

### Current Market Outlook

**Current Market Outlook:** Cotton market noticed weak tone in the prices following the expectation of higher production in the country.

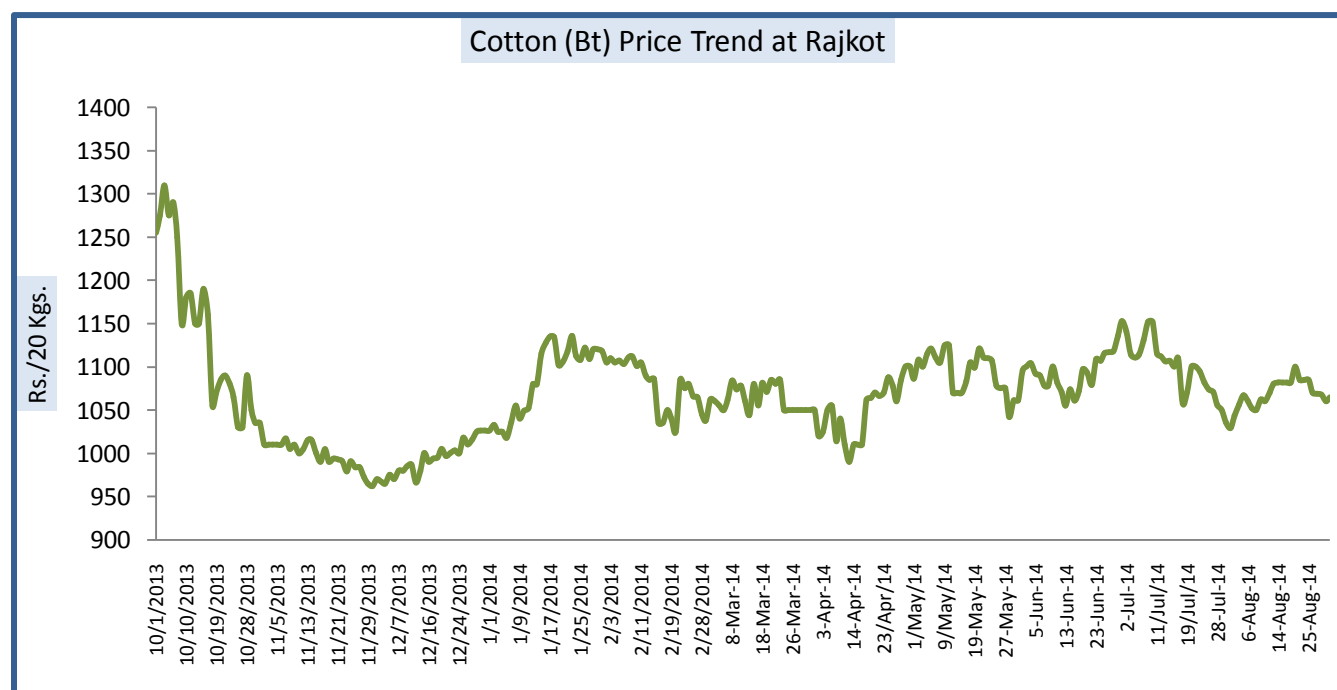
**Around 122.51 lakh hectare of area has been sown for cotton this year as on August 29, nearly 9.7% higher when compared to 111.65 lakh hectares of area sown during the corresponding period last year,** reported Ministry of Agriculture.

**National Commodities and Derivatives Exchange (NCDEX) announced the launch of long staple (29 mm) cotton bales contract,** which would be available for trading from September 01, 2014. The delivery centers are located in Kadi, Yavatmal, Aurangabad and Akola. It should be noted that 29 mm cotton futures contract will be available for trading with modified contract specification and the delivery would be settled through COMTRACK.

**As per the latest estimates of International Cotton advisory Committee (ICAC),** production of cotton in India could fall to 6.35 million tons in the upcoming season 2014-15 from 6.63 million tons estimated for the current season.

**According to the market participants cotton output in north India, would be around 55 lakh bales in the upcoming season Oct'14-Sep'15, said market participants.** Yield could get enhanced if region receives the rainfall in the coming days and production could reach to 60 lakh bales. Cotton growing states in north India are Punjab, Haryana and Rajasthan which have sown 15.05 lakh hectare of area for cotton.

**According to the 4<sup>th</sup> 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.



### Domestic Balance Sheet

All figures in Lakh Bales (of 170 Kgs. Each)		
Item	2012-13	2013-14
<b>Supply</b>		
Opening stock (CCI)	40	35
Crop size (DAC)	350	365
Imports (CCI)	14.59	17
Availability	404.59	417
<b>Demand</b>		
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	12.5 million Hectares	388 Lakh bales	370 lakh bales

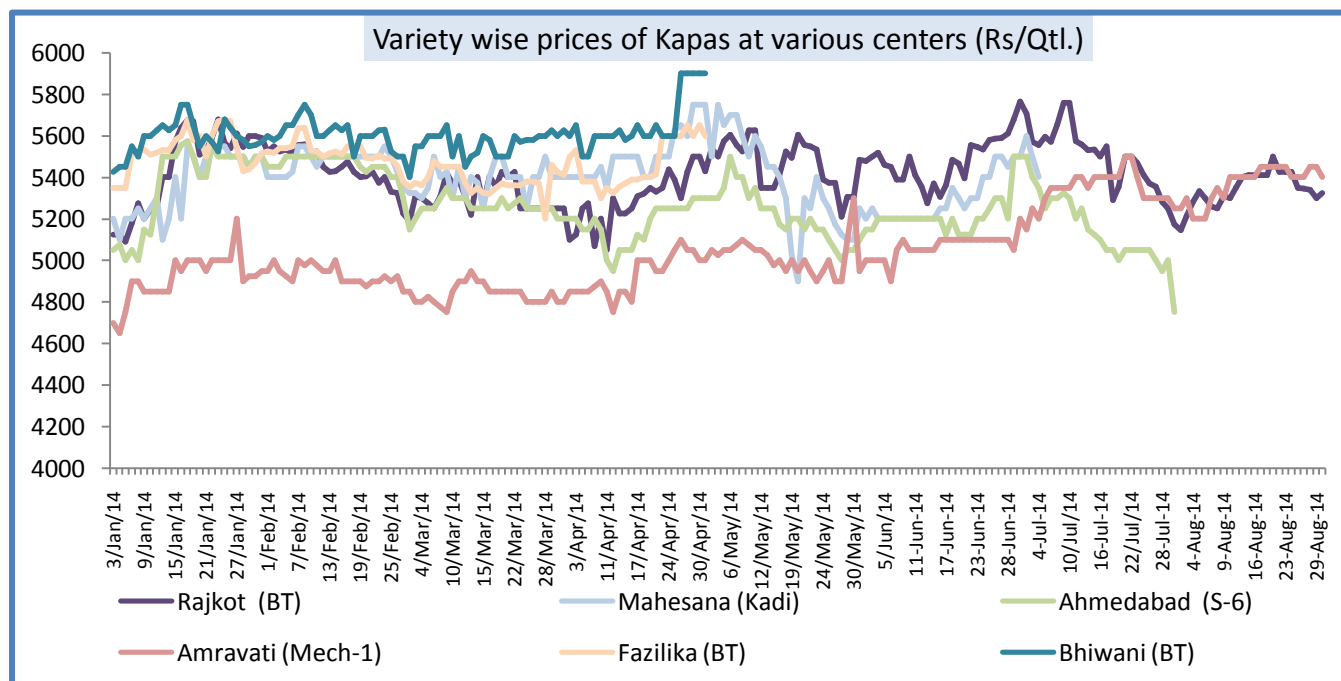
We expect that the El Nino this year will lead to the deficit rainfall and hence the hampered yield. Under the normal condition we expect production figure to touch the level of 388 lakh bales whereas impacted by El Nino the same could fall to 370 lakh bales.

### Cotton Prices and Arrivals

#### Cotton Prices at Key Spot Market:

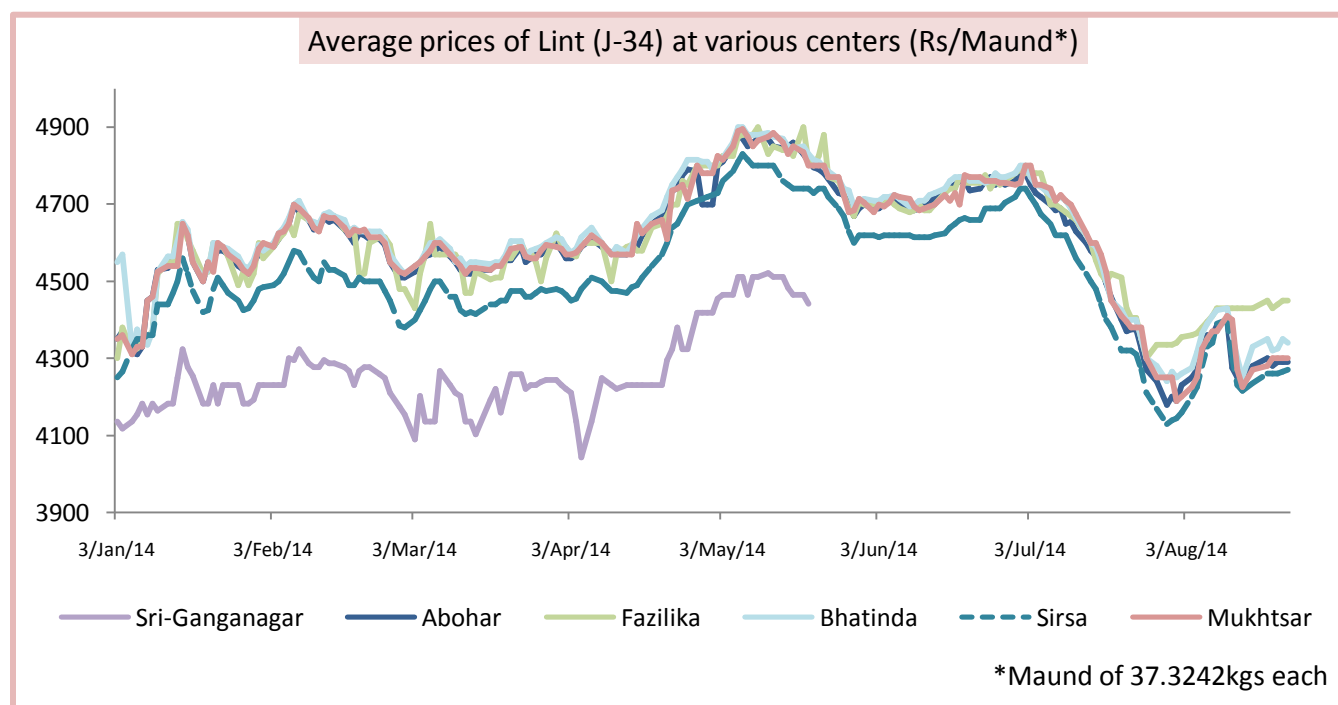
Centre	Variety	Prices		% Change
		28-Aug-14	22-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5450	5400	0.92
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5300	5425	-2.30
Patan	B.T. Cotton	NA	NA	-
Deesa	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	5200	5100	1.96
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	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Ahmedabad	Shankar-6	NA	NA	-
Gondal	Shankar-6	5205	4840	7.54
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5353	5309	0.82
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	4876	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4275	4240	0.82
Muktsar	J-34	4300	4225	1.77
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4330	4250	1.88
Mansa	J-34	NA	NA	-
Sirsa	J-34	4265	4215	1.18
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 weakness in prices of kapas in domestic market. The highest prices among the mentioned markets are being noticed in Amravati. Most of the other markets are reported with no arrivals due to season ending.

### Average Prices of Lint at Various Centers:

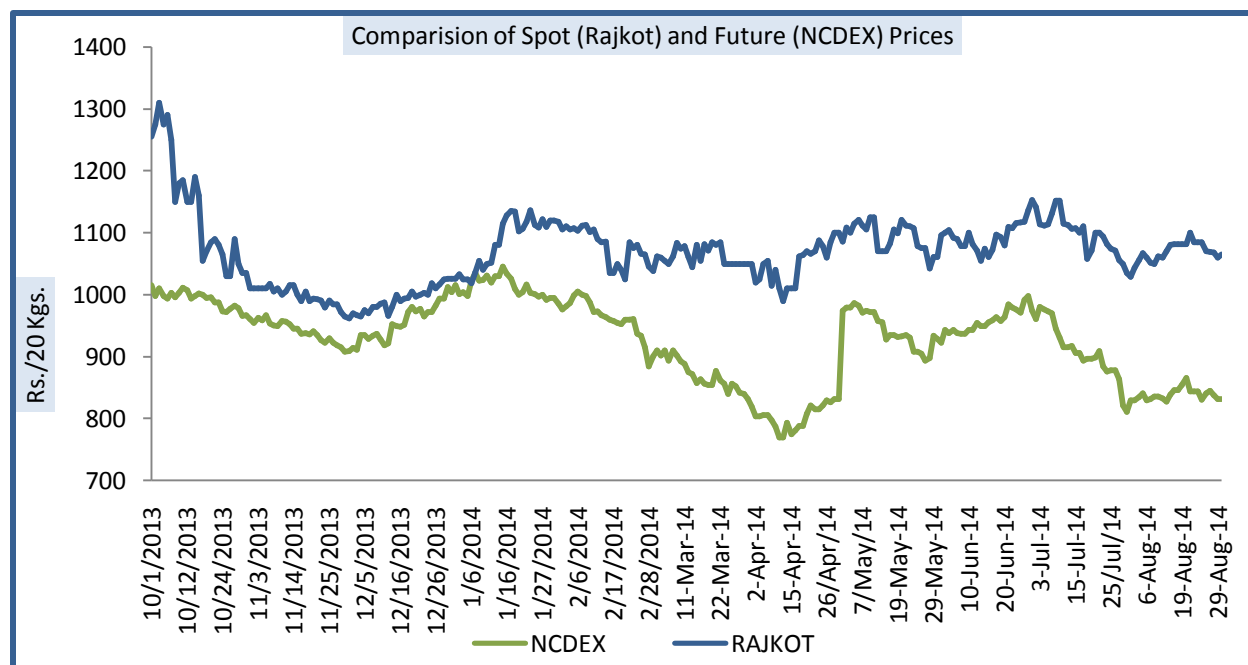


**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength / GPT	Rs. Per Candy	Rs. Per Candy	% Change
				28-Aug-14	21-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	38500	38500	Unch
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	39000	39000	Unch
J-34(202)	26mm	3.5 - 4.9	23	39600	39500	0.25
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39000	38600	1.03
Shankar-6(105)	29mm	3.5 - 4.9	28	39900	39800	0.25
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42600	42300	0.70
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43400	0.46
DCH-32(107)	34mm	3.0 - 3.8	33	56200	58000	-3.10

**Movement of Prices at Spot and Future Market:**

Prices of cotton remained range bound during the week with weak biasness following the sentiments of higher production in USA and improved rainfall in the country which could bring the production either to the normal level or higher level. Also the acreage of cotton stood higher by around 10% this season compared to the previous year.



**Cotton Arrivals in Key Centers:**

Centre	Variety	Arrivals (Qtl)		% Change
		28-Aug-14	22-Aug-14	
Amravati	Mech-1	NA	NA	-
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	8900	3200	178.12
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	983	304	223.35
Bijapur	Bunny	785	1857	-57.72
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	37	439	-91.57
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	-

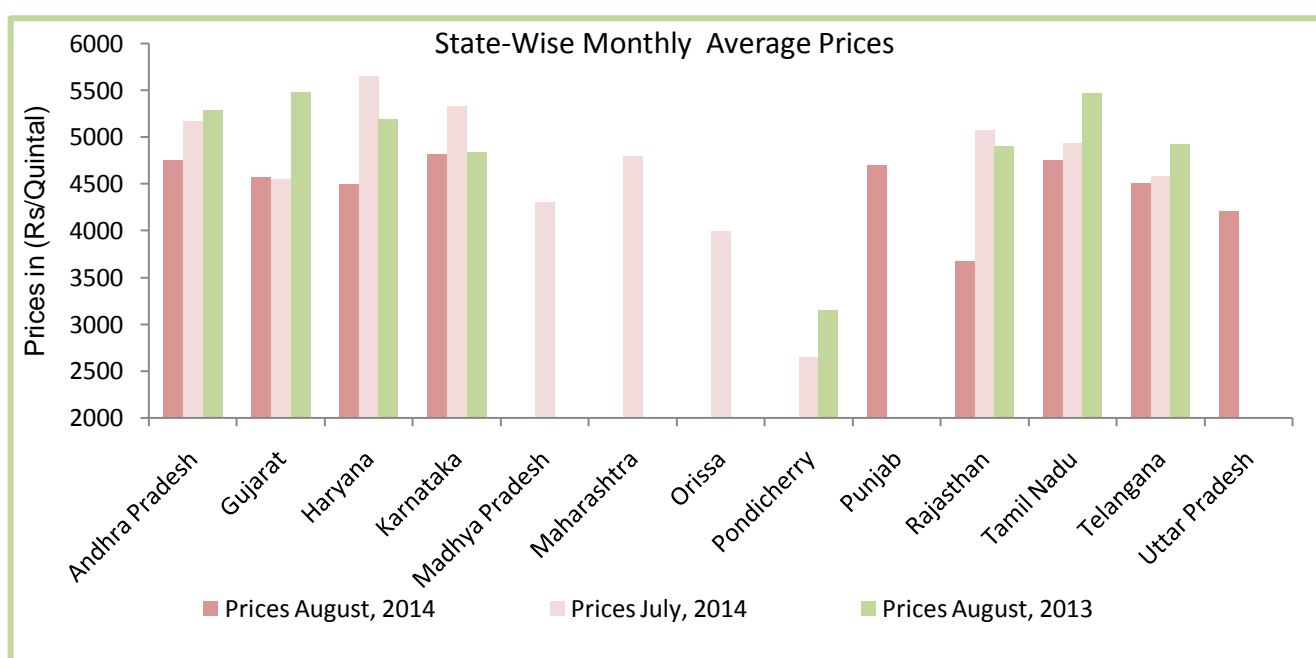
### State wise Scenario

#### 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	4758.12	5169.45	5290.36	-7.96	-10.06
Gujarat	4571.47	4548.6	5473.71	0.5	-16.48
Haryana	4500	5652.14	5190.11	-20.38	-13.3
Karnataka	4821.35	5328.55	4842.26	-9.52	-0.43
Madhya Pradesh		4303.98		—	—
Maharashtra		4789.63		—	—
Orissa		4000		—	—
Pondicherry		2651	3149.51	—	—
Punjab	4696.27			—	—
Rajasthan	3675	5079.36	4900.51	-27.65	-25.01
Tamil Nadu	4750.76	4933.82	5472.14	-3.71	-13.18
Telangana	4506.1	4578.1	4926.55	-1.57	-8.53
Uttar Pradesh	4202.17			—	—
<b>Average</b>	<b>6288.12</b>	<b>6098.72</b>	<b>4905.64</b>		

\*Source: Agmarknet

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

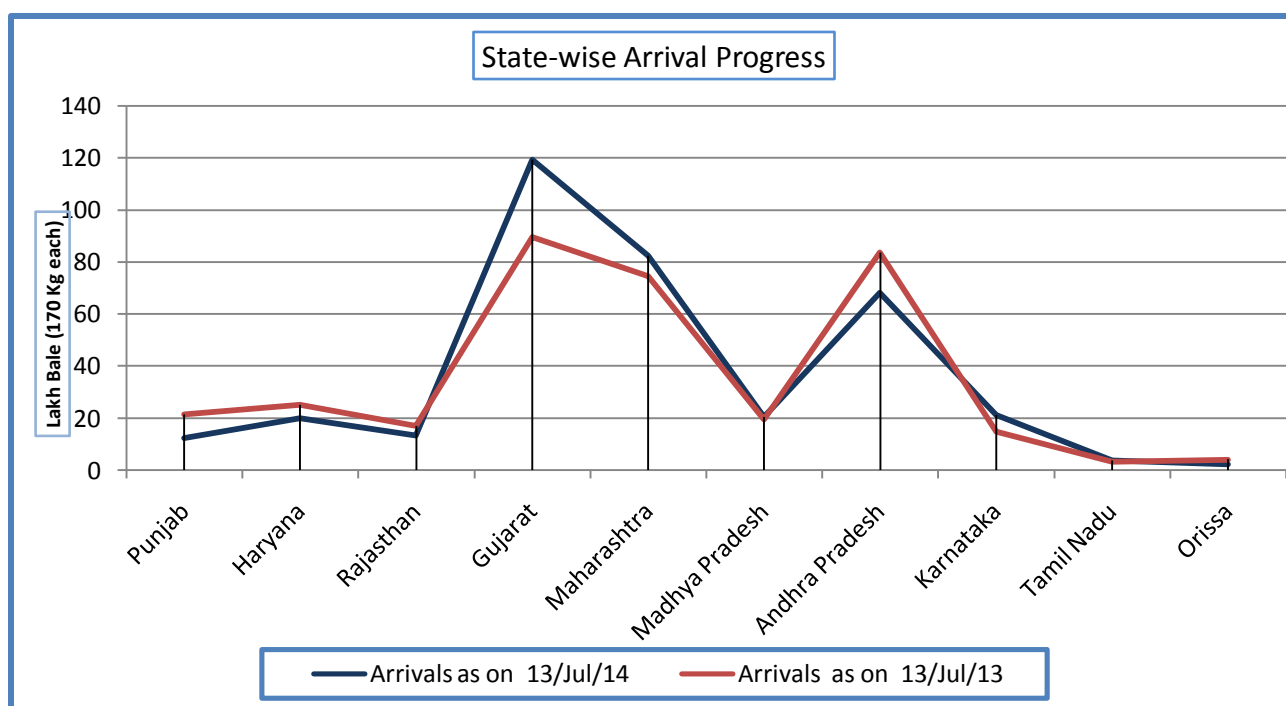


State wise Arrivals (in lakh bales of 170 kgs each):

States	2013-14*		2012-13	
	Production as per CAB 2/Jul/14	Arrivals As on 13/Jul/14	Production as per CAB 2/Jul/13	Arrivals As on 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
<b>A. North Total (1+2+3)</b>	<b>58</b>	<b>46</b>	<b>63</b>	<b>63.78</b>
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>B. Central Total (4+5+6)</b>	<b>223</b>	<b>222.46</b>	<b>191</b>	<b>183.94</b>
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
<b>C. South Total (7+8+9)</b>	<b>103</b>	<b>93.31</b>	<b>105</b>	<b>101.98</b>
10. Orissa	4	2.34	4	4.18
11. Others	2	2	2	2
<b>D. Total (10+11)</b>	<b>6</b>	<b>4.34</b>	<b>6</b>	<b>6.18</b>
<b>Grand Total (A+B+C+D)</b>	<b>390</b>	<b>366.11</b>	<b>365</b>	<b>355.88</b>

\* Inclusive of new crop arrivals in September 2013

\*\*Source : Cotton Corporation of India (CCI)

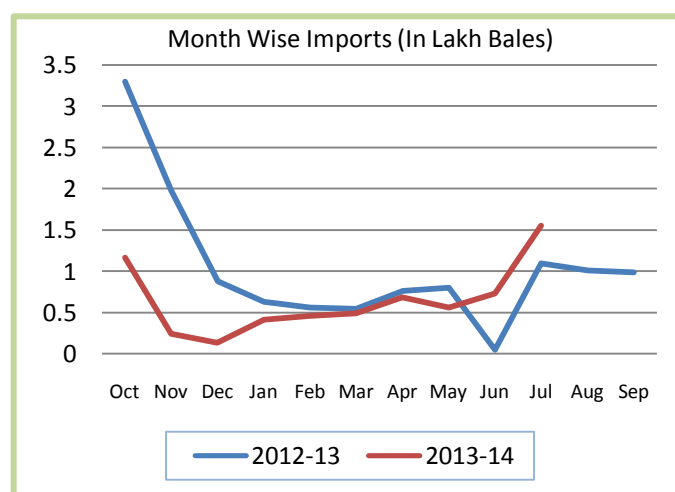
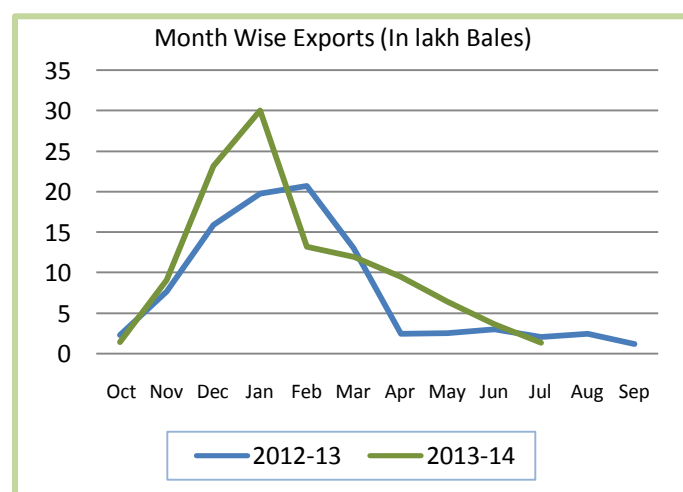




### Cotton Export and Import

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	
<b>Total</b>	<b>93.12</b>	<b>109.4</b>

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	
<b>Total</b>	<b>12.61</b>	<b>6.41</b>



### Weekly Export Import Data

Date	18-24 Aug 2014	11-17 Aug 2014
Export (In lakh Bales)	0.17	0.11
Import (In lakh Bales)	0.46	0.24

Source: IBIS

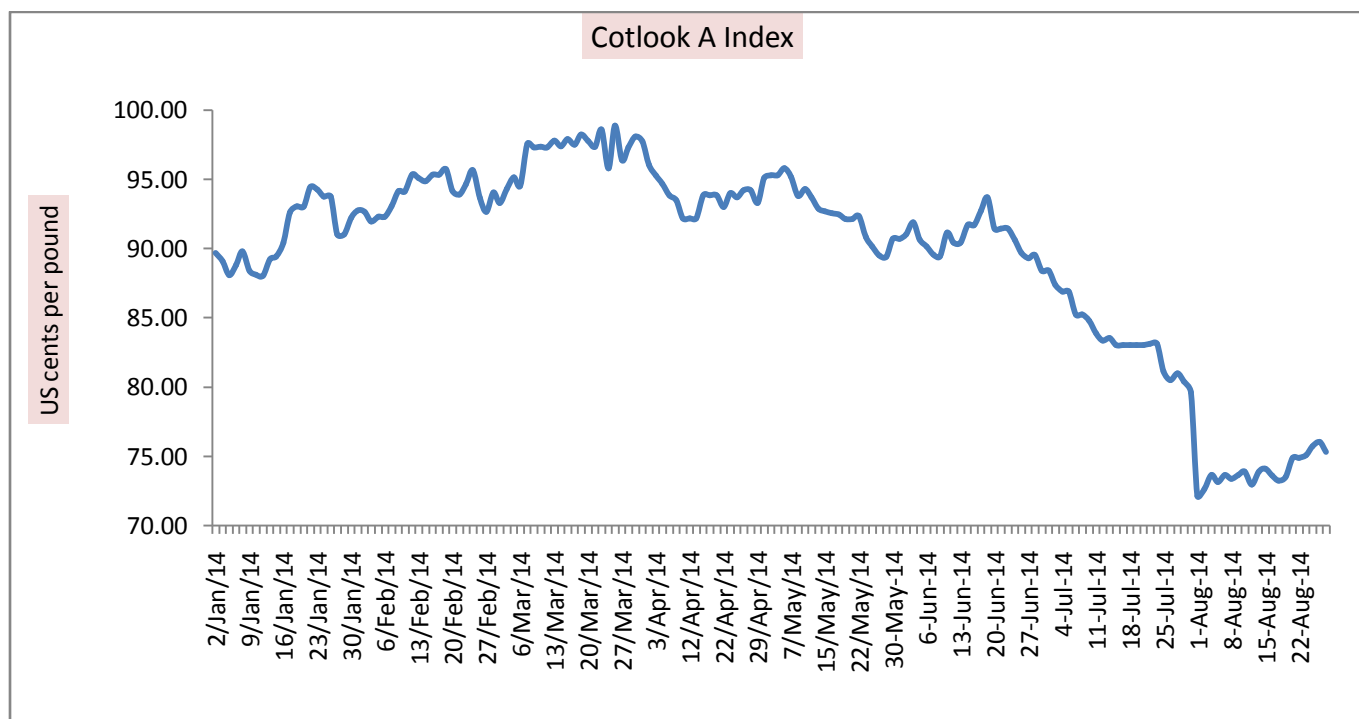
### International Market Scenario

**China's cotton acreage is expected to fall by 9.4% to 4.23 million hectares this year**, as reflected in the latest survey by China Cotton Association (CCA). The CCA raised its projection for cotton acreage, which was earlier expected to fall by 12.6%, as cotton area surged higher in Xinjiang Uygur Autonomous Region following the Government's direct subsidy policy.

**Sri Lanka has recorded growth of 25% in its income from the textile export in June 2014**, revealed by Central Bank of Sri Lanka (CBSL).

**According to the latest report released by USDA, as on August 24, 2014**, 51% of cotton crop in USA is in excellent to good condition compared to 50% a week ago and 47% a year ago. 90% setting bolls has reported in cotton which was 88% last week and 89% a year ago. 19% of bolls opening reported which was 12% a week and 10% a year ago.

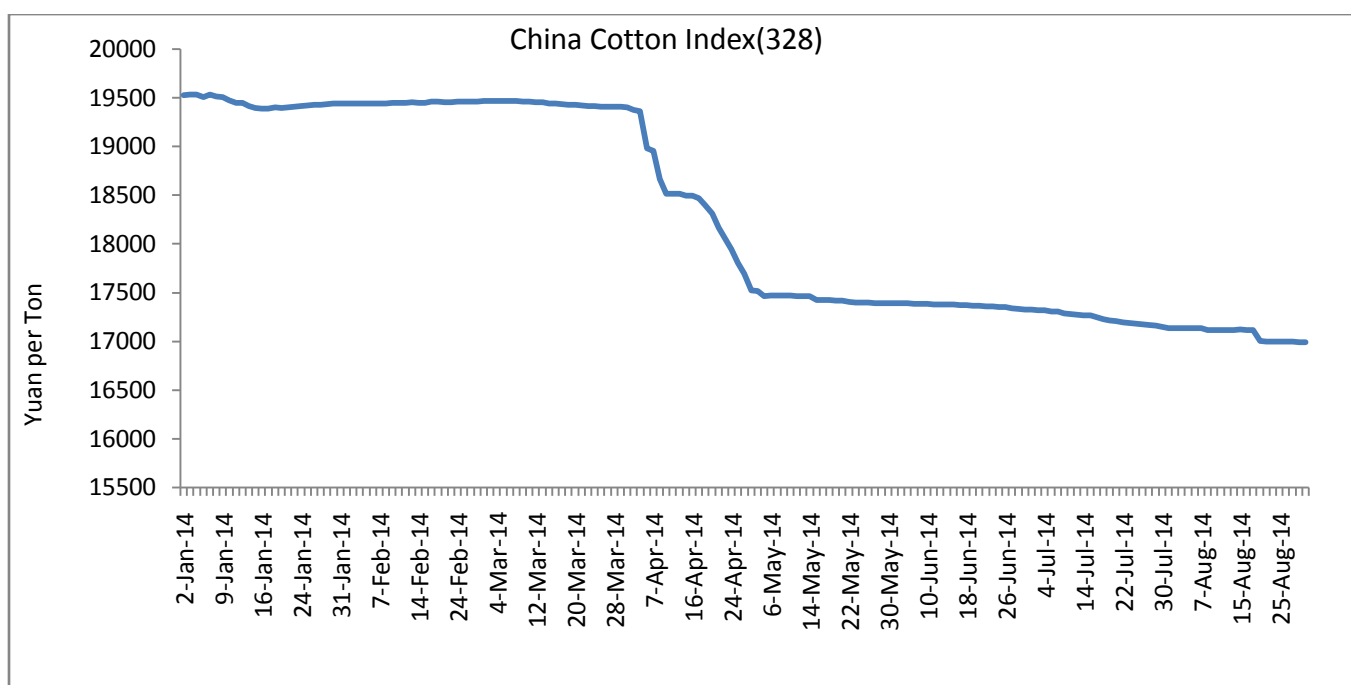
**To enhance cotton production in the country, Bangladesh has approved a Taka 105 crore proposal, which is likely to raise cotton production by seven folds in 2018.** Bangladesh produces only one lakh bale of cotton, which fulfills only 3% of the annual requirement of textile mills. It is believed if 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.



### International Prices and Indices

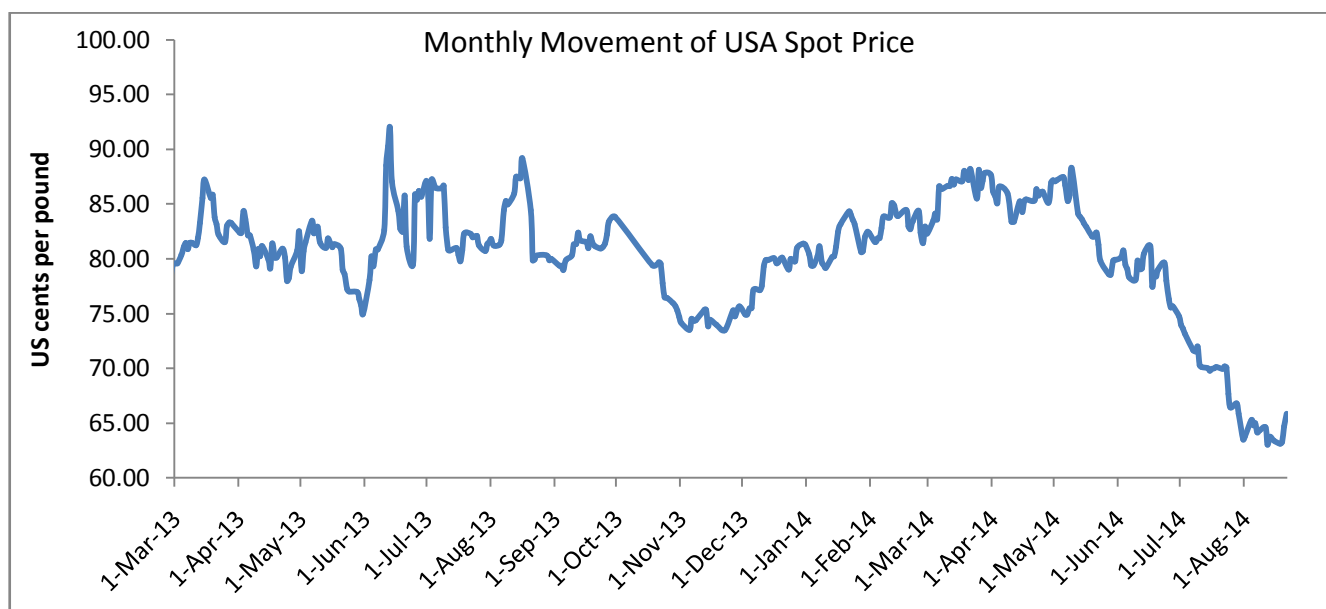
#### China Cotton Index:

CC Indices	29-Aug-14	22-Aug-14	% Change
CC Index(229)	17637	17653	-0.09
CC Index(328)	16992	17001	-0.05
CC Index(527)	15910	15928	-0.11
Prices in Yuan per Ton			



#### USA Spot Prices:

Date	29-Aug-14	22-Aug-14	% Change
Prices	66.86	66.72	0.21
Prices in US cents per Pound			


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

Month	2013-14	2014-15	Y-o-Y % Change
August	92.71	73.99	-20.19
September	94.6		
October	89.35		
November	84.65		
December	87.49		
January	90.96		
February	94.05		
March	96.94		
April	94.2		
May	92.7		
June	90.89		
July	83.83		

**Cotton Futures (ICE):**

Contracts	29/08/2014	30/07/2014	29/08/2013	% M-o-M change	%Y-o-Y change
<b>Oct-14</b>	67.60	63.34	77.98	6.73	-13.31
<b>Dec-14</b>	66.57	64.00	--	4.02	--
<b>Mar-15</b>	67.01	64.84	--	3.35	--
<b>May-15</b>	68.14	65.99	--	3.26	--
<b>Jul-15</b>	68.96	67.10	--	2.77	--
<b>Oct-15</b>	69.31	68.46	--	1.24	--

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 with weak biasness.
- RSI is moving low in neutral region supporting bearish tone.
- Declining MACD histogram depicts weak movement.
- We expect cotton prices to remain range bound.

#### Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Range bound Momentum	820-855

#### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
800	795	860	875

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	63.40-68.80

### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
62	61.40	69.40	70.60

Figures in US cents per pound

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