

## Current Market Outlook

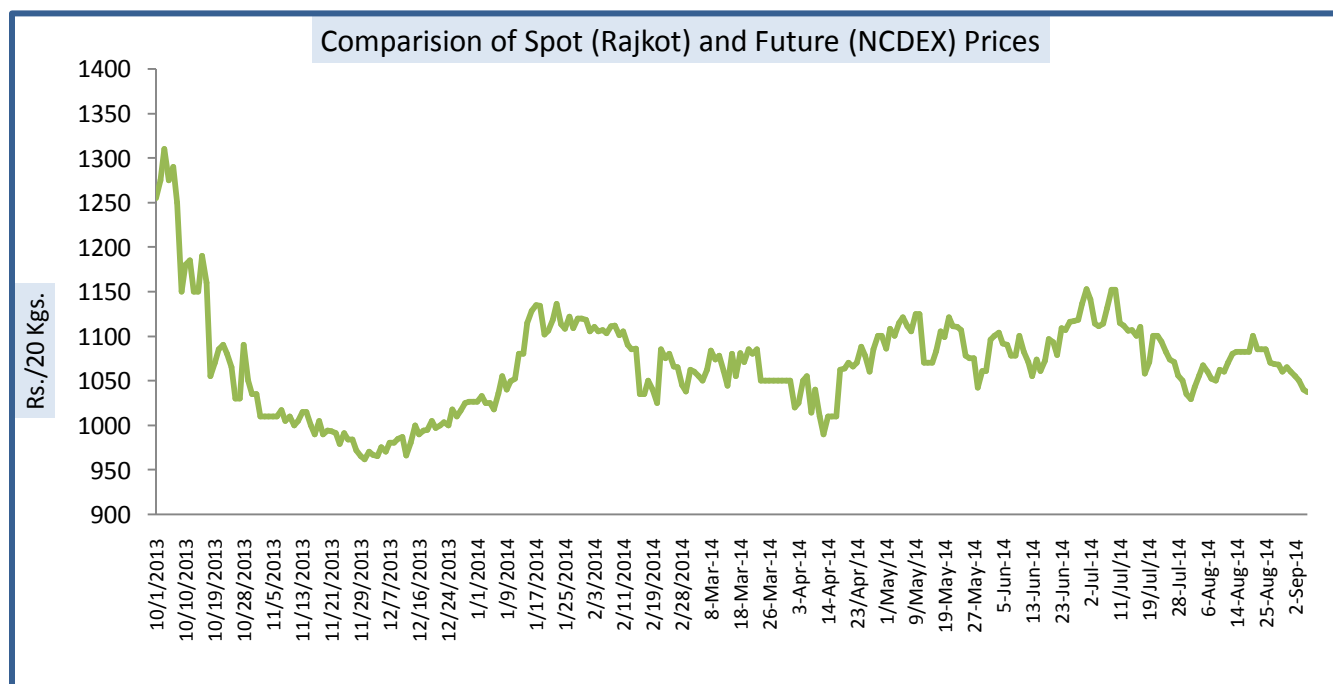
**Current Market Outlook:** Cotton market noticed weak tone in the prices following the expectation of higher production in the country.

**According to Ministry of Agriculture, around 123.71 lakh hectare of area has been sown under pulses (Kharif) this year as on September 05, around 9.2% lower than the previous year, when it was 113.21 lakh hectares during the same period.**

**Cotton imports in India will be 12-year high this season as international prices are ruling lower** compared to the domestic prices. Prices on ICE US falling below 90 cents per pound since May, which is making domestic prices in India less competitive. Millers signed to buy cotton from overseas and most of the inbound shipments are reported after May. In domestic market Shankar-6 is ruling at around Rs.39,000-40,000 per candy (of 356 each) whereas the same for December delivery is available at 65.75 cents a pound, which is approximately Rs.31,500 per candy. Cotton Import is expected to surpass 17 lakh bales by the end of this season 2013/14. It was season 2002/03 when the country witnessed 17.67 lakh bales of cotton imports.

**The government of Telangana has proposed to develop an industrial corridor along NH-44** between Hyderabad and Nagpur in Maharashtra. This proposal is likely to bring prosperity in cotton industry in Adilabad. Around 134 cotton ginning, pressing and cottonseed oil mills are located in Adilabad district, which are likely to be benefited by developing this corridor.

**Indian cotton mills are likely to get affected badly on China's decision to raise spending** on farm subsidies by 10 per cent. Following this decision, yarn production in China will enhance as it will provide cheaper cotton to the spinning mills in the country. It should be noted that China is the largest importer of cotton yarn and export destination for around 50% of overall export of cotton from India.



### 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

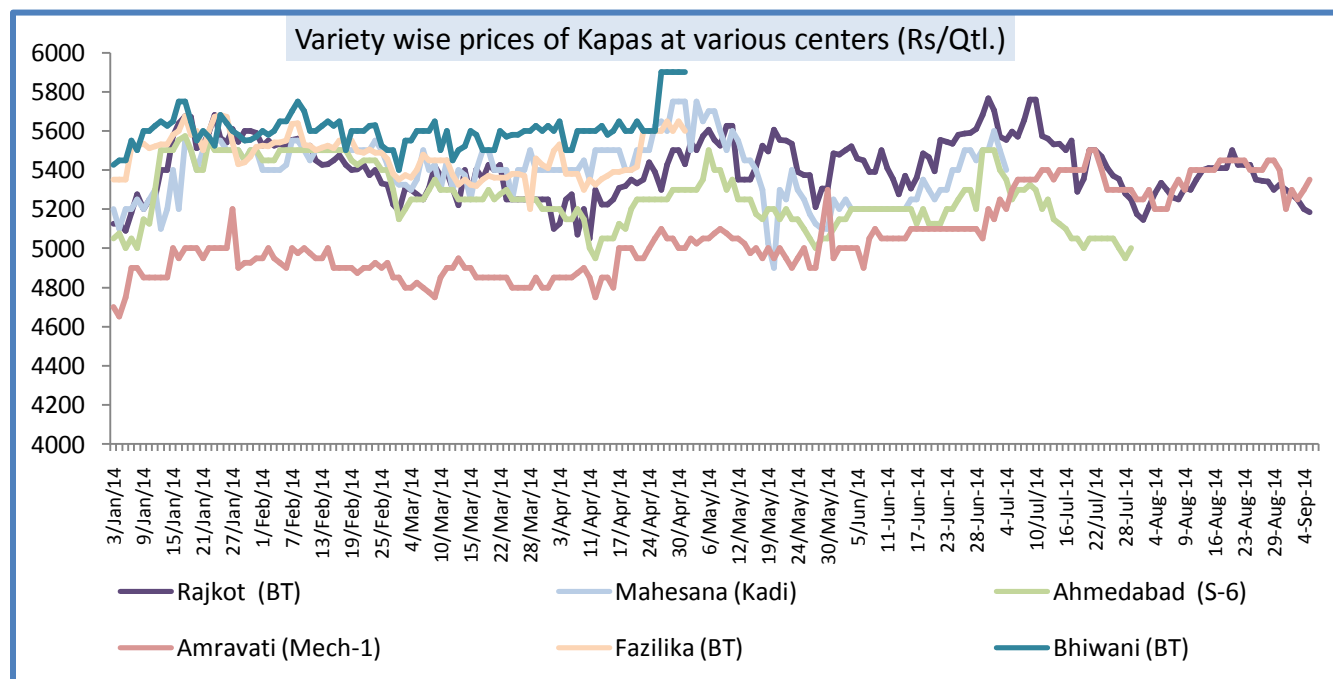
We expect that the El Nino this year will lead to the deficit rainfall and hence the hampered yield. Under the normal condition we expect production figure to touch the level of 388 lakh bales whereas impacted by El Nino the same could fall to 370 lakh bales.

### Cotton Prices and Arrivals

#### Cotton Prices at Key Spot Market:

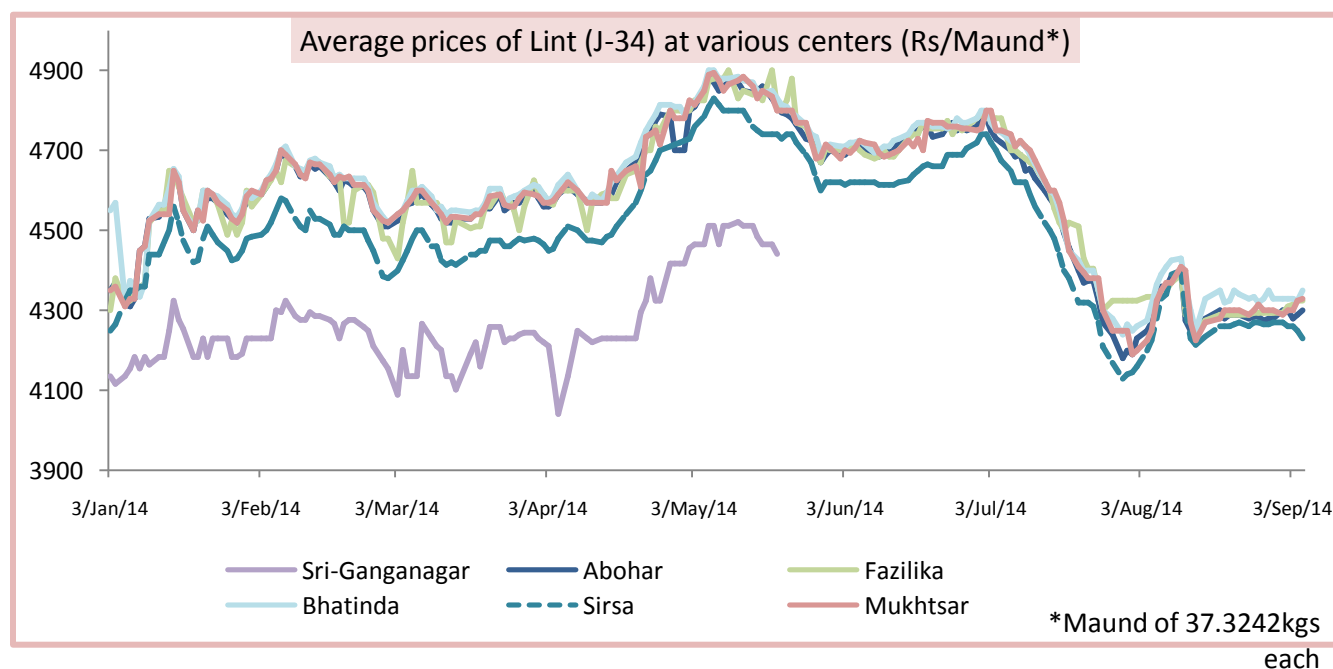
Centre	Variety	Prices		% Change
		5-Sep-14	28-Aug-14	
	<b>Kapas</b>	<b>(Rs./Qtl)</b>		
Amravati	Mech-1	5280	5450	<b>-3.1</b>
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	<b>Kapas</b>	<b>(Rs./Qtl.)</b>		
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	5242	5300	<b>-1.1</b>
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	4850	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	4539	5200	<b>-12.7</b>
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	5020	5205	<b>-3.6</b>
	<b>Kapas</b>	<b>(Rs/Qtl)</b>		
Bijapur	Bunny	5322	5353	<b>-0.6</b>
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	4757	NA	-
	<b>Lint</b>	<b>(Rs./Maund of 37.32kg each)</b>		
Abohar	J-34	4294	4275	<b>0.4</b>
Muktsar	J-34	4309	4300	<b>0.2</b>
Fazilika	J-34	NA	NA	-
Bhatinda	J-34	4333	4330	<b>0.1</b>
Mansa	J-34	NA	NA	-
Sirsa	J-34	4254	4265	<b>-0.3</b>
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:

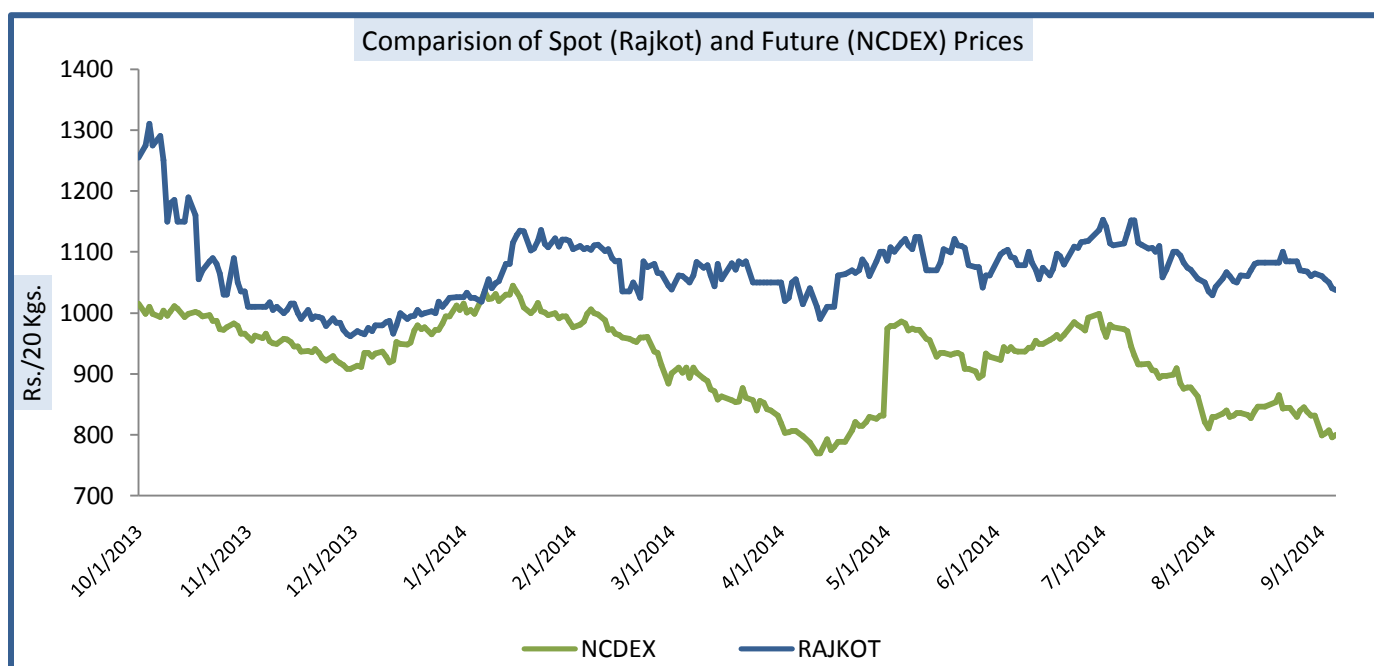


**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	% Change
				4-Sep-14	28-Aug-14	
Bengal Deshi (RG)/Assam Comilla (101)	<22mm	5.0 - 7.0	15	38000	38500	-1.3
Bengal Deshi (SG)(201)	<22mm	5.0 - 7.0	15	38500	39000	-1.3
J-34(202)	26mm	3.5 - 4.9	23	39400	39600	-0.5
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38900	39000	-0.3
Shankar-6(105)	29mm	3.5 - 4.9	28	39900	39900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42500	42600	-0.2
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43500	43600	-0.2
DCH-32(107)	34mm	3.0 - 3.8	33	56000	56200	-0.4

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

Prices of cotton remained weak during the week 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
		5-Sep-14	28-Aug-14	
Amravati	Mech-1	275	145	89.7
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	NA	NA	-
Rajkot	B.T. Cotton	11960	8900	34.4
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	1400	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	85	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	2384	983	142.5
Bijapur	Bunny	1692	785	115.5
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	516	37	1294.6
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	-

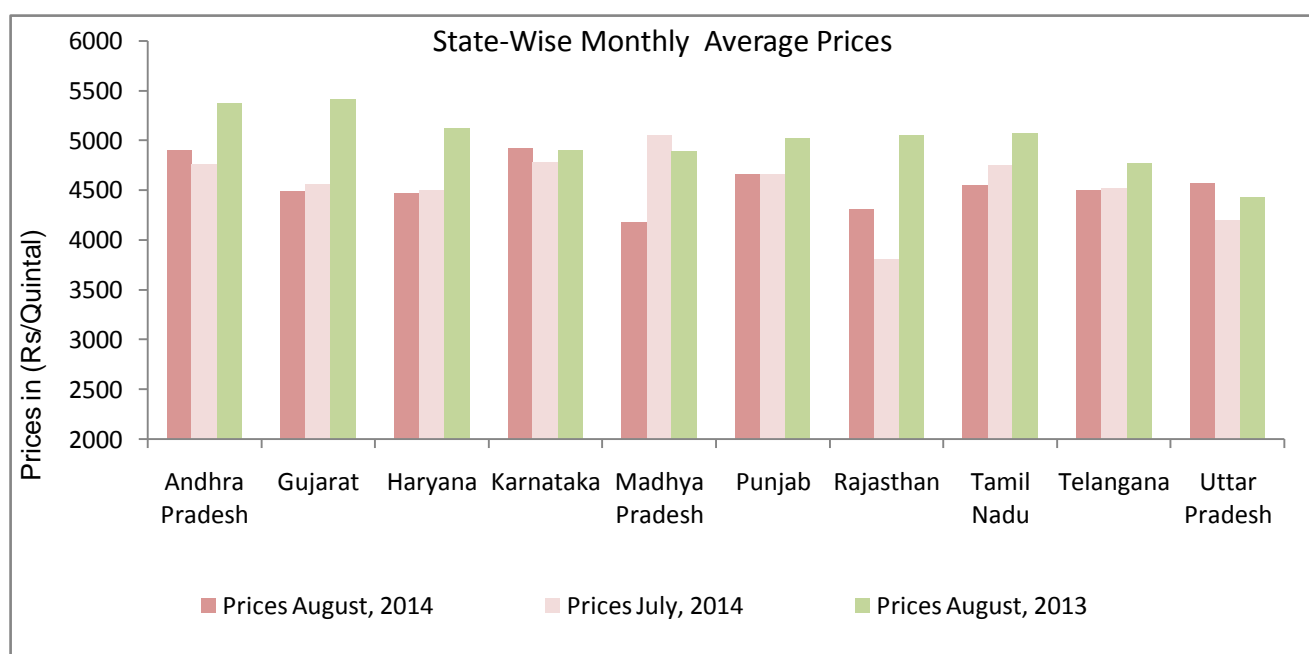
## State wise Scenario

### State wise Prices (Rs./Qtl.)

State	Prices September, 2014	Prices August, 2014	Prices September, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4902.74	4761.59	5375.29	2.96	-8.79
Gujarat	4493.27	4564.54	5420.03	-1.56	-17.1
Haryana	4472.5	4500	5121.06	-0.61	-12.66
Karnataka	4924.31	4788.21	4900.78	2.84	0.48
Madhya Pradesh	4177.8	5056	4888.84	-17.37	-14.54
Punjab	4658	4664.73	5021.41	-0.14	-7.24
Rajasthan	4311.21	3812.5	5059.57	13.08	-14.79
Tamil Nadu	4547.19	4757.65	5067.28	-4.42	-10.26
Telangana	4499.79	4525.79	4775	-0.57	-5.76
Uttar Pradesh	4568.87	4202	4426.19	8.73	3.22
Average	6164.15	6184.82	4810.03		

\*Source: Agmarknet

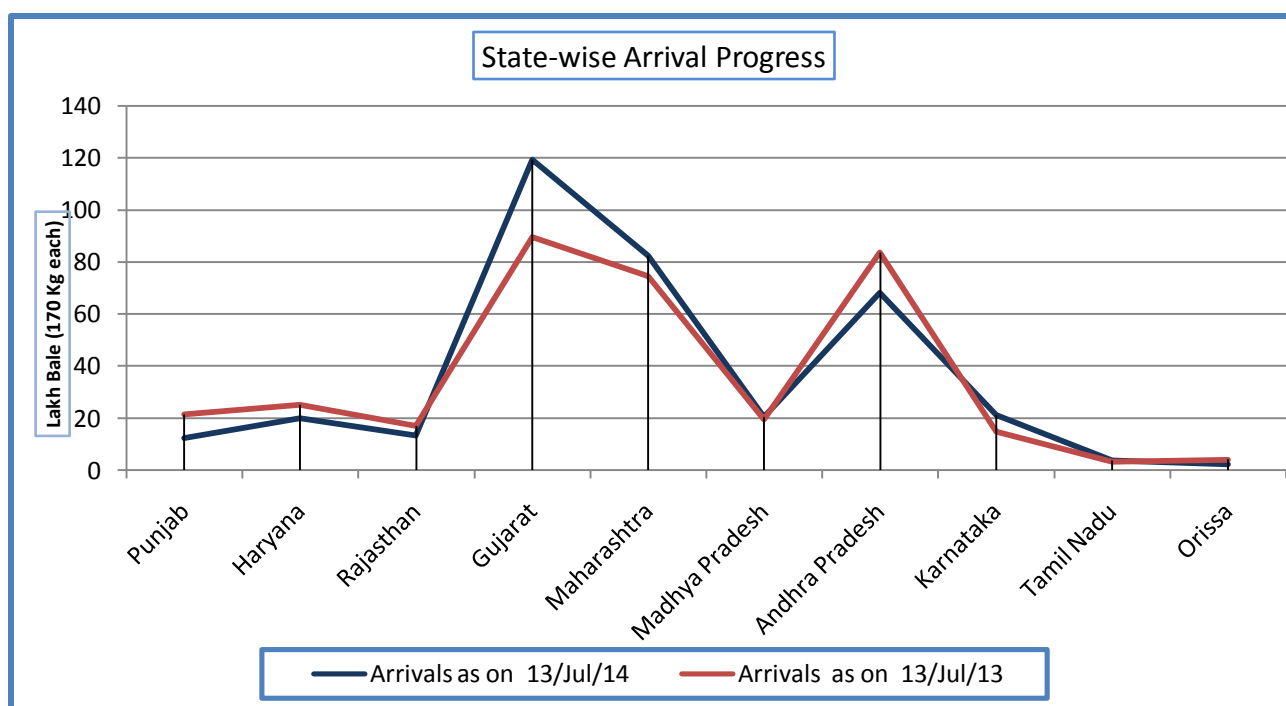
In all the mentioned states, cotton prices are showing downtrend on Y-o-Y basis except Karnataka and Uttar Pradesh. On M-o-M basis also, prices are showing downtrend except Andhra Pradesh, Karnataka and Uttar Pradesh. Currently highest prices are being noticed in Karnataka followed by Andhra Pradesh and Punjab.



**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)

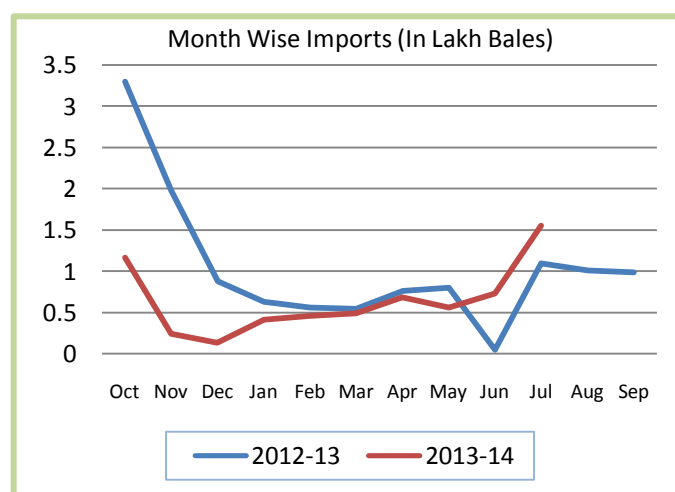
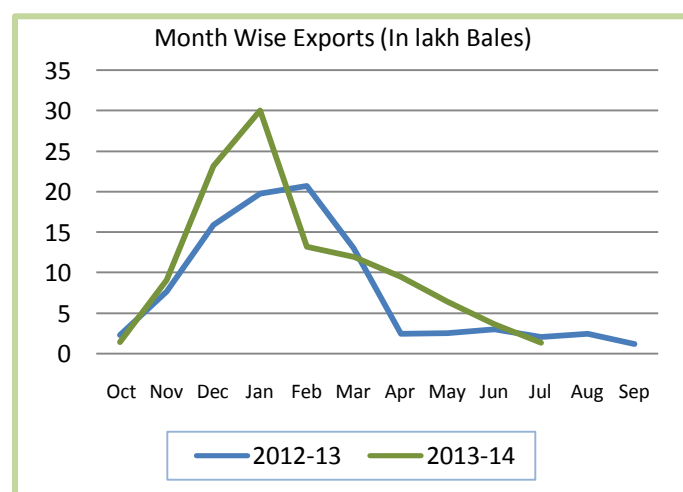




### Cotton Export and Import

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	25-31 Aug 2014	24-30 Aug 2014
Export (In lakh Bales)	0.22	0.22
Import (In lakh Bales)	0.51	0.51

Source: IBIS

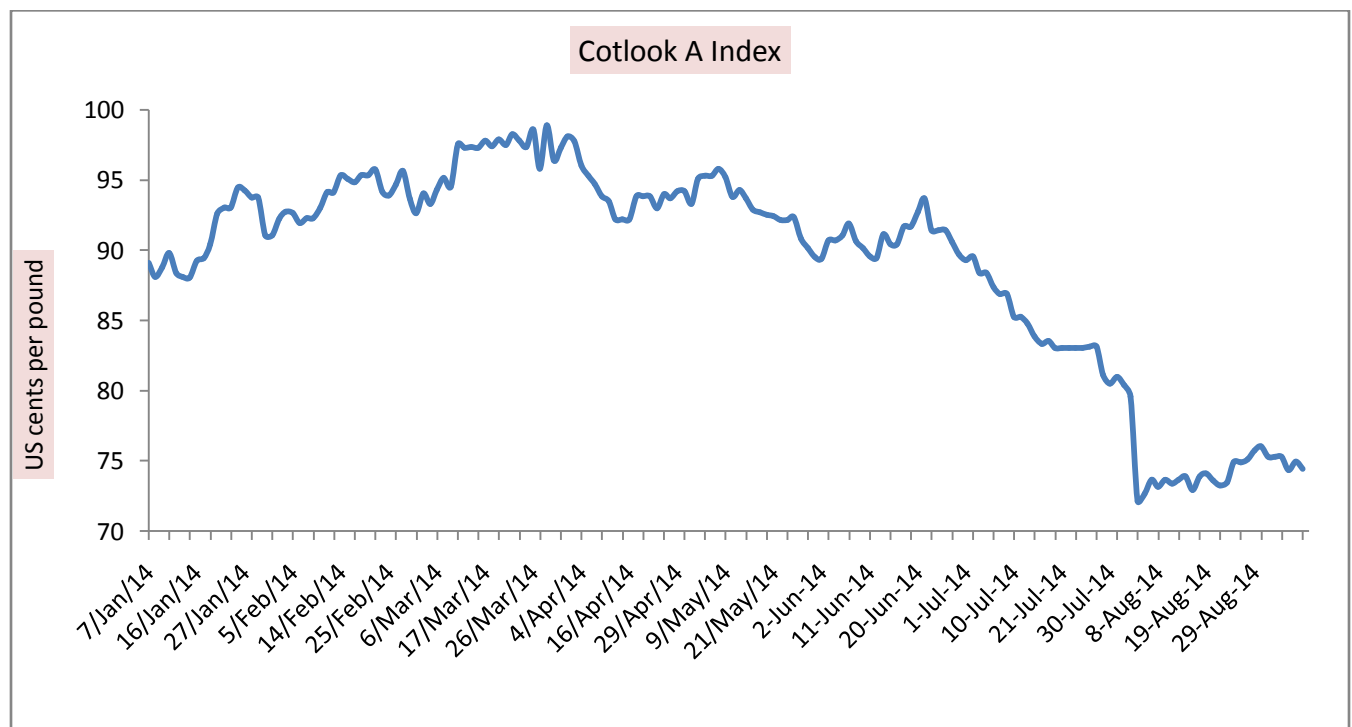
### International Market Scenario

**World inventories are likely to surge to 22.25 million tonnes by the end of season 2014/15**, estimated International Cotton Advisory Committee (ICAC). Global production is expected to be around 26.05 million tonnes this year slightly lower than production in 2013/14 which stood around 25.53 million tonnes.

**According to the latest report released by USDA, as on August 31, 2014**, 50% of cotton crop in USA is in excellent to good condition compared to 51% a week ago and 45% a year ago. 96% setting bolls has reported in cotton which was 90% last week and 94% a year ago. 31% of bolls opening reported which was 19% a week and 15% a year ago.

**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).

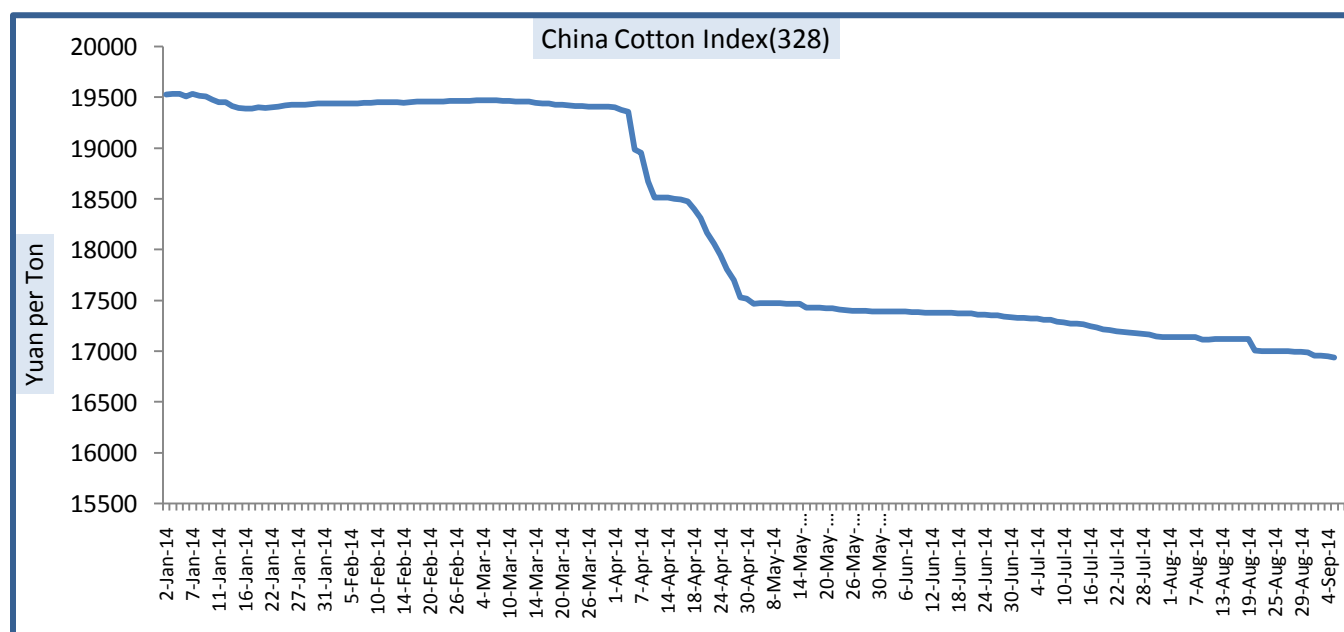


### International Prices and Indices

#### China Cotton Index:

CC Indices	5-Sep-14	29-Aug-14	% Change
CC Index(229)	17570	17637	-0.38
CC Index(328)	16936	16992	-0.33
CC Index(527)	15841	15910	-0.43

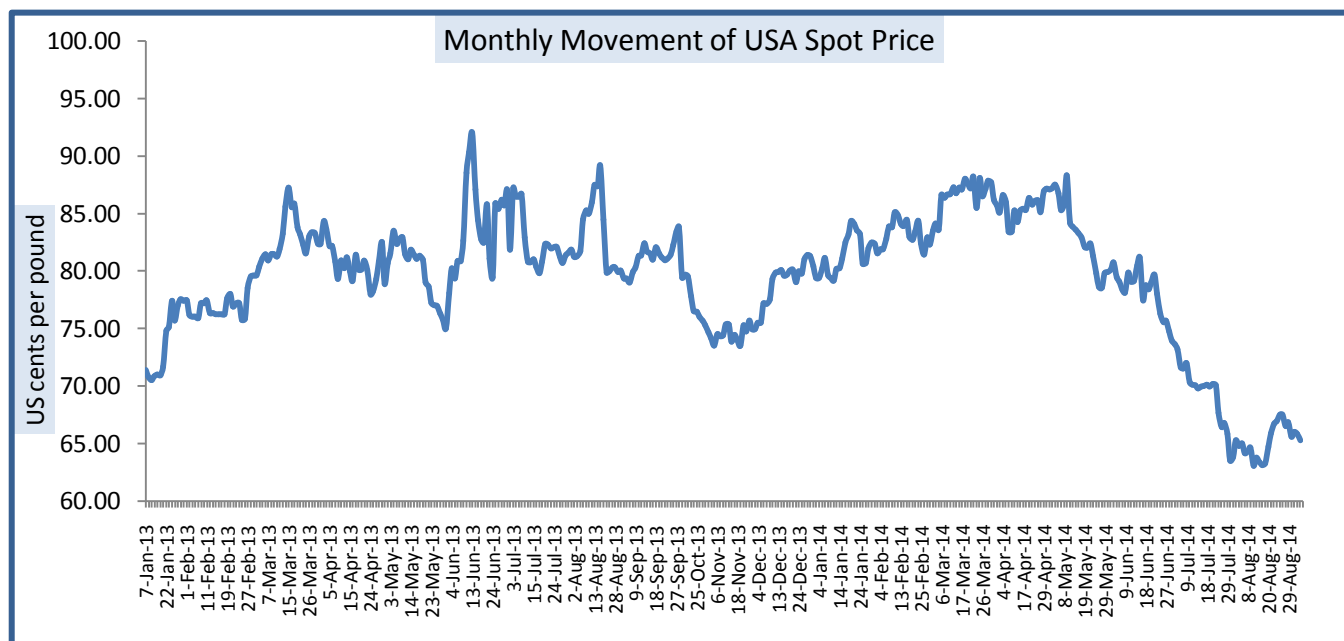
Prices in Yuan per Ton



#### USA Spot Prices:

Date	5-Sep-14	29-Aug-14	% Change
Prices	65.27	66.86	-2.38

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	05/09/2014	05/08/2014	05/09/2013	% M-o-M change	%Y-o-Y change
<b>Oct-14</b>	66.08	63.46	77.7	4.13	-14.95
<b>--Dec-14</b>	64.31	63.74	--	0.89	--
<b>Mar-15</b>	64.14	64.52	--	-0.59	--
<b>May-15</b>	65.28	65.54	--	-0.40	--
<b>Jul-15</b>	66.14	66.65	--	-0.77	--
<b>Oct-15</b>	66.78	67.04	--	-0.39	--

## 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	780-820

### Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
800	795	835	850

Figures in Rs. per 20Kgs.

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



### Weekly Technical Outlook:

- Candlesticks depict weak 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	63.20-68.80

### 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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