton crop is estimated 29.07 lakh hectares as on 27 June, 2014 around 47.8% lower the sowing last year during the same period, which was 55.76 lakh hectares.

**The Union Government has announced MSP of Kharif crops (season 2014-15)** including paddy, coarse cereals, pulses and cotton (season 2014-15) on June 25. The MSP of cotton has been raised to Rs. 3750 per quintal for medium staple and Rs. 4000 for long staple, which were Rs. 3700 and Rs. 4050 respectively last year.

**Cotton sowing in India is around 48% lower than the last year due to delayed monsoon as reported on June 25** by Directorate of Cotton Development. Estimated area sown for cotton in India stood 29.07 lakh hectares as on June 25 compared to 55.77 lakh hectares last year during the same period. According to Gujarat Agriculture Department cotton planting in state was 5.35 lakh hectares as on date mentioned compared to 11.25 lakh hectares last year during the same period.

**Cotton acreage in India, the second largest grower in the world, could surge for the first time after 2011,** on expectation of higher returns. According to the market participants, cotton area is likely to expand to 12 million hectares in the coming season, noticing a growth of 3.4% compared to the previous year. Global prices which reached a two year high in March are encouraging farmers and other stakeholders to prefer cotton over the other crops. Expectation of El Nino is also a reason farmers are willing to plant cotton instead of other crops which requires more water than fiber crop

### Domestic Balance Sheet

All figures in Lakh Bales (of 170 Kgs. Each)		
Item	2012-13	2013-14
<b>Supply</b>		
Opening stock (CCI)	40	35
Crop size (DAC)	350	365
Imports (CCI)	14.59	17
Availability	404.59	417
<b>Demand</b>		
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
Total Demand	384.59	387

CCI: Cotton Corporation of India

DAC: Department of Agriculture and cooperation (Third Advance Estimates)

USDA : United States Department of Agriculture

### Balance Sheet Highlights:

On higher production, total availability stood higher this season (Oct'13-Sept'14). Higher imports are also weighing to the availability. Total consumption during the season is expected higher on increased demand of yarn from overseas and amplified textile and garments exports anticipated for the current season.

Export of cotton (raw) would be on lower side due to the fall in demand from China, the largest importer of cotton. Despite the higher availability and lesser exports ending stocks would be lower this season due to increased domestic consumption.

### Agriwatch Advance Estimates (for season 2014-15):

According to Agriwatch estimates acreage of cotton would surge in the upcoming season, whereas production could vary depending on the rainfall and weather conditions.

Area (2013-14)	Expected Area (2014-15)	Production under normal conditions	Production under Deficit Rainfall
11.4 million hectares	12 million Hectares	372 Lakh bales	360 lakh bales

It is believed that expected El-Nino this year will lead to reduced rainfall, hampering the yield of Kharif crops including cotton. Under the conditions led by El-Nino, production of cotton will decline to 360 lakh bales compared to 365 lakh bales this year.

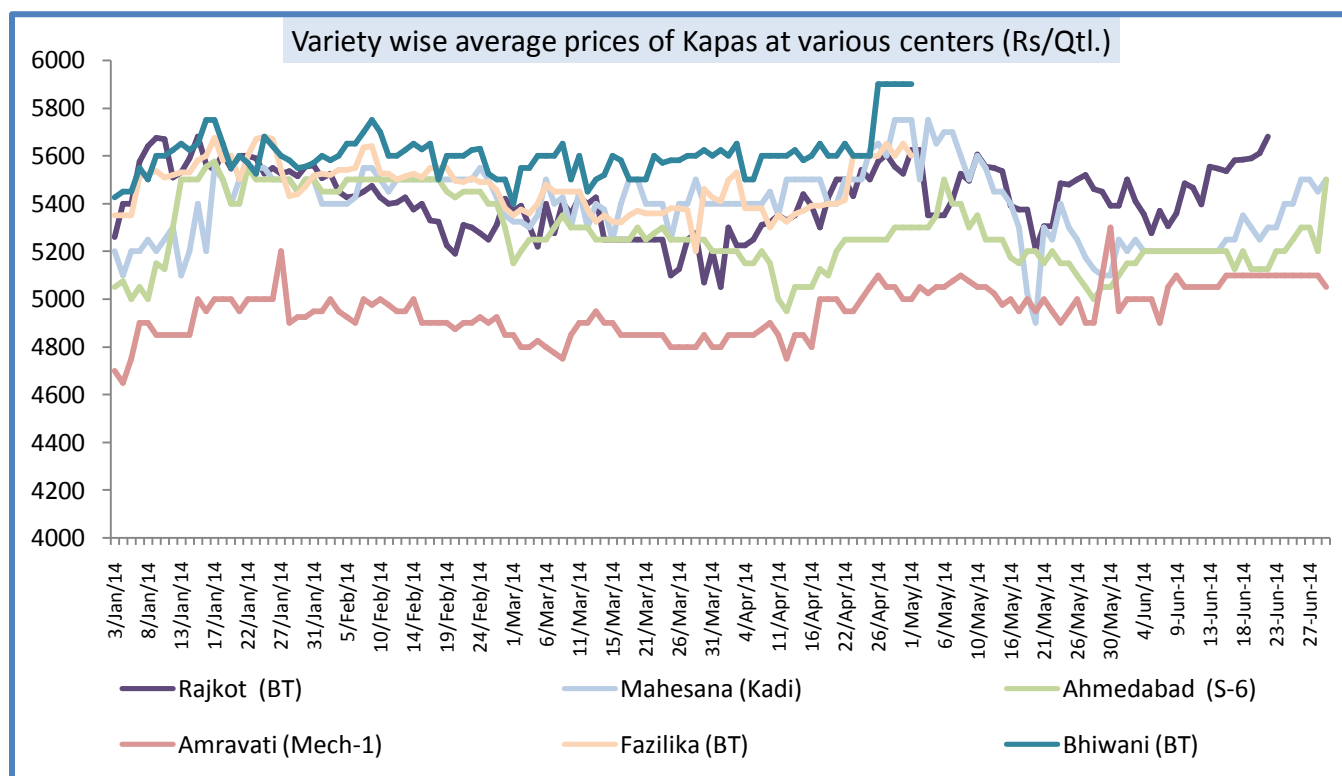
### Domestic Prices and Arrival Trend

#### Cotton Prices at Key Spot Market:

Centre	Variety	Prices		%Change
		30-Jun-14	31-May-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5050	4950	2.02
Khandwa	Mech-1	NA	5000	-
Khargaon	Mech-1	NA	5000	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	5500	5250	4.76
Rajkot	B.T. Cotton	5680	5485	3.56
Patan	B.T. Cotton	NA	5540	-
Deesa	B.T. Cotton	4150	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	5750	-
Fatehabad	B.T. Cotton	5850	5650	3.54
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	5625	-
Hubli	B.T. Cotton	NA	4895	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	5500	5100	7.84
Gondal	Shankar-6	5305	5125	3.51
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5699	5339	6.74
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5350	5220	2.49
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4760	4700	1.28
Muktsar	J-34	4750	4705	0.96
Fazilika	J-34	4780	4700	1.70
Bhatinda	J-34	4780	4715	1.38
Mansa	J-34	NA	NA	-
Sirsa	J-34	4720	4620	2.16

Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4730	4610	2.60

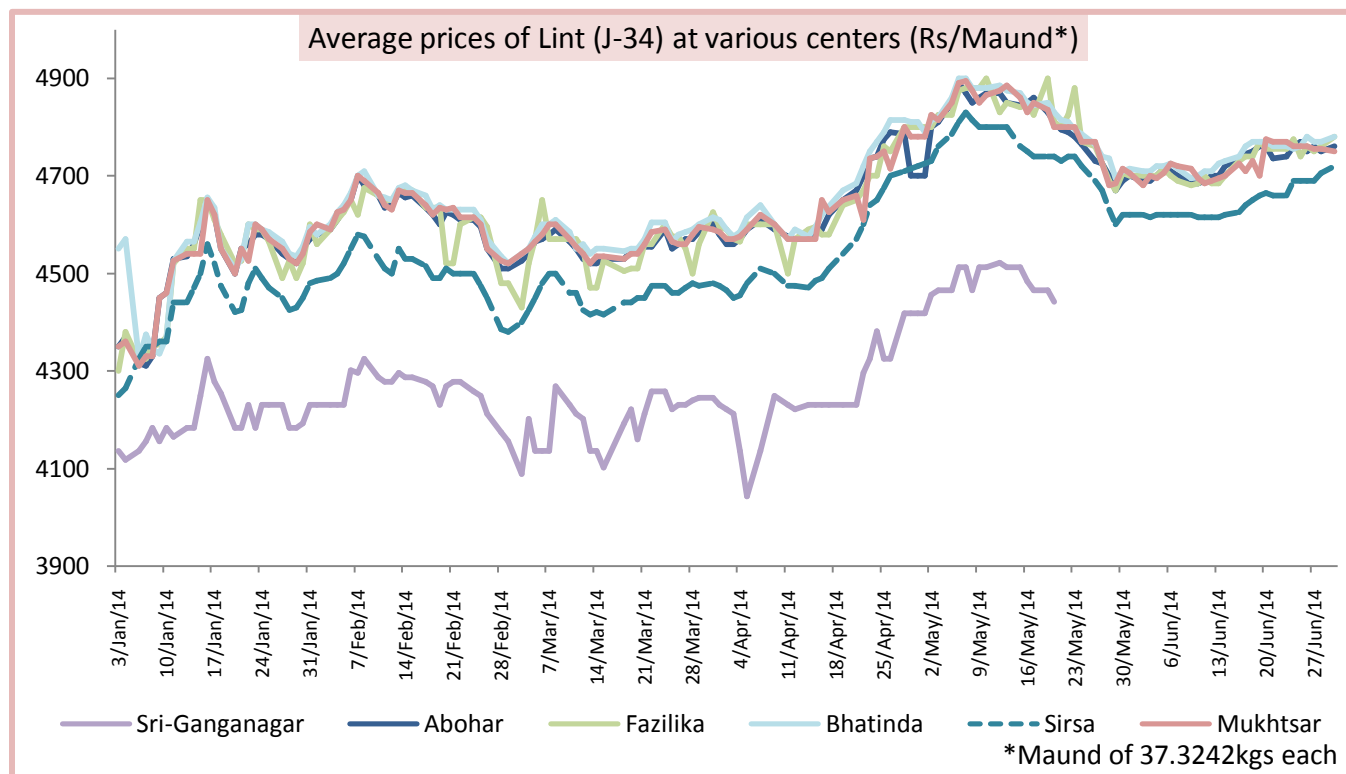
### Average Prices of Kapas (Seed Cotton) at various centers:



The graph given above is showing the range-bound to firm movement of cotton during the month. Currently highest prices are recorded in Rajkot (for BT cotton) among the markets. Amravati has noticed a steady movement during the month, whereas Rajkot, Mahesana and Ahmedabad noticed firm movement in the prices. No arrivals have been reported in Fazilika (BT) and Bhiwani (BT).

For the coming month we expect steady to firm movement in the prices. Concerns of lower production in the coming season (2014-15) due to lower rainfall are likely to affect prices positively. Though the acreage of cotton is likely to increase in coming season, yield is likely to decrease following scanty rainfall.

### Average Prices of Lint at various centers:



### Monthly Prices of Lint (issued by Office of Textile Commissioner):

Month	J-34		H-4		S-6	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
October	29661.9	42979.9	32794.7	43923.3	33517.4	44969.92
November	31580.8	--	32844.6	40715.7	33592.2	40000.16
December	32453	38156.1	33043.9	39704.7	33798.6	39270.36
January	32837.4	41563	33008.3	43047.5	33805.8	42047.16
February	35165.7	42527.8	34332.6	43727.5	35051.8	42616.76
March	37949.6	42100.6	37664.8	43211.3	38319.8	42004.44
April	36963.5		37565.1		38205.9	
May	36507.8		37490.4		37764.5	
June	38871.6		39825.7		39868.4	
July	41278.2		42278.6		42417.4	
August	43321.6		45621.4		45959.6	
September	43143.6		44891.6		47839.3	
Average of the season	36643.1		37615		38344.8	

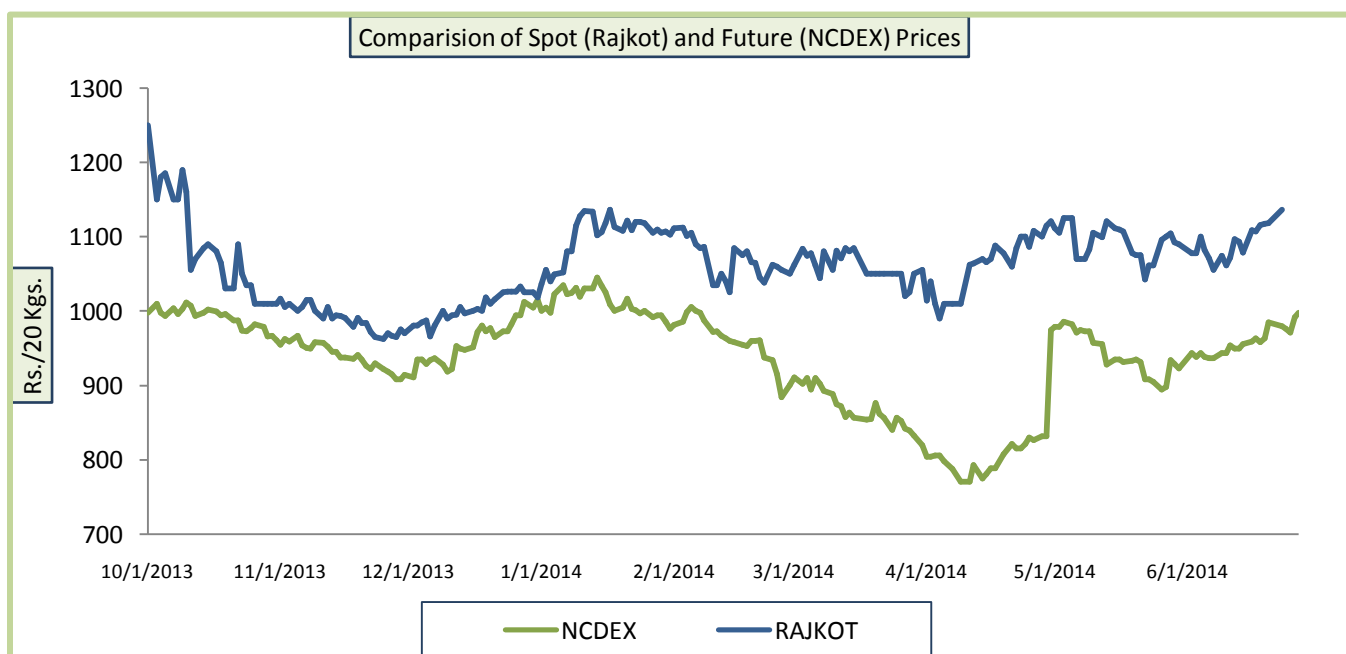
Figures in Rs./candy (356 kg.each)

### Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change %
				28-Jun-14	30-May-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	39400	2.54
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	39800	2.76
J-34(202)	26mm	3.5 - 4.9	23	43800	42900	2.10
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41100	38900	5.66
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	40700	4.91
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44000	43000	2.33
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44900	44600	0.67
DCH-32(107)	34mm	3.0 - 3.8	33	59000	58500	0.85

### Movement of Prices at Spot and Future Market:

Both future and spot market are showing bullish trend on monthly basis. Expectation of lower rainfall, which would affect the yield of cotton, has made cotton prices to move northwards. It should be noted that weak monsoon has delayed the cotton sowing, which would affect the crop yield.



**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		Change
		30-Jun-14	31-May-14	
Amravati	Mech-1	326500	824500	<b>-60.40</b>
Khandwa	Mech-1	NA	5500	-
Khargaon	Mech-1	NA	28000	-
Mahesana(Kadi)	B.T. Cotton	192000	610000	<b>-68.52</b>
Rajkot	B.T. Cotton	95950	98550	<b>-2.64</b>
Patan	B.T. Cotton	NA	67204	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	3145	-
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	254	-
Ahmedabad	Shankar-6	428400	1118600	<b>-61.70</b>
Gondal	Shankar-6	29137	28257	<b>3.11</b>
Bijapur	Bunny	17733	37710	<b>-52.98</b>
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	20375	19523	<b>4.36</b>
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	2414	5355	<b>-54.92</b>
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

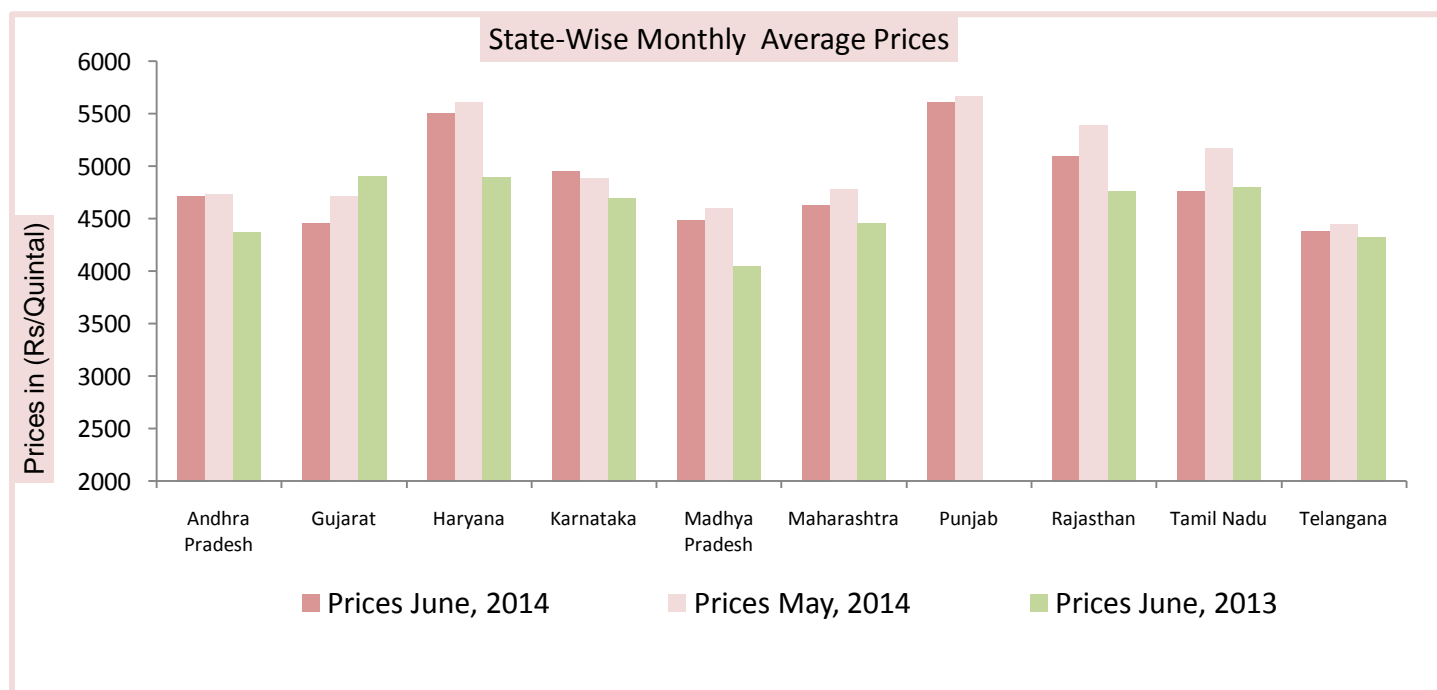
### State wise Scenario

#### State wise Prices (Rs./Qtl.)

State	Prices June, 2014	Prices May, 2014	Prices June, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4715.19	4729.54	4378.38	-0.3	7.69
Gujarat	4463.55	4710.5	4907.23	-5.24	-9.04
Haryana	5506.93	5606.48	4894.71	-1.78	12.51
Karnataka	4955.93	4885.06	4699.13	1.45	5.46
Madhya Pradesh	4488.77	4593.28	4047.01	-2.28	10.92
Maharashtra	4631.92	4780.84	4461.27	-3.11	3.83
Punjab	5607.94	5661.37		-0.94	—
Rajasthan	5095.36	5390.38	4759.77	-5.47	7.05
Tamil Nadu	4760.71	5167.92	4804.77	-7.88	-0.92
Telangana	4383.21	4445.51	4324.63	-1.4	1.35
<b>Average</b>	<b>4718.71</b>	<b>4783.36</b>	<b>4421.36</b>		

Source: Agmarknet

In Gujarat and Tamil Nadu prices have fallen down this month compared to the corresponding period last year due to fall in China imports of cotton and cotton yarn. Other states have maintained the uptrend on Y-o-Y basis. Among the major states, Punjab recorded the highest prices followed by Haryana and Rajasthan this month.

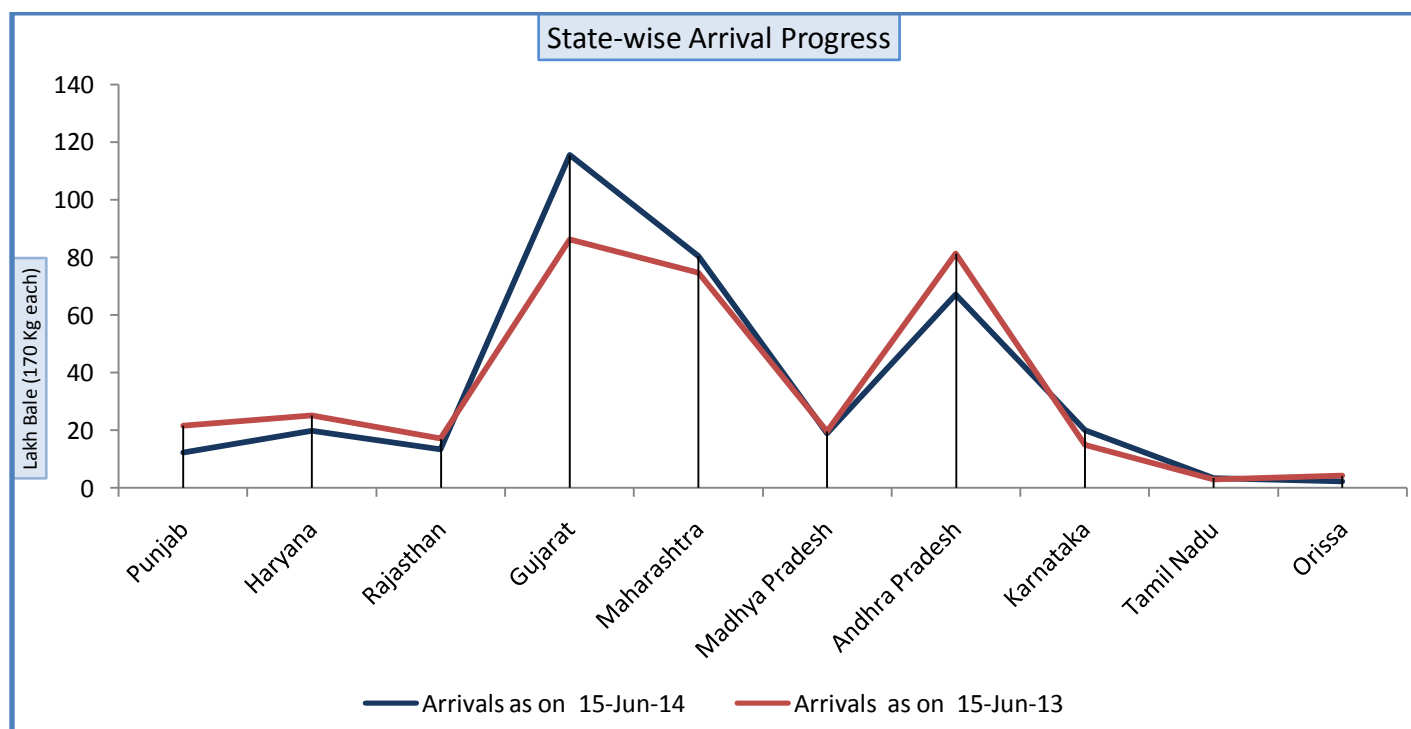




### State wise Arrivals (in lakh bales of 170 kgs each):

States	2013-14*		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	1/11/2013	15-6-2014	1/11/2013	15-6-2013
1. Punjab	21	12.4	21	21.54
2. Haryana	23	19.87	25	25.16
3. Rajasthan	14	13.5	17	17
<b>A. North Total (1+2+3)</b>	<b>58</b>	<b>45.77</b>	<b>63</b>	<b>63.7</b>
4. Gujarat	116	115.41	93	86.13
5. Maharashtra	81	80.48	79	74.54
6. Madhya Pradesh	19	19	19	19.62
<b>B. Central Total (4+5+6)</b>	<b>216</b>	<b>214.89</b>	<b>191</b>	<b>180.29</b>
7. Andhra Pradesh	72	67.12	84	81.29
8. Karnataka	18	19.97	15	14.88
9. Tamil Nadu	5	3.34	6	2.89
<b>C. South Total (7+8+9)</b>	<b>95</b>	<b>90.43</b>	<b>105</b>	<b>99.06</b>
10. Orissa	4	2.31	4	4.17
11. Others	2	1.96	2	2
<b>D. Total (10+11)</b>	<b>6</b>	<b>4.27</b>	<b>6</b>	<b>6.17</b>
<b>Grand Total (A+B+C+D)</b>	<b>375</b>	<b>355.36</b>	<b>365</b>	<b>349.22</b>

\* Inclusive of new crop arrivals in September 2013



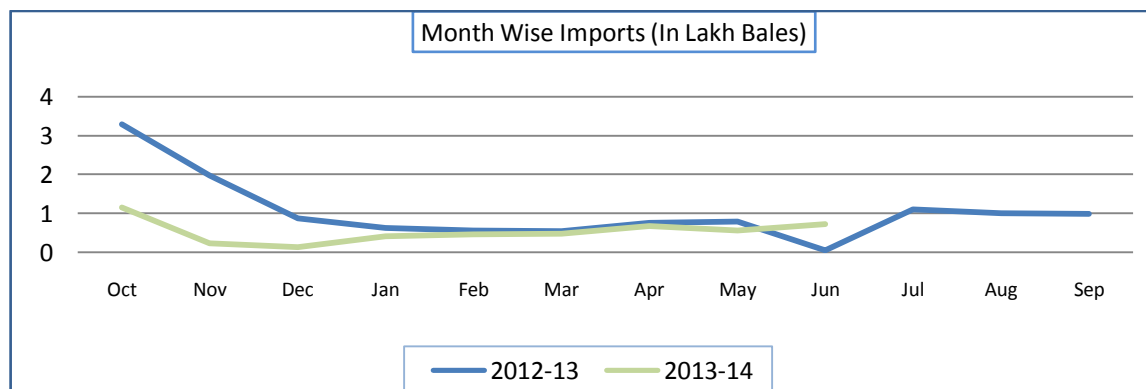
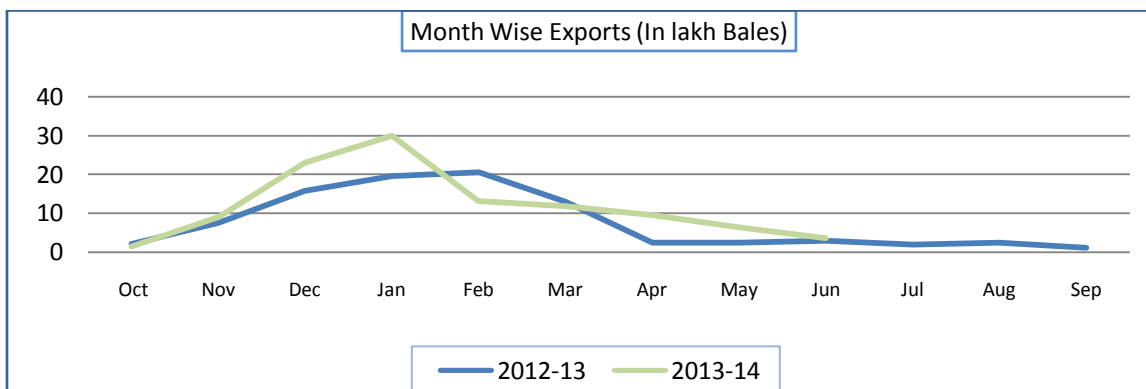
## Cotton Export and Import Scenario

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	30
Feb	20.67	13.15
Mar	13.07	11.9
Apr	2.5	9.46
May	2.58	6.37
Jun	3.01	3.62
Jul	2.06	
Aug	2.5	
Sep	1.22	
<b>Total</b>	<b>93.12</b>	<b>108.1</b>

Source: IBIS

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	0.488
Apr	0.76	0.68
May	0.8	0.56
Jun	0.05	0.73
Jul	1.1	
Aug	1.01	
Sep	0.99	
<b>Total</b>	<b>12.61</b>	<b>4.86</b>

Source: IBIS



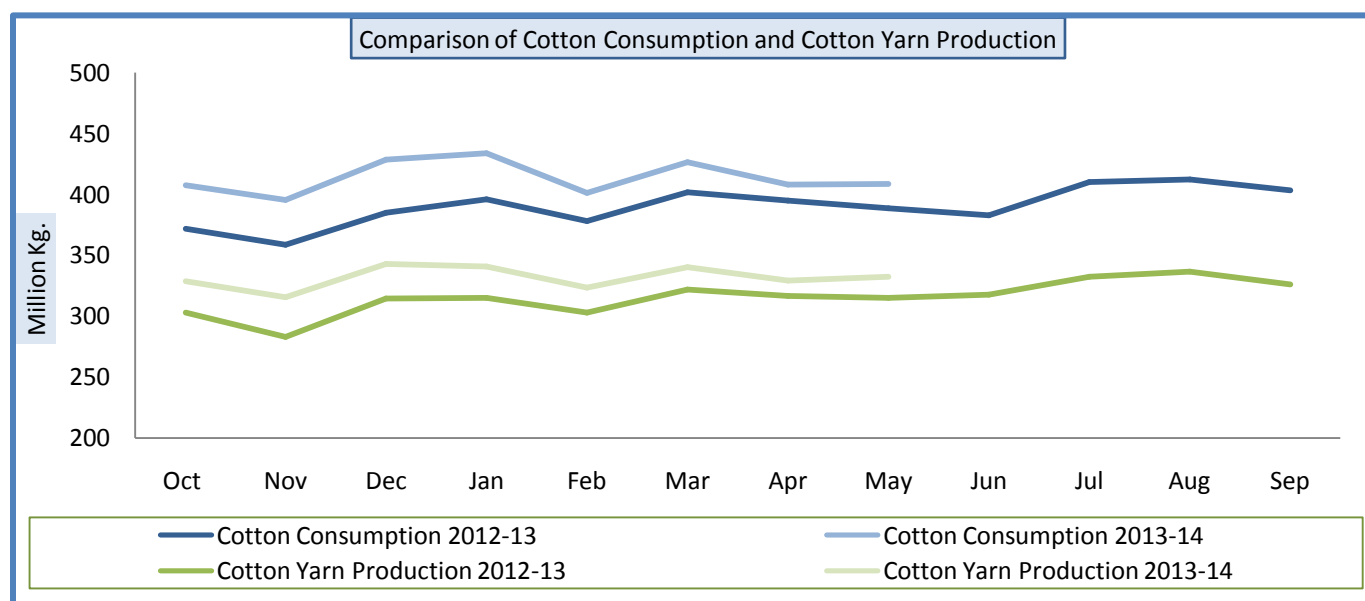
## Cotton Yarn Dynamics

### Cotton Consumption and Cotton Yarn Production:

Consumption of cotton slightly improved during the month of May, had noticed highest level in January till now whereas on yearly basis it has increased compared to the previous year. Increased cotton consumption has been reflected in cotton yarn production as the same too has increased on yearly basis and showing mixed trend on monthly basis.

Month	Cotton Consumption 2012-13	Cotton Consumption 2013-14	Cotton Yarn Production 2012-13	Cotton Yarn Production 2013-14
Oct	371.35	407.21	302.65	328.33
Nov	358.54	395.28	282.88	315.39
Dec	384.75	428.06	314.21	342.81
Jan	396.02	433.66	315.07	340.36
Feb	378.1	400.79	302.59	323.52
Mar	401.38	426.12	321.57	340.33
Apr	394.75	408.03	316.61	329.22
May	388.47	408.5	314.97	332.4
Jun	382.64		317.69	
Jul	409.9		332.12	
Aug	411.96		336.3	
Sep	402.88		326.09	

*Figures in Million Kg.*

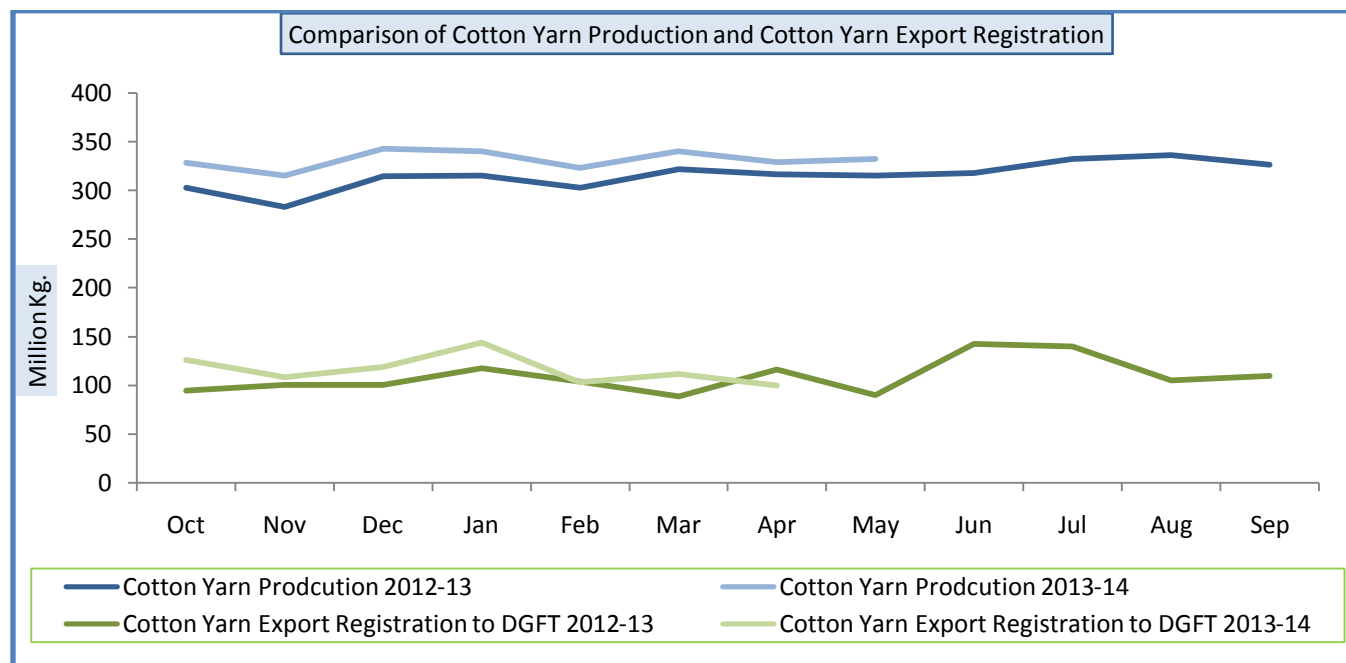


### Cotton Yarn Production and Cotton Yarn Export:

Cotton yarn registration has been fallen down during April, following the trend of a drop on month and month and year on year basis, mainly due to the revised import policy of China. China is likely to move away from the textile industry in the coming period of time. Also India is expected to export lesser as domestic consumption has been increasing due to expanding textile and garments industry in India.

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	328.33	94.46	125.88
Nov	282.88	315.39	100.77	108.52
Dec	314.21	342.81	100.77	118.736
Jan	315.07	340.36	117.14	143.813
Feb	302.59	323.52	103.95	103.124
Mar	321.57	340.33	88.68	111.738
Apr	316.61	329.22	115.96	99.926
May	314.97	332.4	90.15	
Jun	317.69		142.297	
Jul	332.12		139.745	
Aug	336.3		104.913	
Sep	326.09		109.64	

*Figures in Million Kg.*



## Technical Analysis of Cotton Future

Commodity	Kapas
Exchange	NCDEX
Contract Month	April'15



### Weekly Technical Outlook:

- Candlesticks denote bullish trends in the market.
- RSI is moving in overbought region supporting weak tone in near term
- We expect prices to remain range bound with weak biasness.

### Expected price range during coming month

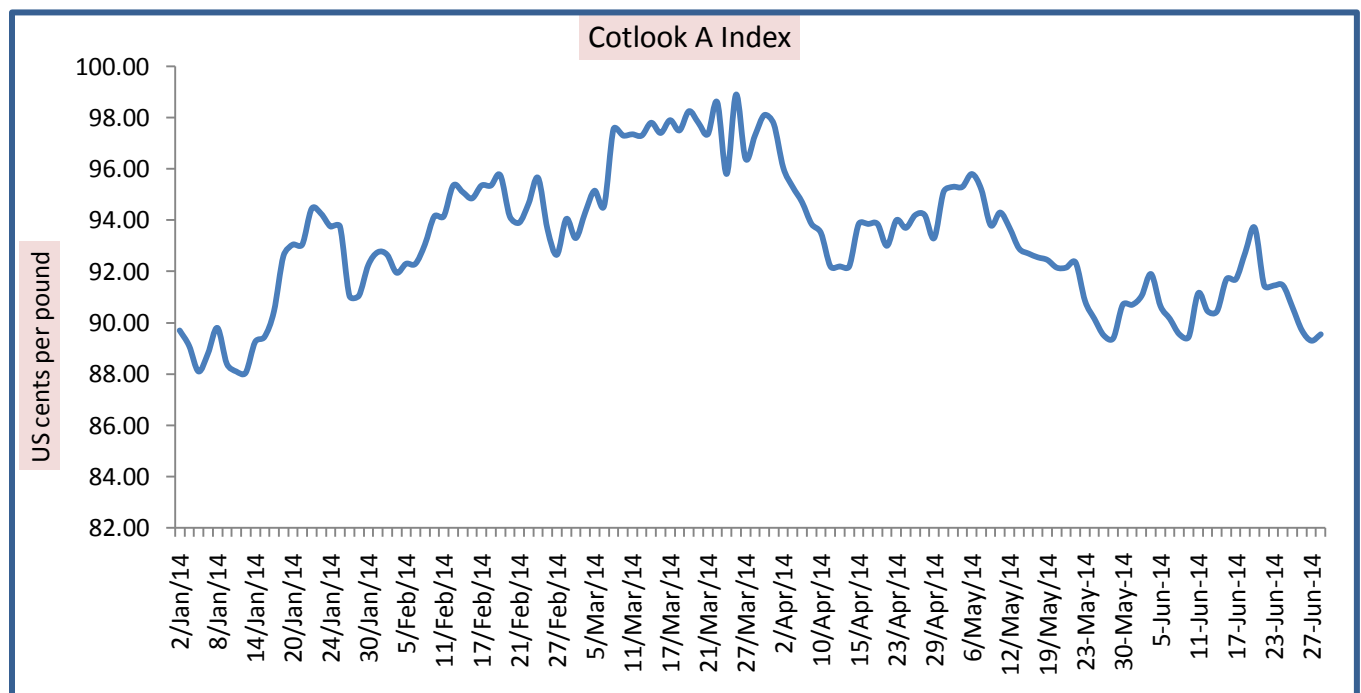
Expected Trend	Expected Trading Band
Range Bound to Steady Momentum	948-1015

### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
930	915	1015	1025

## International Market Scenario

**Current Market Scenario:** International market noticed a downtrend during the month (June'14). Weaker demand from China and ample cotton stocks are making supply higher on the International front.



### News Highlights:

**Cotton prices in international market are tumbling down on lackluster trading activities.** The most active December'14 contract on ICE has witnessed around 30 month lowest open interest on June 27. Cotlook A index fell to 89.30 cents/pound on June 27, lower by 2.15 points on weekly basis. The cotton market is now awaiting the USDA planting report and world demand and supply report.

**According to the market participants, new cotton crop is not in good condition in China,** the largest producer of cotton. The daily temperature remained lower by 6-10 degree Celsius during 20-26 June compared to previous year during the corresponding period.

**China is likely to hold 60% of world cotton reserve,** mostly held by government reserve. The secretariat estimated that Chinese government will hold around 11.5 million tons of cotton by the end of current season 2013-14.

**According to the USDA report released in June, World production would be around 25.23 million tonnes** in the coming season (2014-15) as compared to 25.72 million tonnes in the season 2013-14.

### **World Cotton Balance Sheet:**

Particulars	2013-14	2014-15*
<b>SUPPLY</b>		
Opening stock	19.602	21.555
Production	25.72	25.239
Imports	8.942	7.743
Availability	54.264	54.537
<b>DEMAND</b>		
Consumption	23.912	24.448
Exports	8.932	7.742
Total Disappearance	32.844	32.19
Ending Stock	21.555	22.364
Source: USDA (*June Advance Estimates by USDA), Figures in Million Metric Tonnes		

### **Balance Sheet Highlights:**

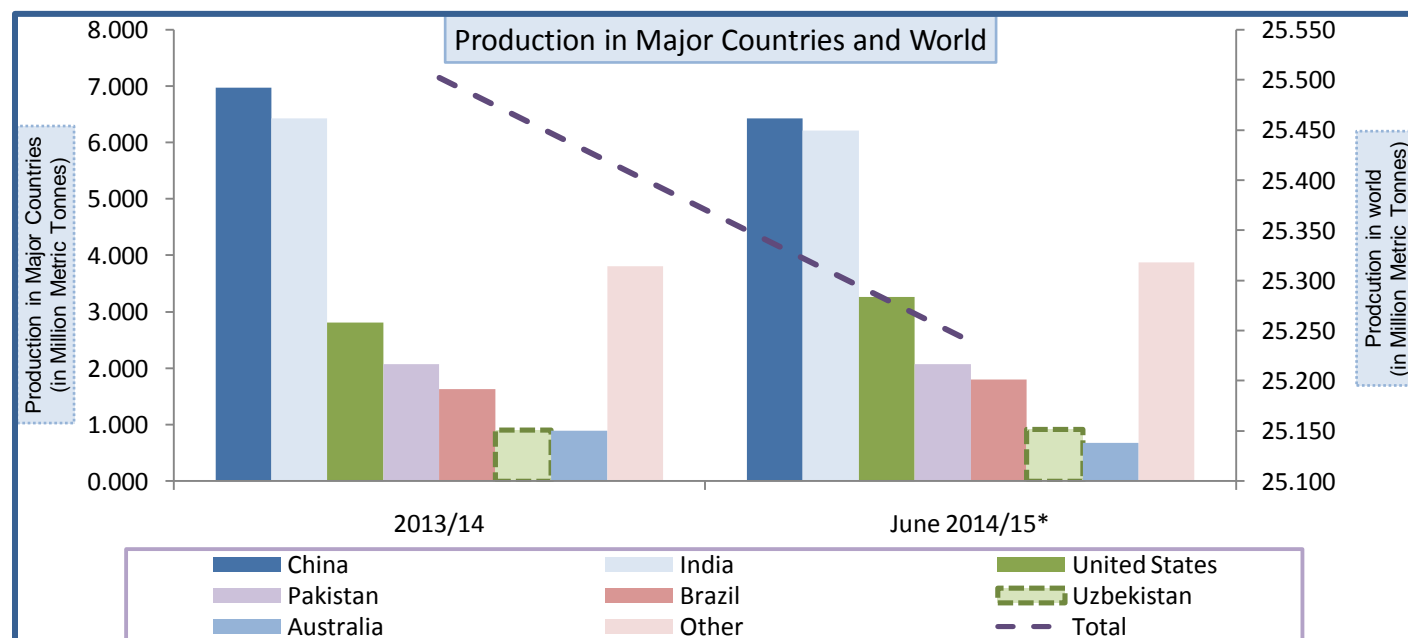
Opening stock is expected higher for the coming season (2014-15) as ending stock this year stood higher. Production would be on lower side amid lower production in China and India. Imports too would be on lower side due to lower demand from China.

Despite the lower production and lower imports, total availability would be higher due to larger opening stock.

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, India and Australia. United States, Brazil and Uzbekistan are showing higher production prospects this year, compared to previous year.



### 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.

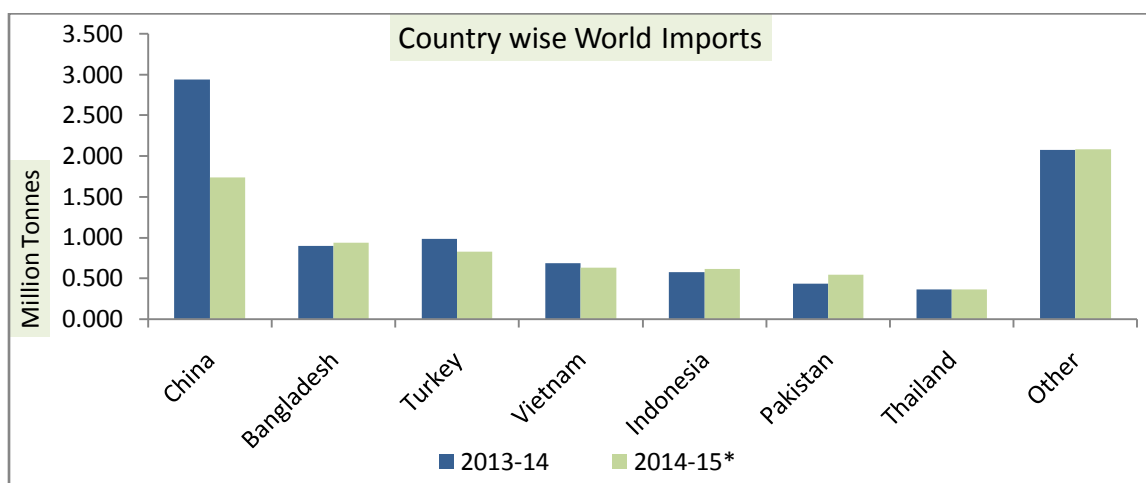
Export	2013-14	2014-15*
United States	2.29	2.11
India	1.96	1.24
Brazil	0.50	0.72
Australia	1.05	0.68
Uzbekistan	0.59	0.54
Greece	0.26	0.25
Burkina	0.26	0.24
Other	2.03	1.96
<b>Total</b>	<b>8.93</b>	<b>7.74</b>
*USDA advance estimate, All figures in Million Metric Tonnes		

Import	2013-14	2014-15*
China	2.939	1.742
Bangladesh	0.893	0.936
Turkey	0.980	0.827
Vietnam	0.686	0.631
Indonesia	0.577	0.610
Pakistan	0.435	0.544
Thailand	0.359	0.365
Other	2.073	2.088
<b>Total</b>	<b>8.942</b>	<b>7.743</b>
*USDA advance estimate, All figures in Million Metric Tonnes		





As per USDA, United States, India, Australia, Uzbekistan, Greece and Burkina would export less in 2014/15 and Brazil is likely to export more.



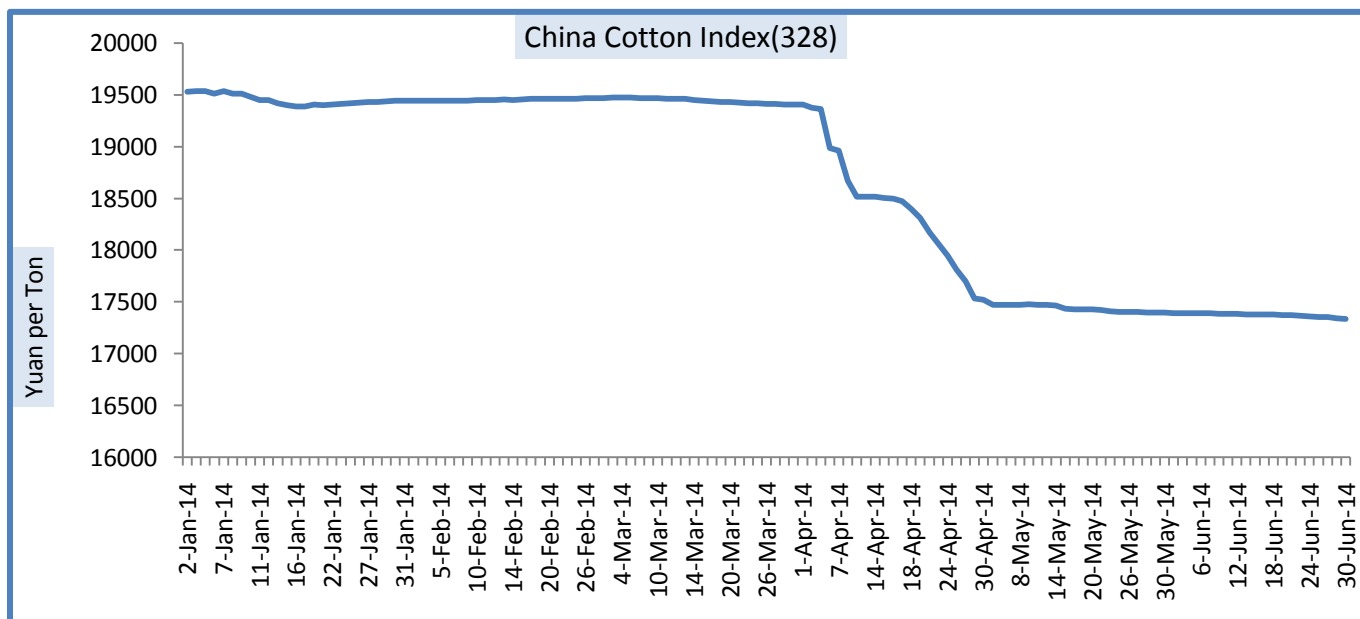
As far as Imports are concerned China is expecting a remarkable fall in imports, Turkey and Vietnam too are showing declining trends in imports. Bangladesh, Pakistan, Indonesia and Thailand are projected to notice uptrend in imports.

## International Prices and Indices

### China Cotton Index

China index is showing downwards movement from the last month on sluggish demand. The sentiments of lesser shipment to China in coming season too, have shifted the prices to negative tracks. Also revised China cotton policy had already made a bearish environment.

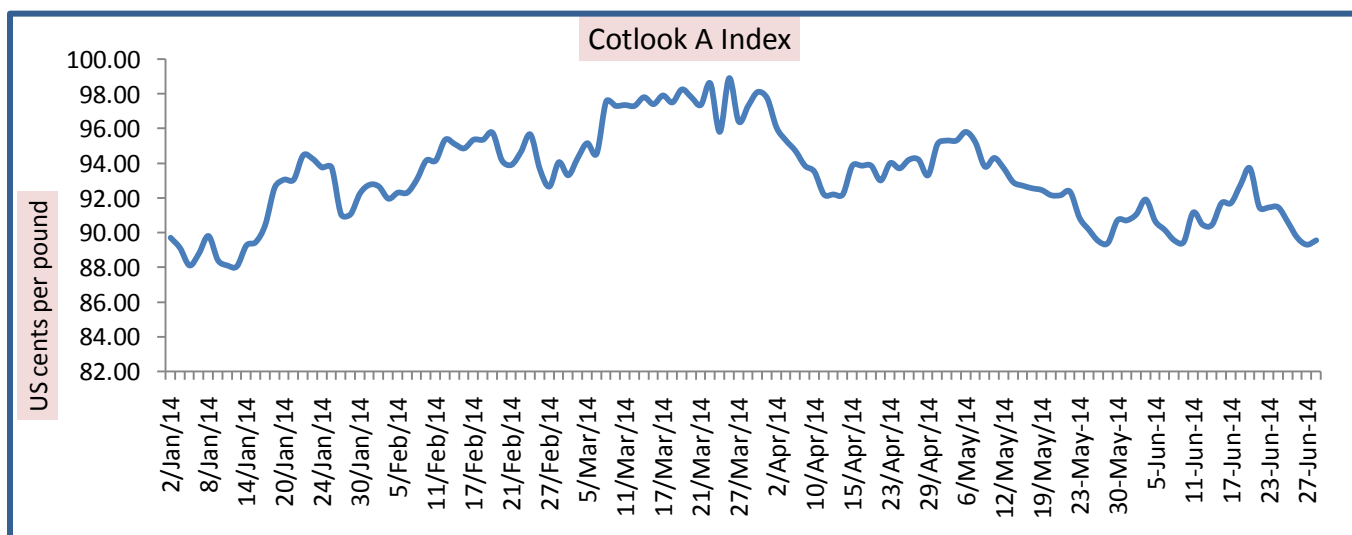
CC Indices	30/6/2014	30/5/2014	% Change
CC Index(229)	18053	18201	-0.81
CC Index(328)	17332	17392	-0.34
CC Index(527)	16170	16289	-0.73
Figures in Yuan per Ton			



### Cotlook A Index

Cotlook A Index is moving down due to the weak international market. Sufficient stocks has created the leading supply and factors like lesser imports expected from China are creating demand deficit on the global front.

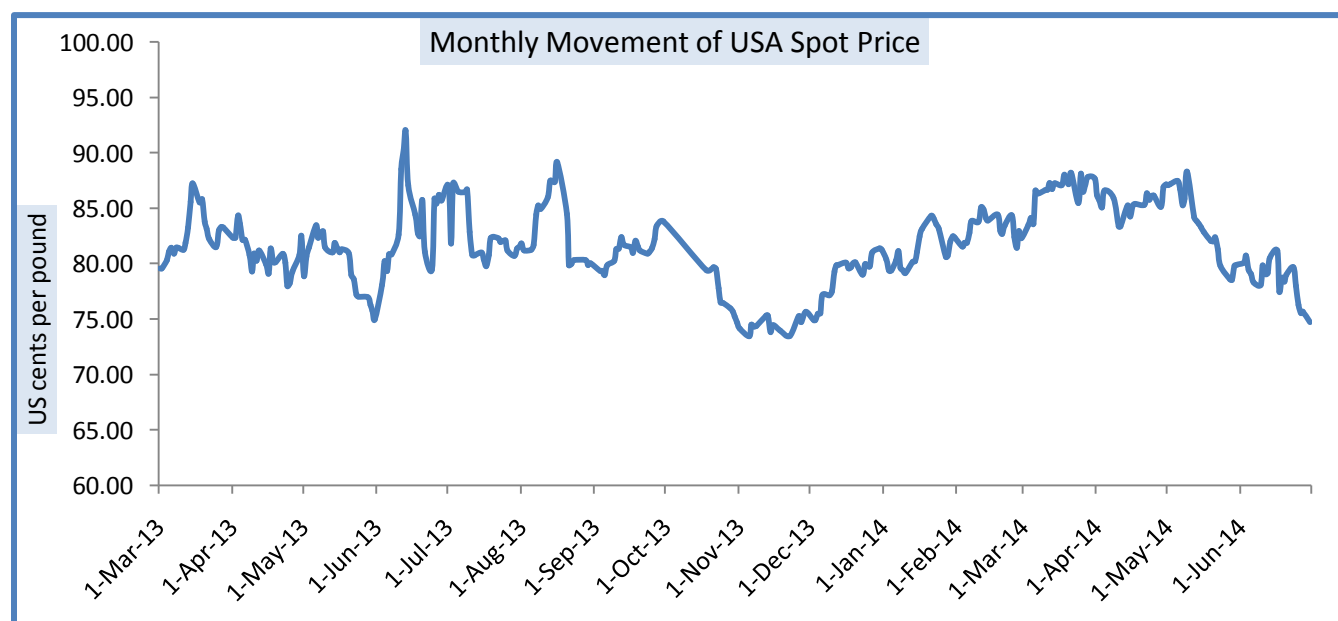
Cotlook A Index		
30/Jun/14	30/May/14	% Change
89.55	90.7	-1.27
Figures in US Cents per Pound		



## USA Spot Prices

Spot prices in USA have been affected by the bear factors prevailing in the world market. These factors include lower world cotton trade anticipated for the coming season, larger global inventories and lesser exports expected to China.

USA Spot Prices			
Date	30/Jun/14	30/May/14	% Change
Prices	74.7	79.9	-6.47
Figures in US Cents per Pound			



## ICE Cotton Future:

Contracts	30/06/2014	30/05/2014	28/06/2013	% Month Change	% Y-o-Y Change
<b>Jul-14</b>	79.21	86.27	81.43	-8.18	-2.73
<b>Oct-14</b>	73.38	77.13	--	-4.86	--
<b>Dec-14</b>	73.51	77.47	--	-5.11	--
<b>Mar-15</b>	74.95	77.77	--	-3.63	--
<b>May-15</b>	76.08	78.89	--	-3.56	--
<b>Jul-15</b>	76.98	79.85	--	-3.59	--

Source: MRCI, Figures in US Cents Per Pound

## Technical Analysis of Cotton Future

Commodity	Cotton
Exchange	ICE
Contract Month	July'14



### Weekly Technical Outlook:

Candlesticks are depicting weak movement in prices during the month.  
Steady Volume and Open interest beckons consolidation in near term.  
We expected prices to remain in range.

### Expected Price Range During Coming Month

Expected Trend	Expected Trading Band
Range-Bound Momentum	75-86

### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
73	71	85	87

Source : MRCI

All figures in US cents per pound

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