

Highlights of the Month

- ❖ The Cotton Prices closed on lower side amid higher arrivals amid less demand from ginners and traders.
- ❖ Post festive season arrivals have increased across country.
- ❖ Arrivals are expected to increase in the medium –term, thereby weighing on prices.
- ❖ Cotton production estimates at 320 lakh bales for this season, Agriwatch research.
- ❖ Cotton Association of India decreased production estimates of cotton to 334 lakh bales.
- ❖ Millers and exporters are active in the market; good buying is expected in coming days. Millers are buying to fulfill their textile orders for short term.
- ❖ Punjab millers of Malwa region are facing issues in procuring cotton due to higher mandi taxes than neighboring Haryana and Punjab.
- ❖ Lack –luster demand around current levels weighed on the market.
- ❖ Arrivals in the northern region are reported on an average 30,000 bales.
- ❖ In the international market, trading is lack –luster ahead of long weekend.
- ❖ Market is likely to notice sideways to bullish tone amid increasing arrivals in various mandis.
- ❖ Exports are projected at 12.7 million bales and imports at 7 million bales for current cotton year 2012-13.
- ❖ International prices are 4-5% lower than domestic prices making imports much attractive for millers.
- ❖ Crop loss in Andhra Pradesh has been reported following rains during the last few days..
- ❖ According to official estimates, cotton crop has been damaged in 75,000 acres of land in Guntur district of Andhra Pradesh. This will affect the ginning industry.
- ❖ Increase in global supplies will weigh on prices in the medium –term.
- ❖ According to trade sources, around 40% of the crop is damaged in Sirsa district of Haryana and average yield is expected to be around 5 -6 quintals /acre.
- ❖ Rise in demand for cotton yarn in the global market and declining cotton prices in the domestic market is likely to increase the margins for spinning industry.
- ❖ According to CMIE, total yarn production is expected to increase by 6.8 percent in the current season following increase in cotton yarn production.
- ❖ Tamil Nadu miller's consortium is planning to buy cotton of Rs. 30 billion for this cotton season.
- ❖ There is not much demand from the millers and exporters in the ready market.
- ❖ Export demand is likely to be lower this season following higher stocks in the market.
- ❖ The Government has formed a contingency plan to procure 90 lakh bales for the 2012-13 season. The Government expects to open 288 procurement centres in nine cotton growing States.
- ❖ Rise in demand for cotton yarn in the global market and declining cotton prices in the domestic market is likely to increase the margins for spinning industry.
- ❖ According to CMIE, total yarn production is expected to increase by 6.8 percent in the current season following increase in cotton yarn production.
- ❖ Tamil Nadu miller's consortium is planning to buy cotton of Rs. 30 billion for this cotton season.
- ❖ Cotton production has increased from last few years due to increase in acreage but yield has remained static or lower due to lack of technology. Gujarat is likely to have yield of 610 kg/hectare for 2012-13

which is 10 kg lower than last year. All India average yields were 500 kg/hectares for 2011-12, lower than 2007-08 which was 554 kg/hectare.

- ❖ We expect domestic cotton prices to notice steady to firm tone amid good quality crop arrival.

Raw cotton-Import & Export Scenario

Domestic Export Scenario:-

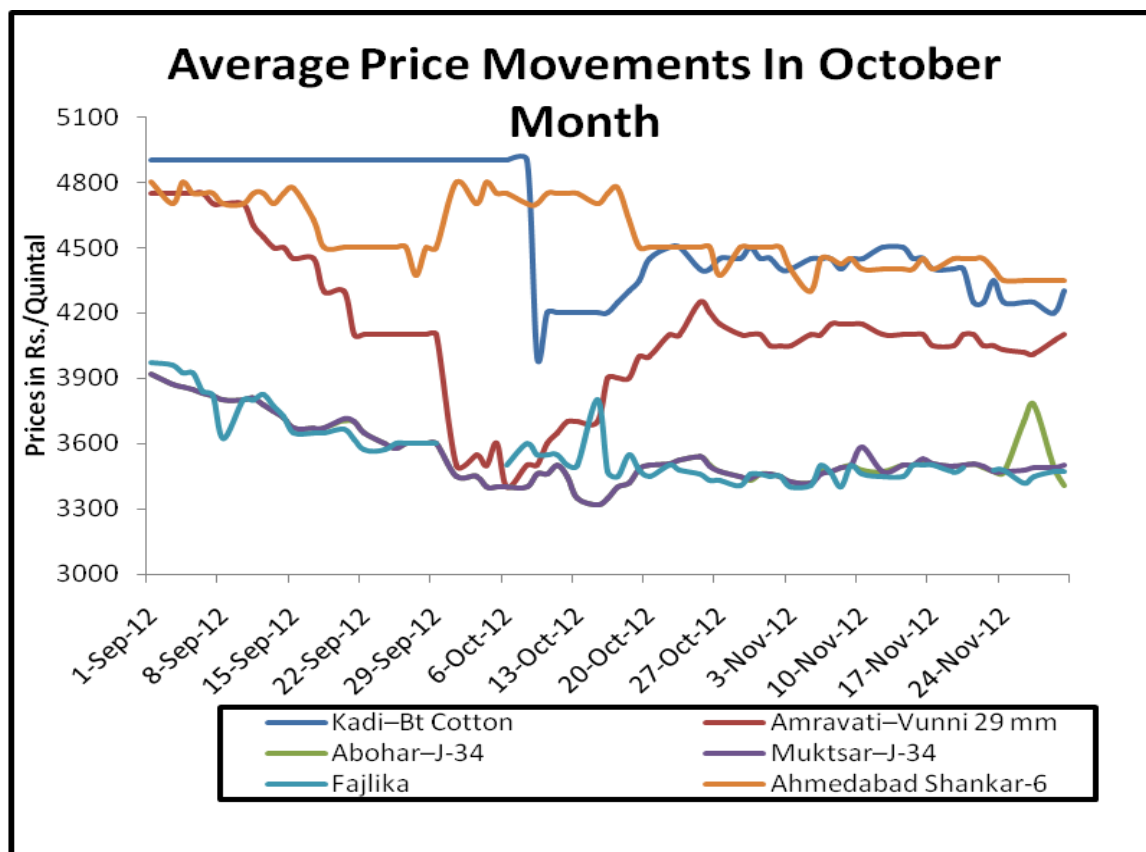
India had been actively exporting cotton, mainly to USA. China which was biggest importer during the first nine months of the cotton year (2011-12), but its exports have nearly halted from the end of June. This month exports are picking up which were almost stagnant. This season, cotton imports are expected to cross 70 million bales higher than previous year i. e 70, 00,000 bales of cotton. Landed cost of imported cotton is Rs 32,000 a candy (a candy = 356 kg) of average quality, while the benchmark local variety, Shankar 6, is quoted at Rs 34,000 a candy.



Cotton Price Performance during the November Month 2012

Average cotton prices were steady to weak in cotton spot markets on back of higher arrivals against low demand during November 2012. Prices mainly decreased in November as less demand in local markets due to non export demand and new crop arrivals.

Below Chart reflects September month average price movements of various markets:-



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		30-11-12	30-10-12	
23300Cotton	Kadi-Bt Cotton#	4300	4500	-4%
	Amravati-Vunni Mech-1#	4100	4100	Unch
	Ahmedabad-Shankar-6#	4350	4500	-3%
	Abohar-J-34*	3405	3460	-2%
	Muktsar-J-34*	3500	3460	1%
	Fajlika#	3470	3460	Unch

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Monthly Arrivals		% Change
	Current Month 30/11/12	Previous Month 30/10/12	
Kadi -Bt Cotton	534500	80500	564%
Amravati -Vunni Mech-1	24300	18110	34%
Ahmedabad - Shankar-6	445500	225000	98%
Abohar	22200	17300	28%
Muktsar	7375	6425	15%
Fajlika	40500	25900	56%
Khandwa	38900	3000	1197%

Khandwa, Kadi, Fajlika-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmadabad, Abohar and Muktsar-Bales

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strengt h/ GPT	Rs. Per Candy (29/11/2012)	Rs. Per Candy (29/10/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	38000	40700	-2700
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	38500	41100	-2600
J-34(202)	26mm	3.5 - 4.9	23	31800	31200	+600
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32800	32900	-100
Shankar- 6(105)	29mm	3.5 - 4.9	28	33500	33500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34400	34000	+400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34800	34500	+300
DCH-32(107)	34mm	3.0 - 3.8	33	44800	45500	-700

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in December, on back of rising arrivals expected in the market. However, cheaper international prices against domestic cotton prices of cotton have influenced mills to import more quantity of cotton from foreign markets which may cap cotton prices upper level.

Technical Analysis of Kapas Futures April 2013 contract at NCDEX



Prices-Rs/20kg

- April contract in NCDEX declined due to higher arrivals and falling demand.
 - Rising open interest & falling prices depicts market under short build up phase.
 - Immediate support could be seen at 950 crossing such level price would test second support level at 920.
- Our short term outlook on the contract is bearish. We advise to go for long positions price at current price level and book profit by short covering as prices are likely to stay range bound till mid- January 2013.

Strategy: We advise traders to make Sell call and book profit by short covering as prices are likely to decline, based on fundamentals.

Support 2	Support 1	Resistance 1	Resistance 2
920	950	1000	1020

International Markets

The United States
US Spot market rate for Color 41, Leaf 4 and Staple 34

	Fri	Mon	Tue	Wed	Thu
Market	23-Nov	26-Nov	27-Nov	28-Nov	29-Nov
SE	69.43	70.62	70.52	70.63	71.35
ND	68.43	69.62	69.52	69.63	70.35
SD	68.43	69.62	69.52	69.63	70.35
ETX	65.50	66.75	66.75	66.75	67.50
WTX	65.50	66.75	66.75	66.75	67.50
DSW	65.93	67.12	67.02	67.13	67.85
SJV	66.68	67.87	67.77	67.88	68.85
7-Mkt Avg	67.13	68.34	68.26	68.34	69.11

Source: USDA (In cn/bl)

- Net Sales of USA cotton is running in 370,000 bales for 2012-13, Mainly to China and India.
- Australian cotton production rose by 12 percent to 944,000 tonnes as reported by Australian Bureau of Statistics.
- Cotton seed demand in Pakistan is picking up. This is likely to raise prices for same.
- Net Sales of USA cotton is running in 370,000 bales for 2012-13, Mainly to China and India.
- Cotton futures at NYMEX closed lower following profit –booking ahead of the first notice day on Friday.
- Three home textile companies in China joined the COTTON USA licensing program to source U.S. cotton yarn.
- According to the General Administration of Customs, China's October cotton imports rose 7.8% from a year earlier to 272,051 metric tons, the General Administration of Customs said Wednesday.
- Cotton prices remained steady to firm in Pakistan amid normal demand in the market. In the current season acreage under cotton declined by 15 per cent compared to previous year.
- Textile millers in Pakistan are looking for cheaper cotton imports amid higher prices in the domestic market.
- According to association officials, cotton output in Ivory coast is expected to increase by 47% to 500,000 metric tonnes in 2015.
- According to the data from Chinese customs, China totally imported 1.08 million tonnes of cotton yarn in the first 9 months of 2012, up a massive 74.17 percent or 462,800 tons over the same period last year.
- Cotton futures at NYMEX closed lower following bearish monthly supply and demand USDA report.
- According to USDA, cotton ending stocks estimates for 2012 -13 seasons touched an all time high of 80.27 million bales.
- Cotton farmers and ginners in Zimbabwe are making a pricing model that will determine the price of the producers in 2012 -13.
- According to the data from Chinese customs, China totally imported 1.08 million tonnes of cotton yarn in the first 9 months of 2012, up a massive 74.17 percent or 462,800 tons over the same period last year.
- Yarns imports from China are increasing following higher price of cotton in the domestic market.
- Cotton futures at NYMEX continued weak tone amid lack of demand and higher supply in the current season.

Technical analysis of ICE Futures (March Contract)

March Contract of ICE futures closed on higher side supported by buyer's activities. However, below 9 and 14 Days EMA



EMAs signify further down momentum. On the other hand, rising open Interest & volume rising depict market under long covering phase. Prices ranged between 69.79 to 73.98 during the month. Immediate support level is at 70.1 breaching this may touch 65.34 during upcoming days.

Recommendation: - Buy on dips towards 70 price level and book profit towards resistance level.

Support 2	Support 1	Resistance 1	Resistance 2
63.34	70.1	77.61	80.64

All in USc

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
 © 2005 Indian Agribusiness Systems Pvt Ltd.