

Current Market Outlook

India is expected to become largest producer of cotton by 2022 says “The Agricultural Outlook, 2013-2022”. As per this recently release report, production of cotton in China is likely to decline by 17% whereas India will increase its production by 25%. The report mentioned above is collaborative effort of Organization of Economic Co-operation and Development (OECD) and Food and Agriculture Organization (FAO) of United Nations (UN).

According to the third advance estimate released by Ministry of Agriculture, cotton output would be around 36.50 million bales (of 170 kg each) in the current season compared to 34.22 million bales previous season.

Export of cotton yarn from India is expected to be around 1,350 million kg valued USD 4.70 billion, for the financial year 2014. During the Initial 10 months alone i.e. April to January, India has exported around 1,082 million kg of cotton yarn valued USD 3.75 billion.

Cotton export from India is likely to rise to 8.8 million bales (480-lbs) in 2013-14, which was earlier expected to be around 8 million bales, according to USDA. Production too in India has increased to 29.5 million bales from earlier expectation of 29 million bales due to additional pickings following winter rains.

The revised policy of China for importing cotton has affected India’s cotton export drastically. Export of cotton yarn in the month of April has declined by 25% on weak demand and less lucrative export to China, driven by recently announced policy. As per the new policy, which came into effect from April 1st, 2014, government has lowered the auction bids of floor price to 17250 from 18000 Yuan per tone.

Cotton arrivals in India this year stood higher compared to previous year owing good production of crop in the country. Total arrival recorded till April 30, 2014, was 33.575 million running bales of 155-157 kg each compared to 30.2 million bales during the corresponding period last year, thus noticing a increase of 17.79% on Y-o-Y basis.

According to the officials, cotton acreage could boost up in upcoming season on expectation of lower rainfall. Cotton acreage, particularly in south India is likely to rise as it require lesser water than other crops like paddy. Other crop which could see higher cultivation this year is maize. About 5% of rise is expected in cotton area this year.

As concluded by latest data from DGFT, export registration of cotton yarn rose by 33% in current FY. In year 2013-14, contracts of 1,415 million kg of cotton yarn for export were being registered by traders, compared to 1,067 million kg last year.

According to the USDA report, Australian cotton lint production down by 4.4% to 900,000 tonne (or 4.1 million bales) in 2014-15 from 940,000 tonne produced in 2013-14. Meanwhile, cotton seed production dwindle to 1,200,000 tonne as compared with 1330,000 tonne produced in previous year. Cotton plantings in Australia are forecast to fall to 380,000 hectares in 2014-15 from 392,000 hectare in previous year. Australia exports around 95 percent of its raw cotton, with three quarters sold to China. In 2014-15, exports are expected to decline by 8% to 9 lakh tonne against the 9.75 lakh tonne exported in 2013-14. In April 2014, Australia and Japan signed an Economic Partnership Agreement (AJEPA) which allow zero tariffs in the Japanese market.

China cotton yarn import during March month was up to 16.11% at 178,000 tonne from last month and down 10.72% from same corresponding period in last year. In this calendar year, China import totalled 448,188 tonne against 411,547 tonne during same period in 2013.

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	365					
Imports (CCI)	14.59	17	1.2	0.24	0.133	0.41	0.46
Availability	404.59	417					
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.

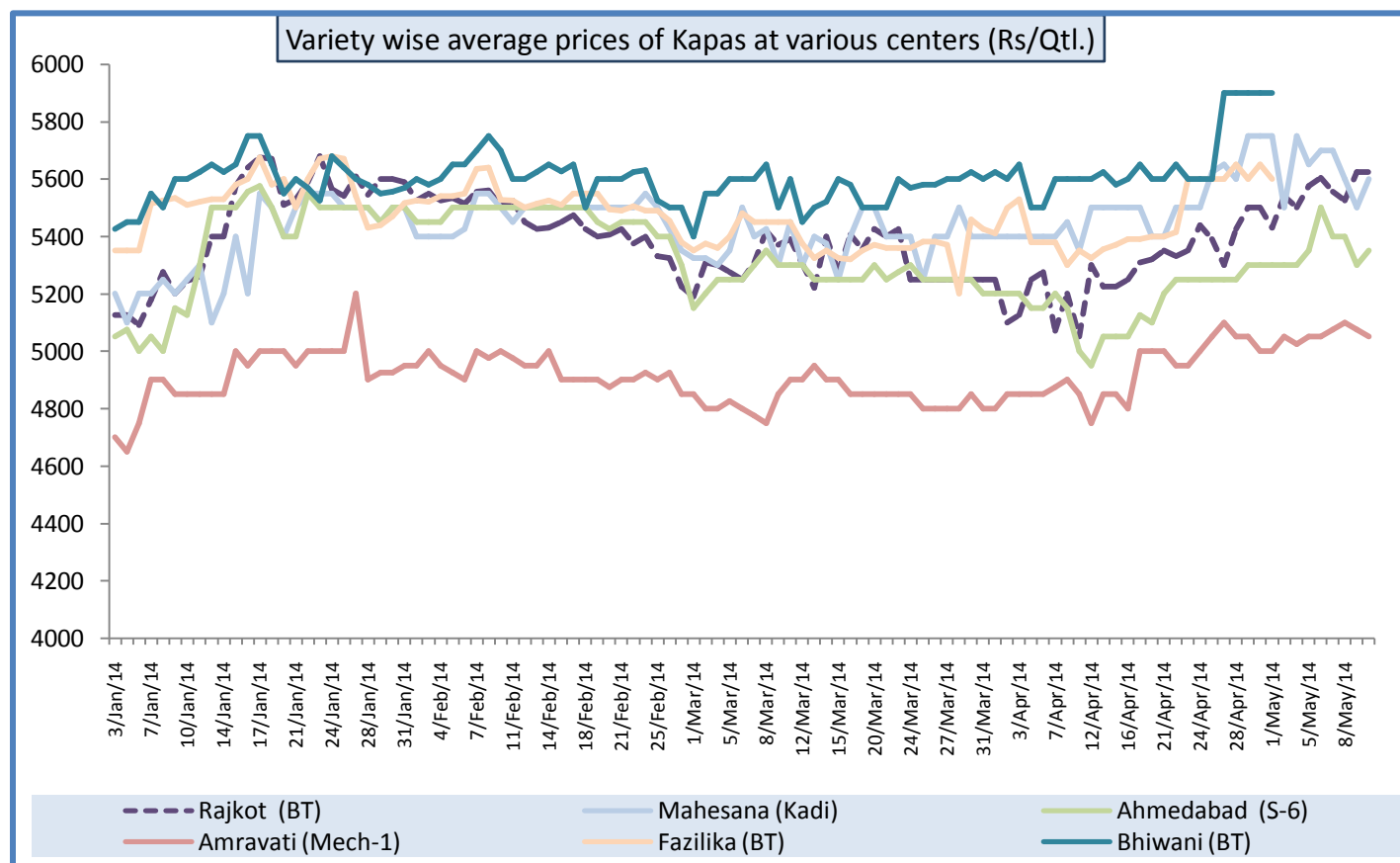
Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		23-May-14	16-May-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	4900	5000	-2.00
Khandwa	Mech-1	NR	Closed	-
Khargaon	Mech-1	NR	Closed	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5400	5400	Unch
Rajkot	B.T. Cotton	5535	5415	2.22
Patan	B.T. Cotton	6085	5905	3.05
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	NR	NR	-
Fatehabad	B.T. Cotton	5750	5775	-0.43
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	5150	5175	-0.48
Gondal	Shankar-6	NA	NR	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5499	5083	8.18
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4780	4850	-1.44
Muktsar	J-34	4800	4830	-0.62
Fazilika	J-34	4880	4850	0.62
Bhatinda	J-34	4795	4850	-1.13
Mansa	J-34	NA	NA	-
Sirsa	J-34	4740	4750	-0.21
Sri-Ganganagar	J-34	NA	4484	-
Hanumangarh	B.T. Cotton	NR	4750	-
Adilabad	>30mm	NA	NA	-

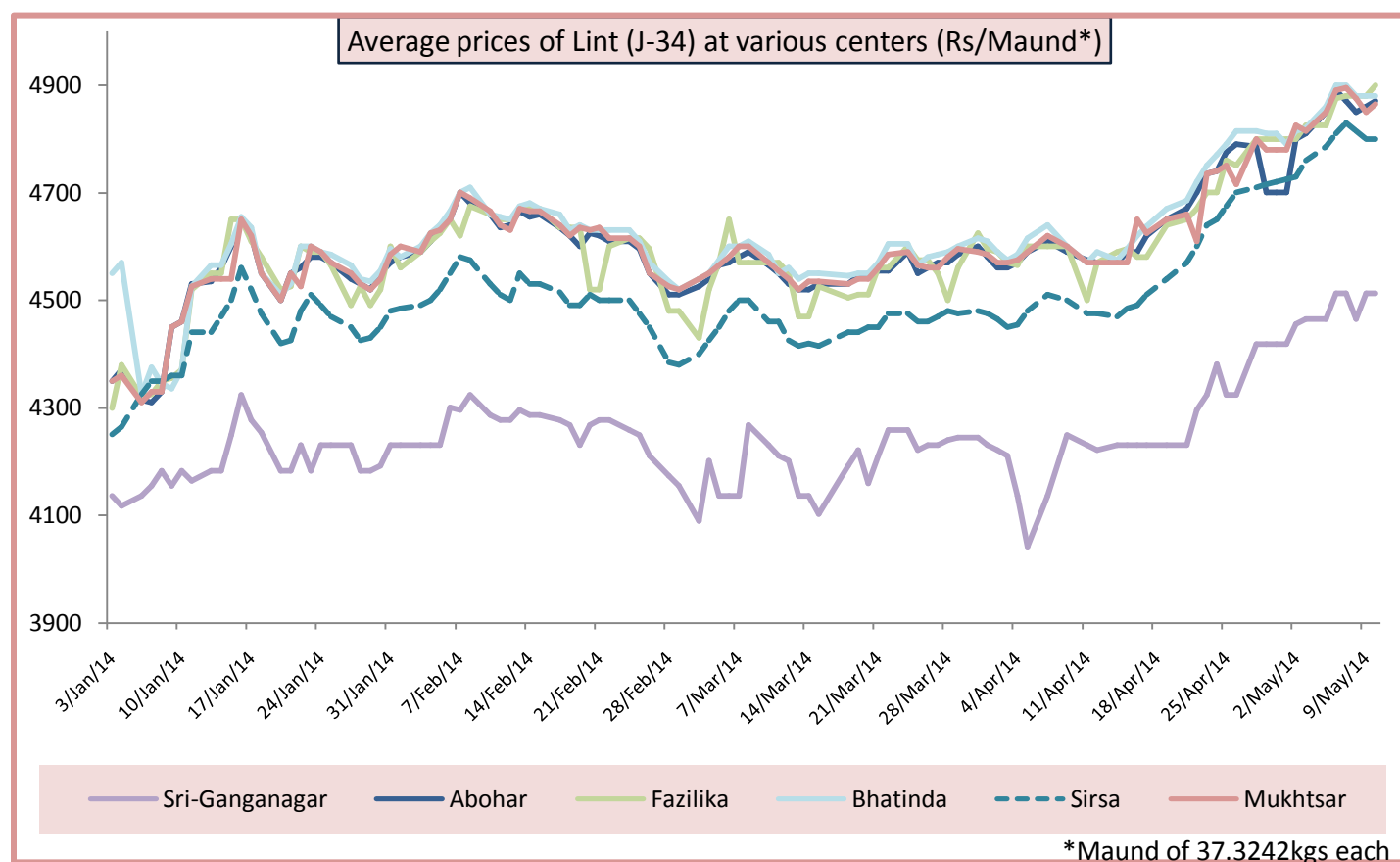
Warangal	>30mm	NA	NA	-
Guntur	>30mm	NA	NA	-
Bhainsa	>30mm	NA	NA	-

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



The graph mentioned above is showing slightly upward movement of kapas in domestic market. Among the mentioned markets, Bhiwani is fetching the highest prices, whereas Amravati is far lower than the others. Prices could move in range in coming days with firm biasness. Bhiwani and Fazilika are not reporting any arrivals currently.

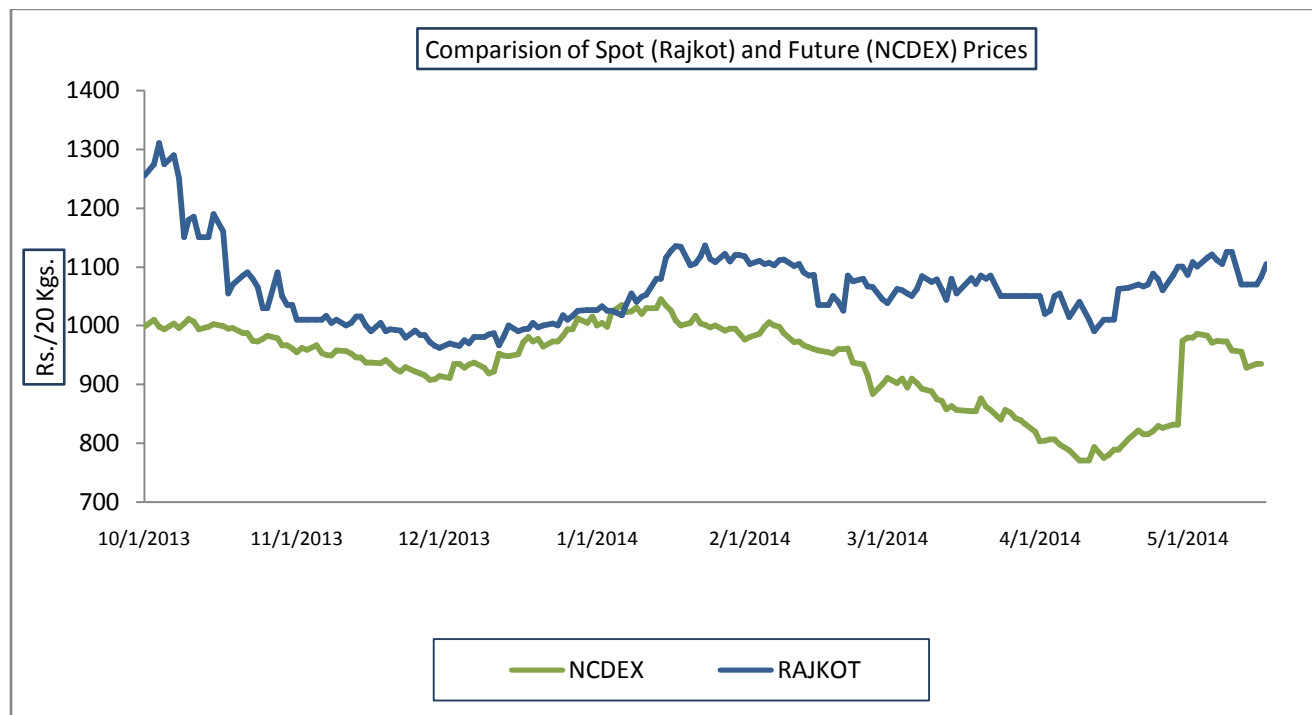
Average Prices of Lint at Various Centers:



Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy		Change %
				22-May-14	15-May-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	39500	1.01
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40400	40000	1.00
J-34(202)	26mm	3.5 - 4.9	23	44200	44100	0.23
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40100	40400	-0.74
Shankar-6(105)	29mm	3.5 - 4.9	28	42000	42100	-0.24
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43700	-0.46
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44800	45000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59500	-0.84

Movement of Prices at Spot and Future Market:



Spot prices are noticing a slight recovery on long term basis whereas on short term basis it is moving sideways. Similarly in future market prices are heading upward following fair demand in international and domestic market.

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		23-May-14	16-May-14	
Amravati	Mech-1	238000	191000	24.61
Khandwa	Mech-1	1000	1200	-16.67
Khargaon	Mech-1	11000	6000	83.33
Mahesana(Kadi)	B.T. Cotton	145000	150000	-3.33
Rajkot	B.T. Cotton	27100	12300	120.33
Patan	B.T. Cotton	16083	18426	-12.72
Deesa	B.T. Cotton	NA	2500	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	1190	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	60	-
Hubli	B.T. Cotton	157	22	613.64
Ahmedabad	Shankar-6	317900	234600	35.51
Gondal	Shankar-6	NA	NA	-
Bijapur	Bunny	8780	4622	89.96
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4437	4074	8.91
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	1190	1190	Unch
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

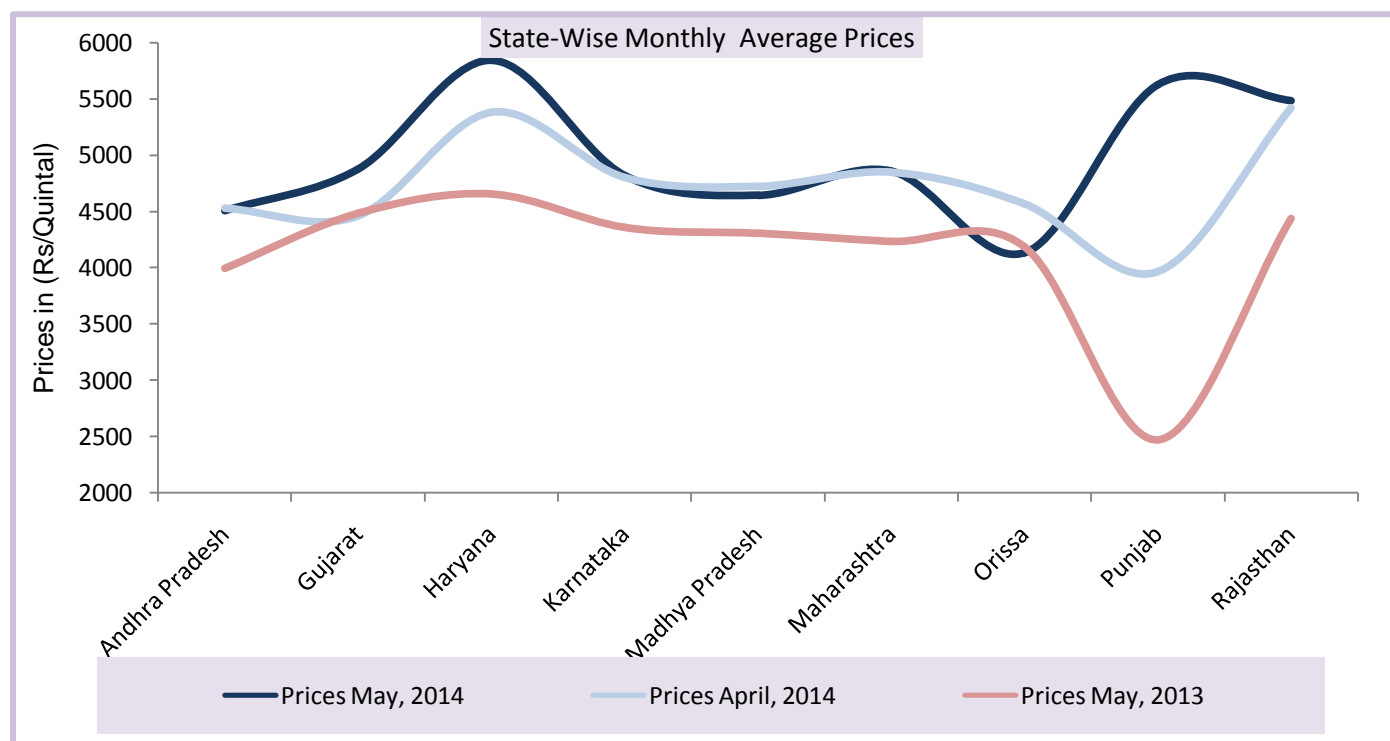
State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices May, 2014	Prices April, 2014	Prices May, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4506.53	4529.81	3995.45	-0.51	12.79
Gujarat	4878.94	4459.67	4482.8	9.4	8.84
Haryana	5845.06	5380.51	4654.47	8.63	25.58
Karnataka	4818.63	4802.92	4357.15	0.33	10.59
Madhya Pradesh	4643.8	4723.62	4308.27	-1.69	7.79
Maharashtra	4861.77	4849.06	4236.72	0.26	14.75
Orissa	4133.33	4570.23	4190.29	-9.56	-1.36
Punjab	5628.87	3967.84	2471.18	41.86	127.78
Rajasthan	5487.4	5421.2	4438.21	1.22	23.64
Average	4998.95	4599.63	4059.6		

Source : Agmarknet

Prices this year in most of the region are prevailing higher compared to the previous year. Highest prices are being noticed in Haryana and Punjab and Rajasthan this month.



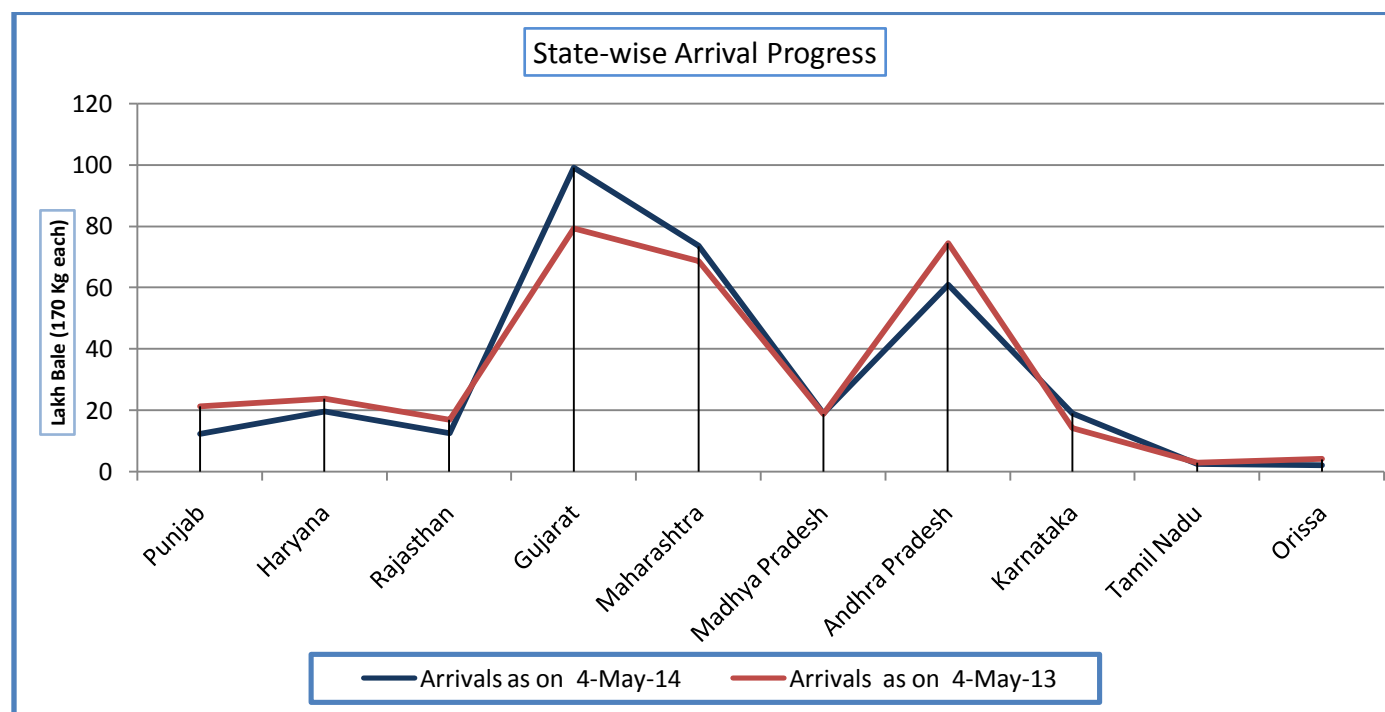
State wise Arrivals (in lakh bales of 170 kgs each):

(Quantity in lakh bales of 170 kgs)

States	2013-14*		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	1/Dec/13	4/May/14	1/Dec/12	4/May/13
1. Punjab	21	12.31	21	21.23
2. Haryana	23	19.53	25	23.76
3. Rajasthan	14	12.52	17	16.85
4. Gujarat	116	99.01	93	79.3
5. Maharashtra	81	73.5	79	68.59
6. Madhya Pradesh	19	18.92	19	18.76
7. Andhra Pradesh	72	60.93	84	74.45
8. Karnataka	18	19.03	15	14.18
9. Tamil Nadu	5	2.45	6	2.89
10. Orissa	4	2.06	4	4.07
11. Others	2	1.58	2	1.93
Grand Total	375	321.84	365	326.01

* Inclusive of new crop arrivals in September 2013

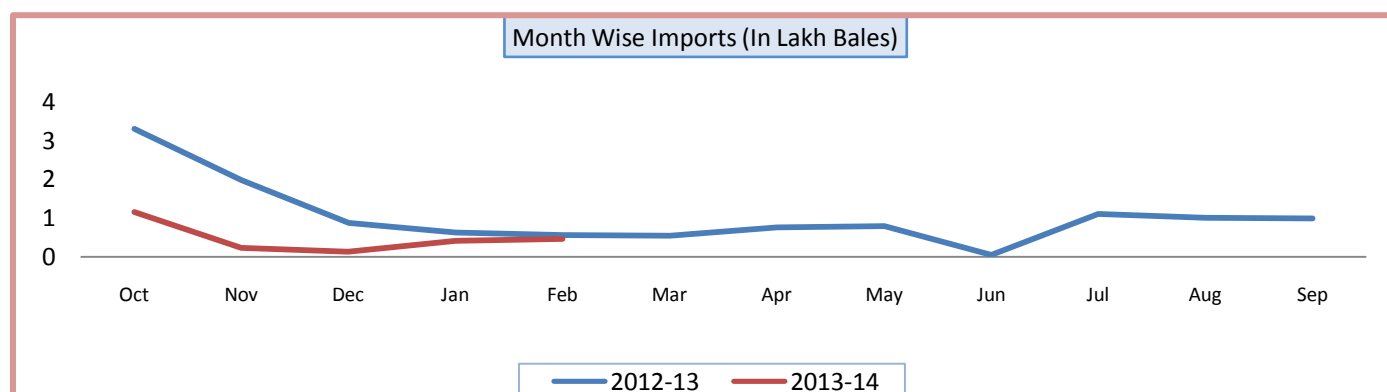
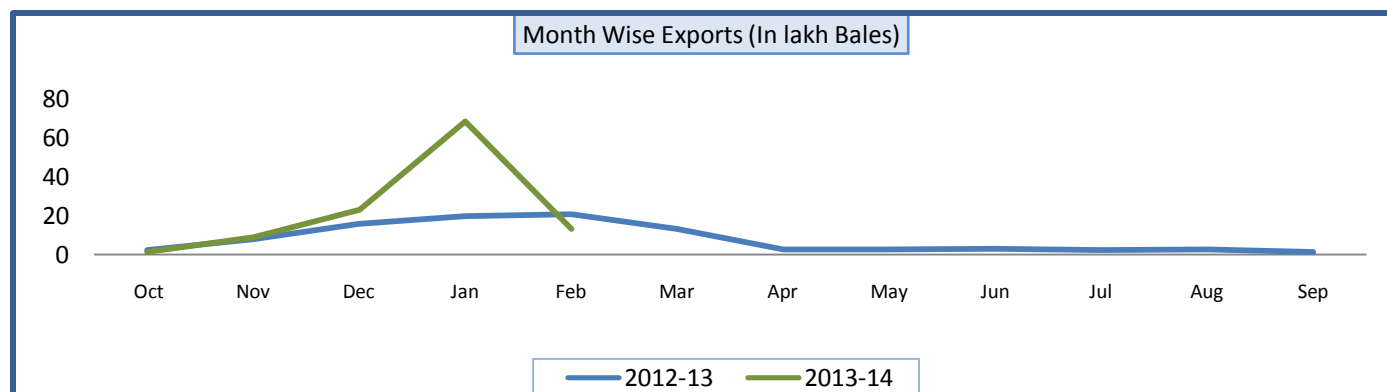
Source: Cotton Corporation of India



Cotton Export and Import

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



**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

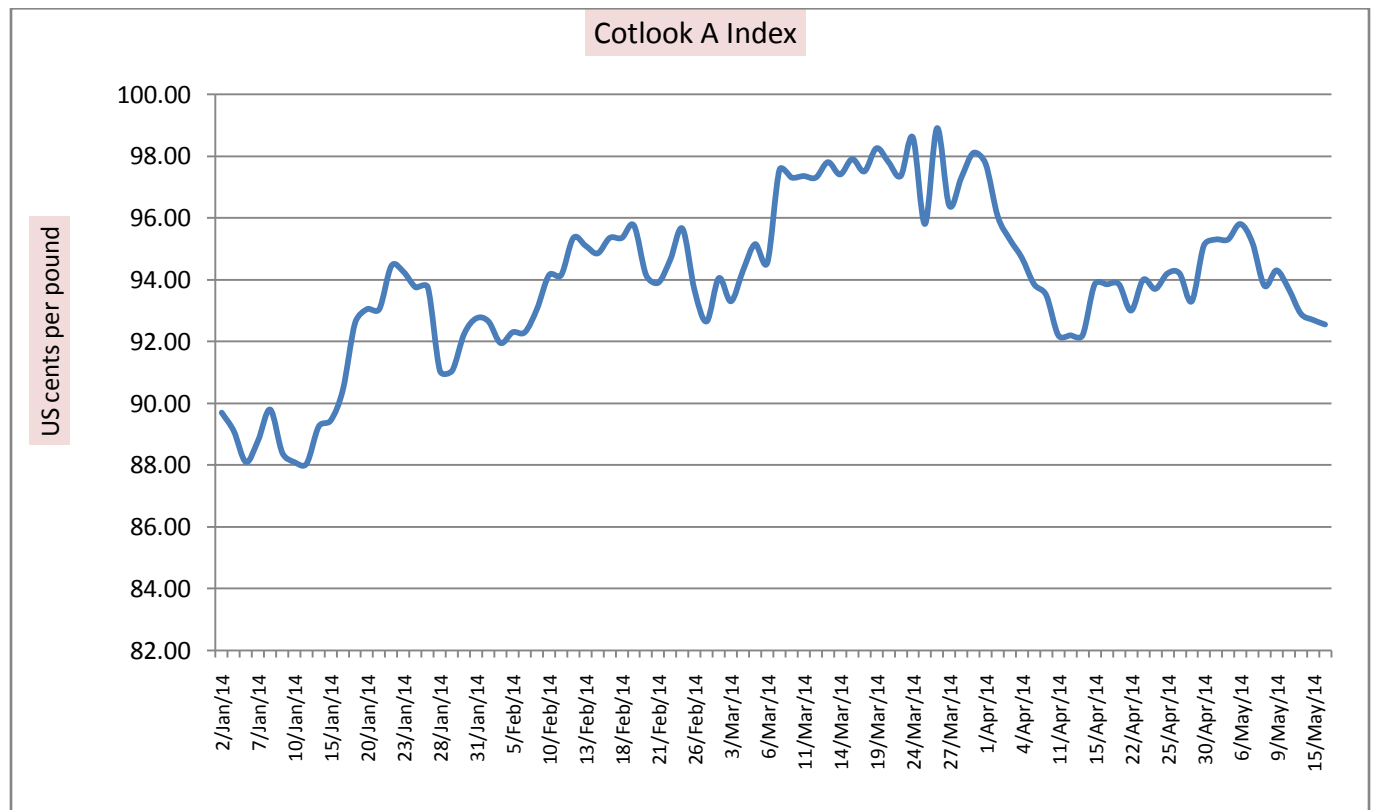
International Market Scenario

Production of cotton in China is likely to be around 6.44 million tons, 23000 tons higher, which was projected earlier, as reported by Beijing Cotton Outlook (BCO) in its latest release. China cotton ending stock in 2014-15 is expected to be around 13.42 million tons compared to 13.13 million tons estimated earlier. According to BCO, cotton import and consumption in China during 2014-15 would be around 2.20 million tons and 7.70 million tons respectively.

Besides the china policy of buying cotton, factor that could negatively impact the prices of cotton is the price competitiveness of polyester. During 2013-14, average of Cotlook A index stood 90 cents per pound, whereas it remained about 97 cents per pound in March 14, which is clearly showing a uptrend in prices of cotton. On other hand side polyester has been averaged at 73 cents per pound in China during 2013-14 and in March it dropped down to 66 cents making average of 70 cents per pound.

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.

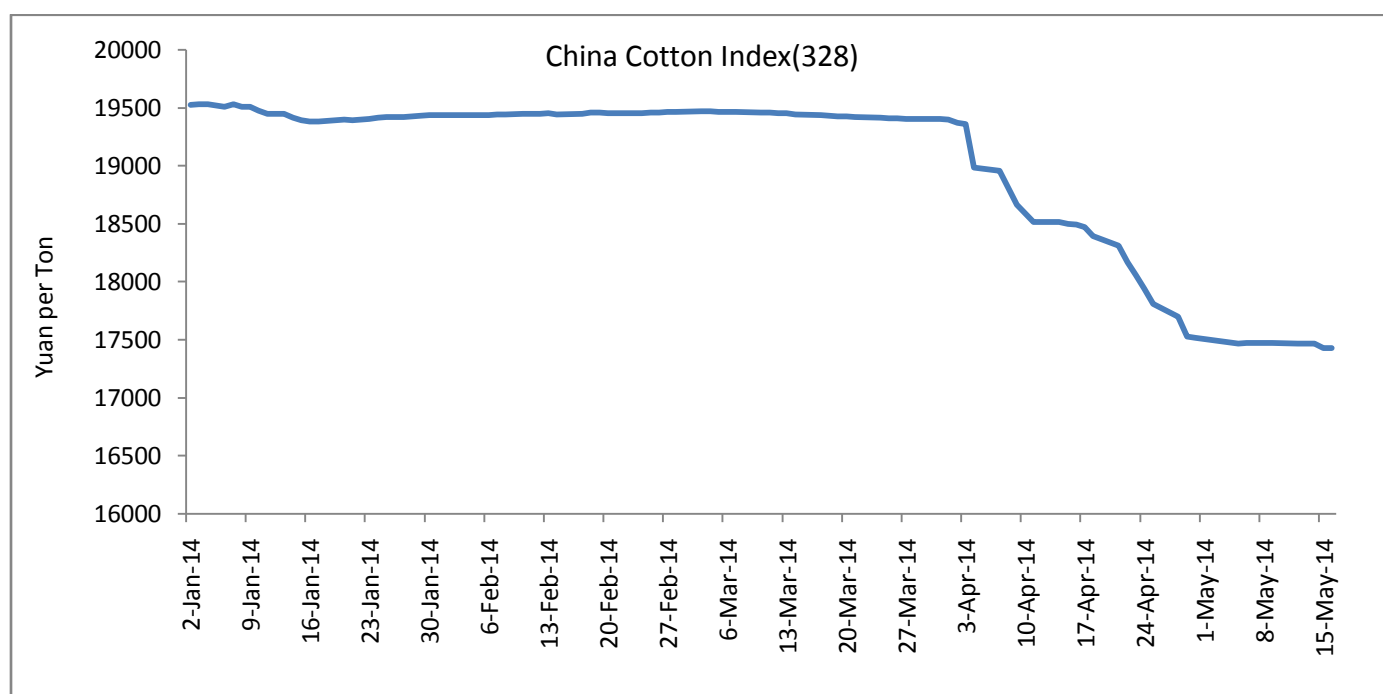
Global cotton ending stock, according to International Cotton Advisory Committee (ICAC) is likely to be around 21.04 million tons in 2014-15, nearly 5% higher of the ending stock expected in 2013-14, which would be around 20.04 million tons as reported by ICAC.



International Prices and Indices

China Cotton Index:

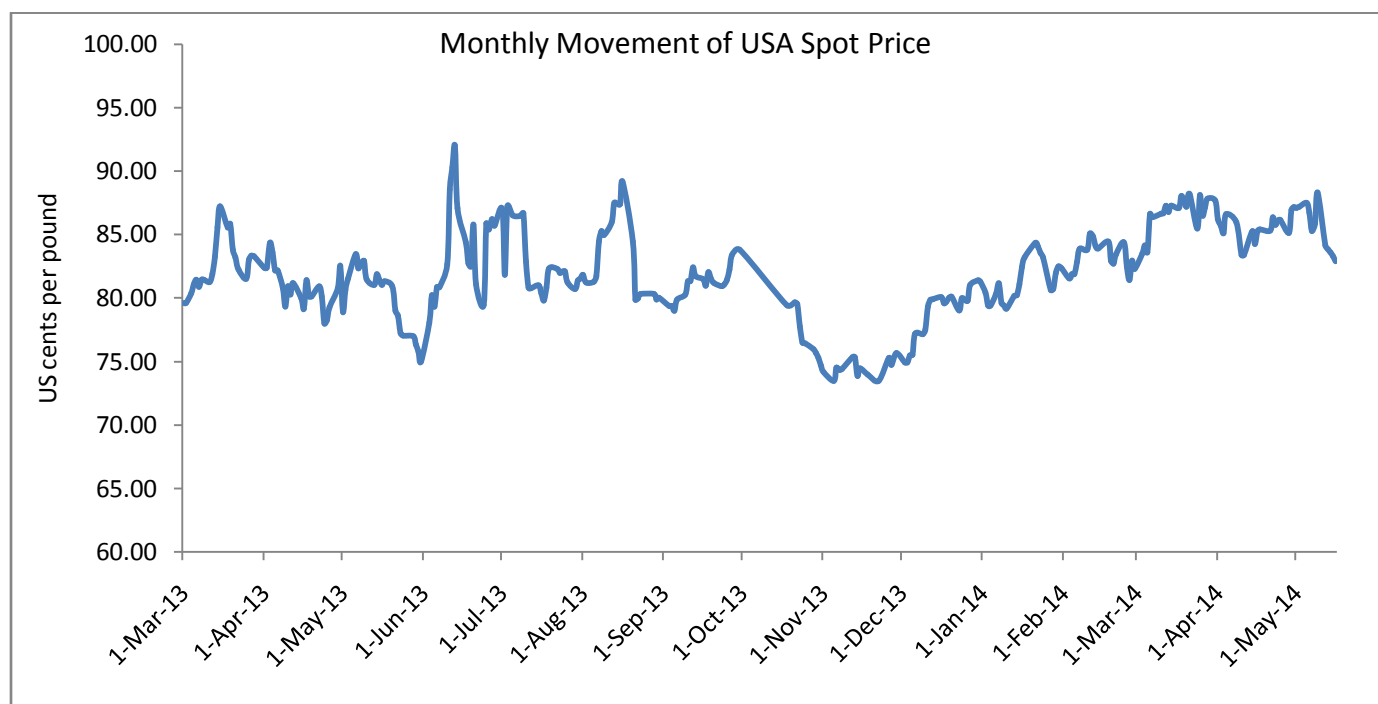
CC Indices	22/May/14	16/May/14	Change
CC Index(229)	18253	18283	-0.16
CC Index(328)	17409	17427	-0.10
CC Index(527)	16310	16325	-0.09
Prices in Yuan per Ton			



China cotton index is falling as shown by the above graph, due to the ample supply and stock available in China. Also China has revised the prices for buying cotton yarn from 18000 to 17250 Yuan per Ton. Upon this situation China cotton market has reacted accordingly.

USA Spot Prices:

Date	22/May/14	16/May/14	% Change
Prices	81.3	82.9	-1.92
Prices in US cents per Pound			



World Monthly Average Cotlook A Index (FE) in US cents per Pound:

Month	2012-13	2013-14	Y-o-Y % Change
August	84.4	92.71	9.85
September	84.15	94.6	12.42
October	82.17	89.35	8.74
November	80.87	84.65	4.67
December	83.37	87.49	4.94
January	85.51	90.96	6.37
February	89.71	94.05	4.84
March	94.45	96.94	2.64
April	94.94	94.2	-0.78
May	94.92		
June	93.35		
July	92.62		

Cotton Future Contracts on ICE (International Market):

Contracts	22/05/2014	22/04/2014	22/05/2013	% Month Change	% Y-o-Y Change
Jul-14	87.78	93.25	84.35	-5.87	4.07
Oct-14	80.92	82.57		-2.00	
Dec-14	80.73	82.49		-2.13	
Mar-15	80.26	81.92		-2.03	
May-15	80.99	81.72		-0.89	
Jul-15	81.49				

Prices in US cents per Pound

Cotton Futures

Technical Analysis of Cotton Future (April'15 Contract) at NCDEX:



Weekly Technical Outlook:

- Candlestick denotes sideways sentiments followed by a bearish streak.
- RSI is moving in oversold region supporting recovery in near term.
- We expect prices to be in range with firm biasness.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range Bound Momentum with Firm Biasness	900-945

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
890	885	950	965

Figures in Rs. per 20Kgs.

Technical Analysis of Cotton Future (Jul'14 Contract) at ICE

Weekly Technical Outlook:

- Candlestick denotes weak sentiments in the market.
- Open Interest and volume however depicting recovery in coming days
- We expect prices to remain in range with firm biasness.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound to Slightly Firm	84-88.40

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
83.40	82	90.80	93.20

Figures in US cents per pound

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