

## DOMESTIC MARKET RECAP

Mostly a steady to firm sentiment featured in cotton cash markets during last week amid lower arrivals in the market. According to trade sources cotton area is expected to increase this Kharif 2011 on forecast of normal monsoon by IMD and higher prices throughout the last season 2010-11 marketing season. Meanwhile, CAB (Cotton Advisory Board) revised lower its cotton crop output to 312 lakh bales as against the earlier forecast of 329 lakh bales, which also supported the prices to some extent.

### Current Market Dynamics

Cotton Advisory Board (CAB) in its latest crop estimate has revised upward the acreage under cotton cultivation in 2010-11 at 111.61 lakh hectares from 103.10 lakh hectares while it revised production to 321 lakh bales from the previous estimate of 329 lakh bales as unseasonal rains in December 2010 and extreme cold wave in the month of January 2011 in the Saurashtra region of Gujarat and other sowing areas like Maharashtra and Andhra Pradesh has damaged the crop. However, despite the revised production estimate overall supply remains comfortable to meet demand.

Currently the cotton season is almost at its end and as a result of the quality of arrivals have gone down which may push markets higher in the short run. Demand from millers has declined due to the deterioration of the quality of arrivals and this may further push the markets higher.

According to IMD this year rainfall in the Northwest may be deficit and further in the Ganganagar belt if irrigation facilities don't improve then farmers may sow other crops like Guar, Pulses which require considerably less water. This might further push the prices higher.

However, stockists might also have stocks with them and seeing higher prices they might want to release some stocks to make profits which may restrict the uptrend.

### Area Production and Yield of Cotton in the last 2 years

Area, Production and Yield			
Year	Area	Production	Yield
2009-10	103.1	295	486
2010-11	111.61	312	475
Source: Cotton Advisory Board			

Area in lakh hectare, Production in lakh bales, Yield kgs per hectare

### Cotton Arrival Scenario:

Market	% Change during corresponding period last year	Arrivals during the week (11-18 May 2011) in tonnes	Arrivals during Previous week (03-10 May 2011) in tonnes	Arrivals during last year (11-18 May 2010) in tonnes
Rajkot (Gujarat)	-55	62.5	103.75	140
Patan (Gujarat)	-	90.15	64.38	-

Cotton cash markets saw a rebound in the this week as arrivals totaling of 62.5 tonnes declined by 39.74% compared to last week arrivals and 55% compared to last year arrivals. Arrivals were lower last week as the arrival season is complete. Given the poor demand from millers some stock may be held by the farmers and stockists as they wait for better returns.

### Cotton Price Outlook

Cotton was trading in the price band of Rs. 3,750-5,050 per quintal (indicated by the blue lines) which is expected to move higher on lack of crop arrivals in the next week. We are expecting that prices will remain in this range. However in the longer run markets may move lower on higher plantings expected in India on the back of normal monsoon predictions and the high returns received this year.

## Expected Price range of Cotton Prices for next week

Markets	Expected Range of Cotton
Kadi	3800-4800

## Prices-Rs/quintal

### Kadi prices- Bt quality

## Technical Analysis of Cotton Prices at Kadi Market



## Prices-Rs/quintal

Technical analysis of cotton prices suggests that prices are in a bullish phase as prices have closed above the 9 and 18-day EMA. MACD is moving up in the negative region and suggest that the bearish sentiments are reducing in the market. Cotton was trading in the price band of Rs. 3,730-4,895 per quintal (indicated by the blue lines) which is expected to remain in this range as farmers were not interested to sell at lower price range and millers are not ready to buy at higher range. In the short term, prices are expected to remain within the indicated range as cotton transactions are very limited and mills are watching the situation.

## Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		Change
		19-05-11	11-05-11	
Cotton	Kadi –Bt Cotton	3625-4750	2750-4375	+375
	Amravati –Vunni Mech-1	2700-3500	2700-3700	-200
	Ahmedabad-Shankar	3000-5000	3000-4750	+250
	Abohar – J-34	4450	4800	-350
	Muktsar– J-34	4500	4800	-300

## INTERNATIONAL MARKET HIGHLIGHTS

- U.S prices ended higher on concern that flooding in important sowing areas will hurt crops in U.S. State officials said that at least 130,000 acres were flooded in Missouri, and even more land may be under water in Tennessee and Mississippi.
- USDA said initially that planting in Texas was estimated at 6.12 million acres this year, followed by Georgia at 1.45 million acres.
- Chinese farmers may plant 5.5 million hectares (13.59 million acres) and output may reach about 6.5 million metric tons (29.86 million bales). Cotton output in China last year was down 6.3 percent to 5.97 million tons (27.42 million bales).
- ICAC has forecasted higher acreage estimates for 2010-11 at 33.81 million acres a jump of 13% compared to 29.98 million acres during 2009-10. The world cotton production during 2010-11 is expected to be higher by 13% at 24.79 million tonnes as against 22.01 million tonnes.

## Pakistan Cotton Scenario

Cotton prices in Pakistan are expected to drop as acreage is expected to increase in the Sindh province (a major producing area). According to USDA, Cotton acreage in Pakistan is slated to rise by 13.79% at 330,000 hectares for 2011-12 as against 290,000 hectares for 2010-11. The reason for increase in acreage is mainly due to global cotton prices touching record high levels, which has inspired farmers to take up cotton production. According to USDA cotton production in Pakistan is also slated to increase 18.39% at 10,300 of 480 lb. Bales for 2011-12 as against 8,700 of 480 lb. Bales for 2010-11. However, imports are on the decline by 6.6% 1,400 of 480 lb. Bales for 2011-12 as against 1,500 of 480 lb. Bales for 2010-11.

## International Cotton Prices

### Cotlook 'A' Index

2007-08	2008-09	2009-10
72.9	64.8	77.54

### In US Cents/lb

Currently on 19th May 2011 the Cotlook 'A' Index is ruling at 167.55 US Cents/lb lower by 86% from the peak level of 243.65 US Cents/lb recorded on 8th March 2011.

## New York Futures on ICE

The movement of the New York on ICE over the last week has been as follows,

Contract	11-05-11	12-05-11	13-05-11	16-05-11	17-05-11	18-05-11	19-05-11
Jul-11	150.30	144.30	145.15	151.15	155.04	159.86	155.65
Dec-11	125.19	119.19	115.61	120.03	121.13	122.98	119.19
Mar-12	118.47	112.47	109.47	113.53	113.90	114.97	111.21

### In US Cents/lb

## ICE Futures Quotes for Cotton

Contract	Current (19/05/2011)	Week ago (11/05/2011)	Month ago (19/04/2011)	Year ago (19/05/2011)	% Change over previous year
July	155.65	150.30	171.16	83.28	+86.89
December	119.19	125.19	128.73	78.11	+52.59
March	111.21	118.47	120.97	79.24	+40.32
May	107.71	112.79	114.77	79.39	+35.67

### In US Cents/lb

ICE futures have been higher by 3.55% over the last week on concerns about the flooding Mississippi River damaging the cotton crop in the area. Markets fell over the last half of the week as China, Vietnam and Bangladesh canceled orders for 44,000 bales, 4,400 bales and 2,200 bales respectively from the U.S.



According to the chart the price trend looks positive with firm resistance at 158.85 and 166.15 and if this resistance is broken then we can prices moving up to 180 levels. Firm supports are at 143.15 and 139.9.

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