

Current Market Outlook

Current Market Outlook: Cotton market noticed recovery in the prices following the depleting arrivals on season ending and expectation of delayed arrivals in the coming season.

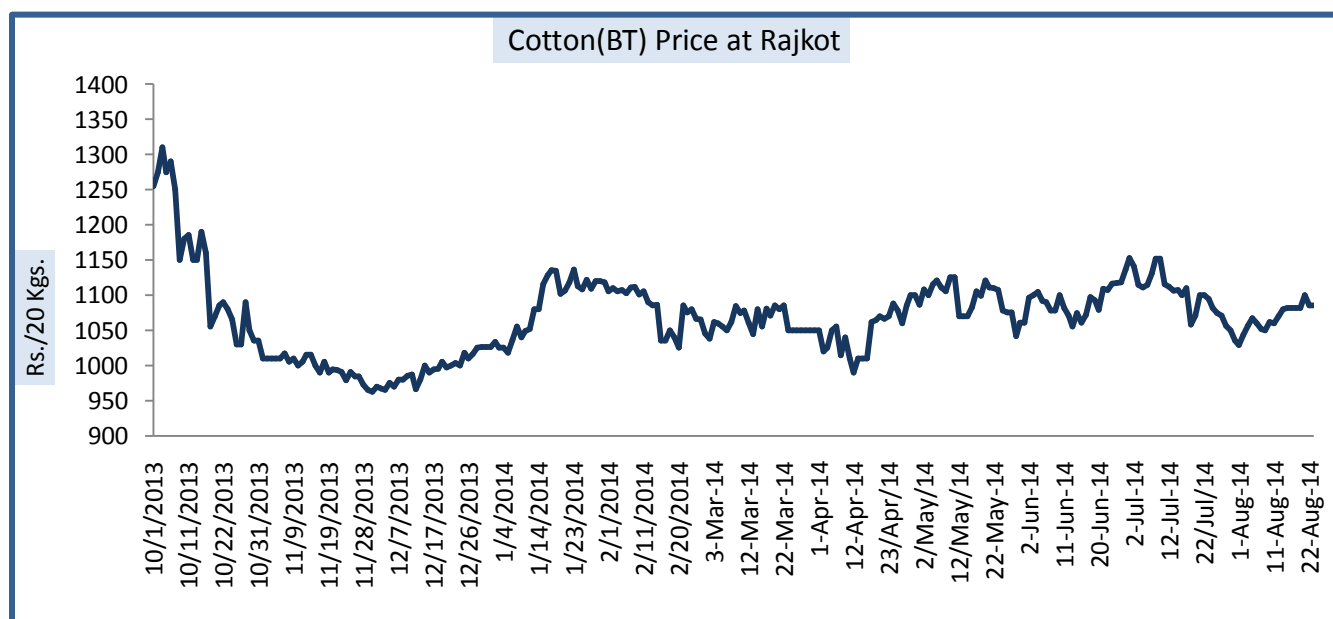
According to the 4th advance estimates released by Department of Agriculture and co-operation (DAC), Ministry of Agriculture, total production of cotton in the country would be around 365.90 lakh bales in the season 2013-14, against the target of 350 lakh bales.

India is expected to become largest cotton producer, replacing China in the coming season i.e. 2014-15. According to Cotton Association of India (CAI), India is likely to produce 39.62 million bales of cotton which is equivalent to 6.74 million tonnes in the upcoming season 2014-15 starting from October. On other hand China's cotton output would be around 6.22 million tonnes as estimated by International Cotton Advisory Council (ICAC) and 6.42 million tonnes as projected by USDA.

In Tamil Nadu, cotton mills have requested the state government to relax the cabotage rules. By relaxing the cabotage rules foreign flag vessels could be used for transporting cotton from Gujarat and Maharashtra to Tamil Nadu which will reduce the freight charges.

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.

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.



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

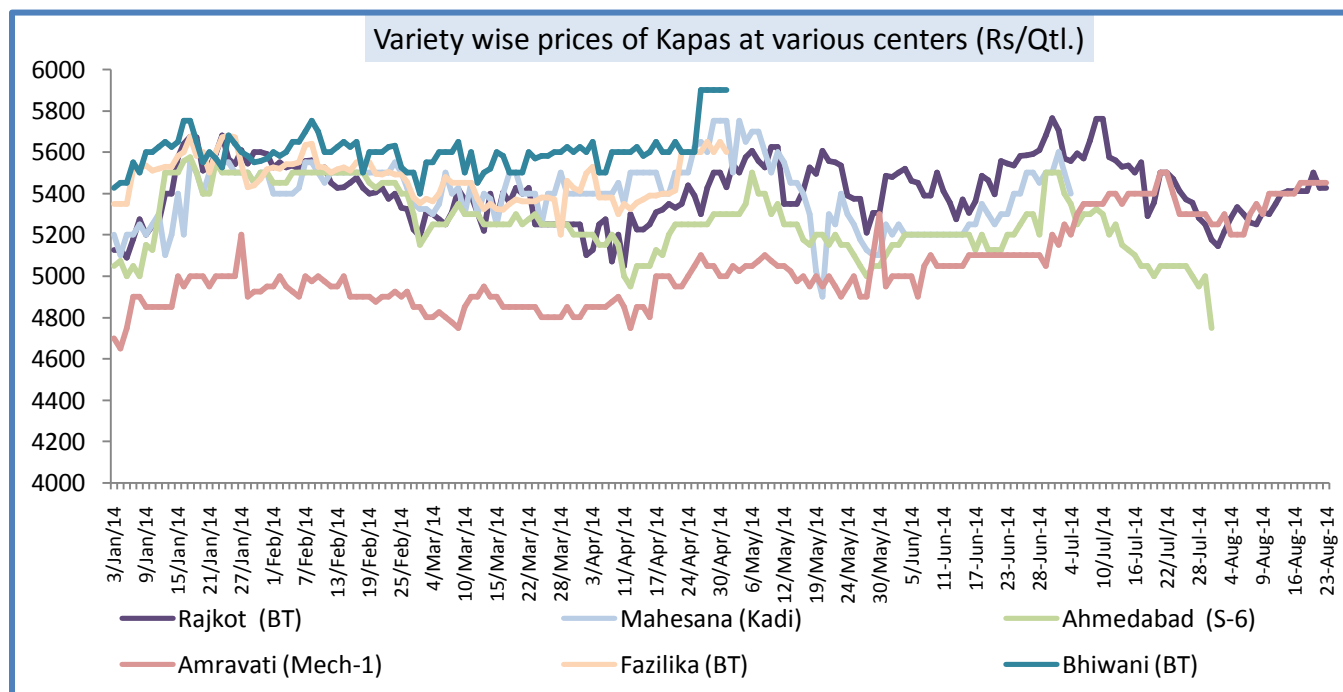
We expect that the El Nino this year will lead to the deficit rainfall and hence the hampered yield. Under the normal condition we expect production figure to touch the level of 366 lakh bales whereas impacted by El Nino the same could fall to 354 lakh bales.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

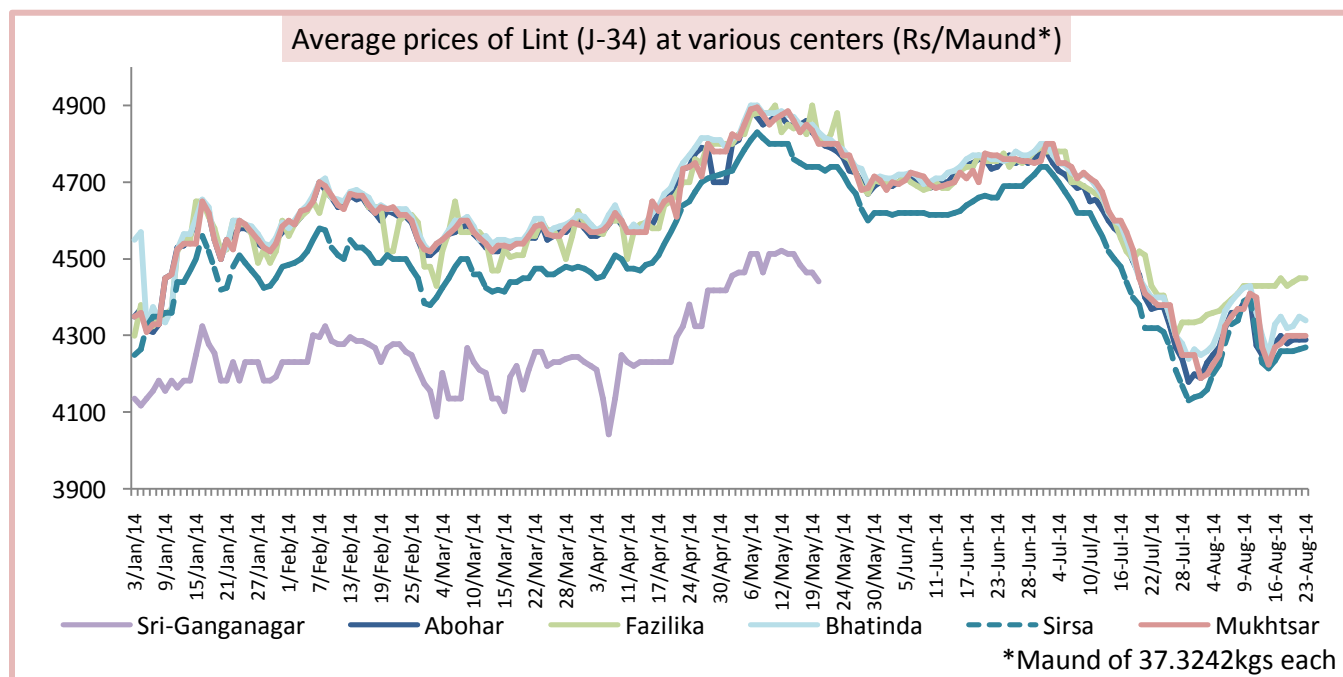
Centre	Variety	Prices		Change
		22-Aug-14	14-Aug-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5400	5350	50
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton		5250	
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	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:

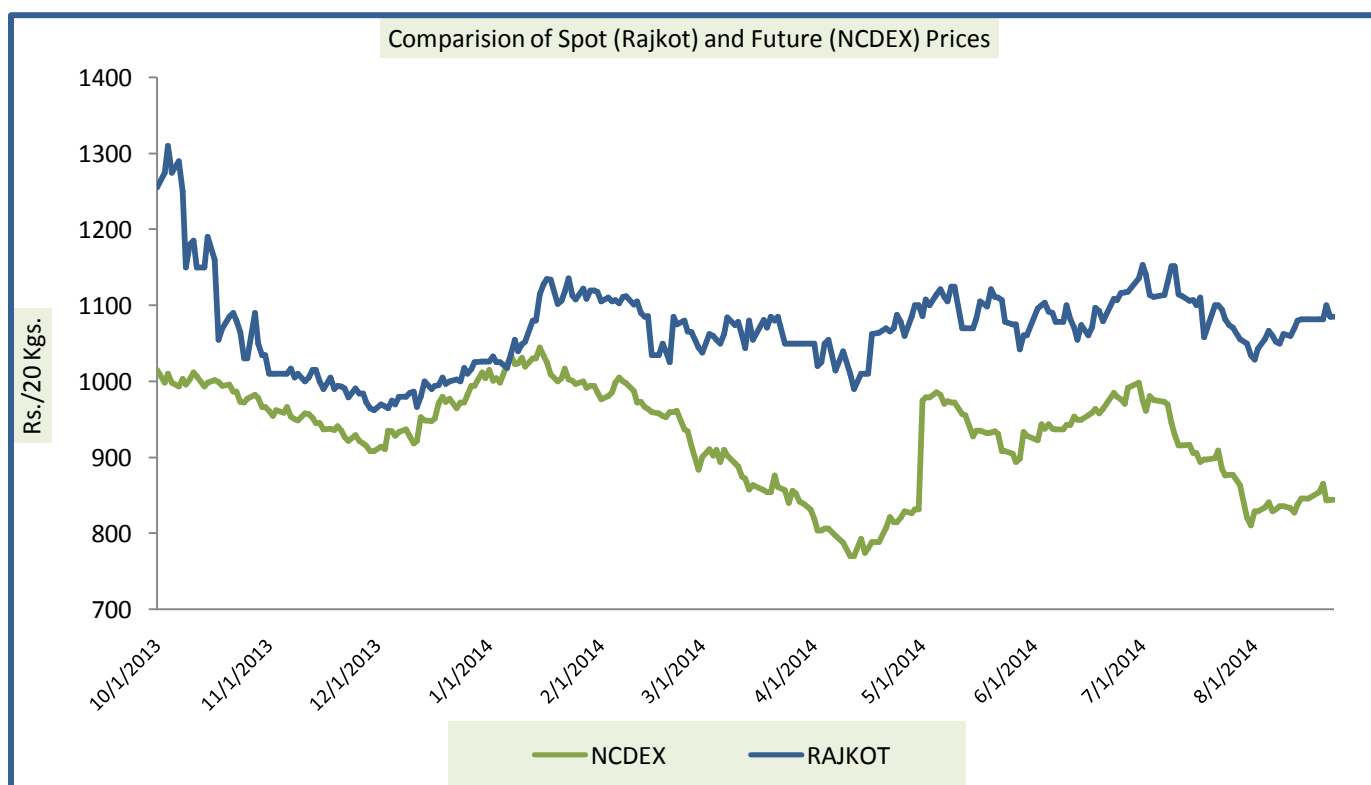


Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength / GPT	Rs. Per Candy	Rs. Per Candy	% Change
				21-Aug-14	13-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	38500	38500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39000	39000	Unch
J-34(202)	26mm	3.5 - 4.9	23	39500	39100	1
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38600	38400	1
Shankar-6(105)	29mm	3.5 - 4.9	28	39800	39600	1
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42300	41900	1
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43400	43300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58500	-1

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 range bound to firm in the coming days.



Cotton Arrivals in Key Centers:

Centre	Variety	Arrivals (Qtl)		% Change
		22-Aug-14	14-Aug-14	
Amravati	Mech-1	NA	70	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	2100	9650	-78.24
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	211	898	-76.50
Bijapur	Bunny	416	1371	-69.66
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	75	389	-80.72
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	-

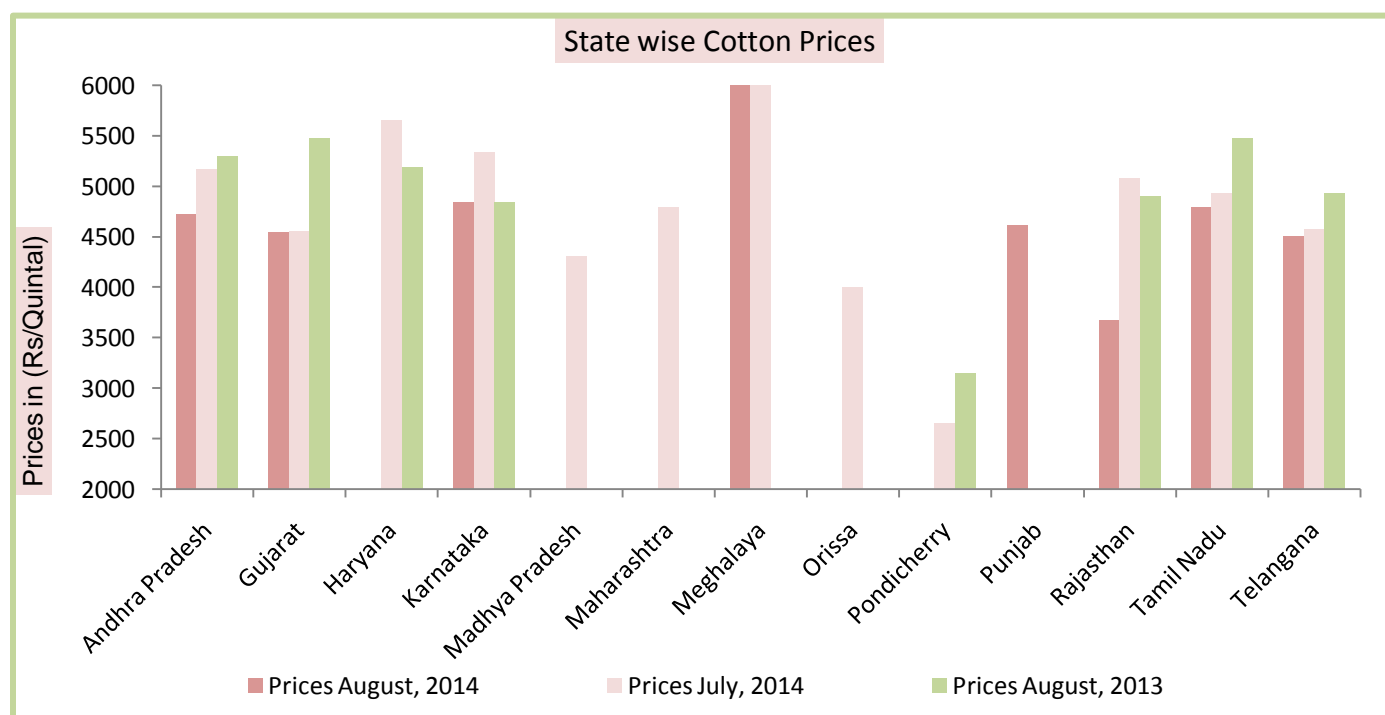
State wise Scenario

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	4721.8	5169.45	5290.36	-8.66	-10.75
Gujarat	4544.41	4548.6	5473.71	-0.09	-16.98
Haryana		5652.14	5190.11	—	—
Karnataka	4834.35	5328.55	4842.26	-9.27	-0.16
Madhya Pradesh		4303.98		—	—
Maharashtra		4789.63		—	—
Meghalaya	22150	22150		0	—
Orissa		4000		—	—
Pondicherry		2651	3149.51	—	—
Punjab	4606.19			—	—
Rajasthan	3675	5079.36	4900.51	-27.65	-25.01
Tamil Nadu	4795.17	4933.82	5472.14	-2.81	-12.37
Telangana	4506.27	4578.1	4926.55	-1.57	-8.53
Average	6729.15	6098.72	4905.64		

*Source: Agmarknet

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 currently as there were no arrivals due to season ending. Currently highest prices are being noticed in Karnataka followed by Tamil Nadu and Andhra Pradesh.

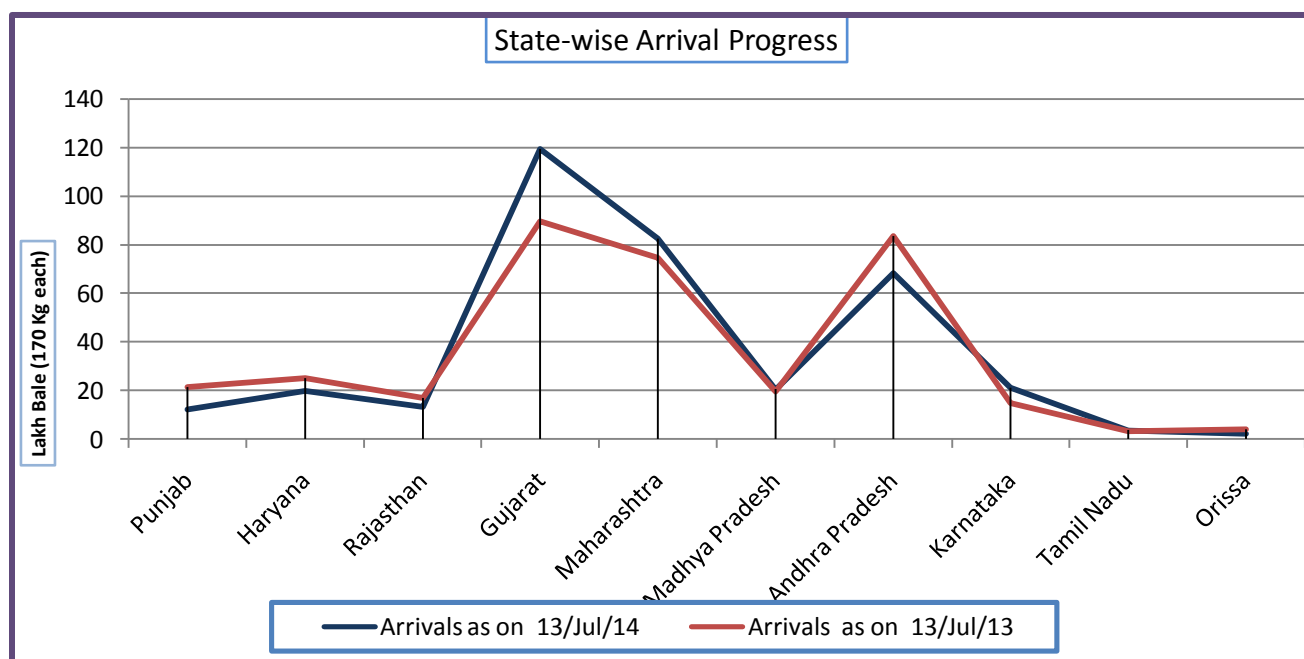


State wise Arrivals (in lakh bales of 170 kgs each):

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

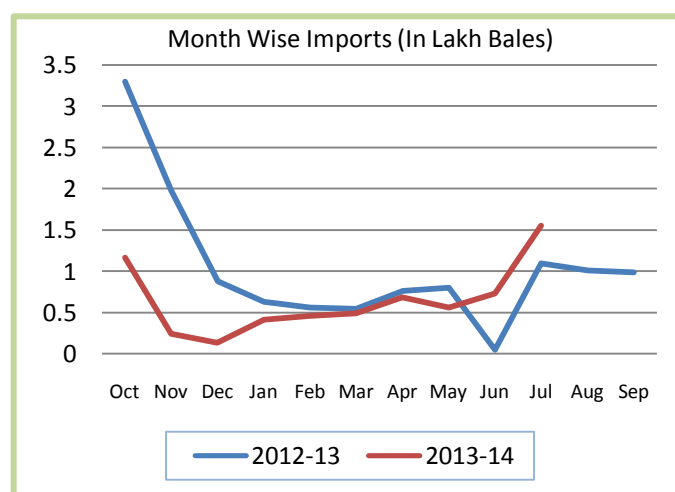
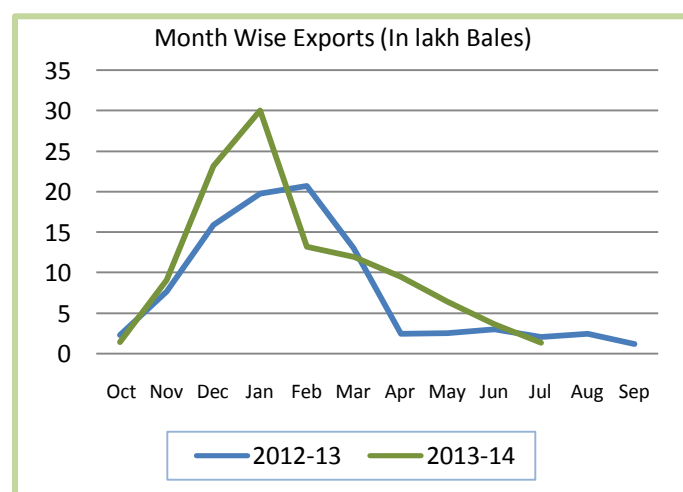
**Source : Cotton Corporation of India (CCI)



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	11-17 Aug 2014	04-10 Aug 2014
Export (In lakh Bales)	0.11	0.26
Import (In lakh Bales)	0.24	0.13

Source: IBIS

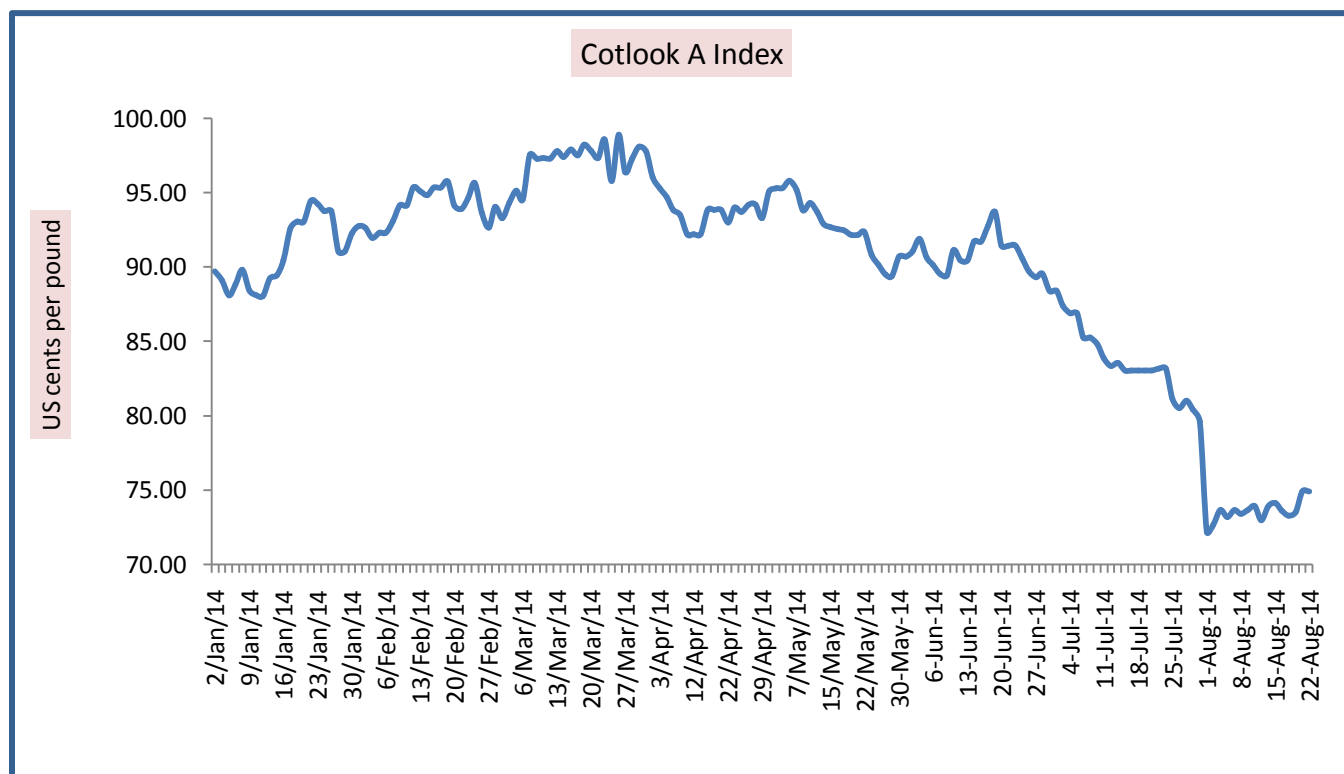
International Market Scenario

To enhance cotton production in the country, Bangladesh has approved a Taka 105 crore proposal, which is likely to raise cotton production by seven folds in 2018. Bangladesh produces only one lakh bale of cotton, which fulfills only 3% of the annual requirement of textile mills. It is believed if this project gets properly implemented; It would help to achieve the production target of 7 lakh bales, which will quench the 20% of the cotton demand of the country. It should be noted that Bangladesh is the second largest cotton importer after China.

According to the latest report released by USDA, as on August 17, 2014, 50% of cotton crop in USA is in excellent to good condition compared to 52% a week ago and 46% a year ago. 88% setting bolls has reported in cotton which was 83% last week and 83% a year ago. 12% of bolls opening reported which was 7% a week and 8% a year ago.

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.

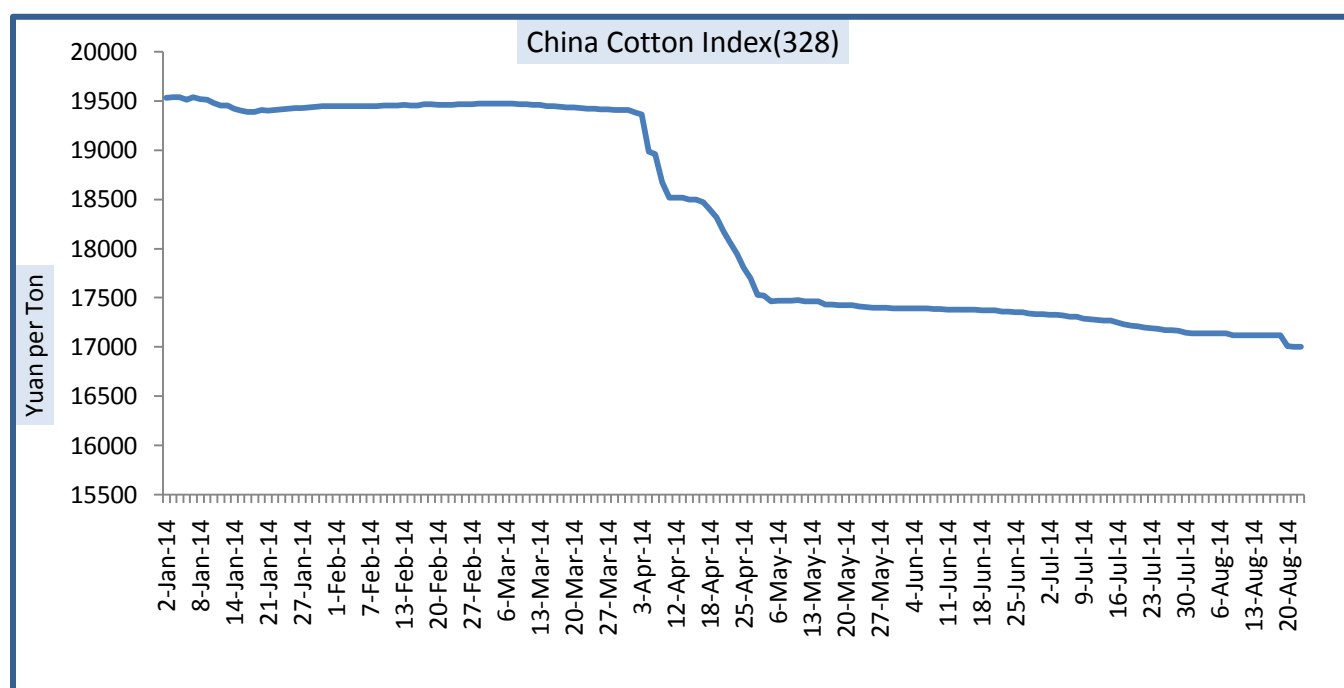
Due to ongoing drought conditions in Australia, the third biggest exporter of cotton in the world, cotton production is likely to fall by 50% in the country. It is believed that if the same condition continues cotton production in Australia could plummet down to 2 million bales in the coming season i.e. 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.



International Prices and Indices

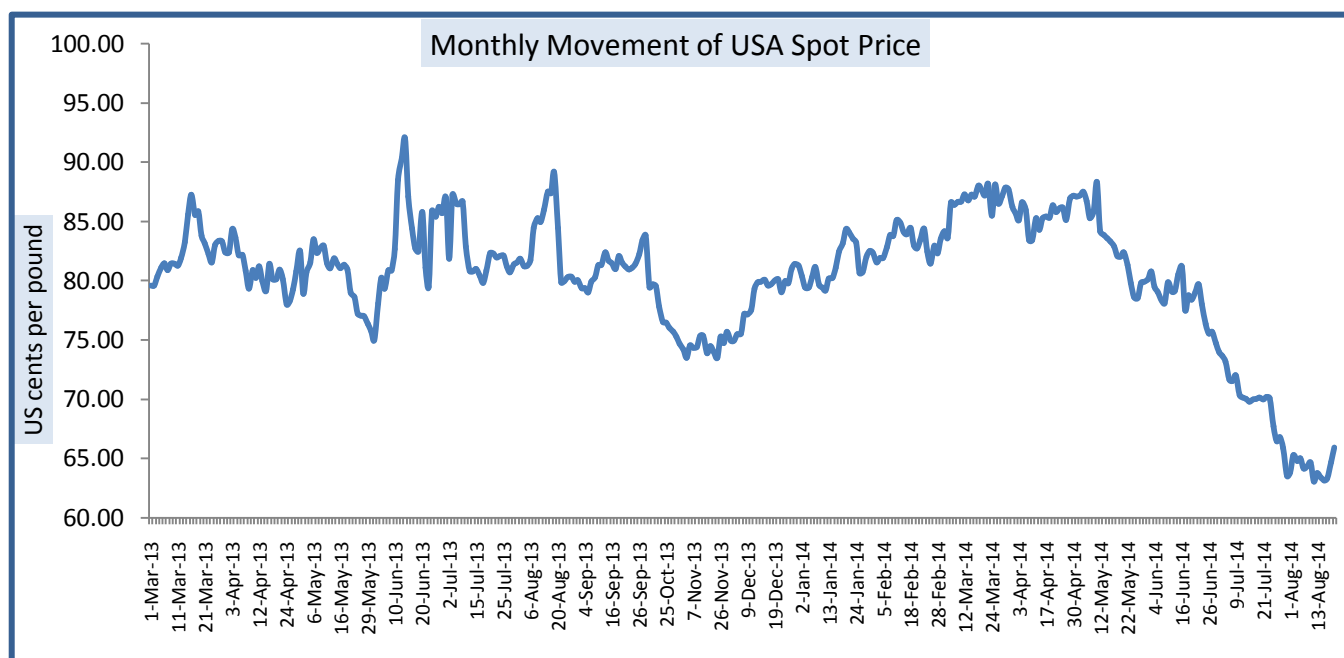
China Cotton Index:

CCI Indices	22-Aug-14	15-Aug-14	% Change
CCIndex(229)	17653	17759	-0.60
CCIndex(328)	17001	17121	-0.70
CCIndex(527)	15928	16028	-0.62
Prices in Yuan per Ton			



USA Spot Prices:

Date	21-Aug-14	15-Aug-14	% Change
Prices	65.89	63.39	3.94
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	22/08/2014	22/07/2014	22/08/2013	% M-o-M change	%Y-o-Y change
Oct-14	67.46	68.80	78.01	-1.95	-13.52
Dec-14	66.18	67.91	-	-2.55	-
Mar-15	66.57	68.56	-	-2.90	-
May-15	67.70	69.77	-	-2.97	-
Jul-15	68.62	70.72	-	-2.97	-
Oct-15	68.94	71.07	-	-3.00	-

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 range bound movement in the market.
- RSI is moving flat in neutral region supporting bearish tone.
- Declining histogram depicts weakness.
- We expect cotton prices to remain range bound.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range bound Momentum	820-870

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:

Candlesticks depict range bound momentum during the week.

Increasing Volume and Open Interest denotes recovery.

We expect prices to remain in range.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound Momentum	63.60-67.20

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
62.40	62.00	67.80	68.60

Figures in US cents per pound

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