

Current Market Outlook

Current Market Outlook: Cotton market noticed firm tone during the week on depleting arrivals in the current season and expectation of delayed arrivals in the coming season.

Around 116.91 lakh hectare of area has been sown for cotton this year as on August 14 as compared to 110.93 lakh hectares during the corresponding period last year, reported Ministry of Agriculture.

According to the market participants, cotton production in India would be around 400 lakh bales in the upcoming season (Oct'14-Sep'15). Cotton output for the current season ending this month would be around 390 lakh bales, according to the Cotton Advisory Board (CAB).

Commercial Crops (CC) program, under National Food Security Mission (NFSM) is including the Mini Mission-II (MM-II) of Technology Mission on Cotton (TMC) has been implemented (w.e.f. 2014-15) in major cotton growing states including Maharashtra. Also CCI has been mandated to procure entire quantity of FAQ seed cotton offered by farmers without the quantitative limit at the nominated market yards in the event of prevailing Kapas prices touches the MSP.

The South-West monsoon rain over the country as a whole during the second half (August-September) of the 2014 is expected to be 95% of LPA i.e. 43.5 cm. The LPA in second half consist of 49% of the average season rainfall.

Due to unpredictable monsoon and fall in the international prices, cotton imports have witnessed the uptrend in the recent weeks. India is mostly importing from West Africa as they are offering the quality product at much competitive prices.

According to the state agriculture departments, In Gujarat 28.20 lakh hectares has been sown for cotton as on August 04, around 1.71 lakh hectares than previous year and 103% of the three year average. In Maharashtra 36.30 lakh hectares of the area has been planted for cotton as on August 04, which is 96% of the targeted area. Cotton acreage was 38.43 lakh hectares in the state last year. In Andhra Pradesh, cotton planting was being recorded 52% higher of the normal area as on August 06 this season. According to the cotton seed companies, sale of cotton seed stood higher by about 15 to 20 lakh packets so far compared to the previous year.

First quarter of current fiscal year witnessed timid sentiments in the textile industry. The reason for the same is decline in cotton yarn export to China and lackluster demand for fabrics and made-up from European countries. There is a situation of leading supplies and hence depending on the counts, prices of cotton yarn fell by Rs. 10 to Rs. 25 per Kg.

Cotton farmers in India have requested the Union Government to impose import ban on cotton and issue measures to revive cotton export. Vidarbha Janandolan Samiti has said that prices of cotton have declined drastically since the new government has formed. Farmers urged the government to increase the Minimum Support Prices (MSP) from the existing Rs.4050 per quintal to Rs 6500 per quintal.

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):

Despite the deficit rainfall we expect cotton area to surge this season as farmers would be reluctant to grow crops that require much water, and they are likely to choose cotton as it requires lesser water.

Area (2013-14)	Expected Area (2014-15)	Production under normal conditions	Production under Deficit Rainfall
11.4 million hectares	11.8 million Hectares	366 Lakh bales	354 lakh bales

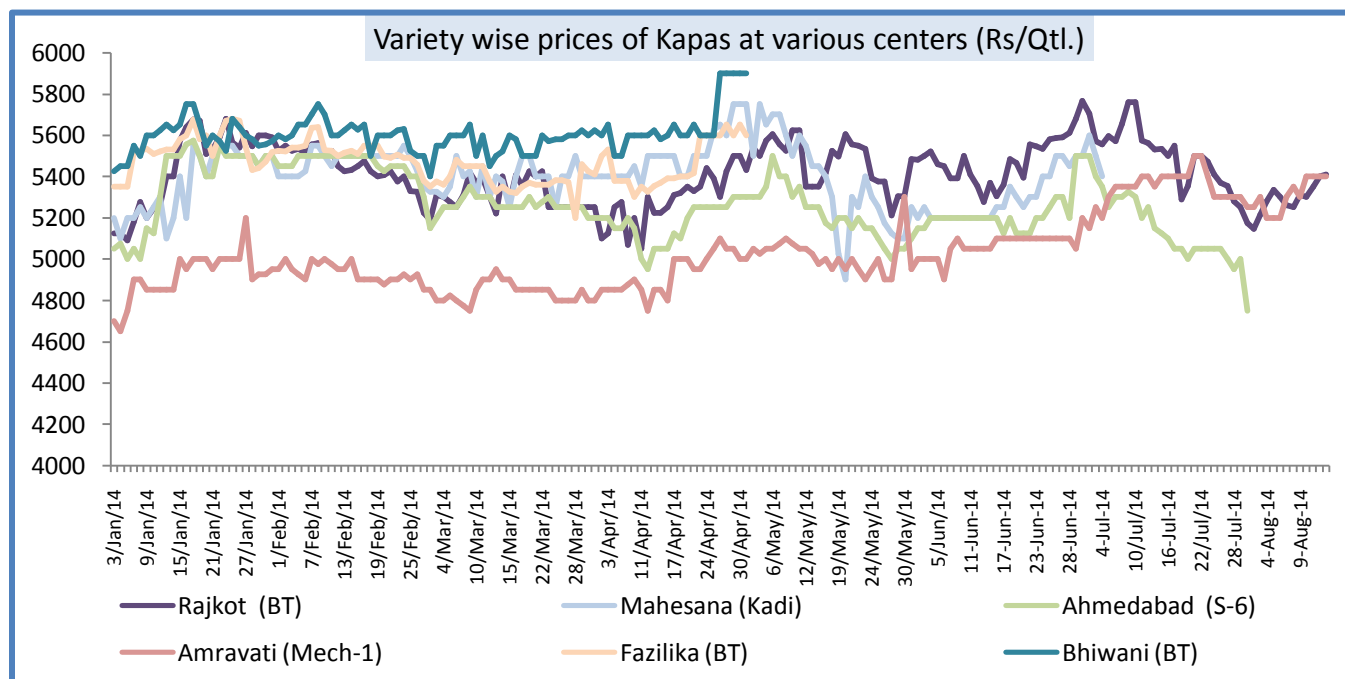
We expect that the El Nino this year will lead to the deficit rainfall and hence the hampered yield. Under the normal condition we expect production figure to touch the level of 366 lakh bales whereas impacted by El Nino the same could fall to 354 lakh bales.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

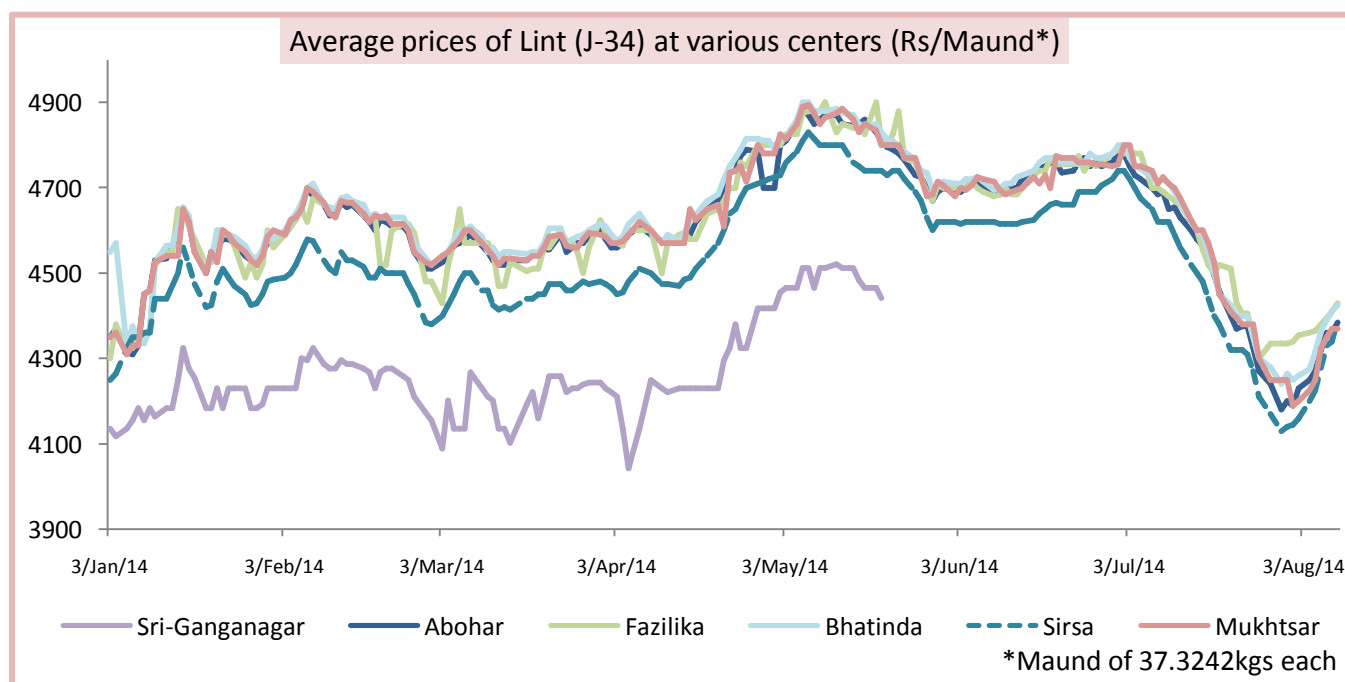
Centre	Variety	Prices		Change
		14-Aug-14	8-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5350	50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton		5250	
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	5100	5150	-50
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	NA	-
Gondal	Shankar-6	4840	4850	-10
	Kapas	(Rs./Qtl)		
Bijapur	Bunny	5309	5269	40
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4876	4700	176
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4240	4360	-120
Muktsar	J-34	4225	4370	-145
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4250	4410	-160
Mansa	J-34	NA	NA	-
Sirsa	J-34	4215	4340	-125
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 depicting overall recovery in prices of kapas in domestic market. The highest prices among the mentioned markets are being noticed in Rajkot. Most of the other markets are reported with no arrivals due to season ending.

Average Prices of Lint at Various Centers:

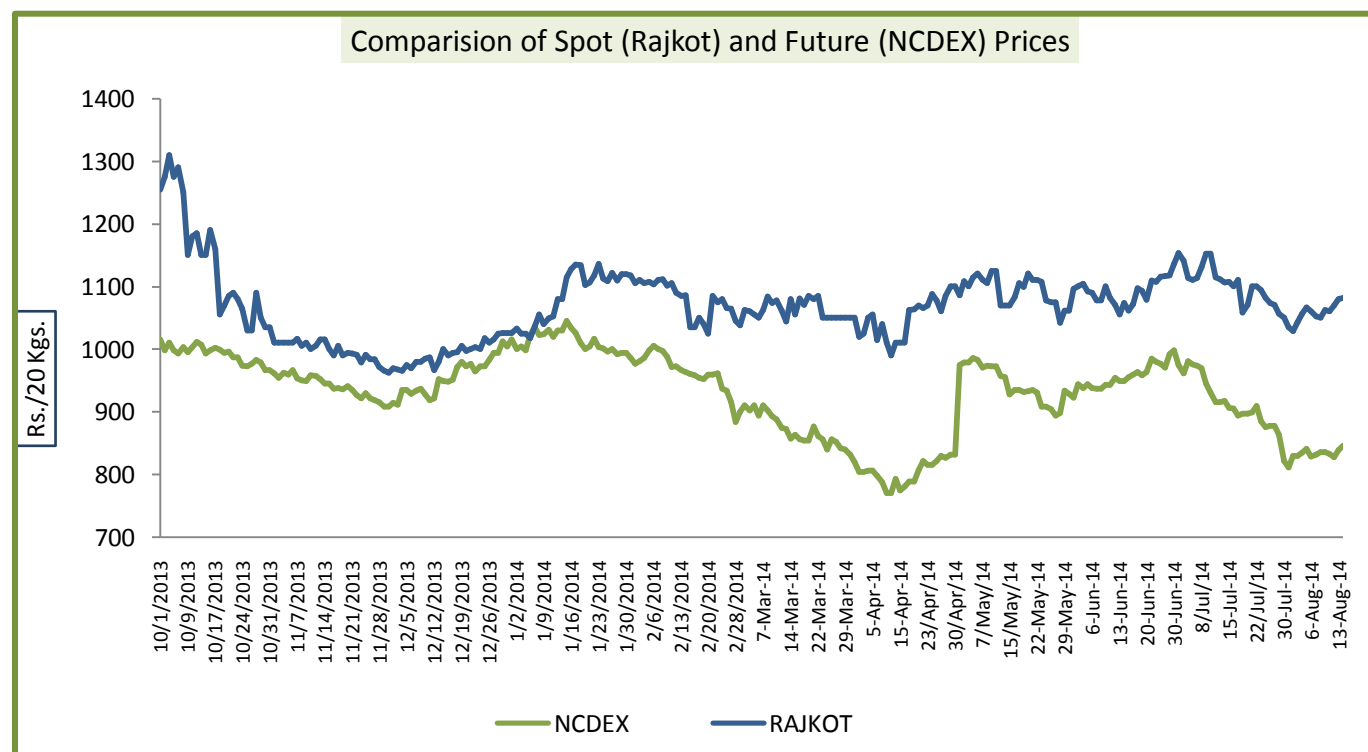


Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Rs. Per Candy	Rs. Per Candy	% Change
				13-Aug-14	7-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	38500	38800	-0.80
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	39000	39300	-0.80
J-34(202)	26mm	3.5 - 4.9	23	39100	39900	-2.00
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	38400	39100	-1.80
Shankar-6(105)	29mm	3.5 – 4.9	28	39600	40100	-1.20
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41900	42200	-0.70
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43100	0.50
DCH-32(107)	34mm	3.0 - 3.8	33	58500	58500	Unch

Movement of Prices at Spot and Future Market:

Over the expectation of delayed arrivals in the upcoming season, cotton prices noticed recovery during the week. Both spot and future prices surged higher on the bullish sentiments prevailing in the market. We expect prices to remain strong in the coming days.



Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		Change
		14-Aug-14	8-Aug-14	
Amravati	Mech-1	70	155	-85
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	9650	12250	-2600
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	NA	NA	-
Gondal	Shankar-6	898	1378	-480
Bijapur	Bunny	1371	1436	-65
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	389	520	-131
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	NA	NA	-
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

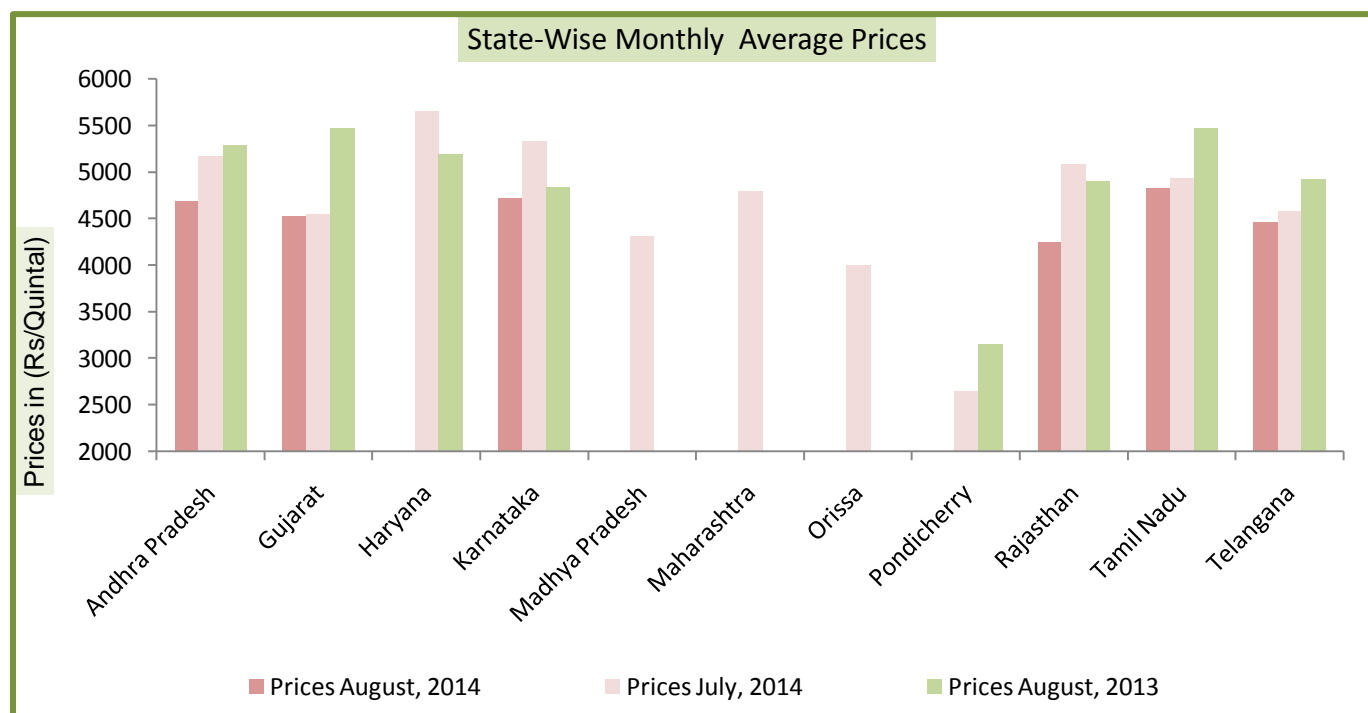
State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices August, 2014	Prices July, 2014	Prices August, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4684.19	5169.45	5290.36	-9.39	-11.46
Gujarat	4526.73	4548.6	5473.71	-0.48	-17.3
Haryana		5652.14	5190.11	—	—
Karnataka	4720.36	5328.55	4842.26	-11.41	-2.52
Madhya Pradesh		4303.98		—	—
Maharashtra		4789.63		—	—
Orissa		4000		—	—
Pondicherry		2651	3149.51	—	—
Rajasthan	4250	5079.36	4900.51	-16.33	-13.27
Tamil Nadu	4826.86	4933.82	5472.14	-2.17	-11.79
Telangana	4457.59	4578.1	4926.55	-2.63	-9.52
Average	4577.62	4639.51	4905.64		

*Report Generation: As per the data reported by APMCs

In all the mentioned states, cotton prices are showing downtrend on Y-o-Y basis and M-o-M basis. No prices are reported in most of the states as there were no arrivals due to season ending. Currently highest prices are being noticed in Tamil Nadu followed by Karnataka and Andhra Pradesh.

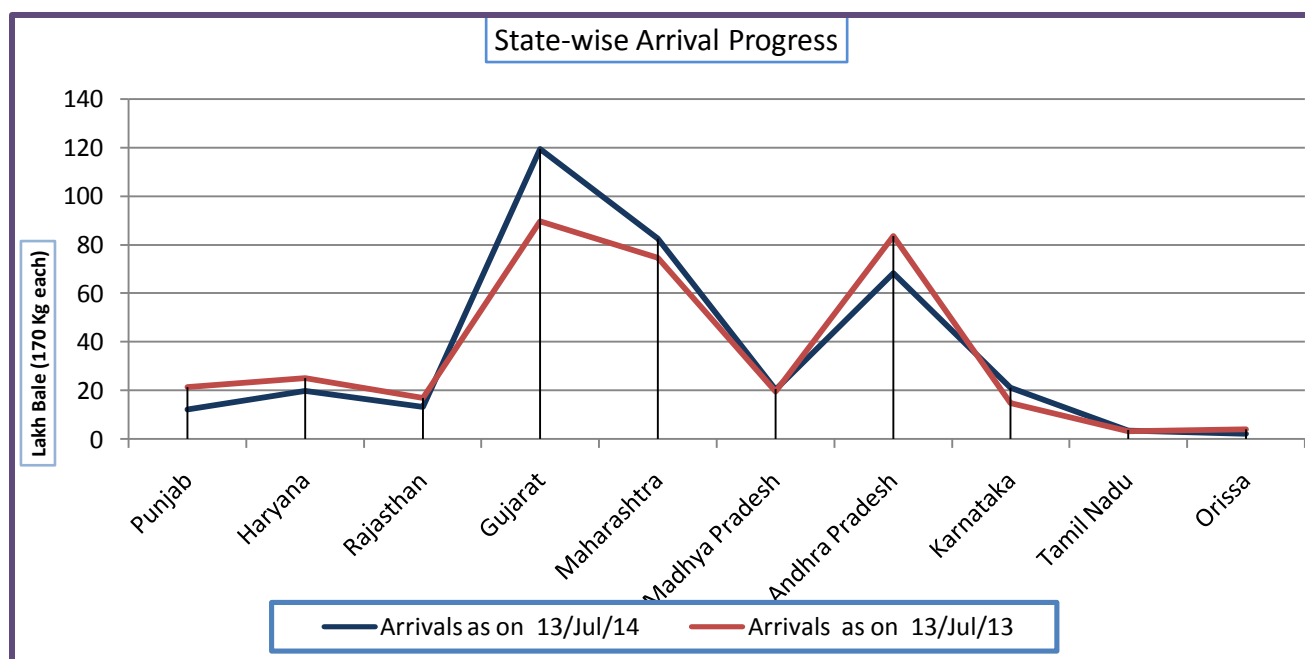


State wise Arrivals (in lakh bales of 170 kgs each):

States	2013-14*		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	2/Jul/14	13/Jul/14	2/Jul/13	13/Jul/13
1. Punjab	21	12.4	21	21.54
2. Haryana	23	20.1	25	25.24
3. Rajasthan	14	13.5	17	17
A. North Total (1+2+3)	58	46	63	63.78
4. Gujarat	120	119.44	93	89.67
5. Maharashtra	84	82.48	79	74.64
6. Madhya Pradesh	19	20.54	19	19.63
B. Central Total (4+5+6)	223	222.46	191	183.94
7. Andhra Pradesh	76	68.38	84	83.7
8. Karnataka	22	21.19	15	14.95
9. Tamil Nadu	5	3.74	6	3.33
C. South Total (7+8+9)	103	93.31	105	101.98
10. Orissa	4	2.34	4	4.18
11. Others	2	2	2	2
D. Total (10+11)	6	4.34	6	6.18
Grand Total (A+B+C+D)	390	366.11	365	355.88

* Inclusive of new crop arrivals in September 2013

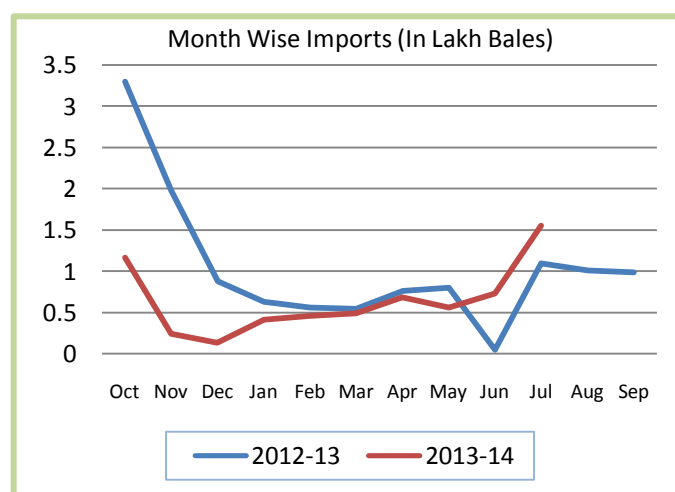
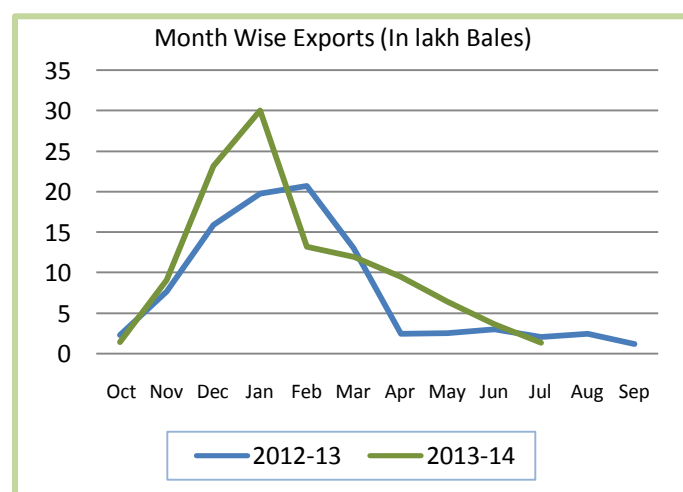
**Source : Cotton Corporation of India (CCI)



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	1.32
Aug	2.5	
Sep	1.22	
Total	93.12	109.4

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	1.55
Aug	1.01	
Sep	0.99	
Total	12.61	6.41



Weekly Export Import Data

Date	04-10 Aug 2014	27 Jul-03 Aug 2014
Export (In lakh Bales)	0.26	0.36
Import (In lakh Bales)	0.13	0.20

Source: IBIS

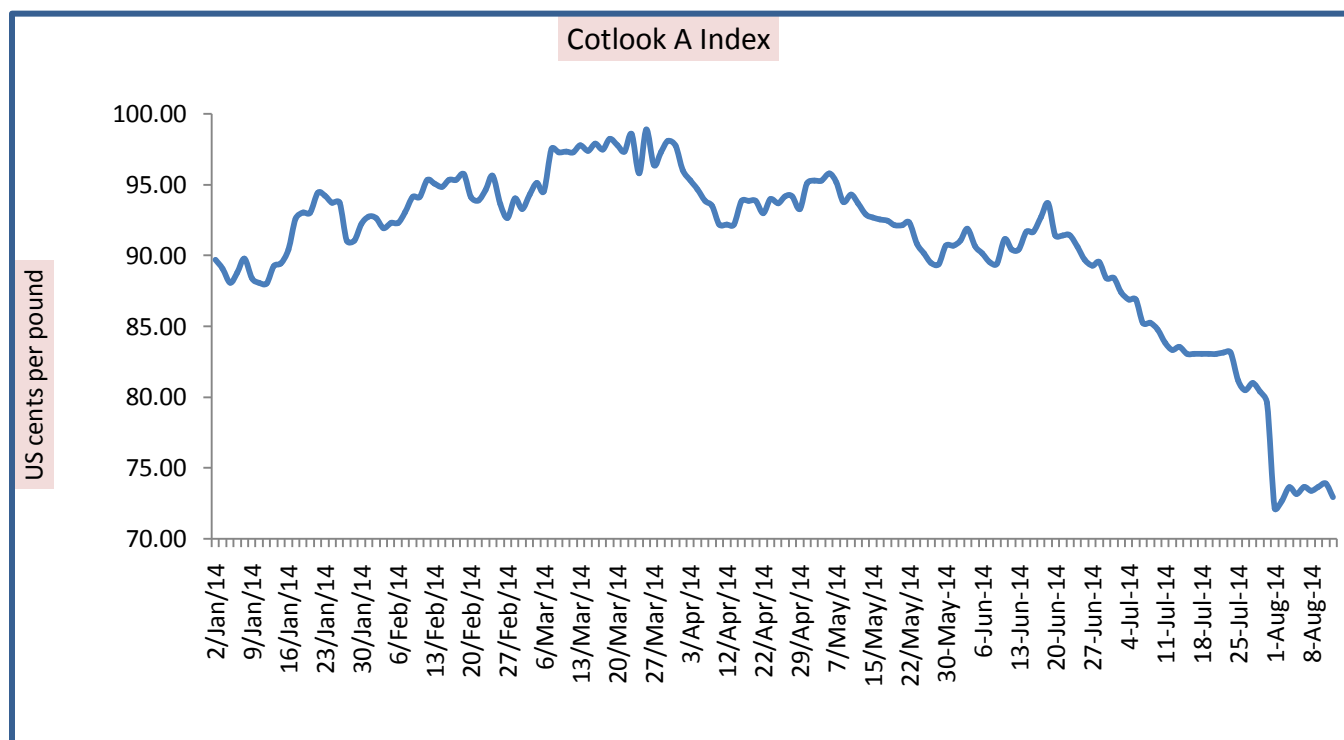
International Market Scenario

World cotton production is expected to be around 25.613 million tons during the season 2014/15, which was forecasted 25.34 million tons in July, reported USDA. Cotton production on the global front during the season 2013/14 stood 25.75 million tons.

Due to ongoing drought conditions in Australia, the third biggest exporter of cotton in the world, cotton production is likely to fall by 50% in the country. It is believed that if the same condition continues cotton production in Australia could plummet down to 2 million bales in the coming season i.e. 2014-15 from 4 million bales this year. Amid deficit rains, farmers would plant lesser which would reduce the cotton acreage and hence the production.

Cotton output in Bangladesh is likely to be around 115,000 and 120,000 bales in Marketing year 2013/14 and 2014/15 respectively due to good weather conditions and increased usage of hybrid seeds. Cotton imports are expected to increase by 8.3% to 3.9 million bales in MY 2013/14 and 7.6% to 4.2 million bales in MY 2014/15.

Cotton planting area in China has been falling gradually in recent years as a result of declining planting profit and rising production cost, said National Development and Reform Commission (NDRC). As predicted by China Cotton Association, cotton area is expected to fall to 4.08 million hectares, 12.6 percent down year on year.

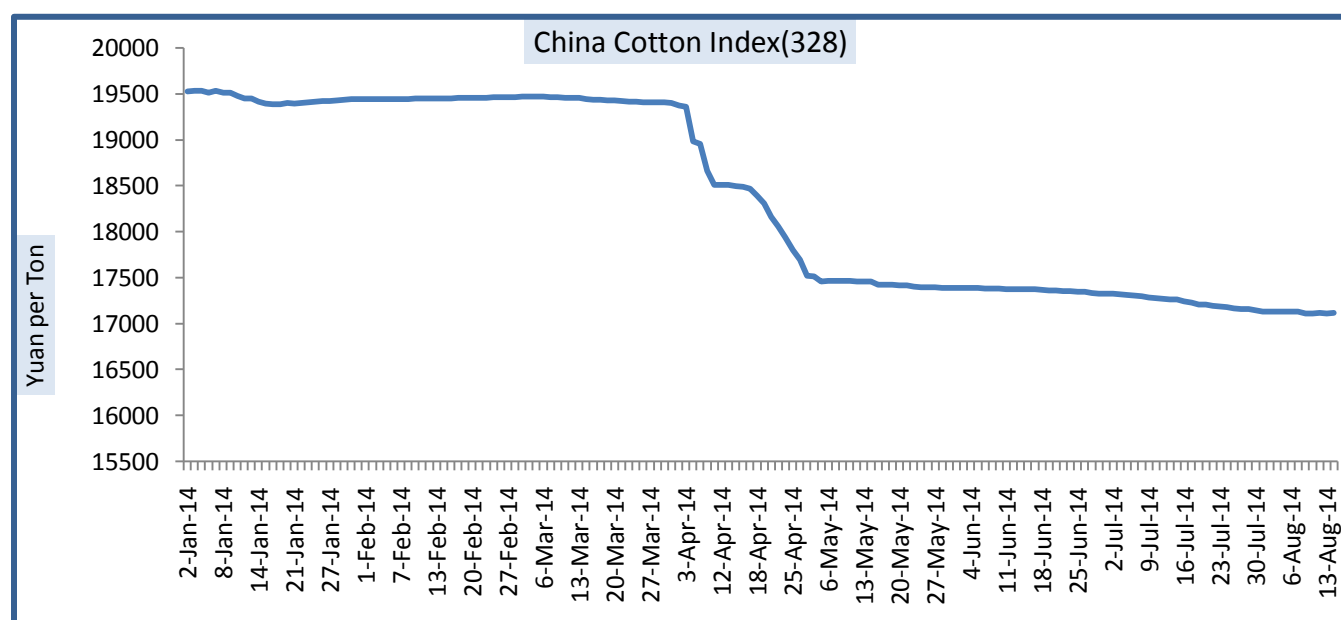


International Prices and Indices

China Cotton Index:

CCI Indices	14-Aug-14	8-Aug-14	% Change
CCIndex(229)	17759	17757	0.01
CCIndex(328)	17119	17115	0.02
CCIndex(527)	16029	16034	-0.03

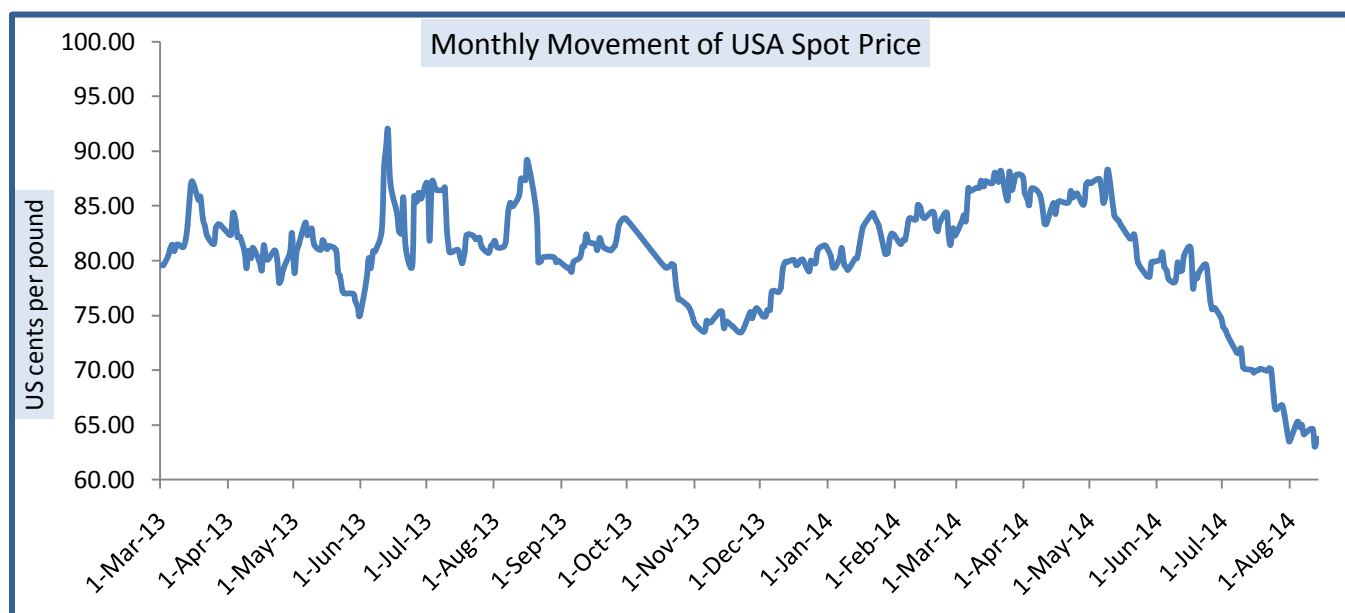
Prices in Yuan per Ton



USA Spot Prices:

Date	13-Aug-14	8-Aug-14	% Change
Prices	72.95	73.4	-0.61

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	83.83	-9.49

Cotton Futures (ICE):

Contracts	15/08/2014	15/07/2014	15/08/2013	% M-o-M change	%Y-o-Y change
Oct-14	63.60	68.25	80.94	-6.81	-21.42
Dec-14	64.35	67.75	--	-5.02	--
Mar-15	65.25	68.54	--	-4.80	--
May-15	66.29	69.82	--	-5.06	--
Jul-15	67.40	70.97	--	-5.03	--
Oct-15	67.80	71.26	--	-4.86	--

Source: MRCI, Figures in US Cents Per Pound

Cotton Futures

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



Weekly Technical Outlook:

- Candlesticks denote buying interest in the market.
- RSI is moving high in neutral region supporting bullish tone.
- MACD denotes bullish centerline and signal line cross over.
- We expect cotton prices to remain firm.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Bullish Momentum	825-870

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
815	800	885	900

Figures in Rs. per 20Kgs.

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



Weekly Technical Outlook:

- Candlestick denotes recovery in the prices.
- Increasing open interest and volume depicts bullish sentiments.
- We expect cotton prices to remain firm.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Bullish Momentum	63.60-66.40

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
63.00	62.40	67.00	67.60

Figures in US cents per pound

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