

Current Market Outlook

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 to a report monsoon is likely to arrive in Maharashtra by around July 05, delayed by around five weeks.

Better minimum support price (MSP) of paddy as compared to cotton is forcing farmers to shift to paddy from cotton in Punjab. MSP of cotton seen only 1.25% increase to Rs. 4050 this year from Rs. 4000, whereas MSP of paddy increased to Rs. 1400 from Rs. 1345 noticing an increase of 4%. MSP of paddy has increased by 63% to Rs.1400 in 2014 from Rs. 880 in 2008, while cotton has noticed a rise of 35% to Rs. 4050 this year from Rs. 3000 in 2008. Also paddy is getting government subsidies like free of cost power which is not applicable for cotton.

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.

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, as yield is dependent on the same.

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

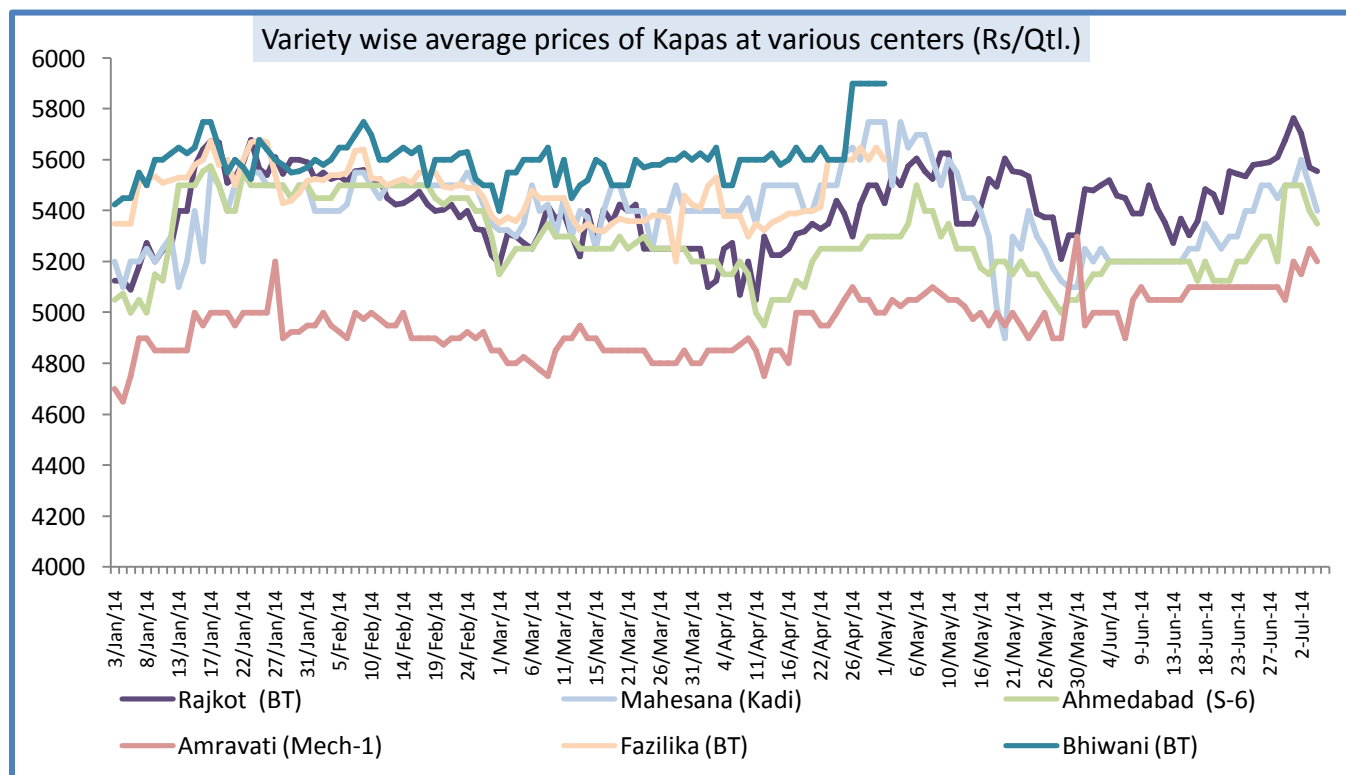
It is believed that expected El-Nino this year will lead to reduced rainfall, hampering the yield of Kharif crops including cotton. Under the conditions led by El-Nino, production of cotton will decline to 360 lakh bales compared to 365 lakh bales this year.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

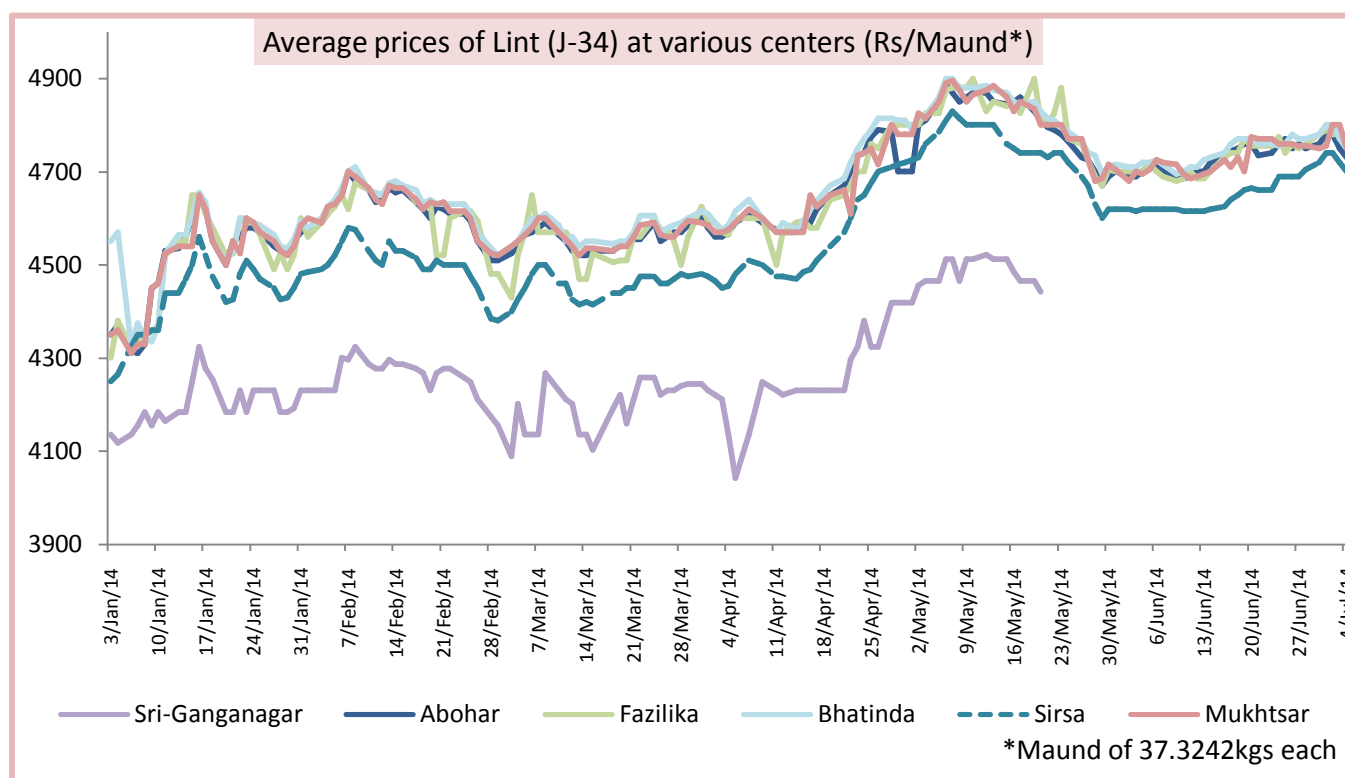
Centre	Variety	Prices		Change %
		4-Jul-14	27-Jun-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5200	5100	1.96
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5400	5500	-1.82
Rajkot	B.T. Cotton	5555	5590	-0.63
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
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	5850	5625	4.00
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	5350	5300	0.94
Gondal	Shankar-6	5380	5500	-
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	NA	5639	-
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5100	5350	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4730	4760	-0.63
Muktsar	J-34	4750	4755	-0.11
Fazilika	J-34	4780	4750	-
Bhatinda	J-34	4750	4770	-0.42
Mansa	J-34	NA	NA	-
Sirsa	J-34	4700	4690	0.21
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4710	4700	0.21

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



The graph shown above is showing weak price movement of kapas in domestic market. Among the mentioned markets, Rajkot is fetching the highest prices. Fall in the cotton export and lesser export demand expected in the coming period is making prices to fall down. There is an ample supply of cotton on global front which putting cotton market in bearish trend.

Average Prices of Lint at Various Centers:



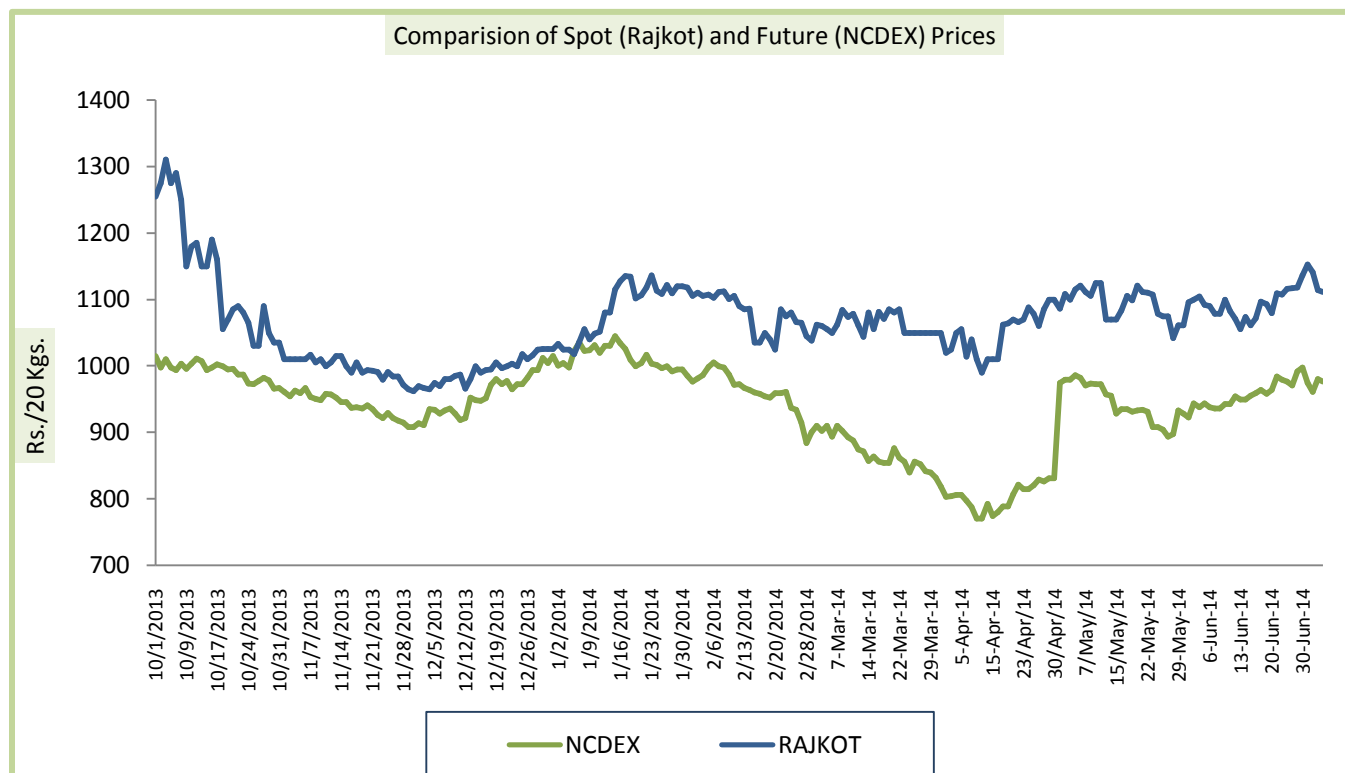
Prices of lint noticed mixed movement with firm biasness during the week on better demand and diminishing arrivals. Fazilika, Mukhtsar, Abohar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing little lower prices. We expect prices to remain steady to firm.

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	% Change
				3-Jul-14	26-Jun-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	40900	Unch
J-34(202)	26mm	3.5 - 4.9	23	43700	43700	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40900	41100	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42600	42700	-0.2
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43800	44000	-0.5
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44700	44900	-0.4
DCH-32(107)	34mm	3.0 - 3.8	33	58500	59000	-0.8

Movement of Prices at Spot and Future Market:

Spot and Future market noticed steady to weak tone. Weak international market is affecting the domestic prices in the country. Also world imports is on weaker side as China, the largest importer of cotton is importing lesser, which is affecting the prices of cotton in India, the second largest exporter of cotton as overseas demand is lagging.



Cotton Arrivals in Key Centers:

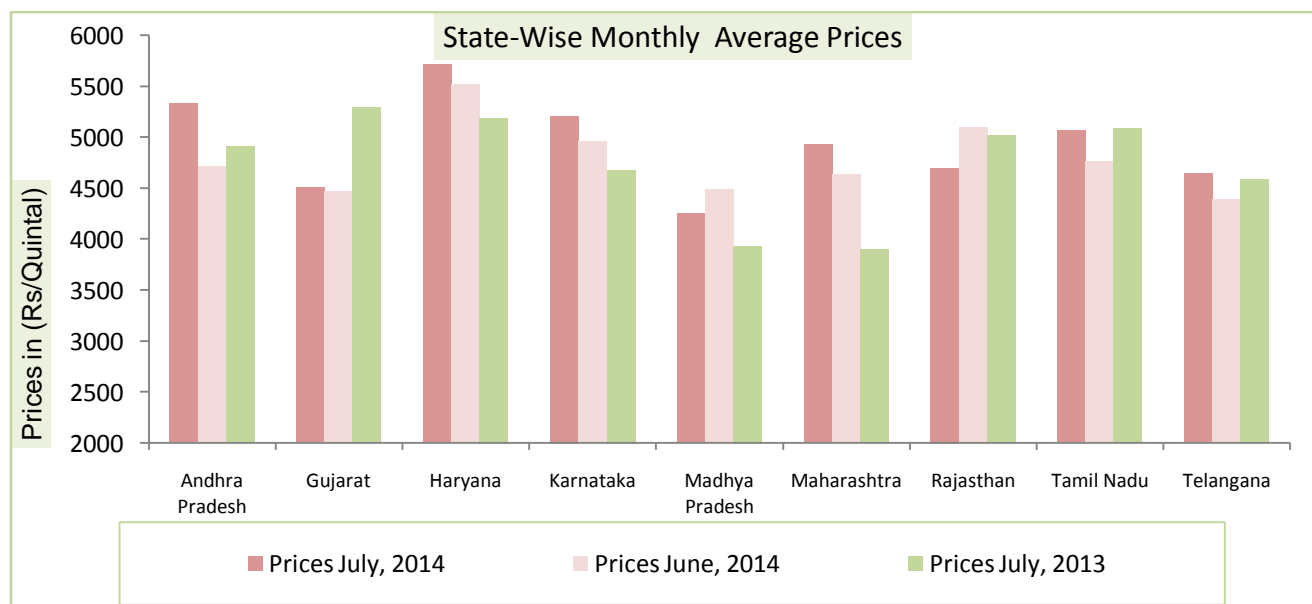
Centre	Variety	Arrivals (Qtl)		Change %
		4-Jul-14	27-Jun-14	
Amravati	Mech-1	82000	143000	-43
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	23000	44500	-48
Rajkot	B.T. Cotton	18500	23950	-23
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
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	146200	153000	-4
Gondal	Shankar-6	6492	7357	-12
Bijapur	Bunny	3214	2475	30
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	2244	6767	-67
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	289	510	-43
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices July, 2014	Prices June, 2014	Prices July, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	5331.15	4715.16	4911.8	13.06	8.54
Gujarat	4508.32	4470.18	5292.19	0.85	-14.81
Haryana	5713.7	5514.61	5188.98	3.61	10.11
Karnataka	5207.76	4955.4	4680.9	5.09	11.26
Madhya Pradesh	4252.3	4485.93	3933.43	-5.21	8.11
Maharashtra	4931.55	4634.37	3899.41	6.41	26.47
Rajasthan	4700	5101.4	5020.55	-7.87	-6.38
Tamil Nadu	5068.47	4761.44	5089.68	6.45	-0.42
Telangana	4641.23	4390.7	4586.97	5.71	1.18
Average	4928.28	4721.01	4475.99		

*Report Generation: As per the data reported by APMCs

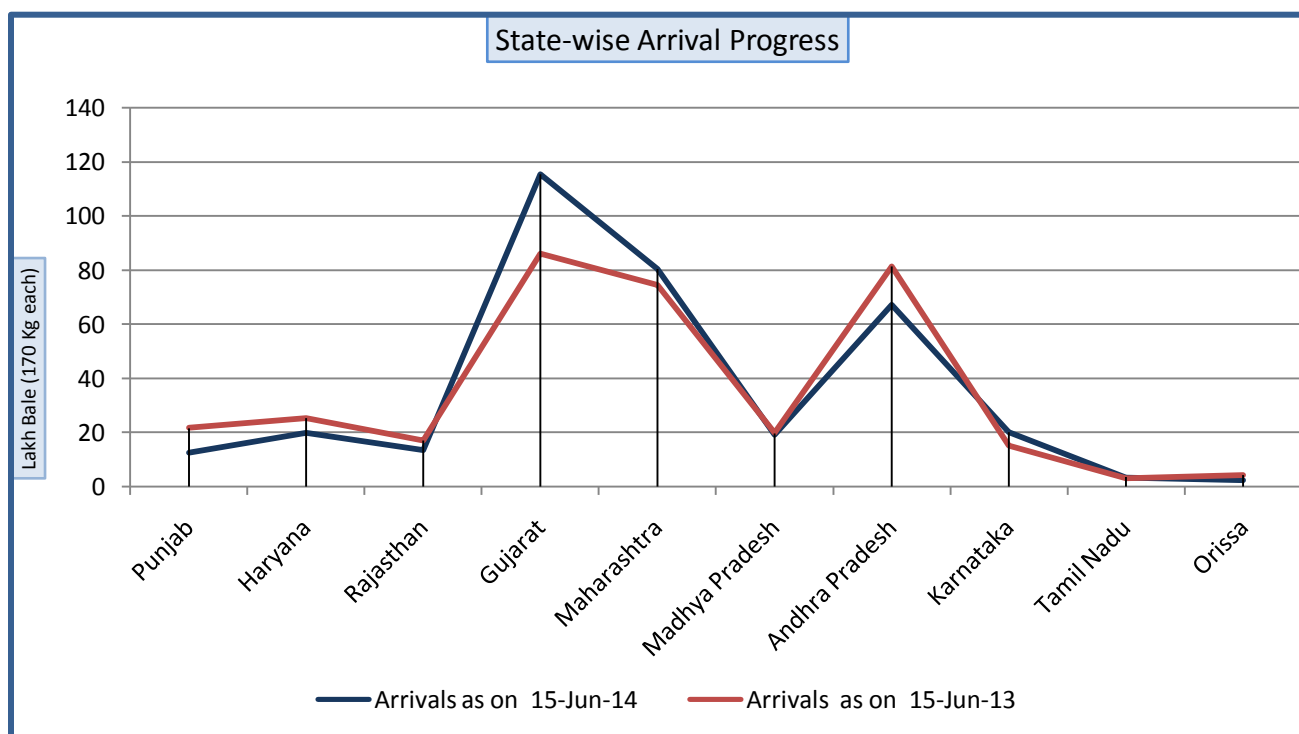


State wise prices this year are mostly higher than the previous year prices except Gujarat, Rajasthan and Tamil Nadu. Among the mentioned states, Haryana is fetching the highest prices followed by Andhra Pradesh and Karnataka. Madhya Pradesh is noticing the lowest price currently.

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

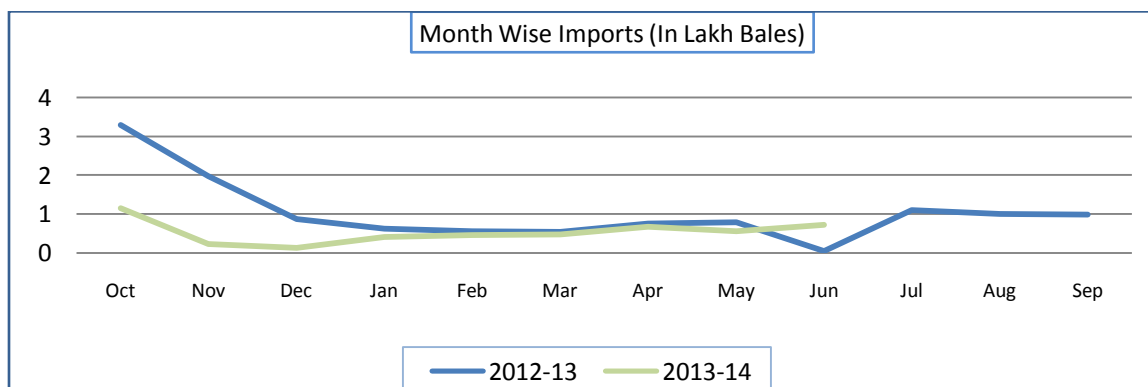
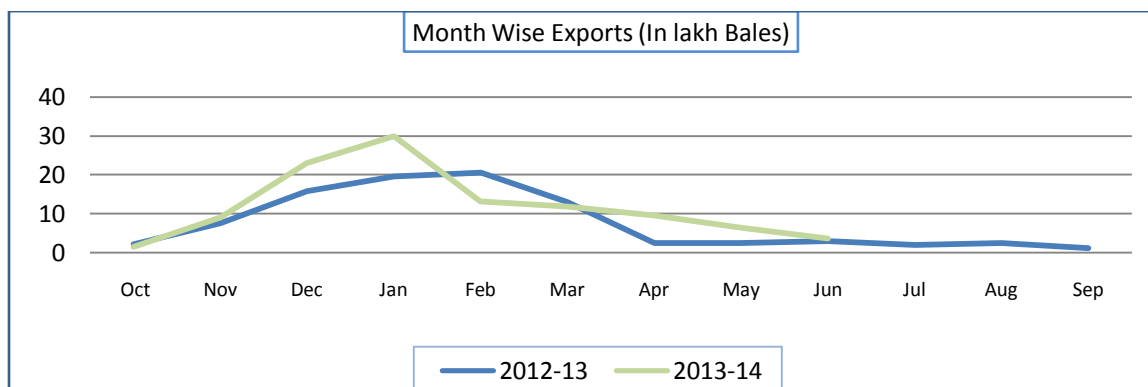
* Inclusive of new crop arrivals in September 2013
**Source: Cotton Corporation of India



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	3.62
Jul	2.06	
Aug	2.5	
Sep	1.22	
Total	93.12	108.1

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	
Total	12.61	4.86



International Market Scenario

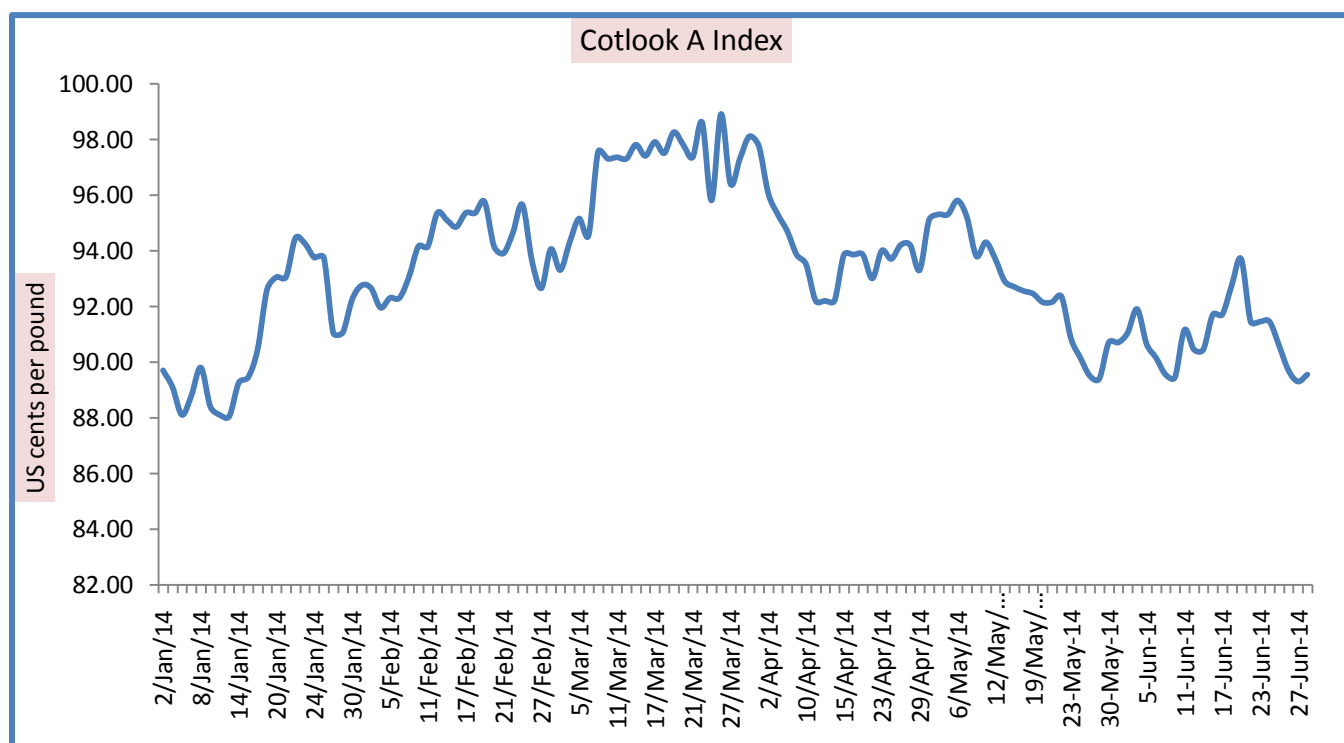
China is likely to hold 60% of world cotton reserve, mostly held by government reserve. The secretariat estimated that Chinese government will hold around 11.5 million tons of cotton by the end of current season 2013-14.

The International Cotton Advisory Committee lowered its forecast for cotton prices for a second successive month. The group forecasted Cotlook Index A for 2014-15 at 82 cents per pound including the transportation elements. There will be rise in cotton stocks in countries outside China of around 7% to 8.7 million tonnes by the end of this season and it would rise to 9.7 million tonnes in 2014-15, noticing a rise of 15%.

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.

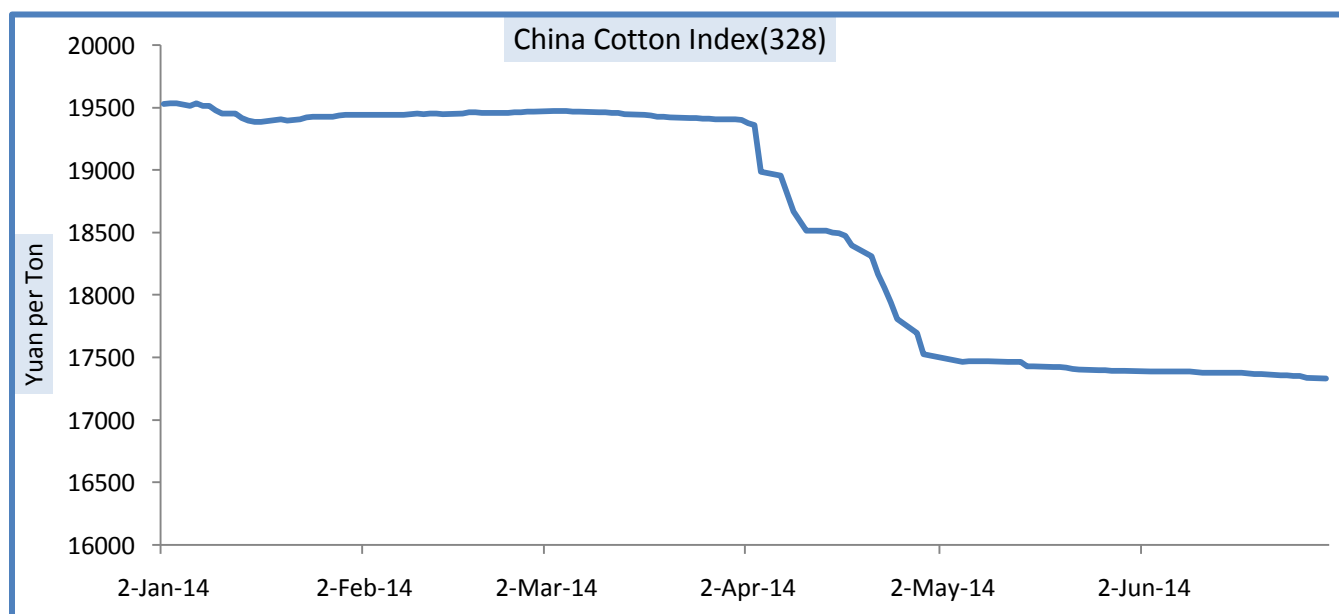


International Prices and Indices

China Cotton Index:

CCI Indices	4/Jul/14	27/Jun/14	% Change
CCIndex(229)	18029	18062	-0.18
CCIndex(328)	17318	17337	-0.11
CCIndex(527)	16166	16177	-0.07

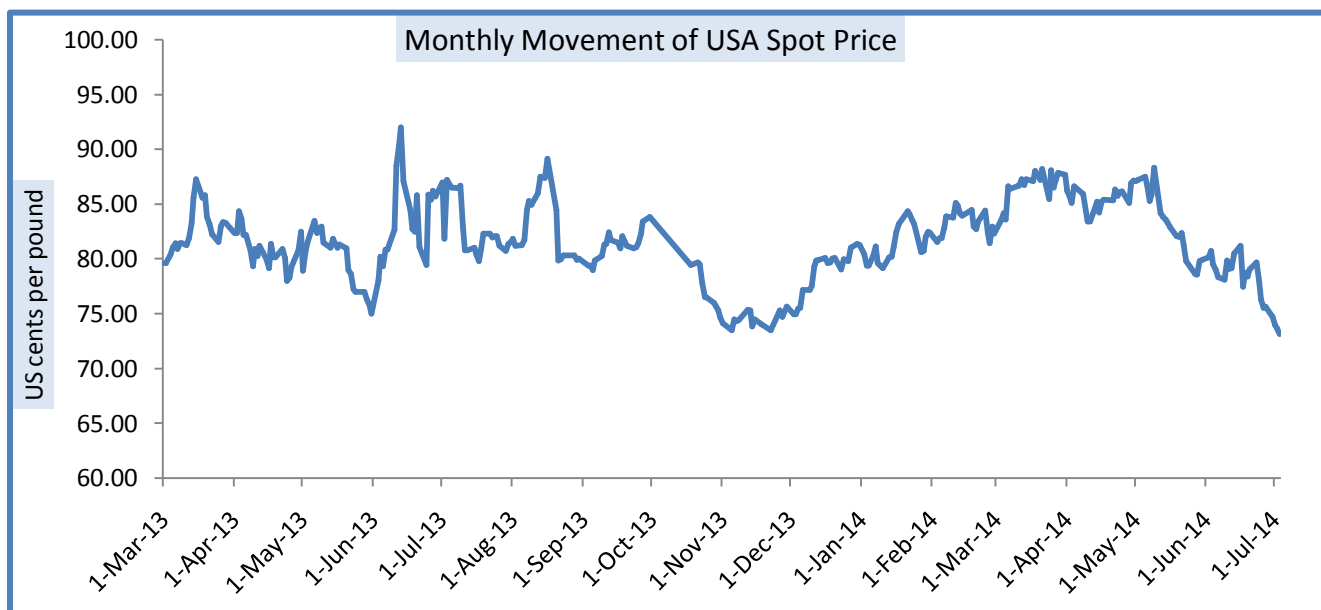
Prices in Yuan per Ton



USA Spot Prices:

Date	3/Jul/14	27/Jun/14	% Change
Prices	73.2	75.7	-3.32

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	90.89	-2.64
July	92.62		

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

Contracts	3/7/2014	3/6/2017	3/7/2013	% Month Change	% Y-o-Y Change
Jul-14	76.22	87.36	84.84	-12.75	-10.16
Oct-14	71.79	77.23	--	-7.04	--
Dec-14	72.06	78.10	--	-7.73	--
Mar-15	73.02	78.12	--	-6.53	--
May-15	74.10	79.03	--	-6.24	--
Jul-15	75.03	79.97	--	-6.18	--

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 moving in neutral region supporting weak tone.
- We expect prices to be range bound with weak biasness.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range-Bound to Bearish Momentum	945-1000

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
930	915	1010	1025

Figures in Rs. per 20Kgs.

Technical Analysis of Cotton Future (Oct'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 in range with weak momentum.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound to Bearish Momentum	70-74

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
69	67	76	77

Figures in US cents per pound

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