

Highlights of the Month

- Cotton ruled out weak tone in the domestic market on account of overall dull trade activities like poor millers demand and missing export activities.
- The agriculture ministry projected 340 lakh bales of cotton production in 2011/12 as crop damaged in major growing states.
- India has pegged export at 9.4 million bales of cotton in 2011/12 higher than earlier export estimate 8.4 million bales.
- However, India has recently imposed a ban on raw cotton export which may adversely affect on cotton prices during upcoming days.

Current Market Dynamics

Cotton prices declined during this month as dull trade activities featured in the market. As, domestic millers are continue using their already procured stocks during the month to fulfill further requirements. As on date, millers are holding adequate stocks for tow month more, which may discourage farmers holding crops as demand will not rise until millers have their own stocks. Resulting, the pace of arrival on daily basis is slow on account of poor demand.

Traders are in view of bearish trend for cotton prices during upcoming month due to declining millers demand. Meanwhile the government has recently imposed a ban on raw cotton export which may cause pushed down prices.

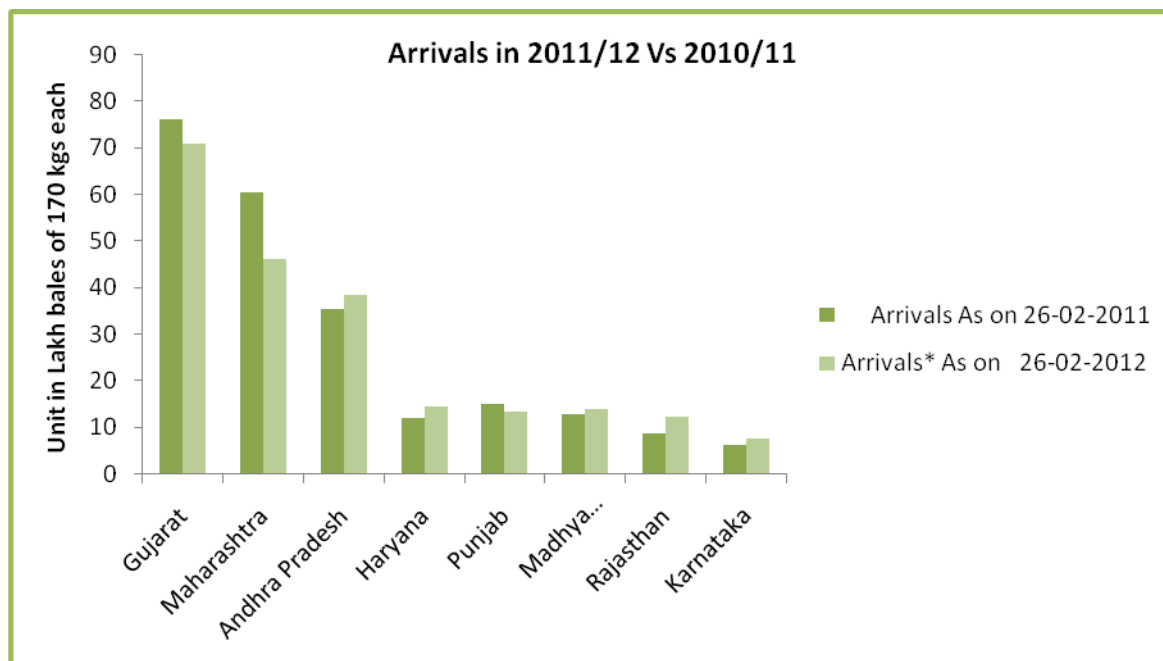
On other hand, agriculture ministry revised its estimates of cotton production in India to 340 lakh bales from its earlier estimates i.e. 345 lakh bales as crop in higher ratio affected by diseases.

The cotton advisory board has recently estimated cotton export at 9.4 million tonnes in 2011/12 higher than its prior estimates i.e. 8.4 million tonnes due to rising export demand, which may decline opening stocks to 3.66 million bales in 2012/13 against earlier estimate 5.53 million bales.

State wise Arrivals

As on date, total 30 to 40% stocks are remaining in hand of farmers. Cumulative cotton arrivals have dropped down by 4.45% to 223.45 lakh bales against 233.84 lakh bales amid higher production. However, some of the key market like Andhra Pradesh, Haryana, Rajasthan, Madhya Pradesh and Karnataka reported arrivals up as showed below in the table.

Following table shows the comparison of state-wise arrivals in 2010/11 Vs 2011/12:-



2011-12 Supply and Demand (CAB Estimates):

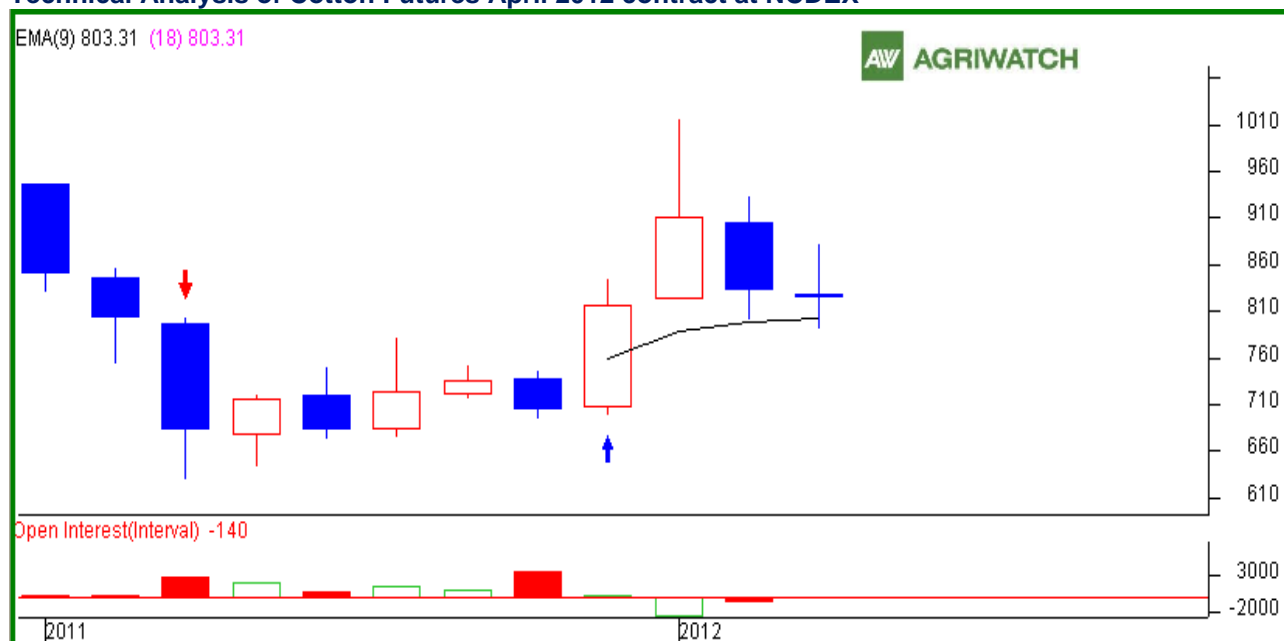
Cotton Area Production Yield State wise

According to the cotton advisory board, cotton production of India is estimated at 345 in 2011/12 up by 1.76 % from the last year production estimate to 339 lakh tonnes. Despite, overall yield is reduced by 6.96% to 481 from last year's yield estimate to 517 kgs/ha after increasing acreage towards 9.43% to 121.91 lakh hectares in 2011/12 from the previous year cotton acreage at 111.42 lakh hectares. Following table shows the details of Area, production and yield of major cotton growing states of India as per CAB report:-

State	2010-2011			2011-2012		
	Area	Production	Yield	Area	Production	Yield
Gujarat	26.33	103	665	30.33	114	641
Maharashtra	39.32	82	355	40.95	69	286
Andhra Pradesh	17.84	53	505	18.54	48	440
Madhya Pradesh	6.5	17	445	7.06	17	409
Punjab	5.3	16	513	5.6	17	516
Haryana	4.92	14	484	6.05	17	478
Total in India	111.42	339	517	121.91	345	481

Area in lakh hectares, Production in Lakh bales, Yield in kgs/ha

Technical Analysis of Cotton Futures April 2012 contract at NCDEX



Prices-Rs/20kg

The above chart shows buyer interest in the market. Short term trend expected to weak as prices will highly influenced by fundamentals. RSI is moving in the neutral region and hints the sideways to bearish momentum in the market. A close at or above 900 will continue to send bullish signals, but a weekly close at or below 700 will turn the monthly trend down.

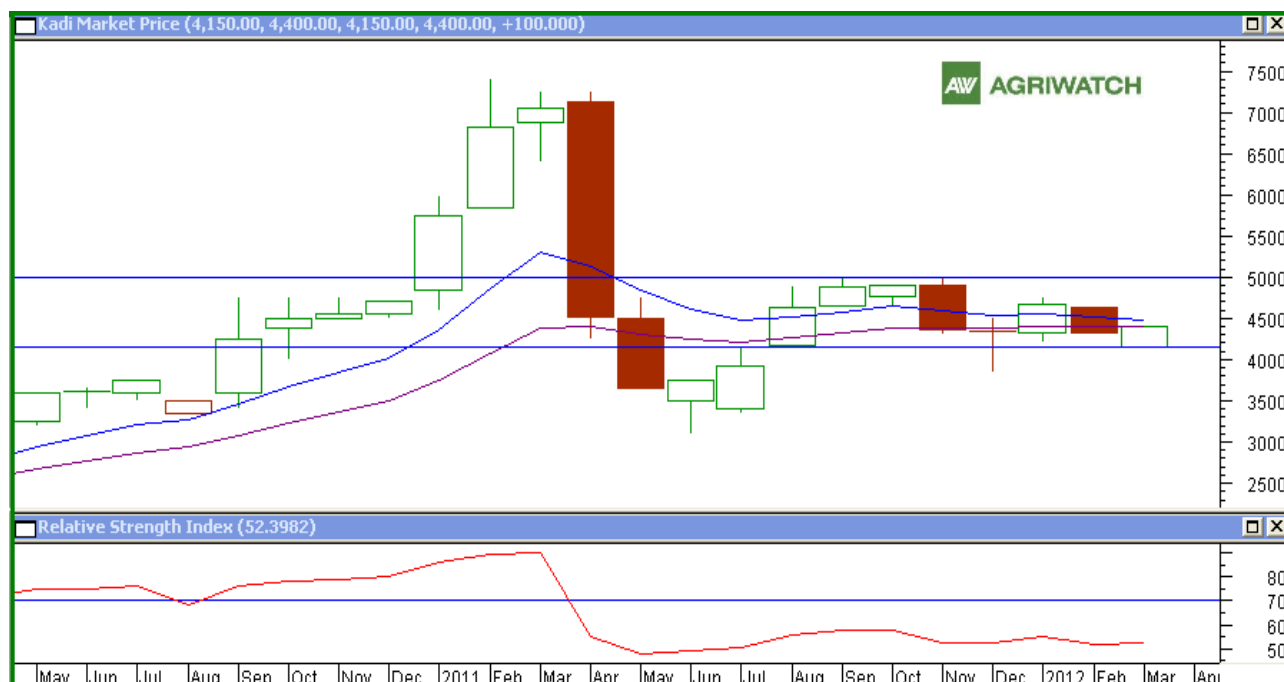
Support 2	Support 1	Resistance 1	Resistance 2
645	723	909	987

Strategy: Sell near the mentioned resistance levels support levels and book profits at mentioned support levels.

Fundamental Cotton Price Outlook for Coming Month (December)

Cotton prices are expected to trade range bound with weak bias due to missing export demand and lower domestic demand.

Technical Analysis of Cotton Prices at Kadi Market



Prices-Rs/quintal

The candlestick pattern shows bullish momentum during this month however hints down trend in upcoming month as highly affected by fundamentals. There is no changes in 9 and 18-day EMAs if compare to previous month. RSI is moving in the neutral region and supports the sideways momentum to bearish momentum is the short term. Immediate resistance 4700 and resistance level -2 expected to touch around 5000 and nearest support level is 3573 and second support level is expected to touch 3200.

Cotton Price Outlook

Expected Price range of Cotton Prices for next month

Markets	Expected Trading Band for the coming month	Expected Trend for coming month
Kadi	4100-5000	Steady to Weak

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		29-02-12	31-01-12	
Cotton	Kadi –Bt Cotton (Per Qnt)	4300	4675	-8%
	Amravati –Vunni Mech-1 (Per Qnt)	3800	4125	-8%
	Ahmadabad – Shankar-6 (Per Qnt)	4325	4525	-4%
	Abohar – J-34 (Per Maund)	3500	3860	-9%
	Muktsar– J-34 (Per Maund)	3500	3860	-9%

INTERNATIONAL MARKET

ICE future closed on lower side as dull trade activities were seen in the market. Even, supplies are also moderate as producers are not interested to sell their produce at the current price. However, during upcoming week ICE future may move upside as India has banned on raw cotton export however, Chinese demand is increasing and may move to U.S. cotton further to fulfill their fibre requirement.

As, China is expected to plant cotton down by 6.1% to 5.09 million hectares in 2012 from the previous year 2011, recently revealed in Shanghai Securities News Report. They added that the cotton prices in China came down by 29.9% to 7.67 Yuan less than last year record however, inputs cost reported higher by 21% compared to last year due to Chinese government may step forward to increase its state reserve importing cotton from its overseas market.

International Cotton Advisory board has released World Cotton Supply details as following:-

WORLD COTTON SUPPLY AND DISTRIBUTION			
All in million tons	2010/11	2011/12	2012/13
Production	25.107	26.787	24.94
Consumption	24.454	23.737	24.31
Exports	7.625	7.689	8.24
Ending Stocks	9.252	12.303	12.93

Source: International Cotton Advisory Committee

ICAC projected U.S export down by 25% due to lower supplies in current season as U.S cotton production forecast for 2011/12 dropped by 13% because of crops got damaged due to severe drought. Total cotton Shipment from United States for six month (August- January) in marketing year 2012 stood at 4,179,000 bales down from the last year 2011 in January month recorded at 5,690,000 bales revealed in latest USDA report. However, Australia production is likely to increase to 5 million bales in 2011/12 said by industry body Cotton Australia.

Major Cotton growing countries like China, India, Pakistan, Brazil, Central Asia and Australia are expected to grow lower cotton crop in 2012-13. India is likely to plant 26.5 million bales down 2% from 2011-12 planting. Pakistan, Brazil and Australia are also expected to cut planting in 2012-13 by 4% to 10 million bales, 6% to 8.5 million bales, 6% to 4.7 million bales respectively compared from the year 2011-12.

Cotton crop in South American nations such as Paraguay and Argentina is facing severe drought during current period. Yield is estimated to decline as high as 60 to 70% in Paraguay as reported by the state government. Yield of 300 to 400 kg/ha is estimated for current crop as against the normal yield of 1800 kg/ha indicating marked decline in Paraguay. Total area planted in Paraguay was at 70,000 ha. Similarly the situation is also worsening in Argentina with production to decline by nearly 8-10% as per an estimate.

However, record production from India and Pakistan to the tune of 340 lakh bales and 143 lakh bales respectively could ensure adequate supply to the global trade chain off-setting any major decline from the Latin American nations. This is likely to limit excessive gains in the world market in general and domestic market in specific in long run.

Pakistan Cotton Ginners' Association reported total seed-cotton arrivals up by 19.23% at 12.829 million bales Vs 10.760 million bales same time last season. In Punjab province arrivals are reported higher by 44.44 percent at 10.312 million bales and in Sindh lower by 30.48 percent at 2.517 million bales as the crop in higher quantity got damaged influenced by floods and heavy rains which directly affected quality of the seed hence on cotton prices.

Technical analysis of ICE Futures (March contract)



Prices-US Cents/lb

Chart shows selling pressure in the market which will continue even during upcoming month as trend line is indicating. On other hand, RSI is moving hints towards sideways to bearish momentum for next week. Immediate resistance could be seen at around 88.56 level breaching above the same would take prices towards 88.84 level. A weekly closed below 86.30 can change the monthly trend of the market. The price is expected to trade in range bound 87.40 to 90.04cents.

Support 2	Support 1	Resistance 1	Resistance 2
86.87	90.06	97.95	102.65

All in USc

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