

## Cotton

### Domestic Scenario

Cotton has been the major component of the food cash crop for India since ages. Of the total fibre crops production it contributes to about 67.03 per cent. In recent times the stock management of cotton is imposing serious challenge for the country owing to the prevalent economic crises in European Union and declining demand in the global markets. The current study has been taken up to come out with an effective stock management strategy in order to keep the stocks as well as the prices in balance. The study has been carried four major directions which include the study of pattern of acreage and production of cotton over the years, price trend over last five years and variation of domestic cotton prices over the international cotton prices.

The Cotton Association of India (CAI) estimated the 2013-14 seasons' cotton production to be 37.5 million bales (170 kg each). The region wise contribution of cotton production reveals that the central region of the country contributes to about 57.60 per cent of the national production, of which the share of Gujarat is 53.70 per cent followed by Maharashtra (37.50 per cent) and Madhya Pradesh (8.80 per cent). The biggest producer of Cotton in the country is Gujarat (30.93 per cent) followed by Maharashtra (21.60 per cent) and Andhra Pradesh (19.20). Other major producers of Cotton in the country are Haryana (6.13 per cent), Punjab (5.60 per cent) and Madhya Pradesh (5.07 per cent). The opening stock for the next season will be 3.5 million bales while the total supply is estimated to be 42.7 million bales.

### State wise Cotton Production (Lakh Bales - 170 kg each)

States	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Punjab	7.50	10.35	16.50	20.00	24.00	20.00	17.50	13.00	18.50	20.00	21.00	21.00
Haryana	8.75	11.50	15.50	12.00	15.00	15.00	14.00	15.25	17.00	26.00	25.00	23.00
Rajasthan	5.00	9.15	11.00	9.00	9.00	9.00	7.50	12.00	10.10	18.00	17.00	14.00
<b>North Total</b>	<b>21.25</b>	<b>31.00</b>	<b>43.00</b>	<b>41.00</b>	<b>48.00</b>	<b>44.00</b>	<b>39.00</b>	<b>40.25</b>	<b>45.60</b>	<b>64.00</b>	<b>63.00</b>	<b>58.00</b>
Gujarat	30.50	50.00	73.00	89.00	103.00	110.00	90.00	98.00	106.20	122.00	93.00	116.00
Maharashtra	26.00	31.00	52.00	35.00	50.00	62.00	62.00	65.75	87.75	76.00	79.00	81.00
Madhya Pradesh	18.00	19.65	16.00	19.00	19.00	20.00	18.00	15.25	17.70	18.00	19.00	19.00
<b>Central Total</b>	<b>74.50</b>	<b>100.65</b>	<b>141.00</b>	<b>143.00</b>	<b>172.00</b>	<b>192.00</b>	<b>170.00</b>	<b>179.00</b>	<b>211.65</b>	<b>216.00</b>	<b>191.00</b>	<b>216.00</b>
Andhra Pradesh	19.75	27.40	32.50	33.00	36.00	46.00	53.00	54.50	59.50	60.00	84.00	72.00
Karnataka	5.00	4.20	8.00	6.00	6.00	8.00	9.00	12.25	11.10	15.00	15.00	18.00
Tamil Nadu	3.00	3.75	5.50	5.00	5.00	4.00	5.00	5.00	7.20	6.50	6.00	5.00
<b>South Total</b>	<b>27.75</b>	<b>35.35</b>	<b>46.00</b>	<b>44.00</b>	<b>47.00</b>	<b>58.00</b>	<b>67.00</b>	<b>71.75</b>	<b>77.80</b>	<b>81.50</b>	<b>105.00</b>	<b>95.00</b>
Orissa	1.00	1.00	1.00	1.00	1.00	1.00	2.00	1.00	2.05	3.50	4.00	4.00
<b>Others</b>								1.00	2.00	2.00	2.00	2.00
<b>Total</b>	<b>124.50</b>	<b>168.00</b>	<b>231.00</b>	<b>229.00</b>	<b>268.00</b>	<b>295.00</b>	<b>278.00</b>	<b>293.00</b>	<b>339.10</b>	<b>367.00</b>	<b>365.00</b>	<b>375.00</b>
<b>Loose lint</b>	<b>11.50</b>	<b>11.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>				
<b>Grand Total</b>	<b>136.00</b>	<b>179.00</b>	<b>243.00</b>	<b>241.00</b>	<b>280.00</b>	<b>307.00</b>	<b>290.00</b>	<b>305.00</b>	<b>339.10</b>	<b>367.00</b>	<b>365.00</b>	<b>375.00</b>

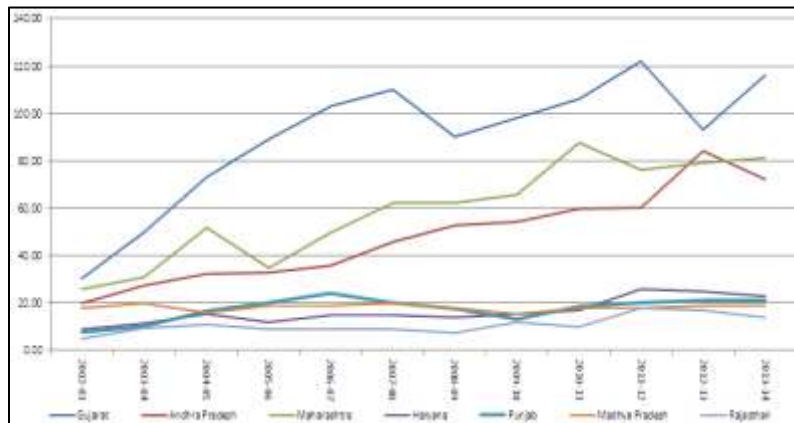
Source: Cotton Advisory Board, India

### Staple wise Production of Cotton in India (Lakh Bales - 170 kg each)

Staple Group	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Short (below 20mm)	4.00	3.50	4.00	4.00	6.00	5.00	5.00
Medium(20.5 to 25.5 mm) & Medium long(25.0 to 27.0)	61.00	60.00	58.00	71.00	75.00	75.00	75.00
Long (27.5 to 32.0 mm)	237.00	222.00	238.00	259.00	280.00	280.00	290.00
Extra Long staple (32.5 mm & above)	5.00	4.50	4.50	5.00	6.00	5.00	5.00
<b>Total</b>	<b>307.00</b>	<b>290.00</b>	<b>305.00</b>	<b>339.00</b>	<b>367.00</b>	<b>365.00</b>	<b>375.00</b>

Source: Cotton Advisory Board, India

Staple wise study of the Indian cotton Market reveals that Long Staple Cotton (27.5 to 32.0 mm) strongly dominates the total cotton production with the share of 77.33 per cent followed distantly by Medium (20.5 to 25.5 mm) and Medium Long (25.0 to 27.0) combining to total share of 20.00 per cent. The cotton with Short Staple (below 20mm) and Extra Long Staple (32.5 mm & above) are not so predominantly grown in India and they both have a share of 1.33 per cent each in the total cotton produced in the country.



From the above table and the adjacent graph it can be concluded that the production of cotton in major states has been increasing gradually in three major producing states namely Gujarat, Maharashtra and Andhra Pradesh. In the last twelve years the national production has increased by over 175.74 per cent and the most significant growth was noticed in Gujarat (280.33 per cent) followed by Andhra Pradesh (264.56 per cent), Maharashtra (211.54 per cent), Haryana

(162.86 per cent) and Punjab (180.00 per cent). The production pattern in Madhya Pradesh has almost been stagnant, showing a marginal increase of 5.56 per cent.

### Staple-wise Information Various Types of Cotton Prevalent in Major Countries

#### Short Staple: (Cottons up to 23.81 mm in length)

India : Bengal Desi, V-797, G11, Wagad, Jaydhar  
 USA : PM 145M PM 183

Ivory : R 405-5, R 405-96 Coast  
 Mexico : Sure-Grow 125 Br  
 Pakistan : NIAB-999, FH-900, Shanbaz - 95  
 Paraguay : DP Opal, DP 404  
 USA : Acala 1517-91, Deltapine DP 8100, Deltapine DP 6211  
 Zimbabwe : ALBAR

#### Medium Staple: (Cottons up to 27.78 mm in length)

India : J-34, LRA-5168, Y-1, NHH-44  
 Mali : NTA 88.6  
 Mexico : Deltapine-451, Deltapine-20, Nucleon-35  
 Pakistan : NIAB-78, CIM-109  
 Sudan : ACRAIN, Acala Syria : Rakka 5  
 Tanzania : UK 74, 77, 82, 91 (Type II and III)  
 USA : Deltapine-20, Deltapine-2156, DUNN 400, Stoneville

#### Long Staple: - (Cotton up to 34.93 mm in length)

Brazil : Fiber Max 956  
 Egypt : Giza 86, Giza 89  
 India : DCH-32, MCU-5  
 Peru : Del Cerro  
 Sudan : Barakat  
 Tajikistan : 100F, Kirgis-3, Namangan-77, C-6530  
 Turkmenistan : 9871-1, Asch-25, Bachar-56  
 Uzbekistan : Bukhara-6, C-6524, Darya-6, An-Bajaut-2

#### Medium To Long Staple: - (Cottons up to 30.96 mm in length)

Argentina : Guazuncho 2 INTA, Pora INT  
 Australia : Sicot 71, Sicot 80, Sicala V-2RR, 189 RR  
 Benin : STAM 18A  
 Brazil : Delta OPAL, ITA 90, Codetec  
 B-Faso : ISA 205, L-299 -10  
 Cameroon : IRMA 1239, IRMA 1243, BLT  
 Chad : A 51, STAM F  
 China : Zhongmian 12, Lumian 6, Simian 2, Liaomian 9, Yanman 48  
 Egypt : Giza 80, Giza 83, Giza 90  
 Greece : Bravo, Ara, Vulcano, Acala SJ2, Corona  
 India : S-6, H-4, Mech-1, Bunny, Brahma  
 Iran : Varamn, Bagtegan

#### Extra Long Staple: - (Cottons up to 44.45 mm in length)

Egypt : Giza 45, Giza 70, Giza 88  
 India : DHC-32, Suvin  
 Israel : Pima (PF 15)  
 Peru : Pima  
 Tajikistan : 9326-B, 9883-1  
 USA : Pima (PHY-76) Pima (DP-744)  
 Uzbekistan : Termez-31

## State-wise Cotton consumption by the Textile Mills ('000 MT)

State / UT	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Tamil Nadu	1160891	1245826	1406506	1580694	1658525	1536573	1617522	1896204	1459144	1638295
Punjab	265171	293549	350948	417345	468881	520173	559582	627548	590851	707330
Maharashtra	271506	321338	303287	330967	338220	303179	312585	350798	370169	397042
Andhra Pradesh	124155	132035	143196	160189	167613	174245	193155	271034	329367	383248
Madhya Pradesh	145819	148296	158809	176171	182813	202771	250491	278457	309956	348424
Gujarat	198638	236196	244931	256017	204494	180483	196627	223820	214568	251390
Haryana	93727	95289	137386	116909	125704	112916	96329	129643	161765	170652
Rajasthan	94694	96929	125517	134469	144008	139264	130589	150627	130123	162131
Himachal Pradesh	69322	72730	84880	117146	131532	129457	130998	129291	91428	111004
Dadra Nagar Haveli	36268	33332	30961	40790	43619	67759	80246	93931	89050	97117
Others	191697	210026	235411	249266	241769	216442	227541	222386	225293	206735
<b>Total</b>	<b>2652004</b>	<b>2885643</b>	<b>3221936</b>	<b>3580049</b>	<b>3707192</b>	<b>3583262</b>	<b>3795665</b>	<b>4373739</b>	<b>3971714</b>	<b>4473368</b>

Source: Cotton Advisory Board, India

The consumption pattern of the cotton has revealed a different economy altogether. Though Gujarat is the largest producer of cotton, the largest consuming state for cotton is Tamil Nadu where its' textile mill consumes 36.62 per cent of the total supply. Next major consuming state is Punjab with the share of 15.81 per cent followed closely by Maharashtra (8.88 per cent), Andhra Pradesh (8.57 per cent) and Madhya Pradesh (7.79 per cent). In the last decade (2003 -2013), the maximum growth in the consumption of cotton by textile mills was recorded in Andhra Pradesh (208.69 per cent), followed by Tamil Nadu (166.74 per cent), Madhya Pradesh (138.94 per cent) and Haryana (82.07 per cent).

## Cotton Balance Sheet for India (Lakh Bales - 170 kg Each)

Item	200102	200203	200304	200405	200506	200607	200708	200809	200910	201011	201112	201213	201314
<b>Supply</b>													
Opening stock	29.00	40.00	24.00	21.00	72.00	52.00	47.50	35.50	71.50	40.50	45.77	40.00	35.00
Crop size	158.00	136.00	179.00	243.00	241.00	280.00	307.00	290.00	305.00	339.00	367.00	365.00	375.00
Imports	25.26	17.67	7.21	12.17	5.00	5.53	6.38	10.00	6.00	2.38	7.51	14.59	17.00
<b>Availability</b>	<b>212.26</b>	<b>193.67</b>	<b>210.21</b>	<b>276.17</b>	<b>318.00</b>	<b>337.53</b>	<b>360.88</b>	<b>335.50</b>	<b>382.50</b>	<b>381.88</b>	<b>420.28</b>	<b>419.59</b>	<b>427.00</b>
<b>Demand</b>													
Mill consumption	147.00	142.42	150.39	163.98	180.00	194.89	195.67	190.00	219.00	221.77	223.59	250.14	258.00
Small Mill consumption	11.70	11.63	13.00	16.57	19.00	21.26	22.08	20.00	23.00	24.46	22.12	23.02	24.00
Non-Mill consumption	13.06	14.78	13.71	14.48	20.00	15.88	19.13	19.00	17.00	13.38	5.00	10.00	15.00
<b>Total consumption</b>	<b>171.76</b>	<b>168.83</b>	<b>177.10</b>	<b>195.03</b>	<b>219.00</b>	<b>232.03</b>	<b>236.88</b>	<b>229.00</b>	<b>259.00</b>	<b>259.61</b>	<b>250.71</b>	<b>283.16</b>	<b>297.00</b>
Export	0.50	0.84	12.11	9.14	47.00	58.00	88.50	35.00	83.00	76.50	129.57	101.43	90.00
<b>Total disappearance</b>	<b>172.26</b>	<b>169.67</b>	<b>189.21</b>	<b>204.17</b>	<b>266.00</b>	<b>290.03</b>	<b>325.38</b>	<b>264.00</b>	<b>342.00</b>	<b>336.11</b>	<b>380.28</b>	<b>384.59</b>	<b>387.00</b>
<b>Carry forward</b>	<b>40.00</b>	<b>24.00</b>	<b>21.00</b>	<b>72.00</b>	<b>52.00</b>	<b>47.50</b>	<b>35.50</b>	<b>71.50</b>	<b>40.50</b>	<b>45.77</b>	<b>40.00</b>	<b>35.00</b>	<b>40.00</b>

Source: Cotton Advisory Board, India

From the above table we can see that the Indian production over the years have shown gradual improvement. It showed an increase of about 101.17 per cent over 2001-02. Likewise consumption has improved by 72.92 per cent. The positive fact about the Indian cotton trade is the growth in the exports over the years, which has grown from a half lakh bales in 2001-02 to about 90 lakh bales 2013-14, while the imports have shown a significant decline of about 32.70 per cent during the same period. If this pattern of export (rate of growth) continues in the coming years, the prices are bound to maintain a steady trend as the global demand is going to support the prices. The ending stock has always been hovering around 40 lakh bales during the aforesaid period.

### International Scenario

In addition to the major domestic factors mentioned in the above discussions, the global cotton scenario also expected to affect the prices in a big way. To measure the exact impetus of the global factors, we can have a close watch at the global cotton balance over the last decade.

#### Global Cotton Balance

(1000 480 lb. Bales)

Marketing Year	Beginning Stocks	Production	Imports	Exports	Total Dom. Cons.	Ending Stocks
2000-01	51,140	89,101	26,229	26,156	90,779	49,535
2001-02	49,535	98,530	29,312	29,066	93,726	54,585
2002-03	54,585	91,020	30,187	30,400	97,658	47,734
2003-04	47,734	96,712	34,110	33,127	97,219	48,210
2004-05	48,210	121,503	33,939	35,031	107,895	60,726
2005-06	60,726	116,358	44,673	44,712	115,244	61,801
2006-07	61,801	123,015	38,255	37,464	122,504	63,103
2007-08	63,103	120,570	39,436	38,951	121,796	62,362
2008-09	62,362	108,296	30,608	30,104	108,936	62,226
2009-10	62,226	103,369	37,077	35,522	119,767	47,383
2010-11	47,383	117,640	36,765	35,393	115,787	50,608
2011-12	50,608	127,280	45,319	45,857	103,653	73,697
2012-13	73,697	123,561	46,177	46,670	106,751	90,014
2013-14	90,014	120,308	40,670	40,943	108,573	101,476
2014-15	101,476	119,608	34,348	34,348	113,724	107,360

Source: Foreign Agricultural Service

From the above table we can see that the global production over the years have shown gradual improvement. It showed an increase of about 98.43 per cent over 2000-01. Likewise the import, consumption and export grew by 30.95, 25.28 and 31.32 per cent respectively. The positive fact about the cotton is the steady growth in the consumption over the years and significant increase in the production. If this slow rate of consumption continues in the coming years, the prices are bound to maintain a steady bearish trend as the pressure would mount in the market over the increasing ending stock. The recent turmoil in the Middle East & Ukraine and slowdown of Chinese buying in the market has pressurized the prices in the recent times. The continued weather abnormalities IN US, China & Europe and prospects of declining production in major cotton production is going to support the prices, though the major driving force would be the Chinese demand.

The country wise analysis of global supply and demand reveals that China and India are the two major players in the global market producing about 52.28 per cent of global production, consuming about 53.89 per cent of the global cotton produce and having over 70.47 per cent of the global ending stock. The increase in the global production has been at a very slow pace (13.43 per cent) in the last five years and the consumption has also declined marginally by 7.88 per cent exerting increased pressure on the ending stock which is the most concerning factor for the global trade. In the last five years (since 2009-10) the global ending stock has swelled up by over 105.05 per cent. The economic slowdown of Chinese economy has resulted in low demand for cotton & allied products. The ending stock in China, which is the largest consumer of global cotton, has increased by about 302.26 per cent in the last five years.

## World Production Domestic Consumption and Ending Stocks (Season Beginning August 1) - '000 MT

Country	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Production 1000 (480 lb.) Bales</b>										
India	19,050	22,500	24,700	23,300	24,500	27,200	29,000	28,500	31,000	31,000
China	28,400	35,500	37,000	36,700	32,000	30,500	34,000	35,000	32,750	30,000
United States	23,890	21,588	19,207	12,825	12,183	18,102	15,573	17,314	12,909	16,397
Pakistan	9,850	9,580	8,550	8,540	9,240	8,640	10,600	9,300	9,500	9,800
Brazil	4,700	7,000	7,360	5,480	5,450	9,000	8,700	6,000	8,000	7,000
Uzbekistan	5,550	5,350	5,350	4,600	3,900	4,100	4,200	4,500	4,100	4,000
Australia	2,750	1,350	625	1,525	1,775	4,200	5,500	4,600	4,100	2,200
World	116,358	123,015	120,570	108,296	103,369	117,640	127,280	123,561	120,308	119,608
<b>Domestic Consumption 1000 480 lb. Bales</b>										
China	43,500	48,000	48,500	42,750	50,000	46,000	38,000	36,000	34,500	37,500
India	16,700	18,100	18,600	17,750	19,750	20,550	19,450	20,850	23,000	24,500
Pakistan	11,525	12,025	12,025	11,125	10,425	9,925	10,025	10,775	10,425	10,625
Brazil	4,302	4,423	4,450	4,050	4,250	4,150	3,850	3,950	4,050	3,950
United States	5,671	5,238	5,013	3,278	3,536	4,082	3,128	3,848	3,742	3,757
Uzbekistan	800	900	1,000	1,000	1,100	1,250	1,350	1,450	1,500	1,450
Australia	-115	-45	-50	-55	-85	-210	-185	-160	-160	-65
World	115,244	122,504	121,796	108,936	119,767	115,787	103,653	106,751	108,573	113,724
<b>Ending Stocks 1000 480 lb. Bales</b>										
China	22,536	20,536	20,504	21,366	14,246	10,603	31,081	50,361	62,707	62,157
India	7,839	7,829	7,029	11,019	9,699	11,799	10,869	11,969	11,319	13,619
Brazil	3,616	5,408	6,251	4,992	4,353	7,906	7,993	5,801	7,668	7,393
United States	6,069	9,479	10,051	6,337	2,947	2,600	3,350	3,800	2,450	5,100
Pakistan	4,597	4,240	4,403	3,378	3,042	2,520	2,835	2,710	2,475	2,700
Uzbekistan	1,248	1,198	1,348	1,948	948	1,148	1,498	1,348	1,248	1,498
Australia	2,003	1,269	725	1,104	852	2,762	3,807	2,399	1,807	1,072
World	61,801	63,103	62,362	62,226	47,383	50,608	73,697	90,014	101,476	107,360

Source: Foreign Agricultural Service

This month's U.S. cotton 2014/15 estimates include higher production and ending stocks. Production is raised to 16.4 million bales, as increases for the Southwest and Southeast more than offset a reduction for the Delta. Domestic mill use and exports are unchanged, resulting in ending stocks of 5.1 million bales. The marketing-year average price received by producers is forecast to fall between 56.0 and 64.0 cents per pound, with the expected midpoint of 60 cents the same as last month.

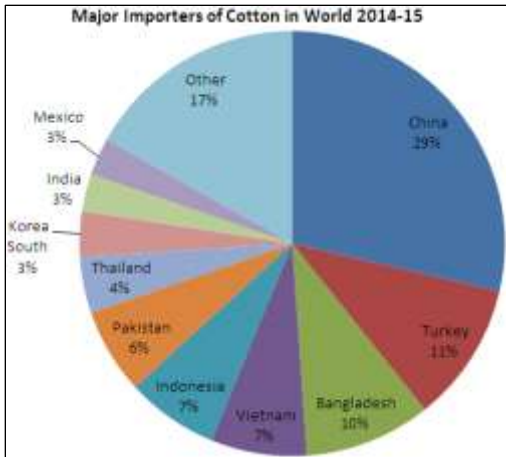
The global cotton 2014/15 forecasts also show only minor revisions this month, leaving ending stocks marginally higher. Production is raised slightly as increases for Burma, the African Franc Zone, and the United States are mostly offset by reductions for China, Australia, and Uzbekistan. Estimates for Burma's supply and demand are revised beginning in 2000/01 based on review of data sources for production and trade. World consumption is raised marginally, owing to increases for Burma, which are mostly offset by decrease for China.

A series of revisions to historical data for Burma resulted in higher estimates for production, consumption, and stocks going back to 2000/01. These changes contributed to a 165,000 bale increase to the global 2014/15 estimate for beginning stocks. With this month's revisions to world production and consumption nearly equal, the addition to beginning stocks was a primary reason for the 249,000 bale increase (to 107.4 million bales) to the global 2014/15 ending stocks number this month.



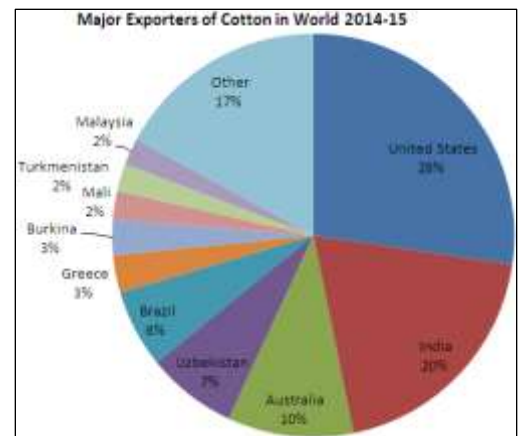
**Recent development in Cotton Market**

Futures in New York yesterday tumbled to the lowest since September 2009 as the U.S government estimates global production to outstrip demand for a fifth straight season, boosting inventories to an all-time high. Slowing demand from China, the world’s biggest consumer, will shrink exports from the U.S. and India.



Global reserves to reach an all-time high of 107.36 million bales, each weighing 480 pounds, or 218 kilograms, as per USDA data. Production is rising just as China cuts imports because of record inventories. The nation’s purchases will drop 50 percent this year to the lowest since 2009. That’s prompting traders to shift focus to markets such as Vietnam, Bangladesh, Taiwan and Turkey. China increased stockpiles more than five-fold over the past four years, after the government bought up supplies to support domestic growers, contributing to a surge in prices. China’s inventories will be a near record 62.16 million bales.

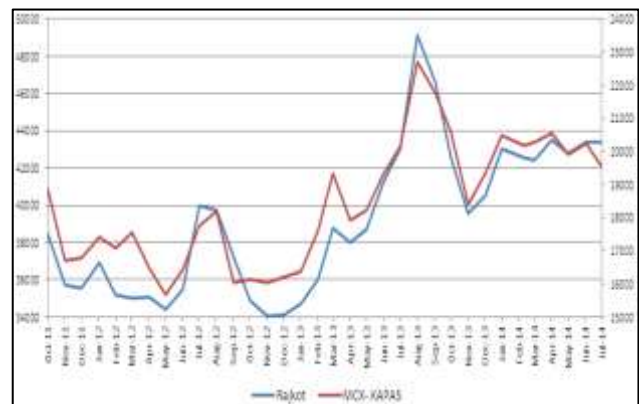
Recent declines in cotton prices could be expected to result in important reductions in acreage in certain cotton producing countries. The magnitude of any shift in global cotton acreage could eventually emerge as a factor affecting cotton prices. However, with world stocks at record levels, and with indications from the Chinese government that reserves would be released in response to upward price pressure, it could take several years for acreage-related forces to drive price direction.



The faster share recovers in China, the faster stocks can be drawn down. However, with China's stocks-to-use ratio near 165% and the global stocks-to-use ratio near 95%, even with a strong recovery in share, it could be expected that stocks will remain well-above average for next several seasons. Correspondingly, it could be difficult for prices to sustain upward movement in the near future.

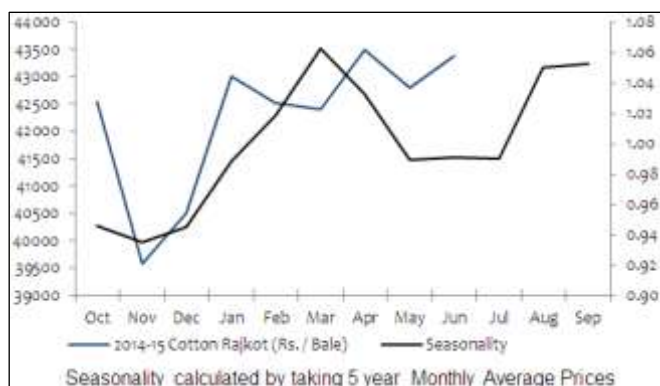
**Price Trend Analysis**

The cotton spot market price variation study indicates that the prices have always been rising in the month of April, all the way till June; thereafter a drop in the prices takes place owing to onset of the sowing season. The demand for cotton improves from the month of September which initiates the upswing in the prices which continues till January owing to increased export demand. World cotton mill use is projected to decrease and



consequently, the ending stocks are expected to increase significantly. As of May 2014, 47 million Bales of cotton are estimated to be held by the Chinese national reserve. China is forecast to add 6.9 million bales to total ending stocks during 2013-14, despite sharply lower imports. As in 2012-13, domestic policies designed to support farmers continue to drive stock-building. China's stocks on July 31, 2013 were an estimated 50.4 million bales, equivalent to about 140 percent of 2013-14 domestic consumption, surpassing the previous stocks-to-use record set in 1998-99. More than two-thirds of the 2013/14 beginning stocks was held by the state reserve. In spite of the bulging ending stocks, the Chinese government has announced the 2013-14 support price of 20,400 RMB/ton (approximately \$1.50/lb.) which has helped to support farm income and stabilize production in China, which is currently estimated at 32 million bales, down about 9 percent from the previous year. With 85 percent of the total 2013 crop expected to be purchased by the state reserve, the support program continues to maintain internal prices substantially above world price levels.

The adjacent price curve indicates the price trend of cotton for the current marketing year. As per the study, the prices have been subdued till April 2014. The prices have recovered since then amidst reports of increased demand. However, the prices have again taken a back seat amidst weakening European Demand and increased slowdown in China which has eaten away the comparative advantage enjoyed by the Indian exporters. The retail and stockiest demand is still weak, but is expected to improve with the advent of the winter season. In the 2013-14 cotton season, the natural fibre exports from India are expected to remain flat at 100 lakh bales owing to lesser demand from China as it is already sitting on a huge inventory of cotton. Seeing the bearish trading outlook, the prices are expected to continue on the lower side with few upside spurts. In India the price is also expected to find support from the unfavourable weather development owing to setting in of El Nino, which is expected to cause scarcity of rainfall in the cotton growing areas.



**Price Forecast: Technical Outlook (MCX)**



**Explanation:**

Marginal convergence is seen in the (Moving Average Convergence - Divergence) MACD curves for the duration of 12 month and 26 month. The lower 12 month moving is still above the 26 month moving average, which is denoting the underlying strength of cotton prices. The Parabolic SAR refers to a price and time based trading system. SAR stands for "stop and reverse." SAR trails price as the trend extends over time. In the case of soybean, the SAR is below the price for the past 8 weeks is indicating at the underlying weakness in the prices, hinting towards possible correction in the prices. The Bollinger's mean line has just been breached, indicating at the possible weakness in the prices for the short term.

**Technical Recommendation:**

The market is expected to find strong support at the levels of 13250 and has good potential of testing 19550 and 21375 on the higher side.

**Price Expectation**

Commodity	Units	Current Market (27.11.2014)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
Cotton (MCX)	Rs. / MT	15790	3750 / 4050 (Kapas)	↑	13250	19550	21375

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