

FUNDAMENTALS AND NEWS

- ✓ Cotton cash markets remained range bound to weak this fortnight as Agriculture department officials said that there is a possibility of increase of cotton acreage by 10% to 15% in Punjab and Haryana.
- ✓ However sources say that markets may continue to move higher in the longer run due to strong demand from domestic mills.
- ✓ Sources also added that a major chunk of 31.5 million bales in has already arrived in the market and daily arrivals are likely to decrease gradually in the coming weeks.
- ✓ Sources added cotton markets may continue to move higher spurred by unabated demand from China as the country accounts for a little less than half the world's consumption of cotton. Sources also added that lower Chinese production of the fibre and a ban on exports from India will continue to move the markets higher.
- ✓ Cotton markets were up on concern that wet weather in Australia would limit yields and delay the harvest of Australia's cotton crop.
- ✓ CAB estimates the cotton production was estimated to be 312 lakh bales; acreage was at 111.61 lakh hectare with an average yield 475.23 kg per hectare for the current cotton season (October to September). Haryana is expected to touch 6 lakh hectares from 4.92 lakh hectares in the previous year; production is expected to be 20 lakh bales compared to 17.44 lakh bales in the year 2010-11. In Maharashtra, the area is expected to increase by 10% this year. However acreage under cotton in Gujarat is not expected to see a major increase as spending costs for harvests have increased.
- ✓ A press report said that cotton production is expected to be 6.8 million tonnes (40 million bales of 170 kg each) in 2011-12 as farmers may plant more due to higher returns. As per Cotlook cotton production in India for the 2011-12 season is estimated to be 5.9 million tonnes (MT). Sources added that area under cotton rose by 8.25 per cent to 11 million hectares in 2010-11 as farmers may plant more due to higher returns.
- ✓ ICAC added that global plantings were estimated to rise 7% to 36 million hectares, the biggest area in 17 years, taking output to a record 27.6 million metric tons.
- ✓ Cotton production in Brazil is expected to increase an estimated 9 million bales and planted area to 1.35 million hectares according to USDA. USDA estimates that Turkish cotton area and production are expected to increase about 30% and reach 410,000 hectares and 600,000 tonnes (2.7 million bales) in 2011-12.
- ✓ ICAC has estimated higher production at 27.4 million tonnes in 2011-12 mainly due to higher plantings in most producing countries.
- ✓ Agriculture and Food Processing Industries minister, Mr. Sharad Pawar said Cotton production has increased from 24.23 million bales in 2009-10 to 33.93 million bales in 2010-11.
- ✓ USDA said that India's 2011-12 cotton production is forecast to increase to a record 27.3 million U.S. bales on expected record cotton planting of 12.5 million hectares. Consumption is forecast to increase to 22.6 million bales on expected strong domestic and export demand for cotton textiles.
- ✓ USDA added on Wednesday that Chinese imports are forecast to increase in 2011-12. USDA added that 2011/12 cotton imports are forecast at 3.6 million tonnes, up 6% from the estimated 3.4 million tonnes in 2010/11. USDA also added that consumption may increase to 11 million tonnes due to higher domestic and overseas textile demands which are outpacing domestic supplies.

OUTLOOK: Short Term (One fortnight)

In the short term, cotton prices may remain range bound to weak on higher acreage details coupled with higher production estimates from India and the world.

Prices at Key Markets (Rs/Candy)				
State	Centre	Variety	Prices	
			26-03-11	09-04-11
Punjab	Muktsar	J-34	6575	6540
	Abohar	J-34	6525	6520
Gujarat	Kadi	BT	6500-7000	6125-6550
	Ahmedabad	Shankar	6750-7000	6125-6625
Maharashtra	Amravati	Vunni Mech1	6150-6500	6100-6300

Cumulative Arrival (in bales) in markets from 26-03-11 to 09-04-11		
State	Center	Arrivals
Punjab	Muktsar	Nil
	Abohar	390
Gujarat	Ahmedabad	226,000
	Kadi	249,263
Maharashtra	Amravati	3,900

Technical Analysis:

- ✓ Prices have closed below the 9 and 18-day EMAs supporting the weak trend in short term.
- ✓ MACD is flat supports the sideways sentiments.
- ✓ RSI is moving down and supports the bearish sentiments.
- ✓ Kapas futures are likely to remain range bound to weak in the coming fortnight.
- ✓ Key supports are at 1123 and 1152.
- ✓ Key resistances are at 1227 and 1274.
- ✓ So sell on any rebound in the market near resistances.



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>