

Current Market Outlook

Current Market Outlook: Cotton market noticed weak momentum during the week on sluggish demand.

According to Ministry of Agriculture, around 56 lakh hectare of area has been sown for cotton this year as on July 18, around 44.30% lower than the previous year, when it was 100.55 lakh hectares during the same period.

The Cotton Textile Promotion Council (Texprocil) said it has urged the ministry for higher incentives including 5 per cent duty reduction for exports of cotton fabrics and home textiles to China.

The new government has approved field trials for 21 new varieties of Genetically Modified (GM) crop including cotton, maize, rice and wheat. It is believed that this move would help to boost the yield of crops and stabilizing food prices. Over the concerns of health hazards, the issue is highly controversial in India and so far allowed only BT cotton to be grown commercially.

Union Budget: Loading/unloading and transportation of cotton exempted from service tax. Union finance minister, Arun Jaitley, in his maiden budget, has proposed setting up of new textile mega clusters in five states. The mega clusters will be set up at Surat and Kutch in Gujarat, Bareilly and Lucknow in Uttar Pradesh, Bhagalpur in Bihar, Mysore in Karnataka and one in Tamil Nadu. A sum of Rs. 200 crore has been allocated for setting up these textile mega clusters.

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.

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.

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

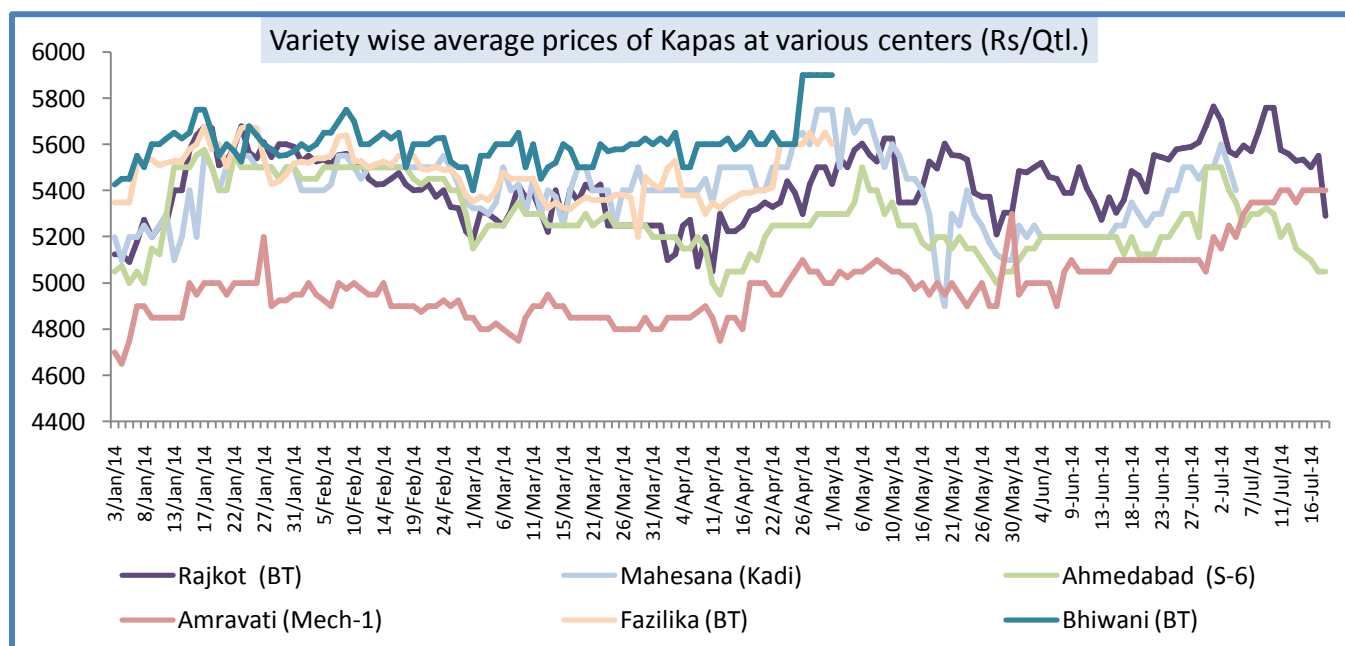
It is believed that expected El-Nino this year will lead to reduced rainfall, hampering the yield of Kharif crops including cotton. Under the conditions led by El-Nino, production of cotton will decline to 360 lakh bales compared to 365 lakh bales this year.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

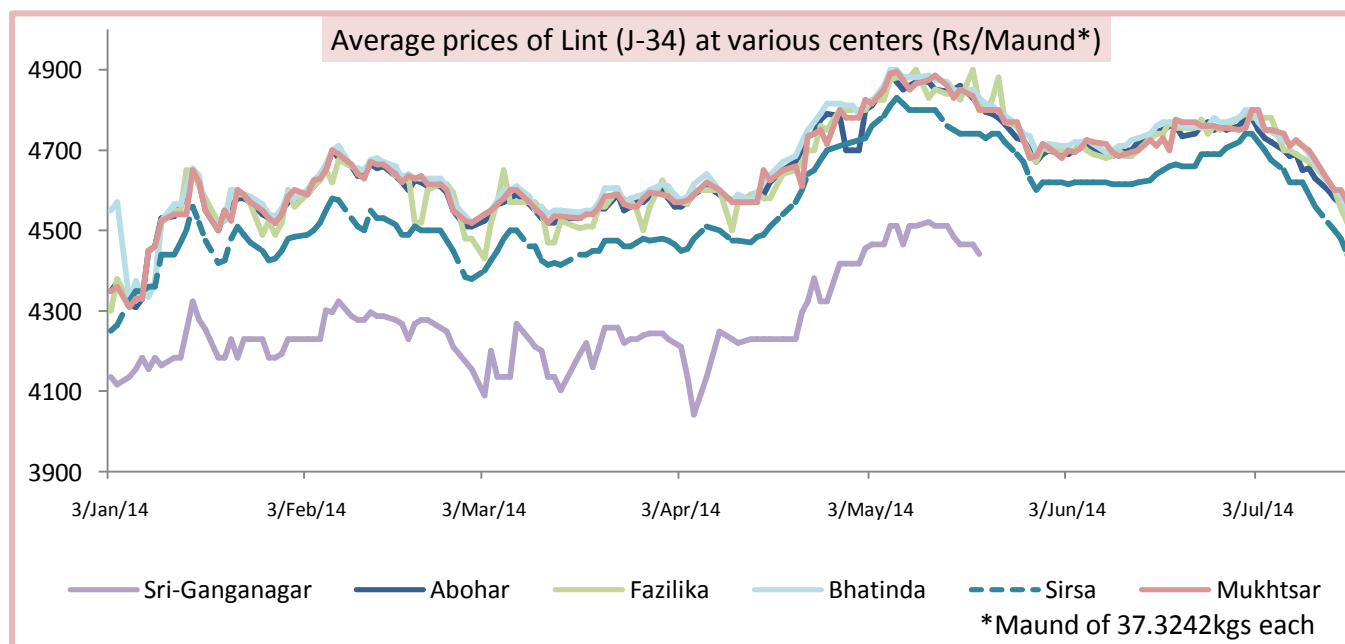
Centre	Variety	Prices		Change %
		18-Jul-14	11-Jul-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5400	Unch
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5290	5575	-5.11
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	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	5550	5600	-0.89
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	5200	-2.88
Gondal	Shankar-6	5130	5355	-4.20
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	5369	5699	-5.79
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	5259	4950	6.24
	Lint	(Rs./Maunder of 37.32kg each)		
Abohar	J-34	4495	4655	-3.44
Muktsar	J-34	4525	4700	-3.72
Fazilika	J-34	4500	4670	-3.64
Bhatinda	J-34	4500	4690	-4.05
Mansa	J-34	NA	NA	-
Sirsa	J-34	4400	4590	-4.14
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

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



The graph shown above is showing mostly weak trend in prices of kapas in domestic market. Prices in Rajkot, which were highest in the mentioned markets, fell during the week, whereas prices in Amravati noticed recovery. No arrivals are reported in Fazilika, Bhiwani and Mahesana currently due to season ending..

Average Prices of Lint at Various Centers:



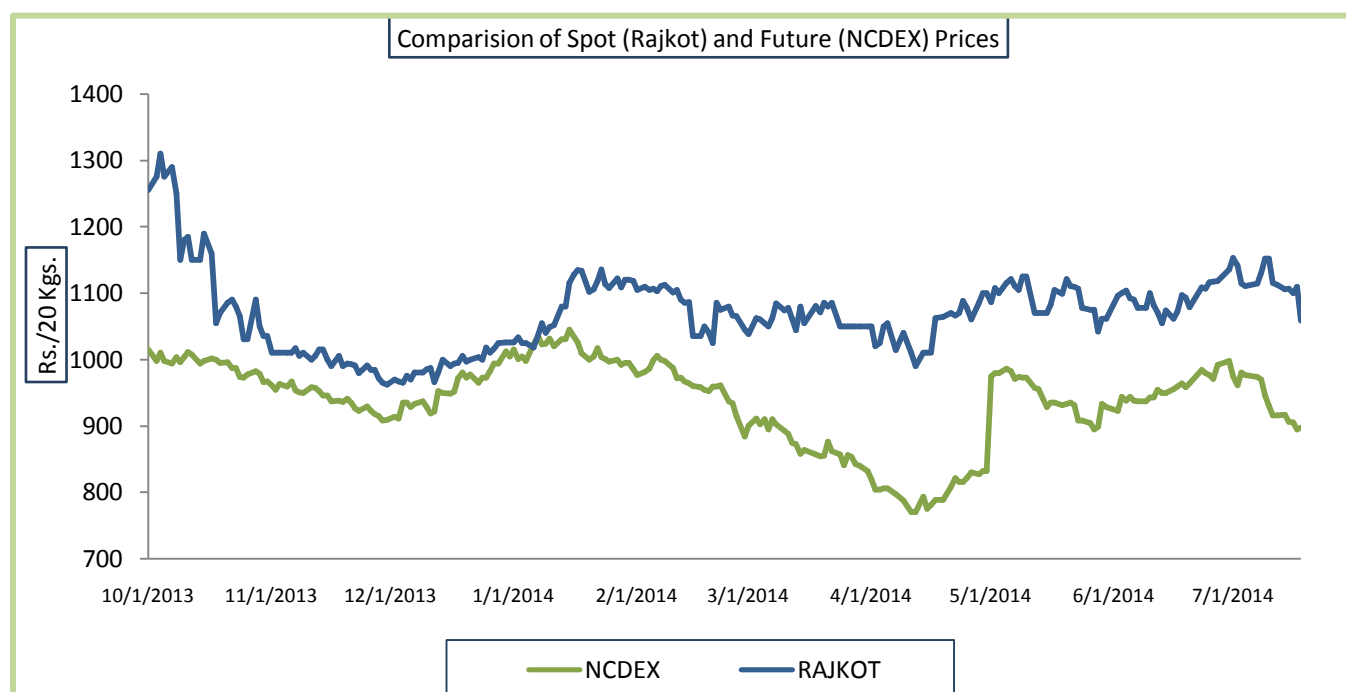
Lint prices remained weak during the week following the dull demand from the spinners. Also the demand of cotton yarn from China has declined considerably. Fazilika, Mukhtsar, Abohar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing little lower prices. We expect prices to remain weak to steady.

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change %
				17-Jul-14	10-Jul-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	39000	40400	-3.47
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39500	40900	-3.42
J-34(202)	26mm	3.5 - 4.9	23	41200	43000	-4.19
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	39900	40700	-1.97
Shankar-6(105)	29mm	3.5 – 4.9	28	41600	42400	-1.89
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43800	-1.60
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44000	44700	-1.57
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58300	-0.51

Movement of Prices at Spot and Future Market:

Spot and Future market noticed 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:

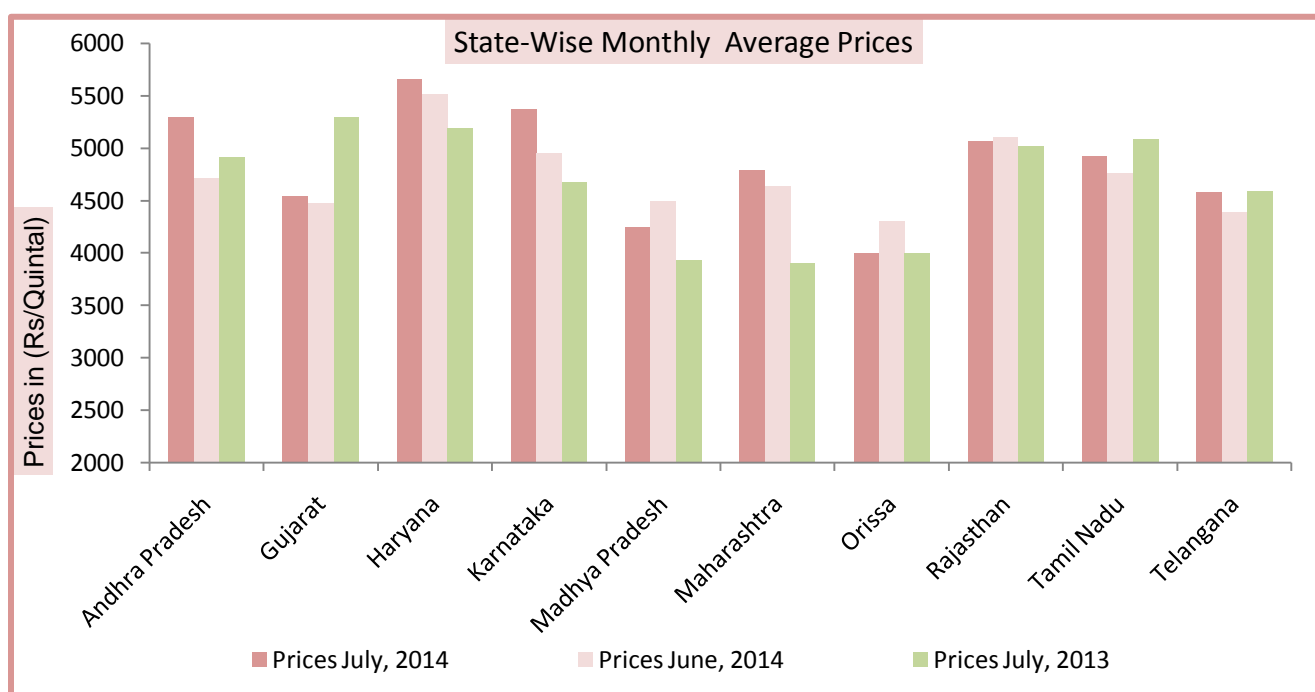
Centre	Variety	Arrivals (Qtl)		Change %
		18-Jul-14	11-Jul-14	
Amravati	Mech-1	11000	32500	-66.15
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	12300	19500	-36.92
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	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	73100	124100	-41.10
Gondal	Shankar-6	3215	7821	-58.89
Bijapur	Bunny	6444	4416	45.92
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	802	1045	-23.25
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	357	391	-8.70
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	5295.97	4715.16	4911.8	12.32	7.82
Gujarat	4541.47	4473.22	5292.19	1.53	-14.19
Haryana	5652.14	5514.61	5188.98	2.49	8.93
Karnataka	5367.5	4955.4	4680.9	8.32	14.67
Madhya Pradesh	4247.42	4485.93	3933.43	-5.32	7.98
Maharashtra	4788.68	4634.37	3899.41	3.33	22.81
Orissa	4000	4302.96	4000	-7.04	0
Rajasthan	5067.47	5101.4	5020.55	-0.67	0.93
Tamil Nadu	4924.11	4761.44	5089.68	3.42	-3.25
Telangana	4582.11	4390.7	4586.97	4.36	-0.11
Average	4846.69	4721.26	4475.99		

*Source: Agrmarknet

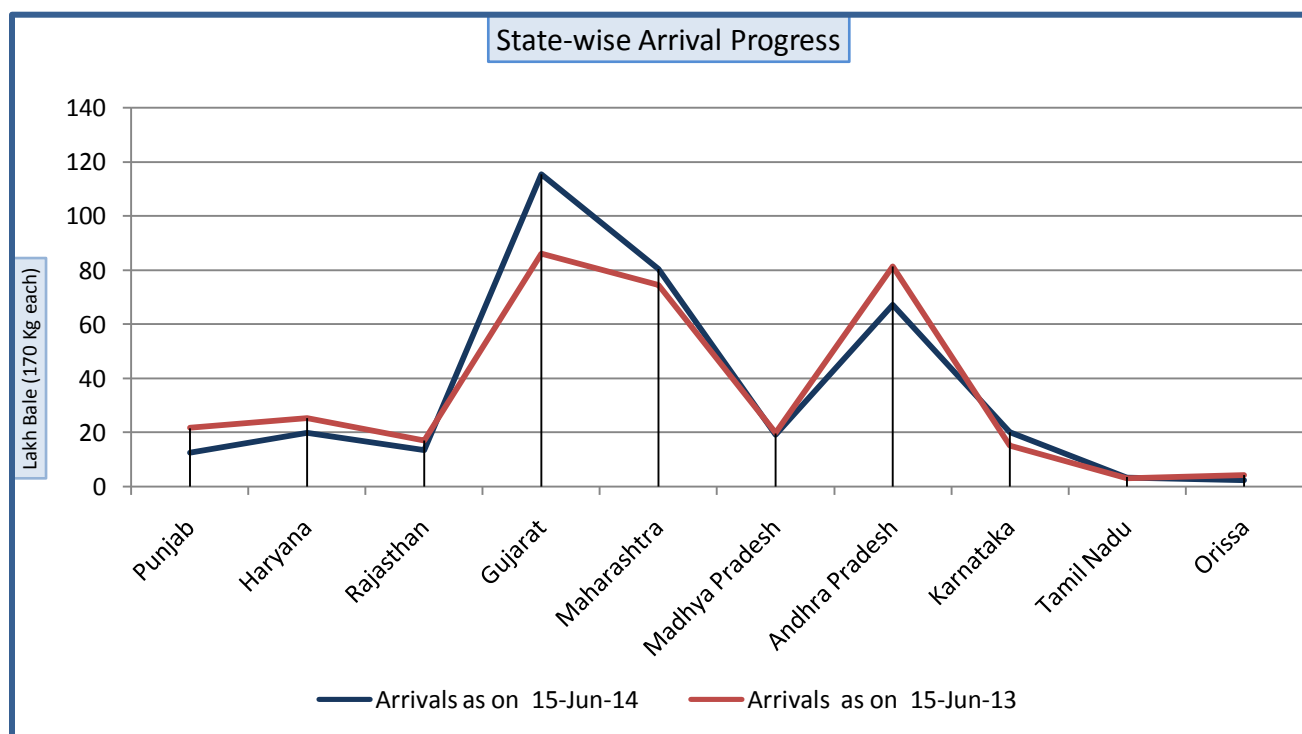


Prices in Gujarat, Tamil Nadu and Telangana has noticed fall on year on year basis whereas prices in other states are moving higher than the previous year. Among the mentioned states, Haryana is fetching the highest prices followed by Karnataka and Andhra Pradesh.

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

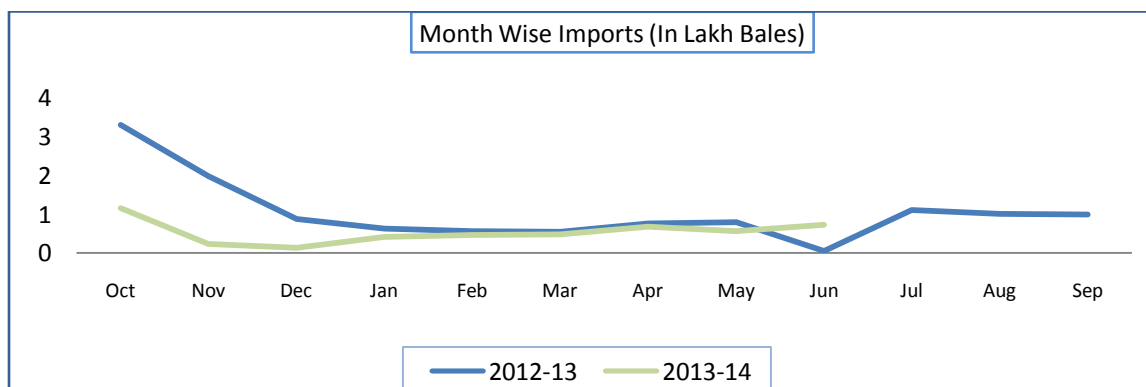
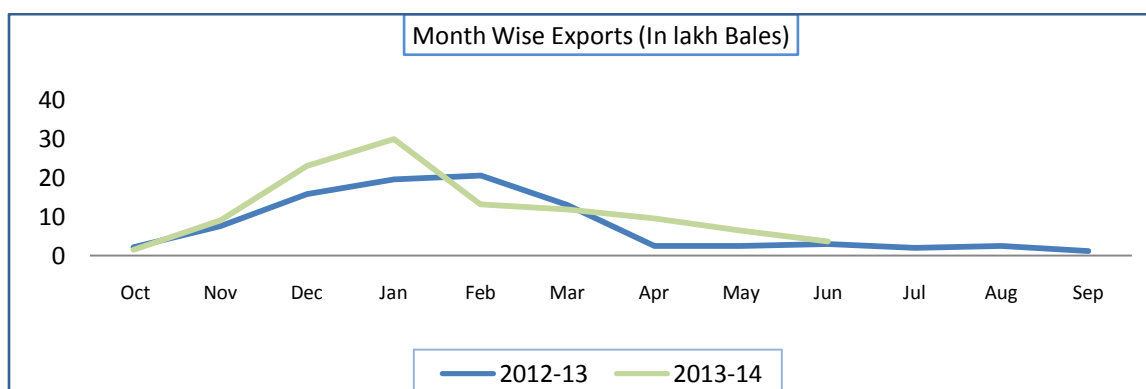
* Inclusive of new crop arrivals in September 2013
**Source: Cotton Corporation of India



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



Weekly Export Import Data

Date	07-13 July 2014	30 June-05 July 2014
Export (In lakh Bales)	0.18	0.47
Import (In lakh Bales)	0.21	0.23

Source: IBIS

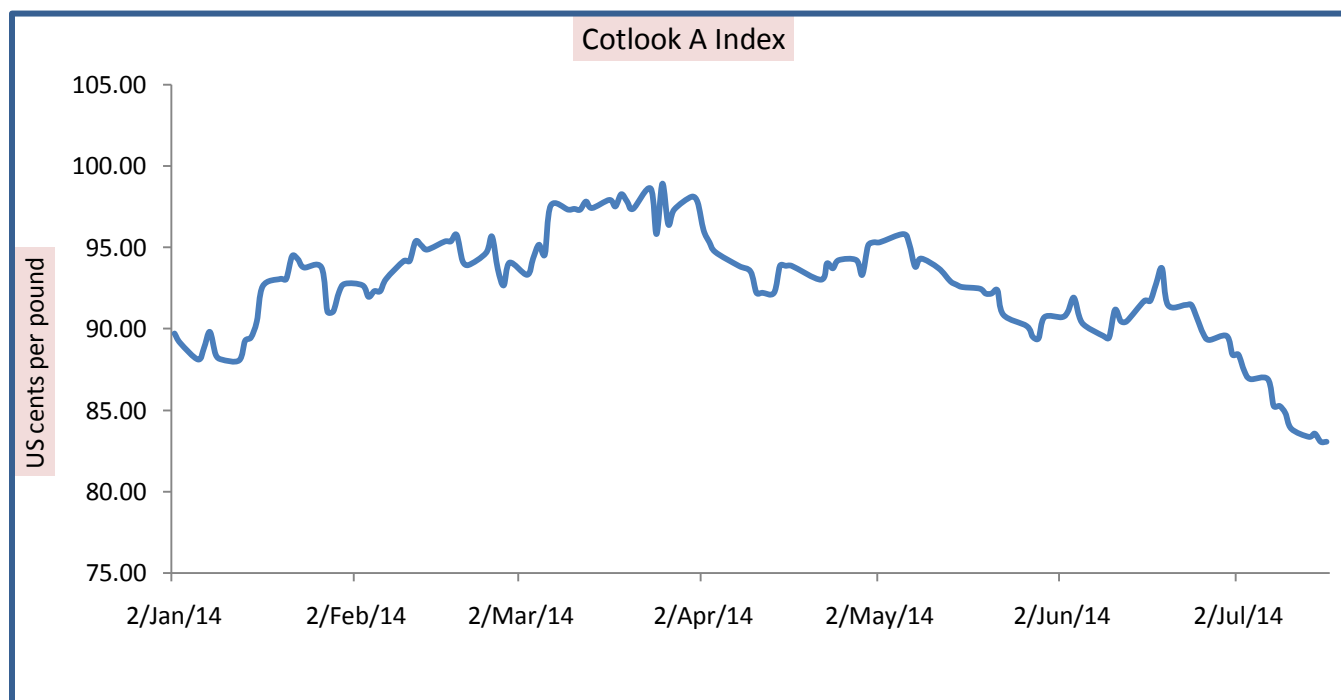
International Market Scenario

According to the latest report released by USDA, as on July 15, 2014, 53% of cotton crop in USA is in excellent to good condition compared to 55% a week ago and 42% a year ago. 70 % squaring has reported in cotton which was 53% last week and 66% a year ago.

Lower imports to China and higher ending stocks outside China will lead to the southwards movement in the international prices in 2014/15. Also, world production is expected to lead consumption in 2014/15. World production is expected to rise by six percent to 21.4 million tonnes hence there would be ample stocks to cover consumption for around 11 months.

Cotton future fell to a two-year Jul 10, 2014. The December cotton contract on ICE futures settled at 68.55 cents a pound on Thursday, 1.12 cents or 1.6% lower from the previous day after touching the two year low of 68.50 cents per pound. It is expected that supply would be on higher side in USA, the largest exporter of cotton, due to prospect production in the country and falling import demand from China, the largest importer of cotton.

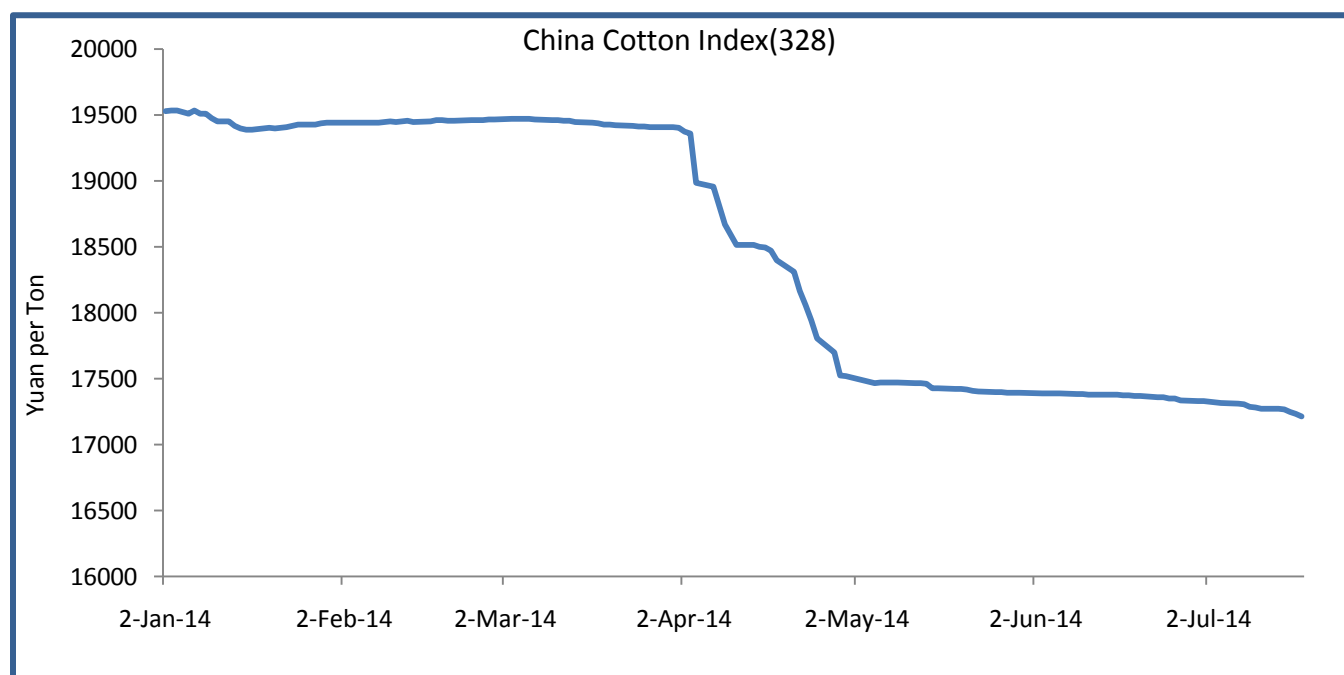
China is likely to hold 60% of world cotton reserve, mostly held by government reserve. The secretariat estimated that Chinese government will hold around 11.5 million tons of cotton by the end of current season 2013-14.



International Prices and Indices

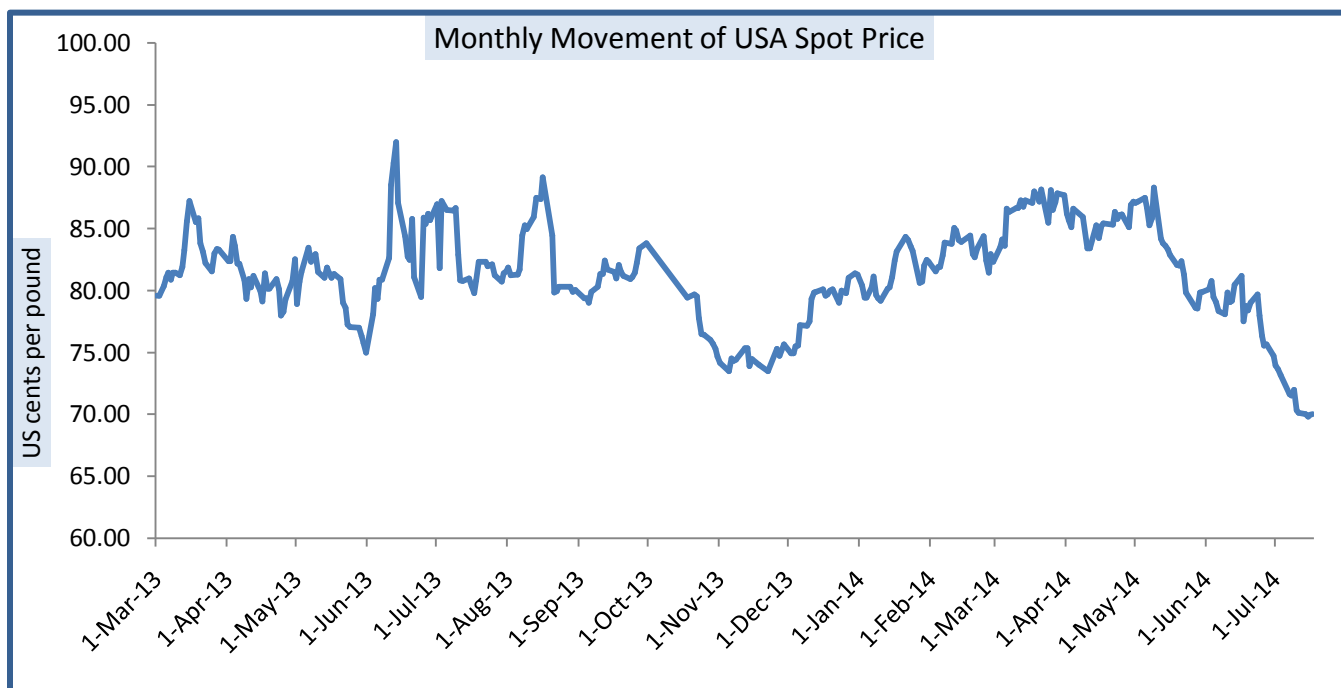
China Cotton Index:

CCI Indices	18/Jul/14	11/Jul/14	% Change
CCIndex(229)	17933	17985	-0.29
CCIndex(328)	17214	17273	-0.34
CCIndex(527)	16118	16137	-0.12
Prices in Yuan per Ton			



USA Spot Prices:

Date	17/Jul/14	10/Jul/14	% Change
Prices	70.0	70.3	-0.46
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		

Cotton Futures (ICE):

Contracts	18/7/2014	18/6/2014	18/7/2013	% Month change	%Y-o-Y change
Oct-14	68.63	77.20	78.93	-11.10	-13.05
Dec-14	67.74	77.19		-12.24	
Mar-15	68.39	78.22		-12.57	
May-15	69.60	79.13		-12.04	
Jul-15	70.66	79.91		-11.58	
Oct-15	70.93				

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 selling interest in the market
- RSI is moving downwards in neutral region supporting weak tone.
- We expect prices to remain weak.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Bearish to Range Bound Momentum	865-920

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
850	835	935	960

Figures in Rs. per 20Kgs.

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



Weekly Technical Outlook:

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

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Bearish Momentum	66.20-69.60

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
65	64.40	70.60	71.20

Figures in US cents per pound

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