

Current Market Outlook

According to Ministry of Agriculture, Kharif sowing has reached to 131 lakh hectares as on 27 June, 2014. Cotton sowing is in progress, around 29.07 lakh hectares of cotton has been sown so far.

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.

Delayed monsoon and lower arrival has boosted the cotton prices in most of the markets. Currently good demand is being noticed in the market and supply is lagging due to season ending.

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.

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.

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.

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

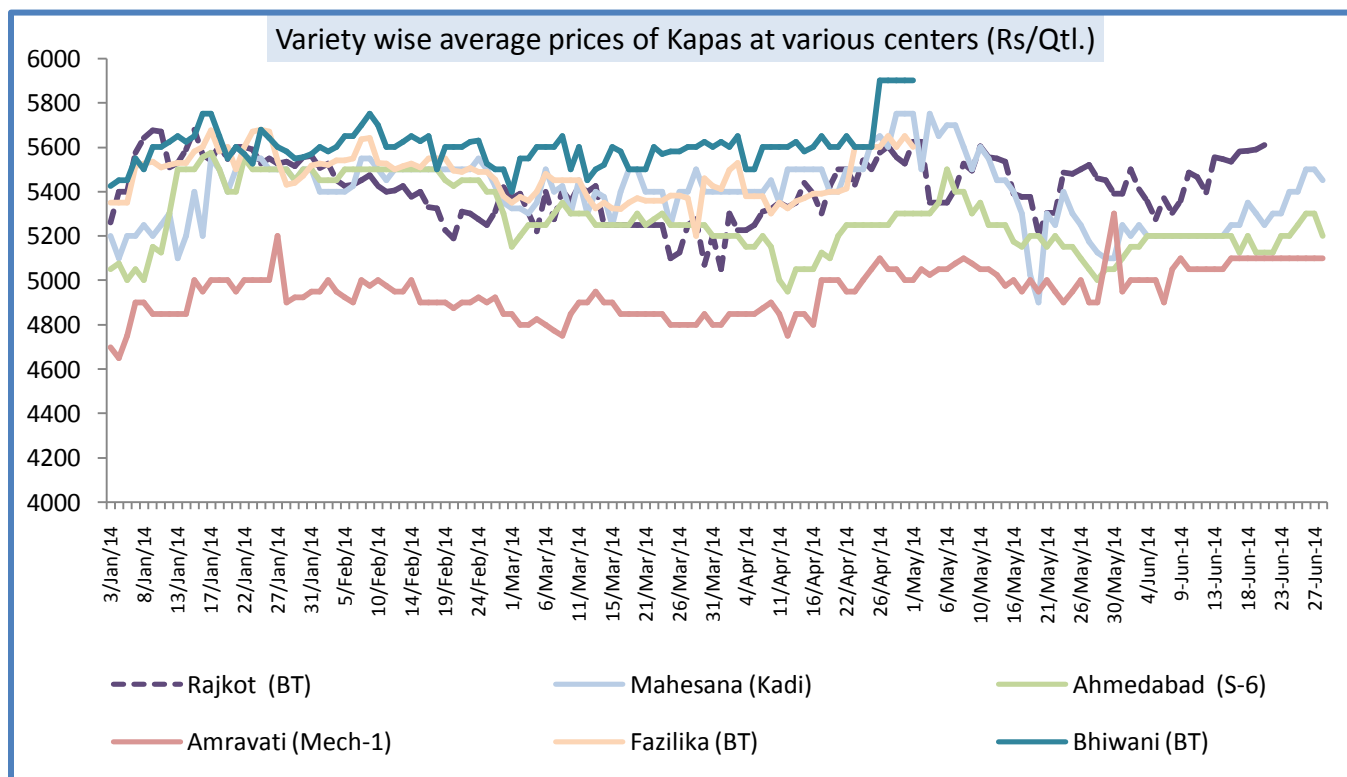
It is believed that expected El-Nino this year will lead to reduced rainfall, hampering the yield of Kharif crops including cotton. Under the conditions led by El-Nino, production of cotton will decline to 360 lakh bales compared to 365 lakh bales this year.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		Change
		27-Jun-14	20-Jun-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5100	5100	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5500	5250	4.76
Rajkot	B.T. Cotton	5590	5395	3.61
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	5700	-1.32
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	5300	5125	3.41
Gondal	Shankar-6	5500	5205	5.67
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	5639	NA	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5350	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4760	4760	Unch
Muktsar	J-34	4755	4775	-0.42
Fazilika	J-34	4750	4755	-0.11
Bhatinda	J-34	4770	4770	Unch
Mansa	J-34	NA	NA	-
Sirsa	J-34	4690	4665	0.54
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4700	4680	0.43

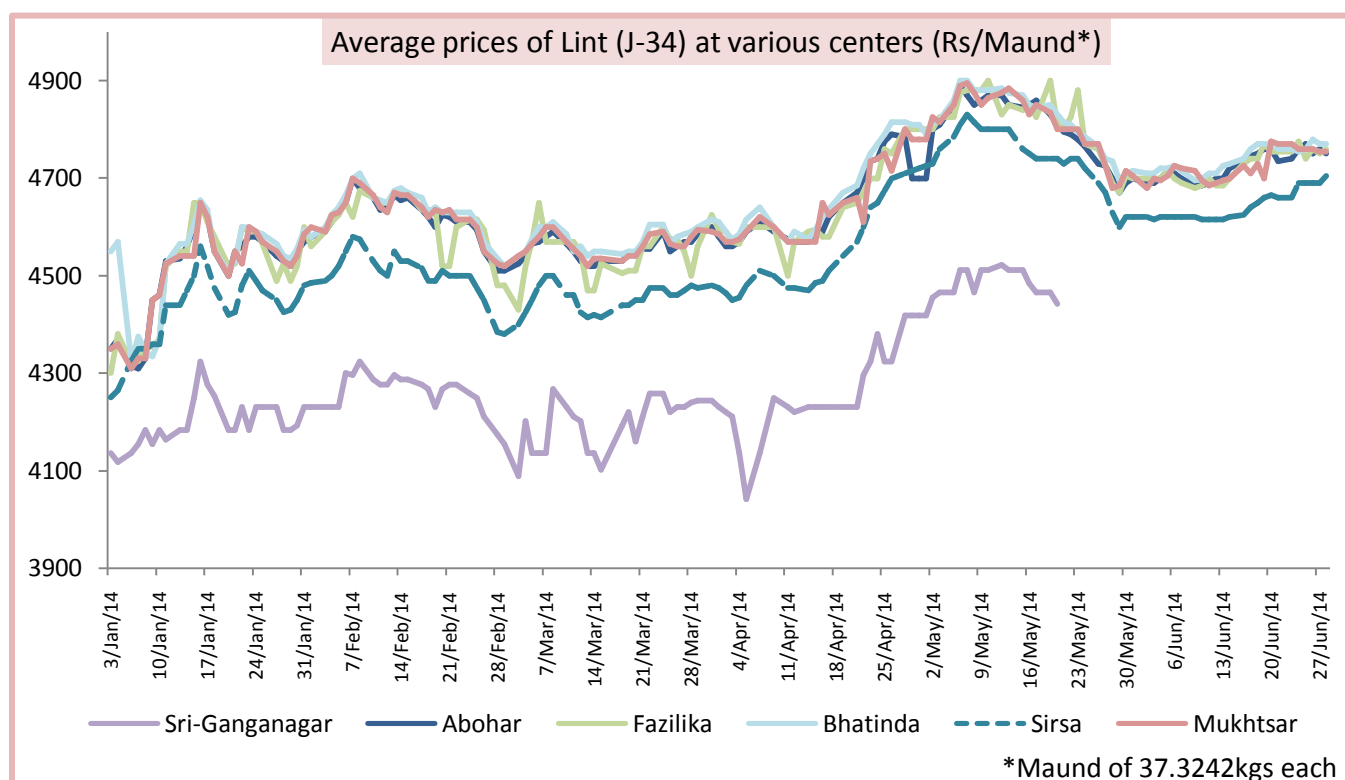
Average Prices of Kapas (Seed Cotton) at Various Centers:



The graph shown above is showing mixed to firm movement of kapas in domestic market. Among the mentioned markets, Rajkot is fetching the highest prices. Mahesana noticed a slight correction in the prices and Ahmedabad noticed a slight fall. Amravati witnessed steady trends in prices. No arrivals are reported in Fazilika and Bhiwani currently.

Disappearance of arrivals has created the supply lag in the market, which is likely to 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 diminishing arrivals. Fazilika, Mukhtsar, Abohar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing little lower prices. We expect prices to remain steady to firm.

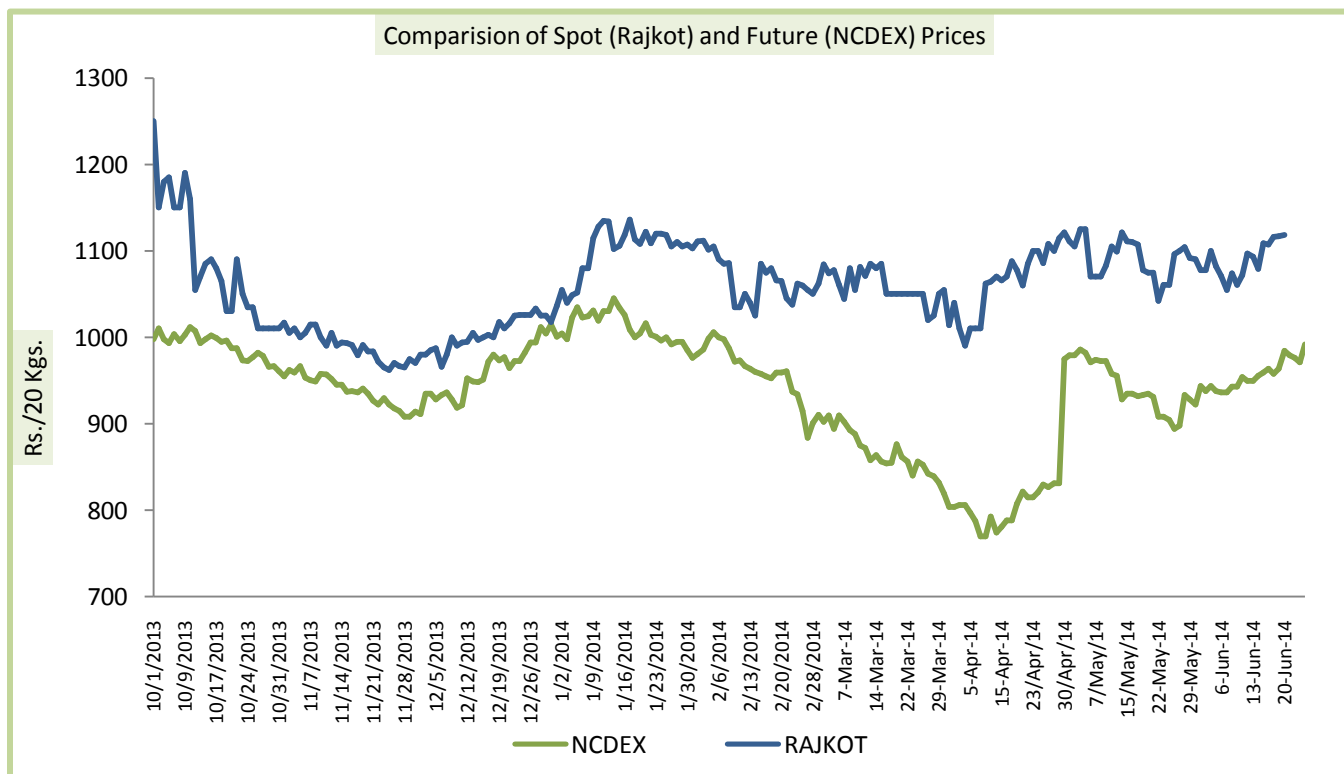
Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change %
				26-Jun-14	19-Jun-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	39900	1.25
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	40400	1.24
J-34(202)	26mm	3.5 - 4.9	23	43700	43400	0.69
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	41100	40600	1.23
Shankar-6(105)	29mm	3.5 – 4.9	28	42700	42300	0.95
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44000	43700	0.69
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44900	44800	0.22
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59000	Unch

Lint prices noticed mostly firm tone on week on week basis. Maximum improvemet has been noticed in the prices of Bengal Deshi (RG)/Assam Comilla(101). Prices of DCH-32 remained steady during the week.

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 with slightly steady movement.



Cotton Arrivals in Key Centers:

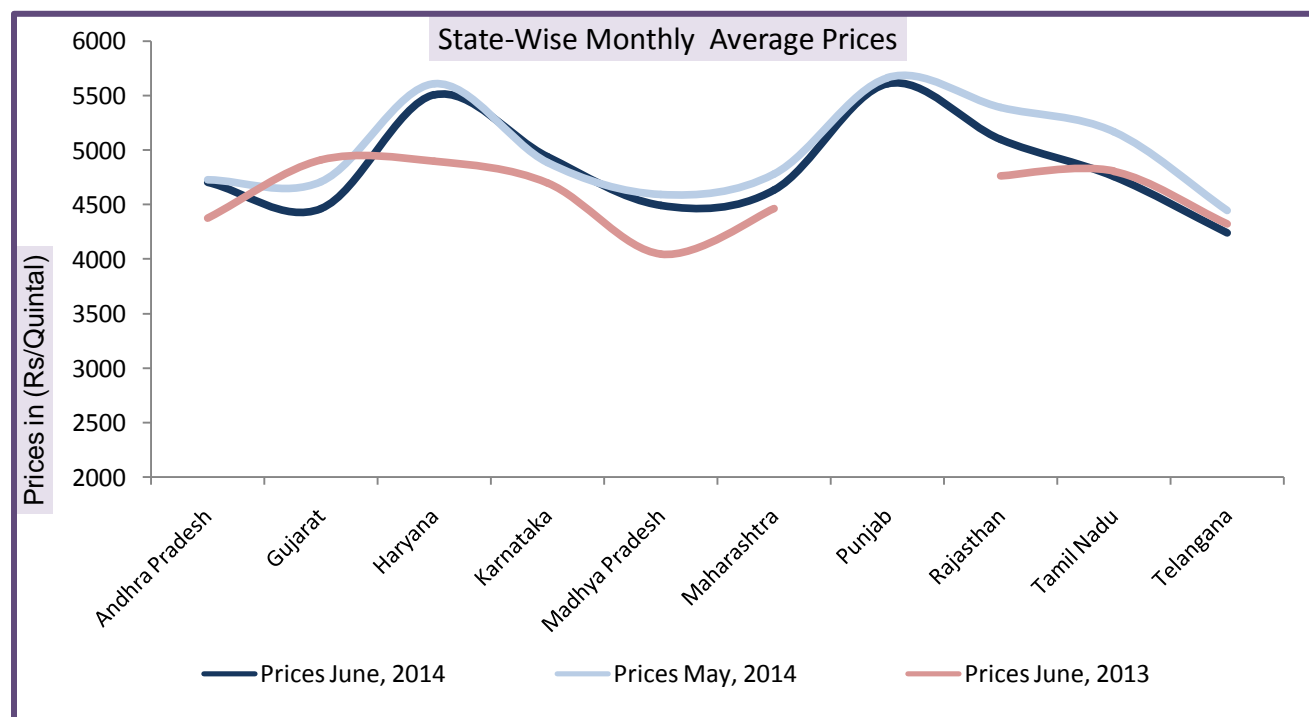
Centre	Variety	Arrivals (Qtl)		Change
		27-Jun-14	20-Jun-14	
Amravati	Mech-1	143000	98000	45.92
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	44500	58500	-23.93
Rajkot	B.T. Cotton	23950	27000	-11.30
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	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	153000	127500	20.00
Gondal	Shankar-6	7357	10254	-28.25
Bijapur	Bunny	2475	3320	-25.45
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	6767	9697	-30.22
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	510	595	-14.29
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	4703.99	4729.54	4378.38	-0.54	7.44
Gujarat	4460.83	4710.5	4907.23	-5.3	-9.1
Haryana	5506.93	5606.48	4894.71	-1.78	12.51
Karnataka	4937.18	4885.06	4699.13	1.07	5.07
Madhya Pradesh	4493.79	4593.28	4047.01	-2.17	11.04
Maharashtra	4631.79	4780.84	4461.27	-3.12	3.82
Punjab	5607.94	5661.37		-0.94	—
Rajasthan	5095.36	5390.38	4759.77	-5.47	7.05
Tamil Nadu	4758.23	5167.92	4804.77	-7.93	-0.97
Telangana	4241.61	4445.51	4324.63	-4.59	-1.92
Average	4704.38	4783.36	4421.36		

**Source: Agmarknet*

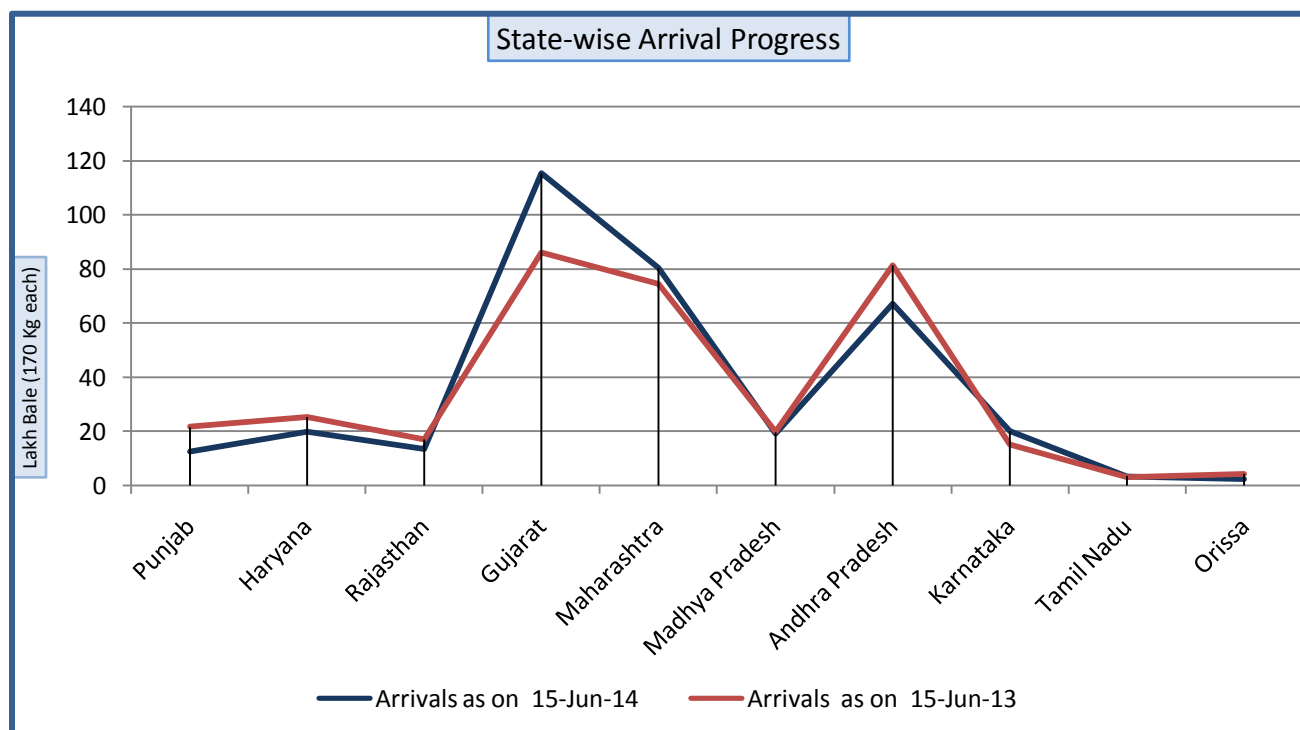


State wise prices this year are mostly higher than the previous year prices. Punjab is fetching the highest prices currently followed by Haryana and Rajasthan. Among the mentioned states Telangana is recording the lowest prices. Prices are mostly showing downtrend on month on month basis and uptrend on year on year basis.

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	1/11/2012	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
A. North Total (1+2+3)	58	45.77	63	63.7
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. Central Total (4+5+6)	216	214.89	191	180.29
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
C. South Total (7+8+9)	95	90.43	105	99.06
10. Orissa	4	2.31	4	4.17
11. Others	2	1.96	2	2
D. Total (10+11)	6	4.27	6	6.17
Grand Total (A+B+C+D)	375	355.36	365	349.22

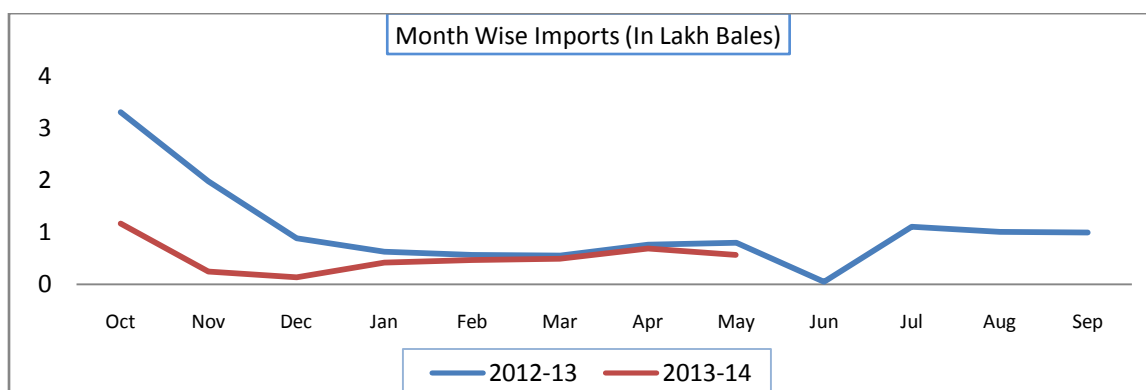
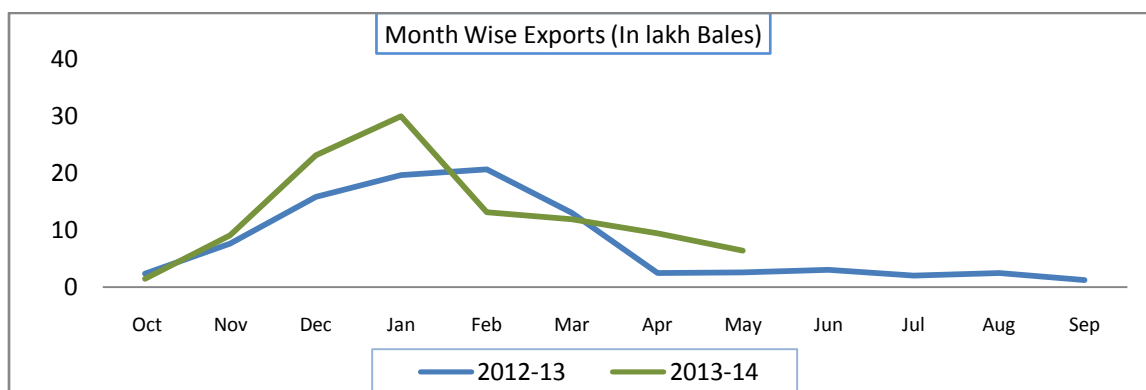
* Inclusive of new crop arrivals in September 2013
**Source: Cotton Corporation of India



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



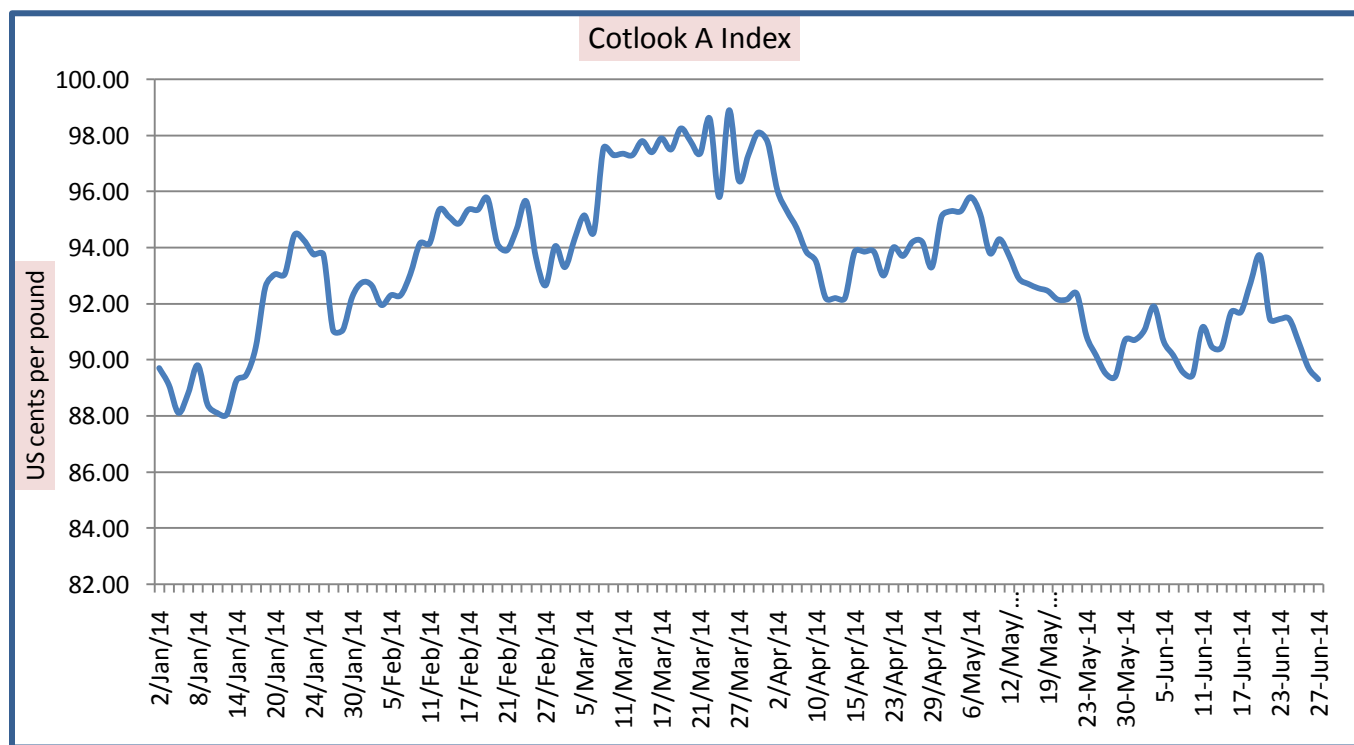
International Market Scenario

Cotton 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.

Tanzania farmers and stakeholders, along with Tanzania Cotton Growers Association (TACOGA), Tanzania Cotton Association (TCA) and Tanzania Cotton Board (TCB) have set the cotton MSP at TSH 750 (USD 0.446)/kg for new marketing season beginning June 18, 2014.

New cotton season (2014-15) has been started in Pakistan, where some raw cotton is being sourced to ginning factories in Punjab. According to the ginners, factories are likely to start operation during the week to start supply of new cotton crop to textile mills.

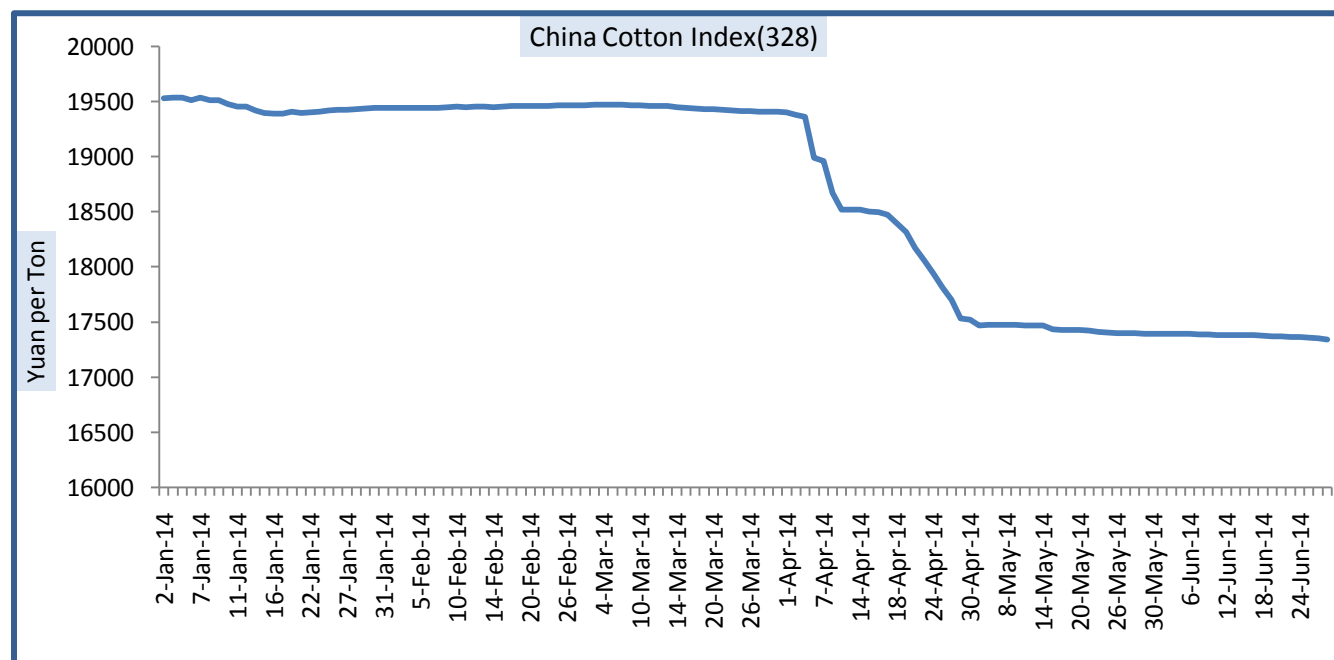
Due to rain in Texas, the largest cotton growing region of USA, the price of cotton plummet down as the state raises the prospects of higher production on widespread precipitation. The most active December contract hit about a 3 month low of US cents 76.50 last week following a government report forecasting that US cotton stock will hit a 6 year high of 4.3 million bales (of 480 pound each) and world stock would rise to the level of 102.7 million bales by the end of season 2014-15.



International Prices and Indices

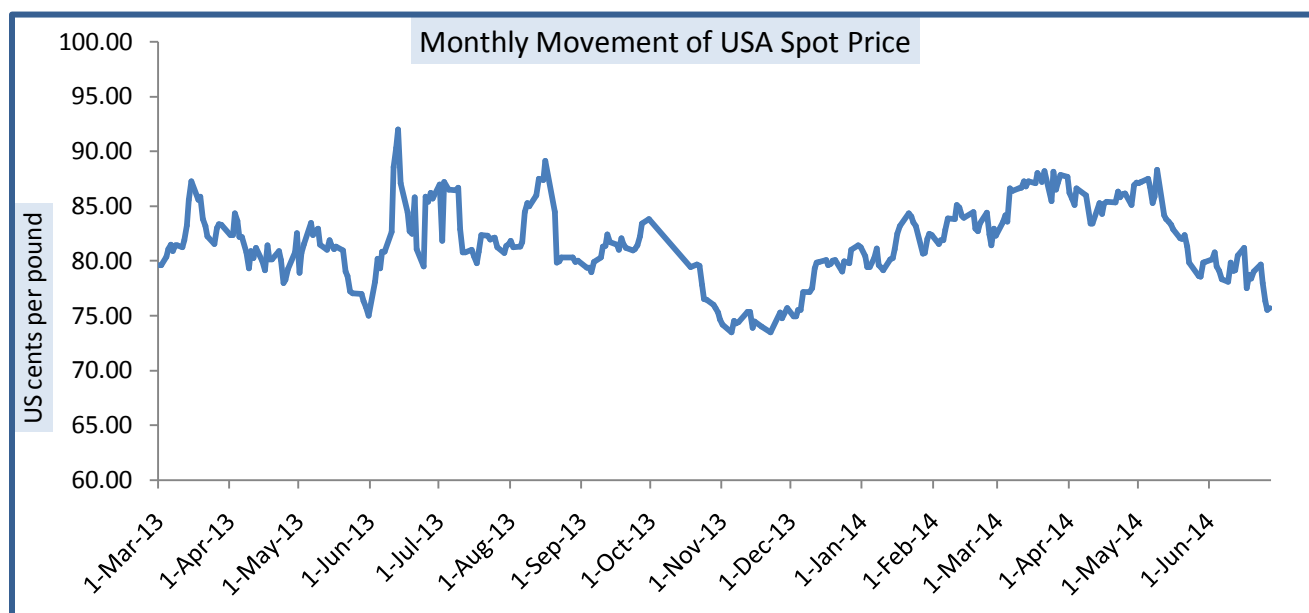
China Cotton Index:

CCI Indices	20/6/2014	13/6/2014	% Change
CCIndex(229)	18062	18139	-0.42
CCIndex(328)	17337	17368	-0.18
CCIndex(527)	16177	16186	-0.06
Prices in Yuan per Ton			



USA Spot Prices:

Date	27/Jun/14	20/Jun/14	% Change
Prices	75.7	79.0	-4.24
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	27/06/2014	27/05/2014	27/06/2013	% Month Change	% Y-o-Y Change
Jul-14	80.89	84.97	81.22	-4.80	-0.41
Oct-14	74.30	77.89	--	-4.61	--
Dec-14	74.85	77.86	--	-3.87	--
Mar-15	76.20	77.88	--	-2.16	--
May-15	77.28	79.09	--	-2.29	--
Jul-15	78.18	80.17	--	-2.48	--

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 range-bound movement in the market.
- RSI is heading towards overbought region supporting firm tone.
- We expect prices to be range bound with firm biasness.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range-Bound to Bullish Momentum	970-1020

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
955	942	1025	1035

Figures in Rs. per 20Kgs.

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



Weekly Technical Outlook:

- Candlestick denotes weak momentum during the week.
- Declining volume and open interest depicts bearish sentiments.
- We expect prices to remain weak.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound to Bearish Momentum	78.60-84.00

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
78.00	75.60	85.40	86.00

Figures in US cents per pound

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