

Current Market Outlook

According to the Ministry of Agriculture (GOI), area planted under kharif cotton 2014-15 reported up to 1.734 million hectare compared to the 1.58 million hectare in last year.

Threat of lesser rain this year due to El Nino is prompting farmers to grow more hybrid seeds, which need lesser water and gives better yield.

Cotton output in India estimated higher at 388.25 lakh bales (of 170 kg each) for season 2013-14, said Cotton Association of India (CAI). Maharashtra is reported with output of 79.25 lakh bales in the current season compared to 72.50 in previous season whereas production in Gujarat stood 120.80 lakh bales in 2013-14 against 83.30 lakh bales in previous season. What causes the cotton production to increase in India is the boosted yield derived by the favorable weather condition and BT cotton.

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
Supply		
Opening stock (CCI)	40	35
Crop size (DAC)	350	365
Imports (CCI)	14.59	17
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
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:

Total availability stood higher this season (Oct'13-Sept'14) due to higher production and imports.

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.

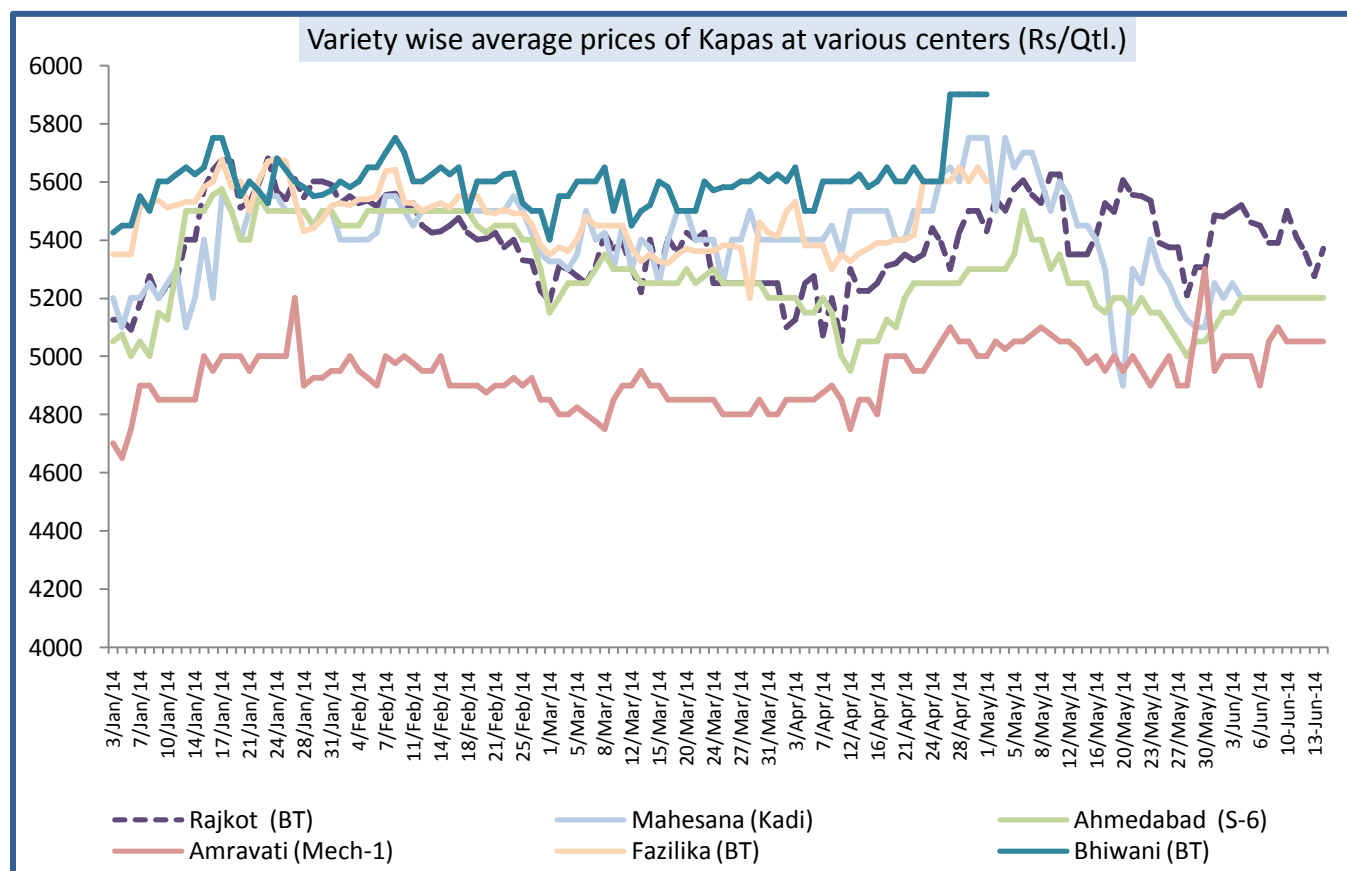
Despite the higher availability and lesser exports ending stocks would be lower this season due to increased domestic consumption.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change%
		13-Jun-14	6-Jun-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5050	4900	3.06
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	5200	-
Rajkot	B.T. Cotton	5275	5450	-3.21
Patan	B.T. Cotton	NA	NA	-
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	NA	NA	-
Fatehabad	B.T. Cotton	5625	5550	1.35
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	NA	5200	-
Gondal	Shankar-6	5155	5005	2.99
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5302	5359	-1.06
Hubli	D.C.H.	NA	4495	-
Raichur	H-44 Cotton	NA	4850	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4700	4710	-0.21
Muktsar	J-34	4695	4725	-0.63
Fazilika	J-34	4685	4700	-0.31
Bhatinda	J-34	4725	4725	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4615	4620	-0.10
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4630	4620	0.21

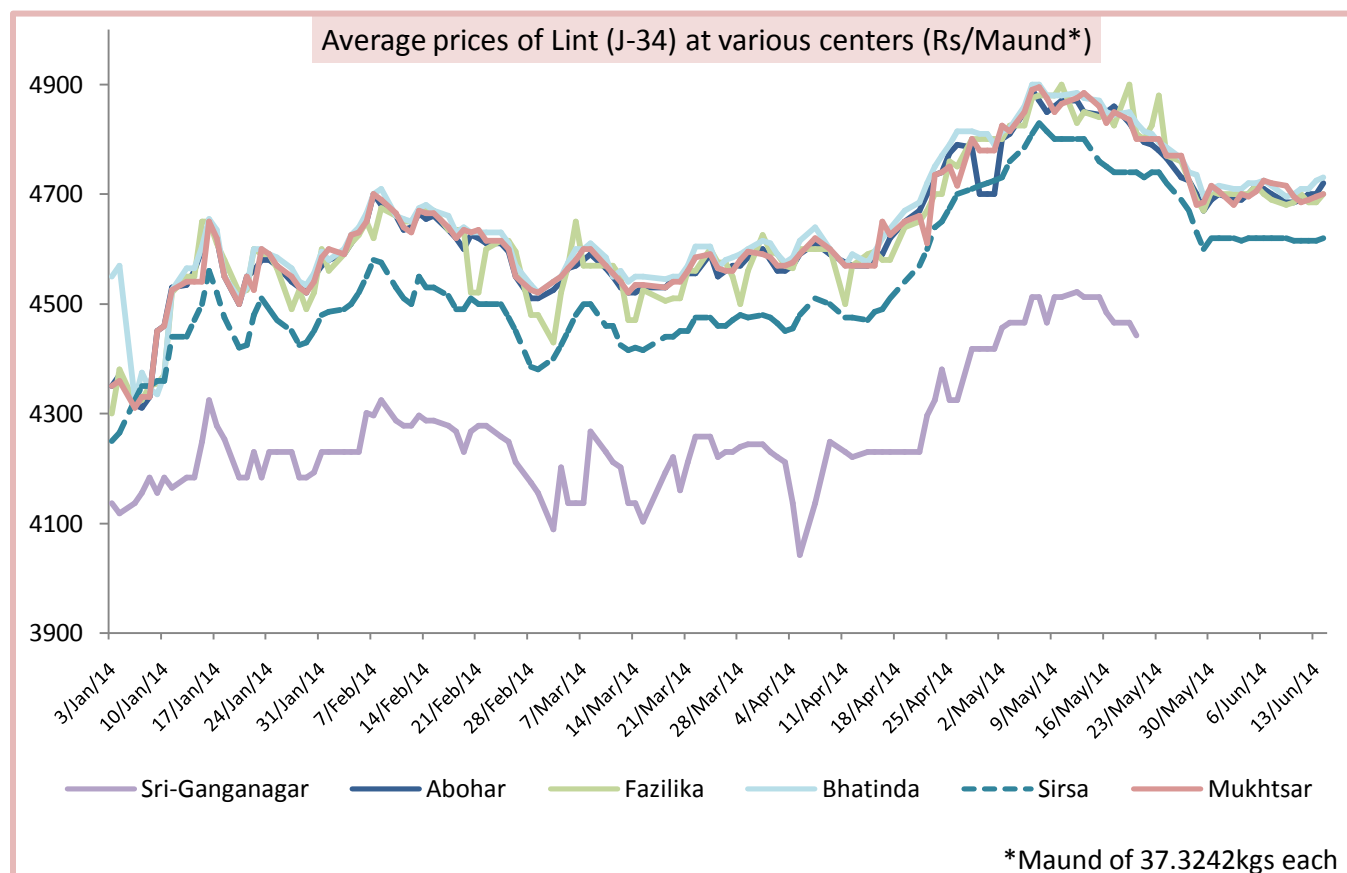
Average Prices of Kapas (Seed Cotton) at Various Centers:



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 and Ahmedabad noticed a steady movement. Slight improvement has been noticed in Amravati followed by flat movements.

Lower arrival due to season ending and fresh demand has created the supply deficit in the market which would boost the cotton prices in near term.

Average Prices of Lint at Various Centers:



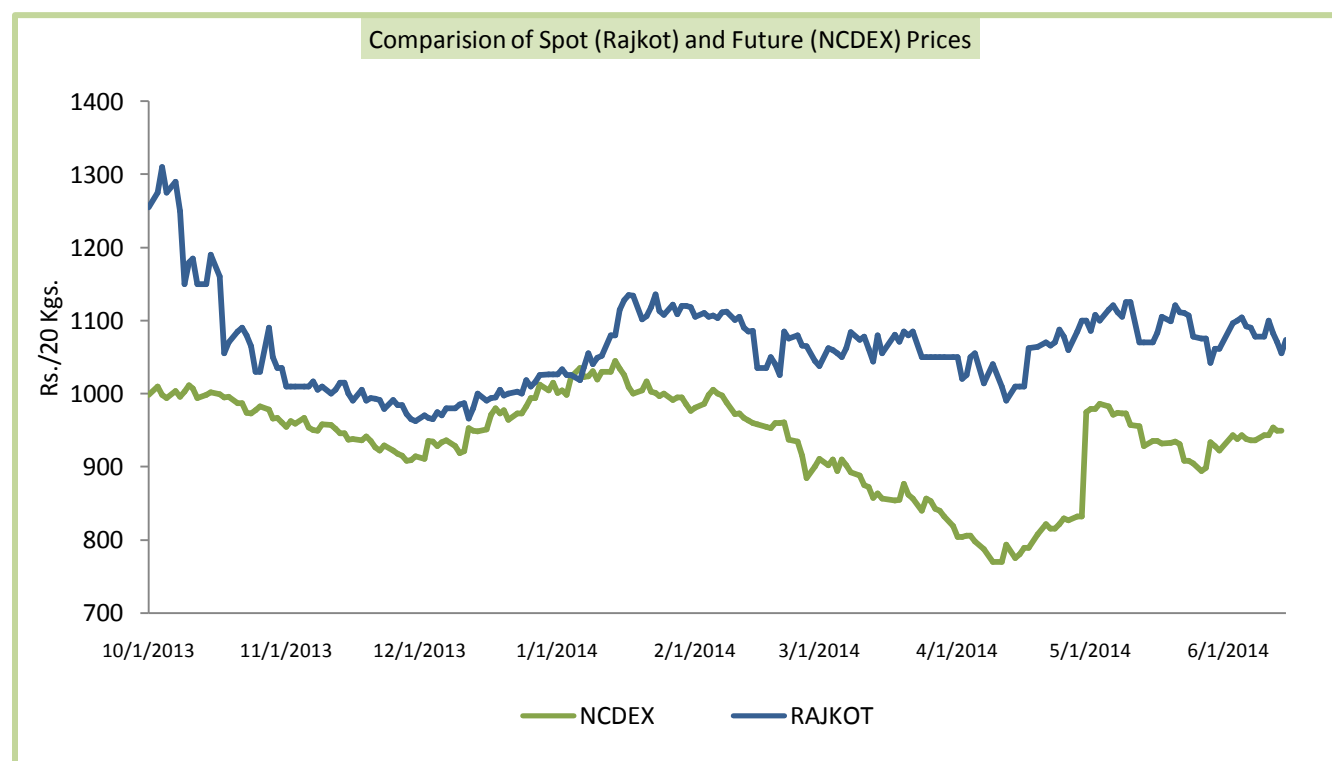
Prices of lint noticed mixed movement with firm biasness during the week on better demand and expectation of higher textile exports from India.

Fazilika, Mukhtsar, Abohar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing little lower prices.

We expect prices to remain firm in coming week amid improved demand.

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy		Change %
				12-Jun-14	5-Jun-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	39900	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
J-34(202)	26mm	3.5 - 4.9	23	42900	43100	-0.46
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	39800	0.25
Shankar-6(105)	29mm	3.5 – 4.9	28	41700	41600	0.20
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43400	0.20
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45100	45000	0.20
DCH-32(107)	34mm	3.0 - 3.8	33	59500	58500	1.70

Movement of Prices at Spot and Future Market:


Future market noticed firm movement during the week, whereas spot market remained in mixed trend. For the coming days we are expecting prices to remain firm.

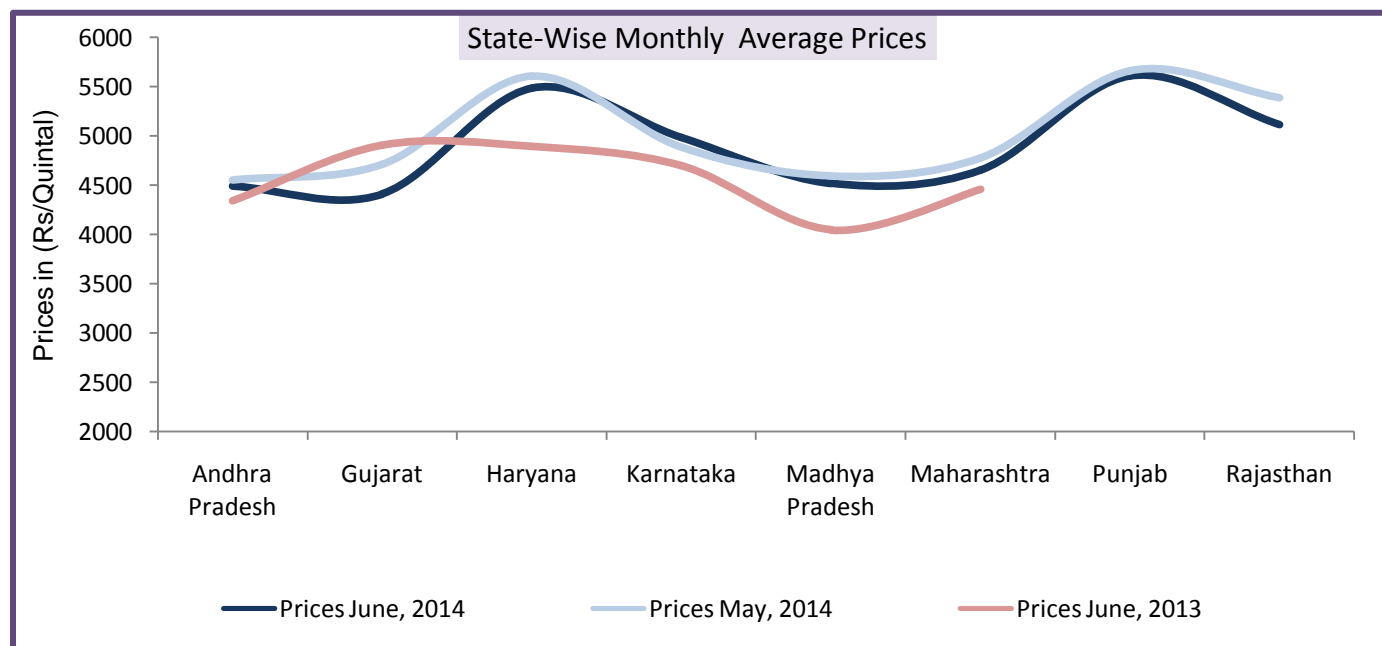
Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change%
		13-Jun-14	6-Jun-14	
Amravati	Mech-1	34500	48000	-28.12
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	90000	-
Rajkot	B.T. Cotton	21900	25600	-14.45
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	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	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	25000	168300	-85.14
Gondal	Shankar-6	4173	3726	11.99
Bijapur	Bunny	5343	5332	0.20
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	2092	NA	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	527	867	-39.21
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	4494.73	4553.5	4339.05	-1.29	3.59
Gujarat	4412.13	4712.89	4907.23	-6.38	-10.09
Haryana	5485.07	5606.48	4894.71	-2.17	12.06
Karnataka	4985.48	4885.06	4699.13	2.06	6.09
Madhya Pradesh	4519.41	4596.61	4047.01	-1.68	11.67
Maharashtra	4652.13	4780.84	4461.27	-2.69	4.28
Orissa	4300	4280.58		0.45	—
Pondicherry		3148.81	2936.67	—	—
Punjab	5607.49	5661.37		-0.95	—
Rajasthan	5116.94	5390.38	4759.77	-5.07	7.5
Tamil Nadu	4529.82	5167.92	4804.77	-12.35	-5.72
Average	4810.32	4798.59	4427.73		

Source: Agmarknet



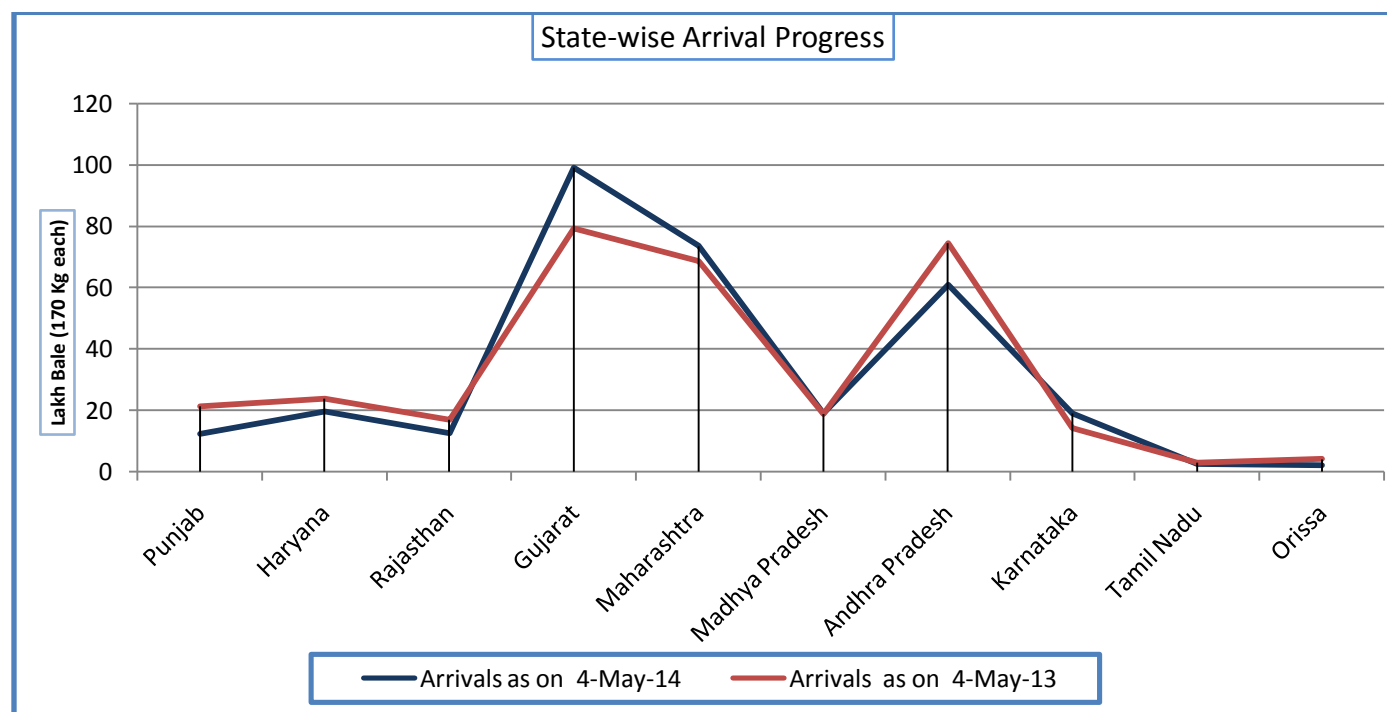
State wise Arrivals (in lakh bales of 170 kgs each):

(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

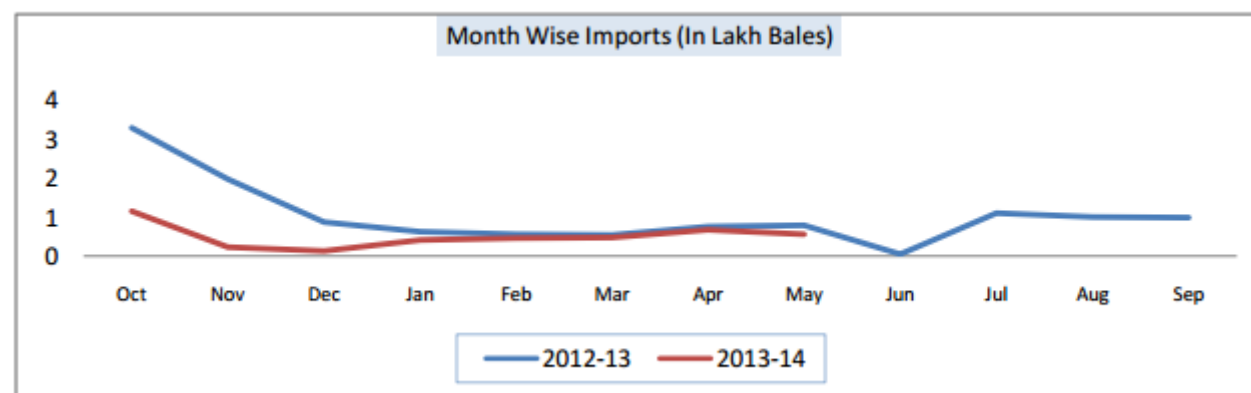
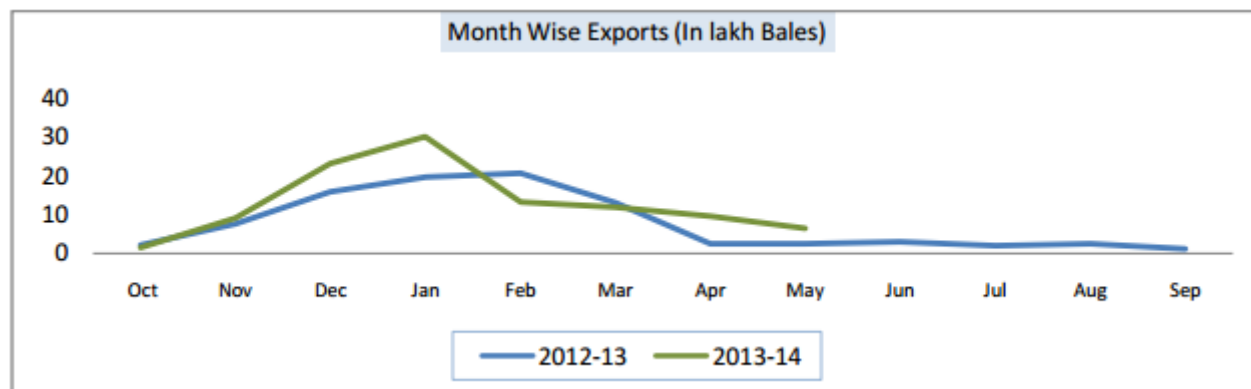
Source: Cotton Corporation of India



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	30
Feb	20.67	13.15
Mar	13.07	11.9
Apr	2.5	9.46
May	2.58	6.37
Jun	3.01	
Jul	2.06	
Aug	2.5	
Sep	1.22	
Total	93.12	104.5

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	
Jul	1.1	
Aug	1.01	
Sep	0.99	
Total	12.61	4.13

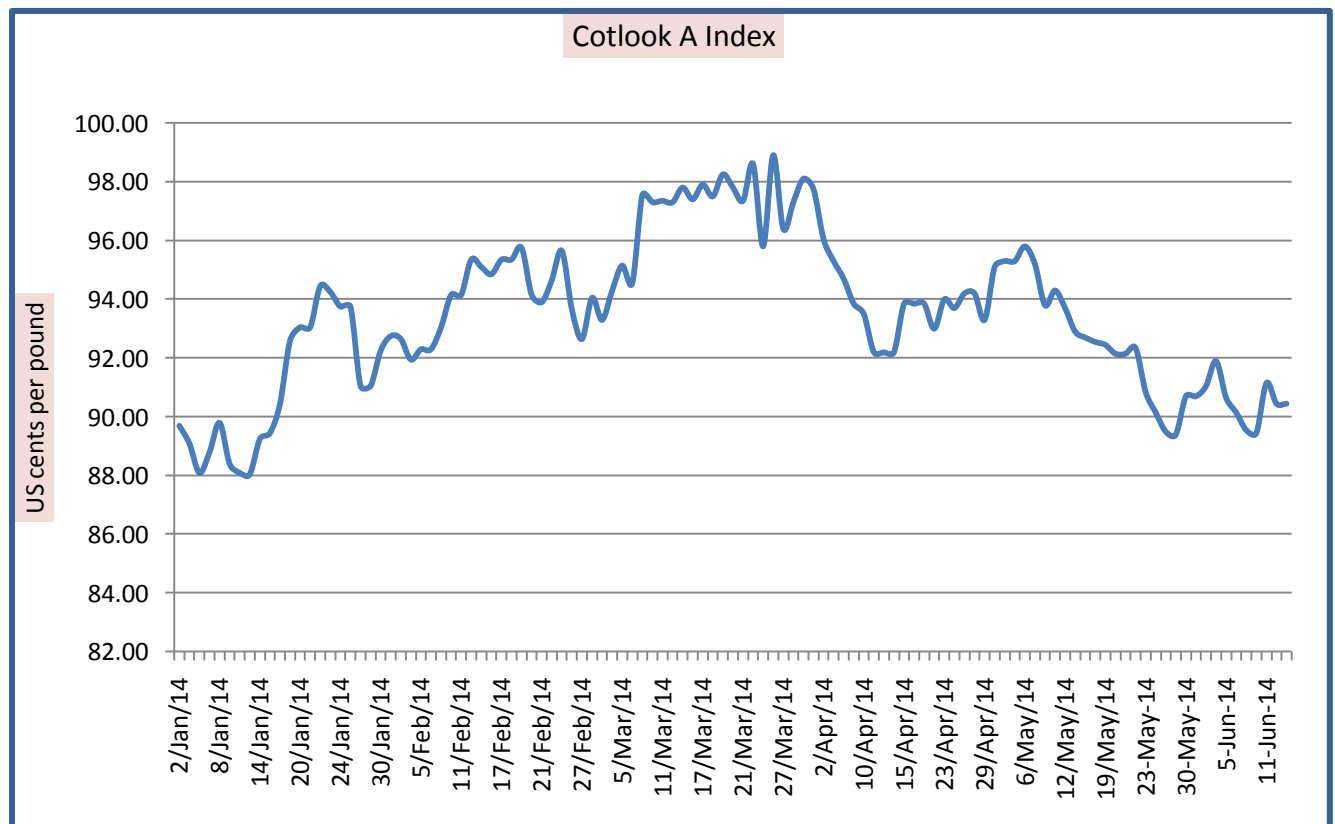


International Market Scenario

Cotton imports to China fell by 14.6% to 191,500 metric tons in May compared to April this year. China is likely to end its cotton stockpiling policy and hence importing less.

According to the latest weekly crop progress released by USDA, 89% of cotton sowing is completed in United States (in major 15 states planted 98% of the 2013 cotton acreage) as on 8 June, 2014. Last year the figure for same was 87% during the corresponding period, slightly lower than the current crop progress. A five year average stands 91%, higher by 2% compared to the current planting figures.

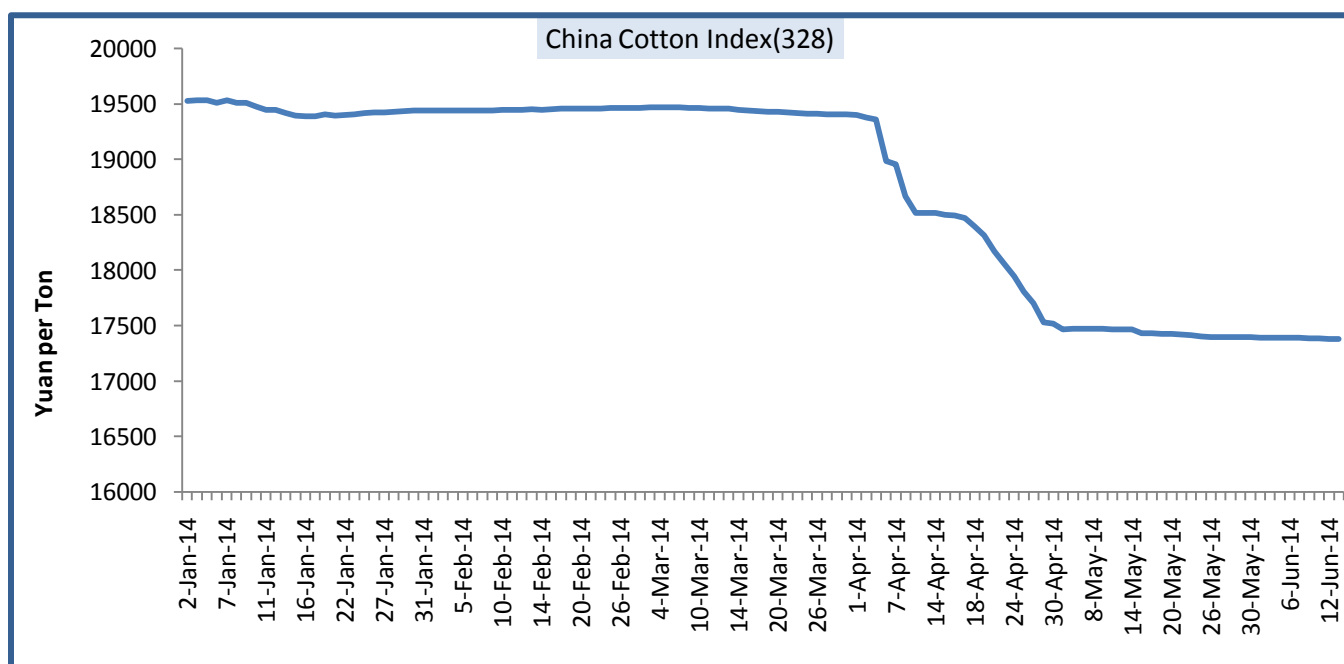
World cotton trade is expected to notice timid sentiments in coming season. The volume of cotton traded worldwide is expected to decline to 8.1 million tons, noticing a fall of 8%, said International cotton advisory committee (ICAC). Reason for the same is fall in shipment to China which was 5.3 million tons in 2011/12 and expected 2.1 million tons in 2014/15. World consumption on other hand is projected to increase by 3% to 24.2 million tons in 2014/15.



International Prices and Indices

China Cotton Index:

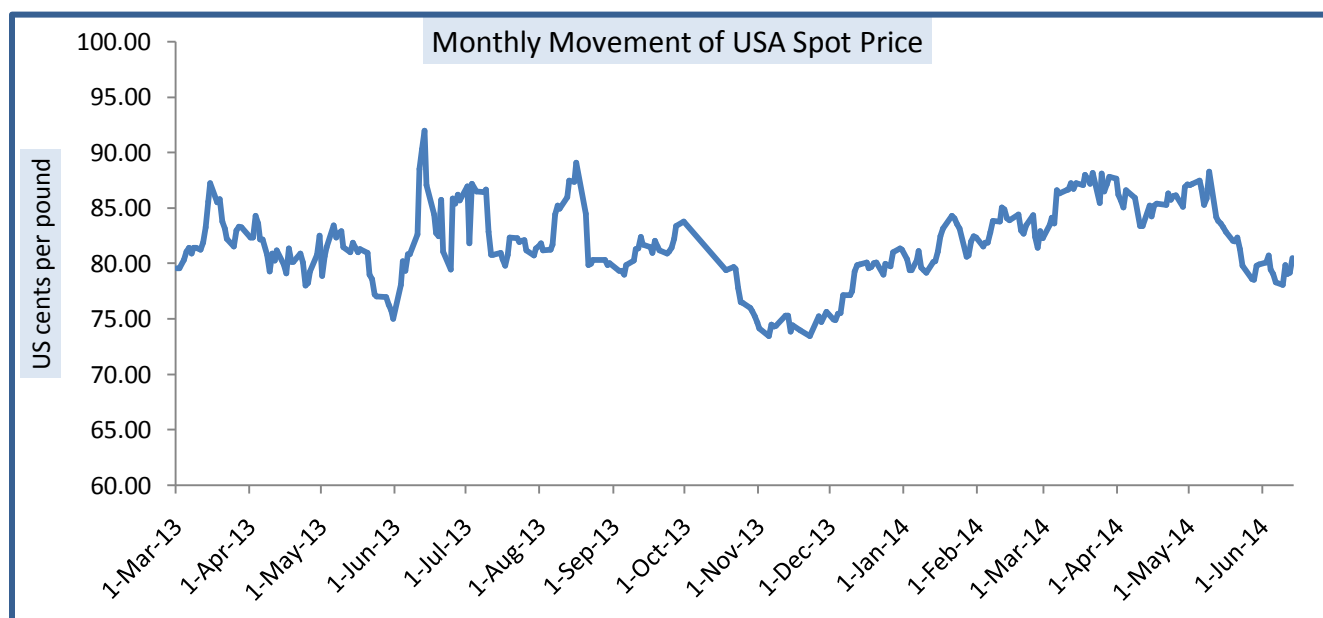
CC Indices	13/June/14	06/June/14	% Change
CCIndex(229)	18153	18186	-0.18
CCIndex(328)	17377	17389	-0.07
CCIndex(527)	16193	16266	-0.45
Prices in Yuan per Ton			



China cotton index is moving flat 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.

USA Spot Prices:

Date	12/June/14	06/June/14	% Change
Prices	78.12	78.34	-0.28
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	92.7	-2.34
June	93.35		
July	92.62		

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

Contracts	13/06/2014	13/05/2014	13/16/2013	% Month Change	% Y-o-Y Change
Jul-14	86.98	90.93	88.61	-4.34	-1.84
Oct-14	77.75	83.34		-6.71	--
Dec-14	77.75	83.45		-6.83	--
Mar-15	78.88	82.80		-4.73	--
May-15	79.49	82.72		-3.90	--
Jul-15	80.06	82.62		-3.10	--

Source: MRCI, Figures in US Cents Per Pound

Cotton Futures

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



Weekly Technical Outlook:

- Candlestick denotes bullish sentiments in the market
- RSI is moving towards overbought region supporting firmness
- We expect prices to be in range with firm biasness.

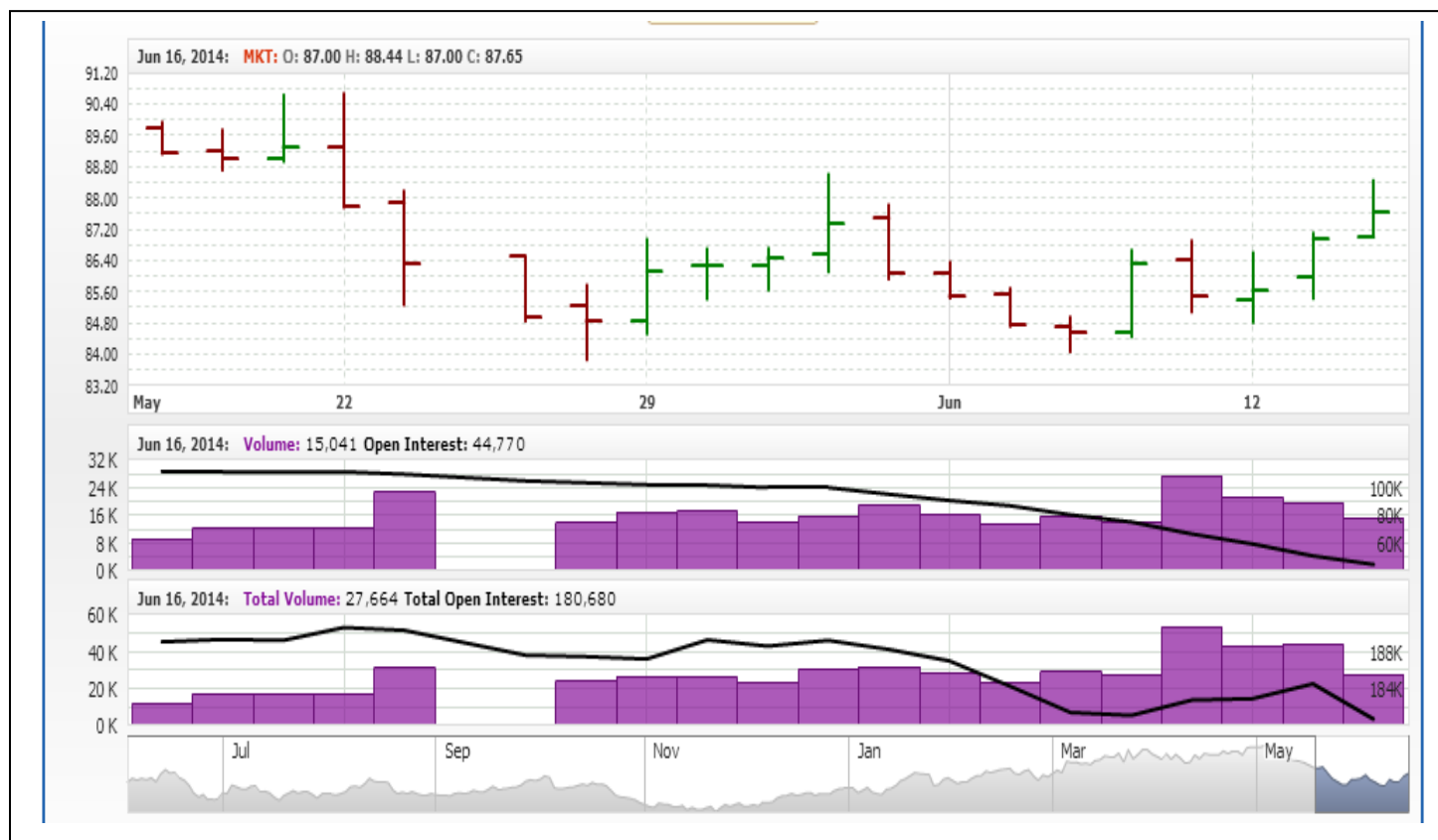
Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range Bound with Firm Biasness	940-975

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
930	915	980	995

Figures in Rs. per 20Kgs.

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

Weekly Technical Outlook:

- Candlestick denotes bullish sentiments in the market.
- Simultaneous decline in open Interest and volume depicts recovery in near term.
- We expect prices to remain in range with firm biasness.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound to Firm Biasness	84.4-90.40

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
83.00	82.80	91.20	92

Figures in US cents per pound

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