

**Highlights of the Week**

- Cotton prices continued to notice strong tone in various mandis amid falling arrivals.
- Arrivals this season is 15-16 percent less than previous season.
- 90 lakh bales of cotton production in Gujarat are expected.
- Yarn prices in exports were placed at 3.55 dollar per kg CNF.
- Government has procured 20.74 lakh quintals of cotton in the current marketing year 2012 -13 till date.
- The current fluctuation in Indian rupee versus dollar is likely to affect exports in the current season.
- According to the Cotton Advisory Board (CAB), exports are projected to fall by 46 per cent to 70 lakh bales (of 170 kg each) this year from 129 lakh bales during previous year.
- Till the month of November, about 51 lakh bales cotton arrived in the country which was almost 15-16 per cent less than last year arrivals.
- Andhra Pradesh CM directed CCI to procure cotton from state farmers after cyclone hit the state providing support to the prices.
- Expected higher export demand from Bangladesh mills which are ramping up production to meet expected demand from US and Europe on New Year and Christmas are keeping sentiments positive in the Gujarat, Rajkot market. Farmers are also holding the crop in expectation of higher prices.
- Cotton yarn is expected to touch 992 million kg by March next year on higher demand from China. In October cotton registration fell by 98 percent while yarn export grew by 100 percent to 9.4 million kg. Yarn exports have increased by 20 percent this fiscal. Falling rupee also make exports attractive.
- Rajkot, Gujarat gains prices on export demand and lower arrivals due to elections in state.
- The Cotton Corporation of India (CCI) has begun its procurement in Madhya Pradesh, Karnataka and Odisha. In these states cotton prices have fallen below MSP on rising arrivals.
- In Andhra Pradesh National Spot Exchange is procuring in behalf of National Agricultural Cooperative Marketing Federation of India (NAFED). In other major cotton producing states procurement is ready to begin. Latest updates of cotton procurement in Andhra and Maharashtra are 13,000 bales by government agencies. National Spot Exchange are targeting of procuring 15,000 bales of cotton worth of Rs. 500 crore by March 2013 from 18 centers of Andhra Pradesh. Cotton quality is good and procurement is open across 7 centers in Andhra Pradesh.
- As on 12 December total all India arrivals across country was 56.30 lakh bales (1 bale=170kg) which is 11.5 percent lower than previous arrival of 62.81 lakh bales at same period last year. Also, it is only 17.5 percent of 320 lakh bales projected for this 2012-2013 cotton season. Commerce Minister said government will continue with free export policy for cotton this year. Export policy is necessary to ensure better income to farmers.
- India cotton production in 2012-13 is likely to be 21.39 percent of world total cotton production. India's cotton prices are currently USD 5 cents/ lb below the COTLOOK index. Government has formulated National Fiber Policy to make 7 percent annual growth in cotton exports from 2010-20.
- We expect cotton prices to rise amid rising demand and falling arrivals this week.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 14/12/2012	Previous Week 07/12/2012
Cotton	Amravati–Vunni Mech-1#	2%	4100	4025
	Kadi–Bt Cotton#	2%	4450	4350
	Ahmedabad–Shankar-6#	1%	4400	4350
	Gondal	2%	4400	4310
	Rajkot-(Bt Cotton)	5%	4525	4300
	Abohar–J-34*	3%	3615	3510
	Muktsar–J-34*	3%	3605	3500
	Fajlika#	5%	3570	3400
	Khandwa M.P.	Unch	4140	4125
	Sri-Ganganagar	2%	3510	3450

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 14/12/2012	Previous Week 07/12/2012	
Amravati –Vunni Mech-1	9000	13700	-34%
Kadi –Bt Cotton	230000	210000	10%
Ahmedabad – Shankar-6	178000	210000	-15%
Gondal	4757	9232	-48%
Rajkot-(Bt Cotton)	6875	9775	-30%
Abohar J-34*	4850	5600	-13%
Muktsar J-34*	-	-	-
Fajlika	10500	9400	12%
Khandwa M.P.	10500	17500	-40%
Sri-Ganganagar	38000	34000	12%

(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (13/12/2012)	Rs. Per Candy (06/12/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	35700	36100	-1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36200	36600	-1%
J-34(202)	26mm	3.5 - 4.9	23	32700	32200	2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33300	32800	2%
Shankar-6(105)	29mm	3.5 - 4.9	28	33900	33400	1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34400	34000	1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34800	34700	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	45500	45000	1%

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bullish tone in the coming days amid expected decline in arrivals. Downside could be limited amid increasing demand in the near –term.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX

Rs/20 kgs

- April contract in NCDEX, denotes buying interest in the market.
- Increasing volumes will add to the strong tone of the market.
- Prices are moving range bound and breached strong resistance of Rs. 1000.
- Immediate resistance could be seen at 1041 crossing such level price would test second resistance level of 1065.
- Our short term outlook on the contract is sideways to bullish.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
979	984	1041	1065

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1000-1065	Sideways to Bullish Momentum

International Market

- Cotton Futures at NYMEX closed higher amid expectation of good export sales expected in the monthly supply and demand USDA report.
- China cotton production estimates have raised estimates to 6.9 million tonnes for current year 2011-12.
- According to the International Cotton Advisory Committee, cotton production is set to fall by 11% to 23.2m tons in 2013/14.
- The Cotton Assessment Committee has estimated cotton production at 13.3 million bales in Pakistan for 2012 -13.
- Pakistan cotton crop is likely to decline by 7.34 percent to 12.66 million bales from earlier projected at 13.59 million bales.
- International Cotton Advisory Committee reports decline of cotton wool production by 11% to 23.2 billion tonnes for 2013-14. Framers in USA, Turkey, China, Central Asia, Pakistan and French Africa are expected to make sharps cuts in cotton crop due to focus on soybean and other crops.
- Local textile mills of Bangladesh are worried about reduced production of Indian Cotton.
- ICE futures increased by ending 3.5 percent higher in November amid speculations.
- Pakistan spot markets saw very low volume of trade in markets as ginnerers are not willing to sell at lower price and traders are not giving up at those price levels.
- Pakistani cotton price are at Rs. 5820(Pakistani Rupee), millers are reluctant to buy low grade cotton at high price. However, short time markets actors for immediate priority.
- Bangladesh has requested India to ensure export of 1.5 million bales of cotton.
- Cotton futures at NYMEX closed higher amid short –covering.
- Prices in Pakistan firmed up following lower arrivals in the country. Expected good demand for cotton yarn from China will support prices.
- According to ICAC, in the current 2012-13 marketing year, cotton production is expected to be around 26.1 million tons, while consumption is forecast to rise 3% to 23.5 million tons over the same period.

ICE Cotton Futures (March 2013 Contract) Technical Analysis



March 2012 Contract of ICE futures closed on lower side. Prices ranged between 74.40 to 75.16 during the week. Immediate resistance level is at 75.20 breaching this may touch 75.60 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.1	73.2	75.2	75.60

All in cents/pound

Source: ICE

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