

Current Market Outlook

The pace of cotton sowing is showing good prospects for cotton this year. In most of the cotton growing region, sowing is in the final phases and in fewer it would last a few more days. According to the farmers, cotton acreage is likely to increase this year as cotton fetches better remuneration than others crops like Paddy and Oilseeds. Besides this, due to availability of improved varieties, cotton cultivation is less associated with weed and pest attacks and it is less labour intensive. Also the threats of El Nino is also doing favors for cotton, as the fibre crop requires the lesser water than paddy and other Kharif crops. The property of cotton to loosen the soil and make it suitable for other crops is also a reason encouraging farmers to grow cotton instead of paddy, which leaves adverse impact on soil.

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.

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.

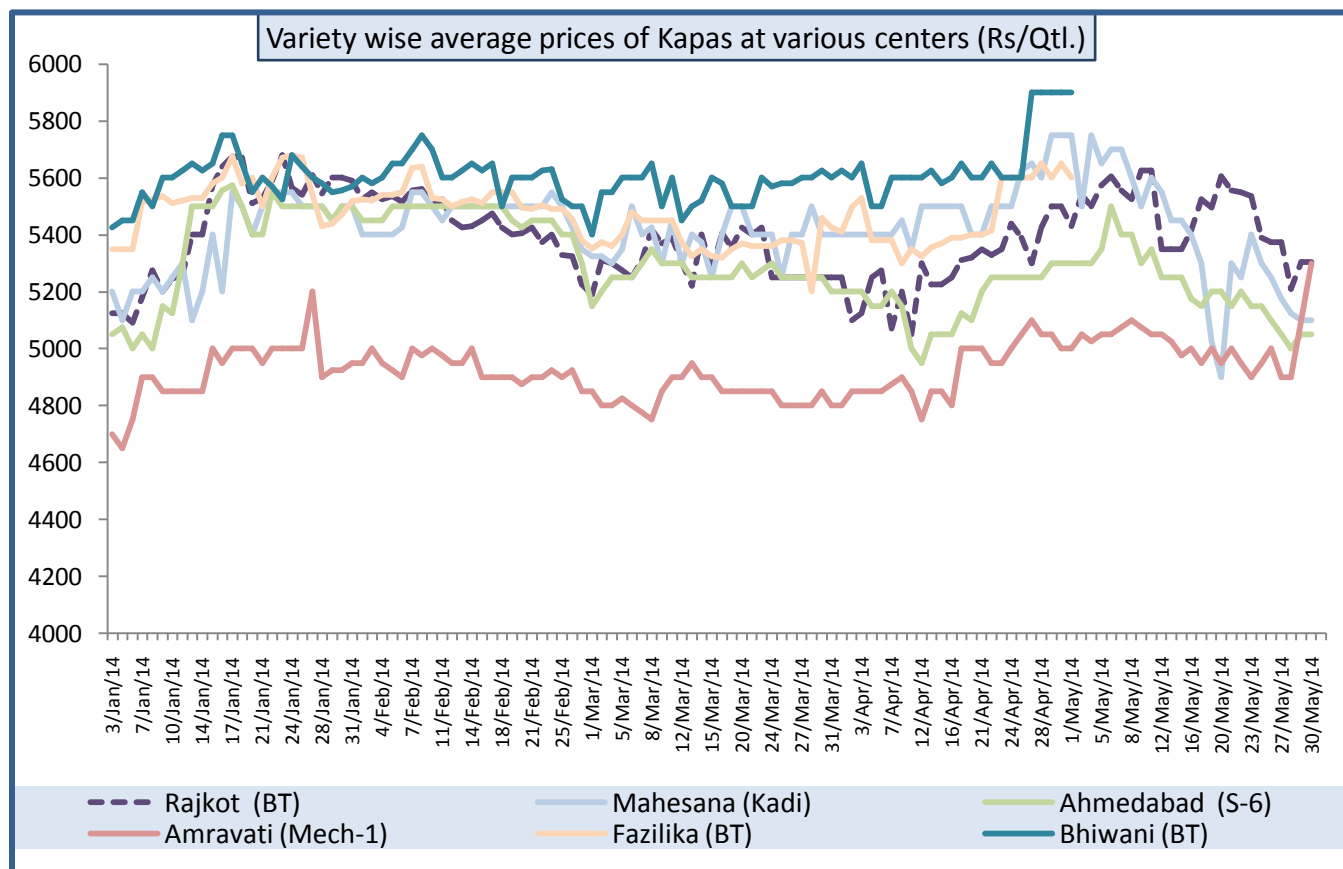
Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change %
		30-May-14	23-May-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5300	4900	8.16
Khandwa	Mech-1	NA	NR	-
Khargaon	Mech-1	NA	NR	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5100	5400	-5.56
Rajkot	B.T. Cotton	NR	5535	-
Patan	B.T. Cotton	NA	6085	-
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	5710	5750	-0.70
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	5050	5150	-1.94
Gondal	Shankar-6	5505	NA	-
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5339	5499	-2.91
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4690	4780	-1.88
Muktsar	J-34	4715	4800	-1.77
Fazilika	J-34	4705	4880	-3.59
Bhatinda	J-34	4710	4795	-1.77
Mansa	J-34	NA	NA	-
Sirsa	J-34	4620	4740	-2.53
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4610	NR	-
Adilabad	>30mm	NA	NA	-

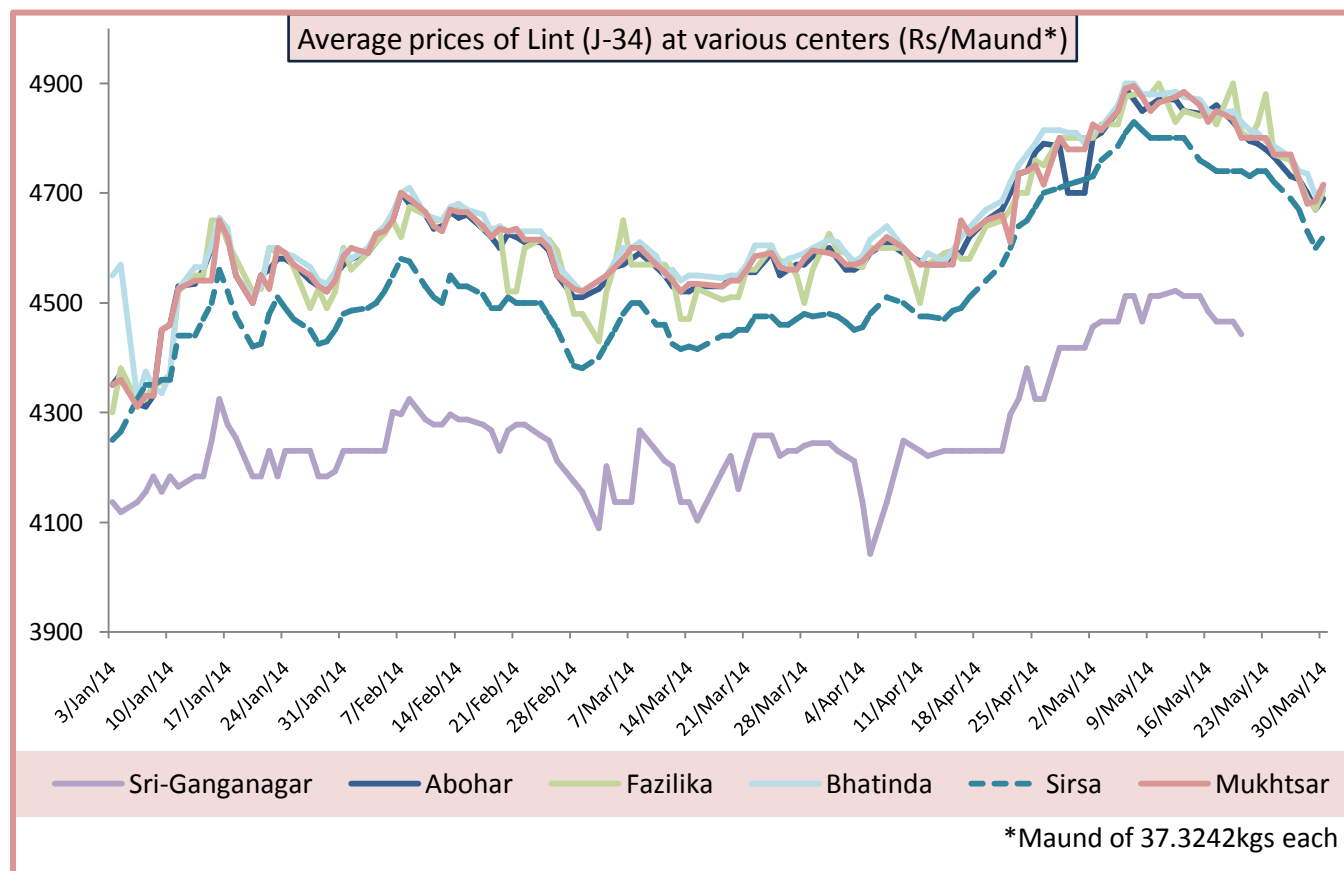
Warangal	>30mm	NA	NA	-
Guntur	>30mm	NA	NA	-
Bhainsa	>30mm	NA	NA	-

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



The graph mentioned above is showing mixed movement of kapas in domestic market. Among the mentioned markets, Rajkot is fetching the highest prices, whereas Mahesana noticed a downtrend. Ahmedabad is also reported with weak prices whereas improvement in prices has been noticed in Amravati. Prices could move in range in coming days with weak biasness. Bhiwani and Fazilika are not reporting any arrivals currently.

Average Prices of Lint at Various Centers:

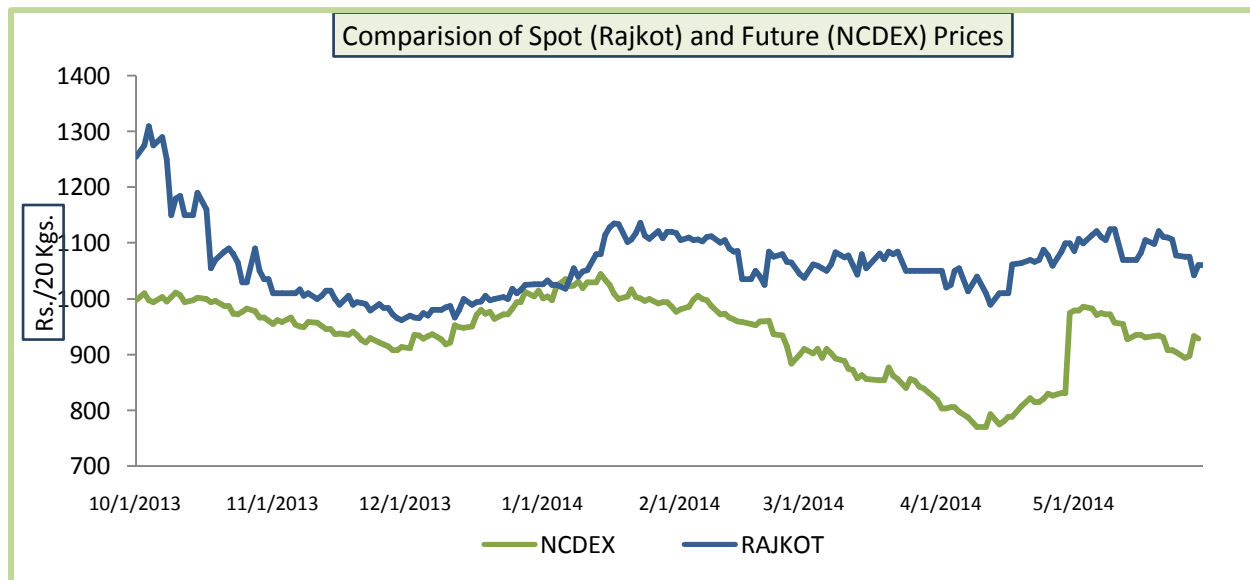


Prices of lint noticed bearish movement during the week amid weak demand of yarn from overseas. Fazilika, Mukhtsar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing a little lower prices and Sri-Ganganagar is getting the lowest.

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change %
				29-May-14	22-May-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39400	39900	-1.25
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39800	40400	-1.48
J-34(202)	26mm	3.5 - 4.9	23	42800	44200	-3.16
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39200	40100	-2.24
Shankar-6(105)	29mm	3.5 – 4.9	28	40700	42000	-3.09
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43000	43500	-1.14
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44600	44800	-0.44
DCH-32(107)	34mm	3.0 - 3.8	33	58500	59000	-0.84

Movement of Prices at Spot and Future Market:



Both future and spot market are showing bearish trend on weekly basis. Weak demand and ample stocks has dragged the prices down. For the coming week also, we are expecting sideways movement with bearish tone.

Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		30-May-14	23-May-14	
Amravati	Mech-1	125000	238000	-47.48
Khandwa	Mech-1	NA	1000	-
Khargaon	Mech-1	NA	11000	-
Mahesana(Kadi)	B.T. Cotton	110000	145000	-24.14
Rajkot	B.T. Cotton	21750	27100	-19.74
Patan	B.T. Cotton	7026	16083	-56.31
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NR	1190	-
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	65	157	-58.60
Ahmedabad	Shankar-6	270300	317900	-14.97
Gondal	Shankar-6	6672	NA	-
Bijapur	Bunny	4437	8780	-49.46
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	1977	4437	-55.44
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	1020	1190	-14.29
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

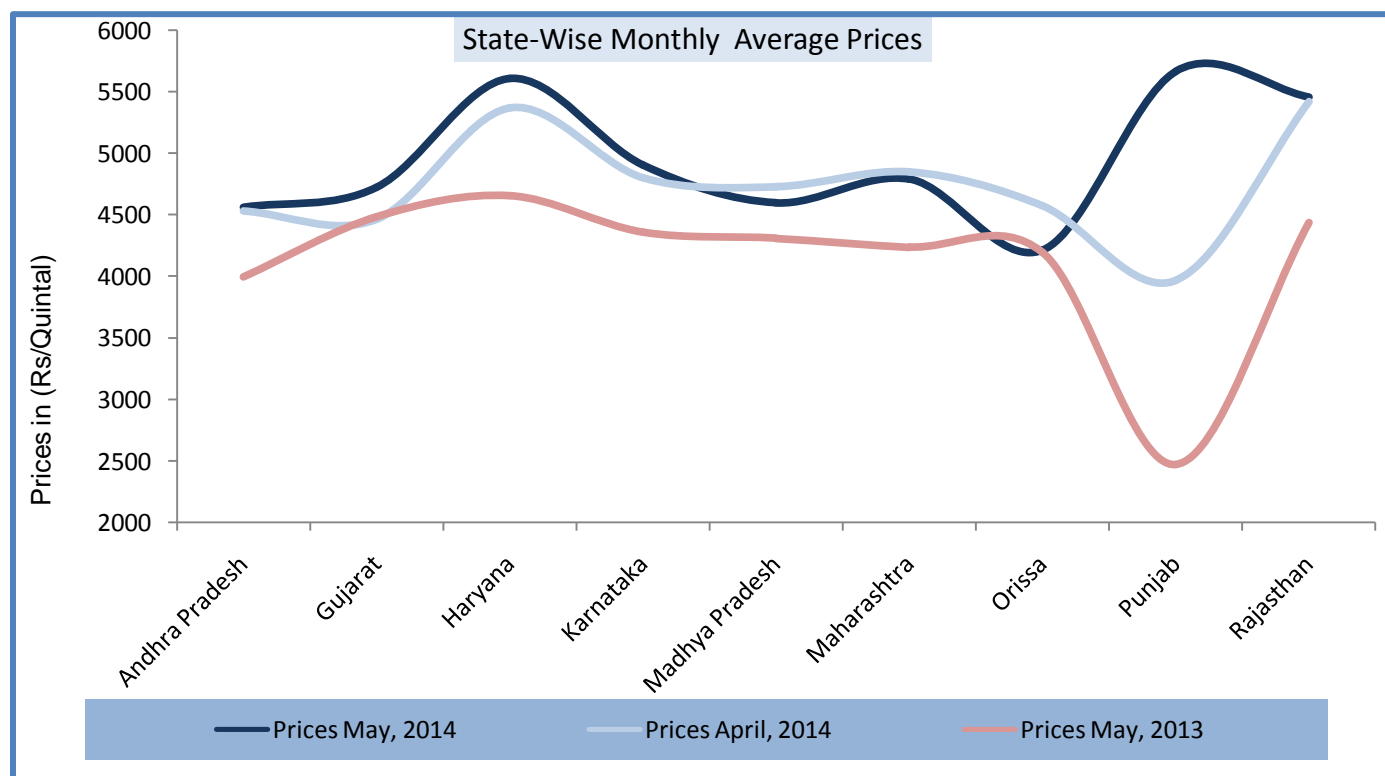
State wise Scenario

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	4561.44	4529.81	3995.45	0.7	14.17
Gujarat	4721.7	4462.61	4482.8	5.81	5.33
Haryana	5609.2	5369.28	4654.47	4.47	20.51
Karnataka	4905.49	4802.92	4357.15	2.14	12.58
Madhya Pradesh	4598.61	4726.16	4308.27	-2.7	6.74
Maharashtra	4790.74	4849.06	4236.72	-1.2	13.08
Orissa	4212.09	4570.23	4190.29	-7.84	0.52
Punjab	5666.36	3967.84	2471.18	42.81	129.3
Rajasthan	5454.56	5421.2	4438.21	0.62	22.9
Average	4809.06	4599.11	4059.6		

*Report Generation: As per the data reported by APMCs

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):

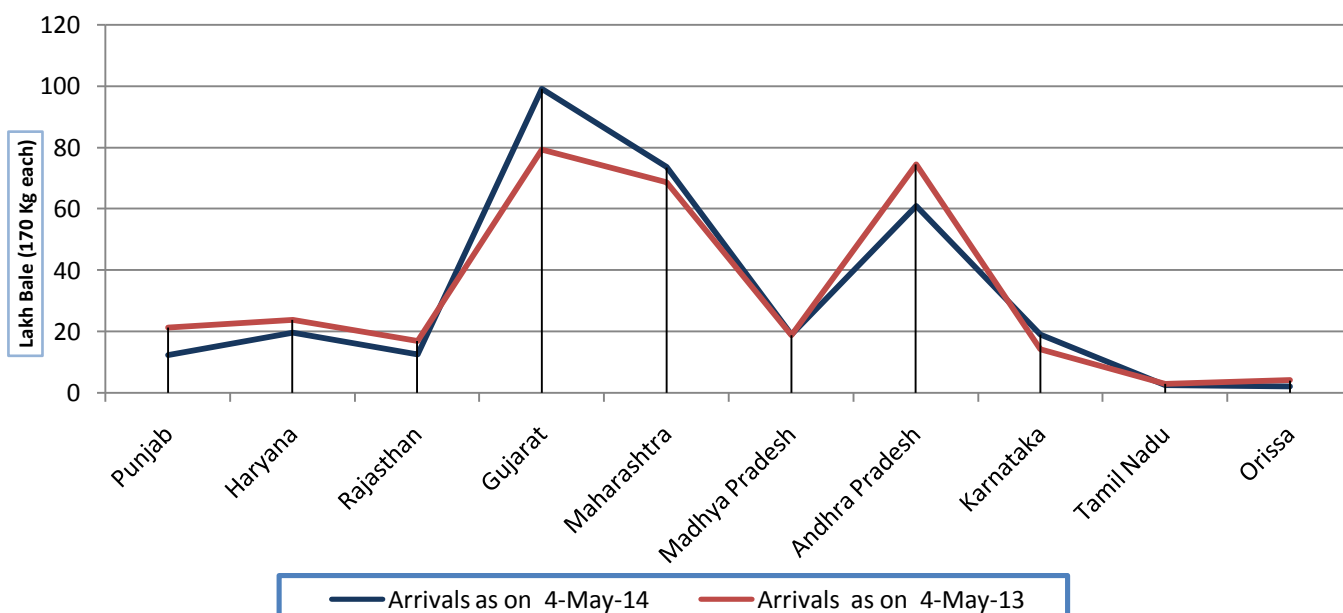
(Quantity in lakh bales of 170 kgs)

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

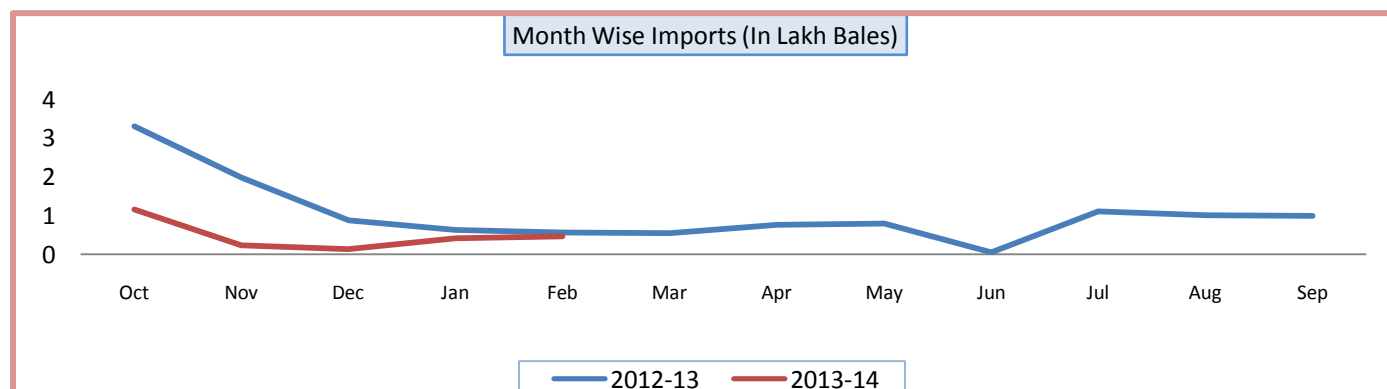
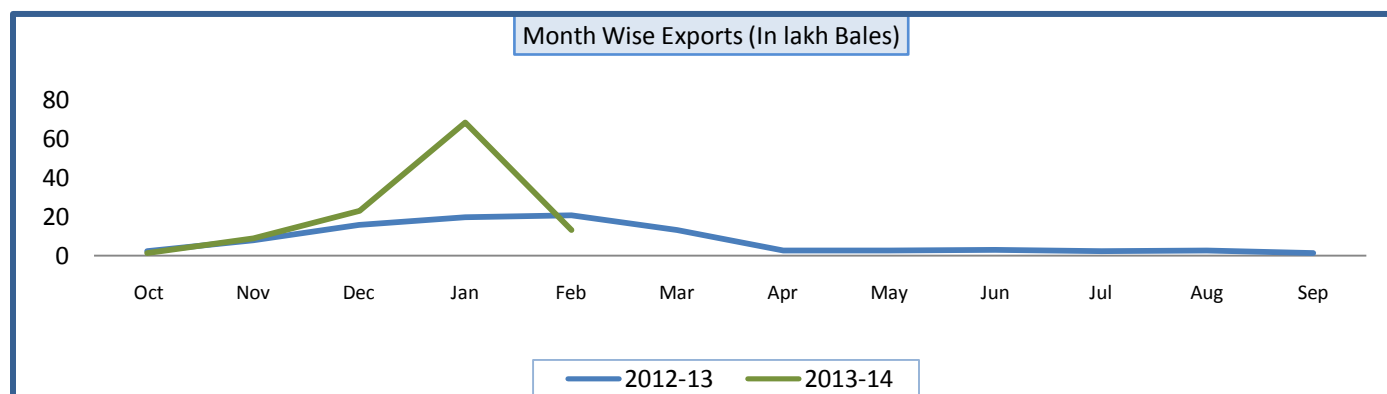
State-wise Arrival Progress



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**

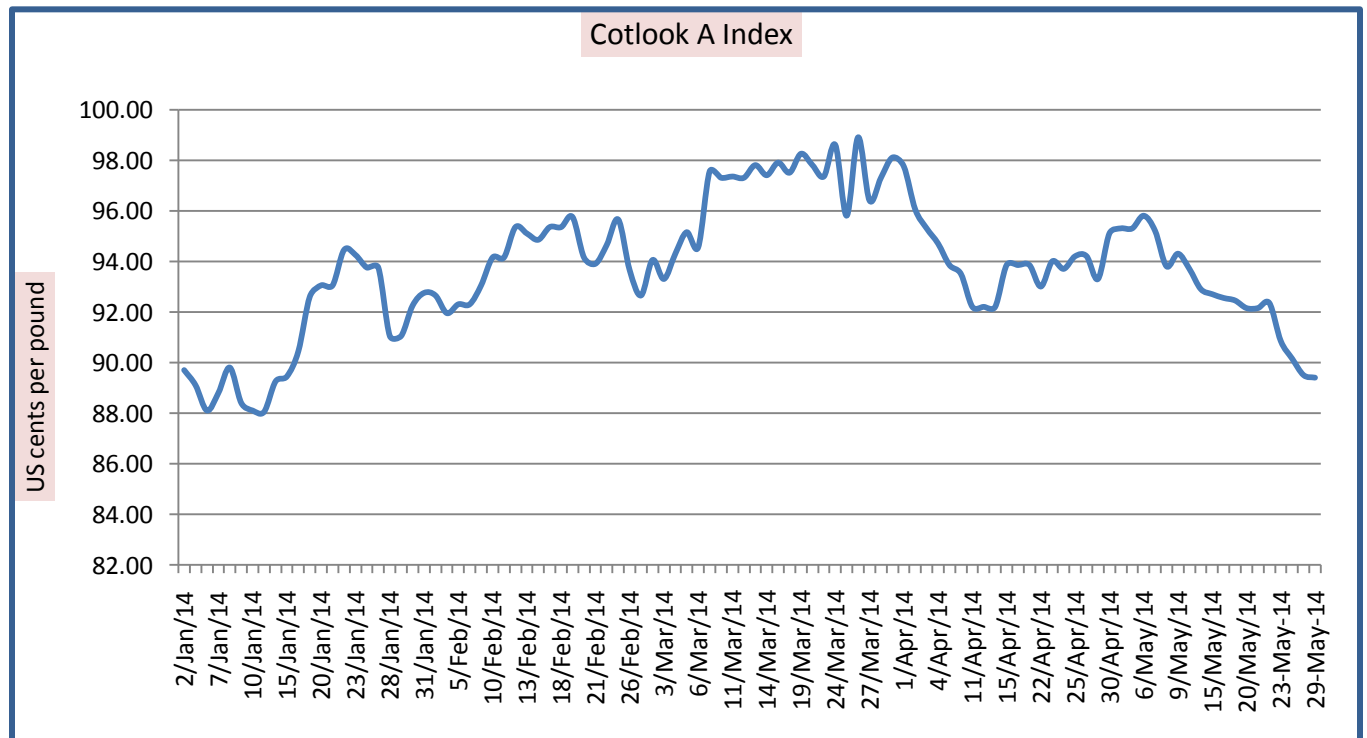
Country	Quantity (In Lakh Bales)
USA	0.23
Pakistan	0.08
Sudan	0.05
Egypt	0.03
Israel	0.02

International Market Scenario

As per the latest report released by USDA, 62% of the sowing has been completed in USA as on May 25. The five year average is though 64%, a little higher than the current figure. Among the fifteen major states, Arizona, Arkansas California, Louisiana and Missouri have completed more than 90% of their plantation. Mississippi North Carolina, South Carolina, Tennessee and Virginia have completed their 70% of their sowing. Sowing in Texas reached the level of 49%, five percent below the five year average.

Sowing of cotton in Uzbekistan has been completed, despite the late start due to favorable weather conditions. Germination has been reported in many areas, whereas few areas require replanting.

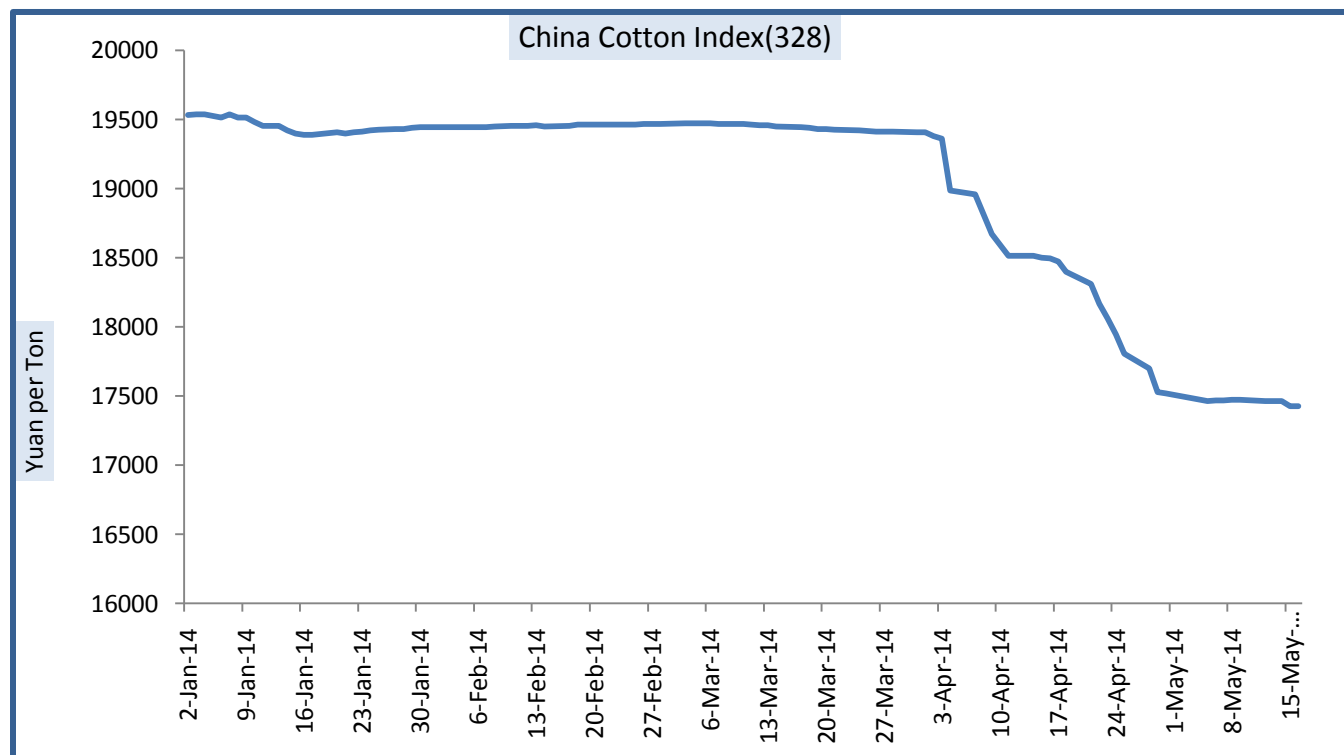
Global cotton ending stock, according to International Cotton Advisory Committee (ICAC) is likely to be around 21.04 million tons in 2014-15, nearly 5% higher of the ending stock expected in 2013-14, which would be around 20.04 million tons as reported by ICAC.



International Prices and Indices

China Cotton Index:

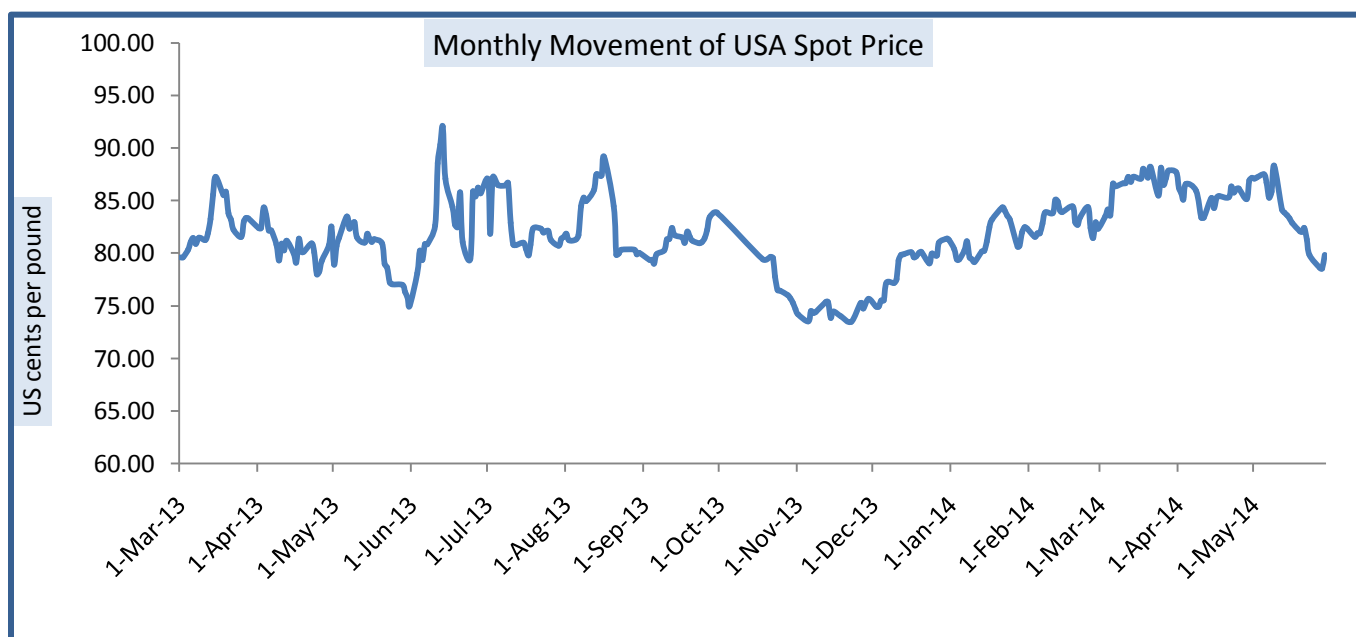
CC Indices	30/May/14	22/May/14	% Change
CCIndex(229)	18201	18253	-0.28
CCIndex(328)	17392	17409	-0.10
CCIndex(527)	16289	16310	-0.13
Prices in Yuan per Ton			



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	29/May/14	22/May/14	% Change
Prices	79.8	81.3	-1.83
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	30/05/2014	30/04/2014	30/05/2013	% Month Change	% Y-o-Y Change
Jul-14	86.27	94.29	84.53	-8.51	2.06
Oct-14	77.13	83.83	--	-7.99	--
Dec-14	77.47	83.40	--	-7.11	--
Mar-15	77.77	82.69	--	-5.95	--
May-15	78.89	82.67	--	-4.57	--
Jul-15	79.85		--	--	--

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 bullish 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 with Firm Biasness	910-960

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
890	875	975	985

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	84-88.60

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
83.00	82.80	90.60	90.80

Figures in US cents per pound

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