

Highlights of the Month

- Mixed trend witnessed in the cotton spot markets during the month.
- India has shipped out 11.5 million bales of cotton so far in 2011/12.
- After the Ministerial review meeting (30th April'12) over export ban, the Government has removed the earlier month's restriction from raw cotton exports on new registrations.
- CCI has procured total 110,000 bales of cotton from Gujarat so far, starting from March 31, 2012.
- ICAC forecasted China's total imports at 4.2 million tons during the current season 2011/12 given the increased accumulation since last eight months by China.
- Overall sentiments remained strong after the decision to remove cotton exports ban and in anticipation of strong textiles millers demand in upcoming month.

Current Market Dynamics

The cotton spot markets closed with mixed sentiments amid patchy supplies and demand in the markets. Textiles millers demand improved during the last week of the month as compared to the first three weeks of April 2012. Besides, more of the fresh crop arrived in the markets in the last week on better prices. The prices of the most traded Shankar-6 variety rose 200 rupees to 34,600 rupees per candy of 356 kg each after the announcement about the removal of the raw cotton exports ban by Indian government. Yarn demand and Textile millers demand are likely to revive in the market which will take cotton prices up in the medium term.

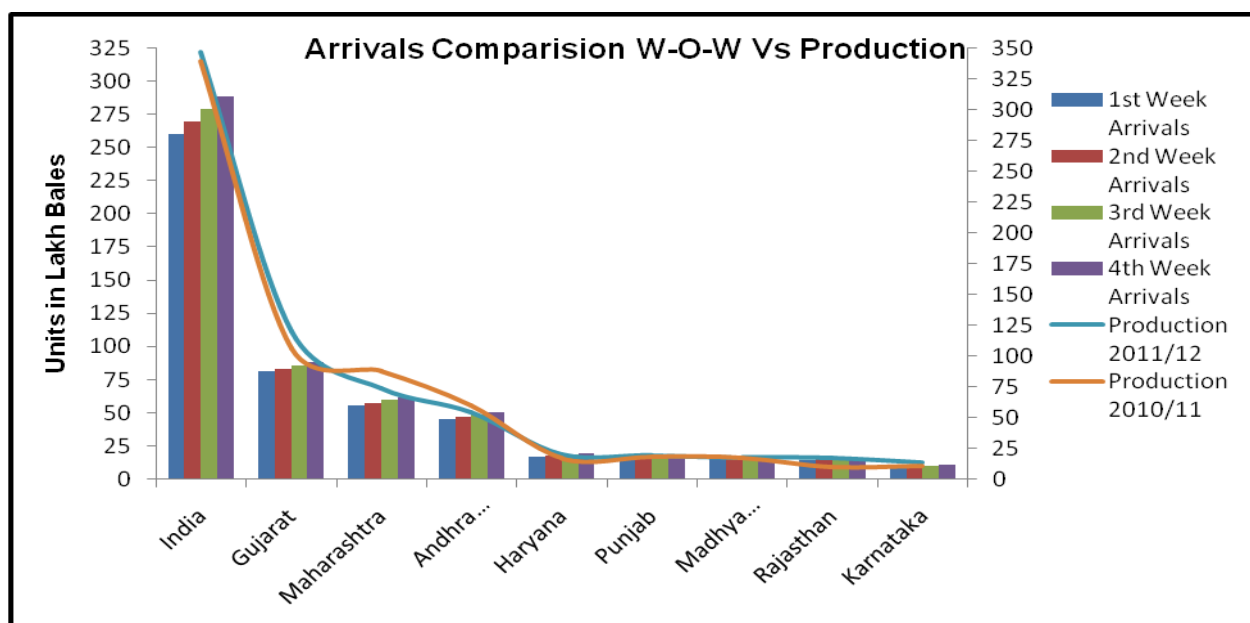
On the other hand, the government has asked CCI to build a buffer stock of around 10 lakh bales of cotton to meet any emergency during offseason of arrivals or in June, July and August 2012. Meanwhile, CCI has procured total 110,000 bales of cotton from Gujarat so far since March 31, 2012 of which 57000 bales of cotton has been purchased from Rajkot and around 53000 bales of cotton from Saurashtra.

The Commission on Agricultural Costs and Prices (CACP), under the ministry of agriculture, has recommended an increase of 25% with the minimum support price (MSP) of cotton to around 3500-3900 per quintal.

Comparison of Weekly Arrivals during the month of April 2012-

During the current month, cumulative arrivals pace in India increased continuously every week in all the major growing states as below chart reflects. CCI buying activities and improving millers demand prompted farmers to increase their supplies in the markets. As a result, farmers are now estimated to be holding only 10 to 15% of the cotton crop. CAB has recently revised up the production estimates of Gujarat and Karnataka to 120 from 117.2 lakh bales and 13.25 from 13.1 lakh bales while cutting the production of Maharashtra to 73.75 from 74.75 for the current season 2011/12.

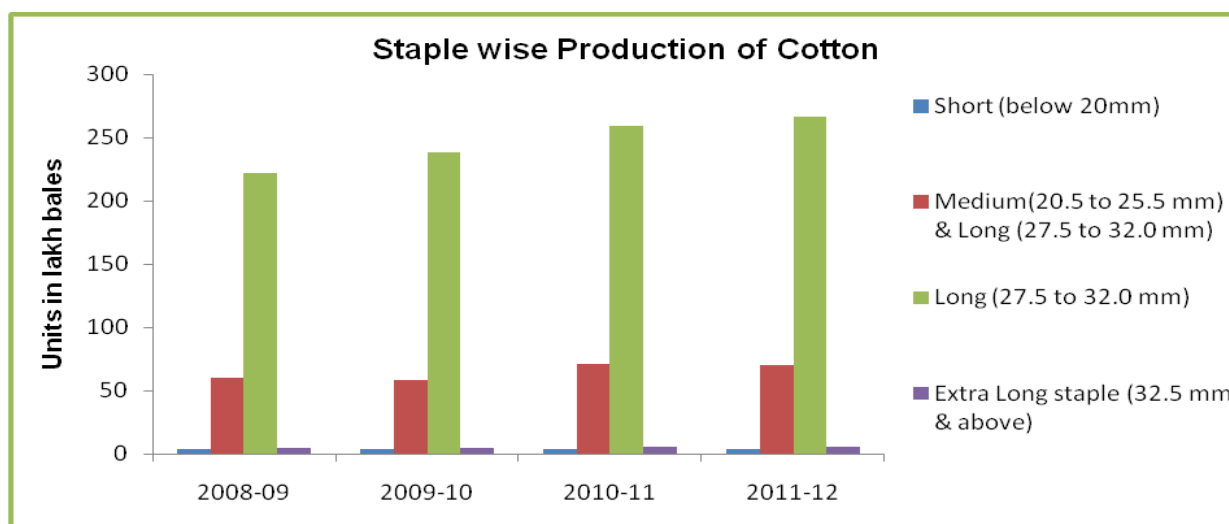
Given table show the comparison of weekly arrivals pace of cotton Vs production:



Source: The Cotton Advisory Board

The production of major growing staple size of cotton (long – 27.5 to 30.0 mm) is estimated higher at 266 lakh bales in the 2011/12 against last three years record by the Cotton Corporation of India.

Below table shows staple wise production of cotton of last four years (Source: The Cotton Corporation of India):-



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		30-04-12	31-03-12	
Cotton	Kadi-Bt Cotton#	3900-4425	4000-4450	-0.56
	Amravati-Vunni Mech-1#	3850	3800	1.32
	Ahmedabad-Shankar-6#	3750-4250	4000-4300	-1.16
	Abohar-J-34*	3720	3680-3710	0.27
	Muktsar-J-34*	3720	3690-3700	0.54
	Fajlika#	4120	3750-4320	-4.63
	Khandwa#	3200-4000	-	-

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Month 30/04/12	Previous Month 31/03/12	
Kadi -Bt Cotton	4170	3605	15.67
Amravati -Vunni Mech-1	93000	95000	-2.11
Ahmedabad - Shankar-6	658000	470000	40.00
Abohar	15300	18550	-17.52
Muktsar	6850	8700	-21.26
Fajlika	51200	51900	-1.35
Khandwa	25000	21300	17.37

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

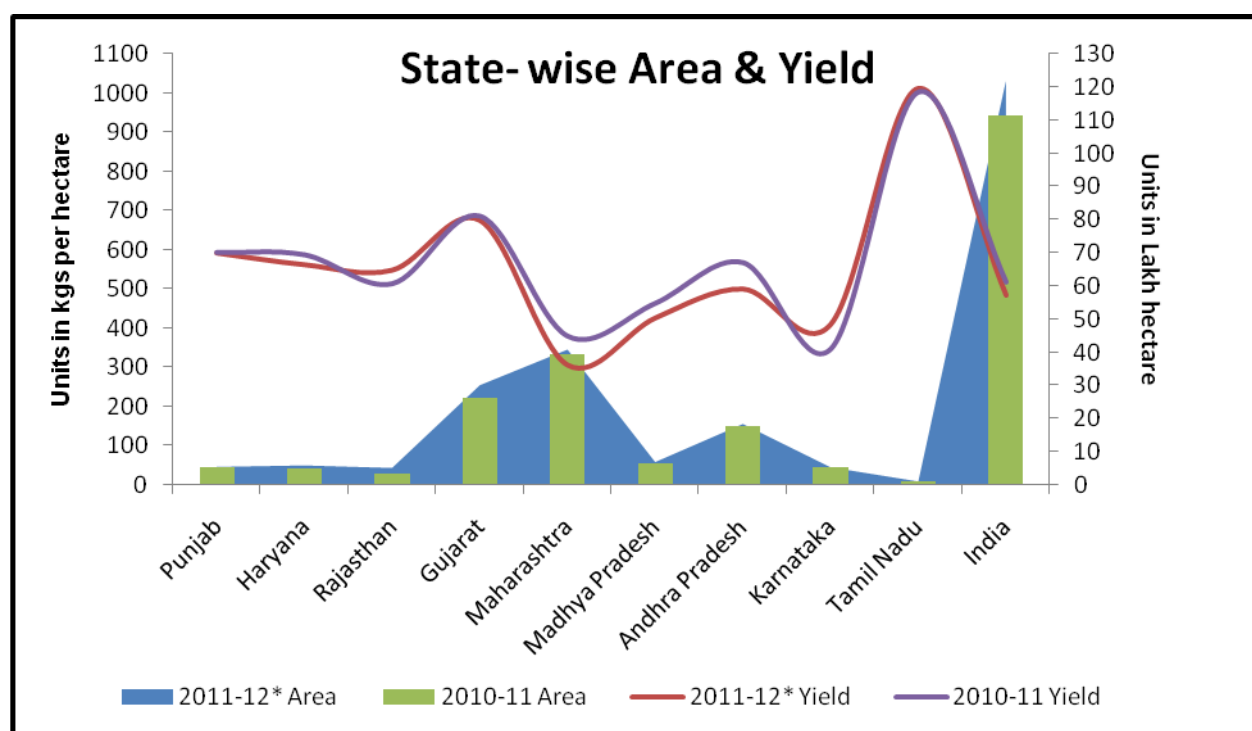
Cotton Crop Situation and Weather Condition

Cotton sowing has started in irrigated parts of Punjab. However, sowing will start only after the first monsoon rain in Central and South Zone of India which obtain their moisture primarily through rain.

Cotton area is likely to shift to Chilli, Soybean and majorly in Guar crop due to higher returns in the current season. The farmers in Andhra Pradesh are likely to shift towards Maize crop reducing 4% to 7% area of cotton in 2012 planting season on account of insufficient water availability of last season 2011 and poor performance of cotton prices in 2012. Meanwhile, the farmers in Maharashtra are planning to shift towards soybean due to poor cotton prices & lower yield on unfavorable weather conditions amid higher cultivation prices in 2011/12. Cotton area in Gujarat is expected to shift towards groundnut.

India may have 15% lower cotton planting against 12.2 million hectares sowed in 2011/12 as per the Cotton Association of India. According to USDA report, there is likely to be a decline in the cotton crop in 2012/13 to 32.3 million bales (1 bale=170kgs) in comparison to the current year crop of 34.3 million bales due to the lower planting area.

According to the National Seed Association of India estimates, India is expected to require Bt cotton seeds in the range of 4.0-4.5 crore packets of 450 kgs each against total availability of seed of 5.5 crore packets.



Source: The Cotton Advisory Board

2011-12 Supply and Demand (CAB Estimates):

The Cotton Advisory Board has revised the cotton balance sheet after the review meeting held on 18th April 2012. CAB reported that the crop will be higher compared to last year. Exports is expected to rise to 115 lakh bales and consequently the carry forward stock is estimated down to 25.1 lakh bales against the previous estimate of 55.3 lakh bales of cotton during the current marketing season of 2011/12. Mill use is expected to decline to 252 lakh bales compared to the previous estimate of 267.4 lakh bales due to the slowdown in their demand.

The Agriculture Ministry has pegged cotton production of 2011/12 at 35.2 million bales in the 3rd advance estimate released on 23rd April 2012 and pushed for the fresh cotton exports

The following table shows the supply and demand situation for 2011-12 –

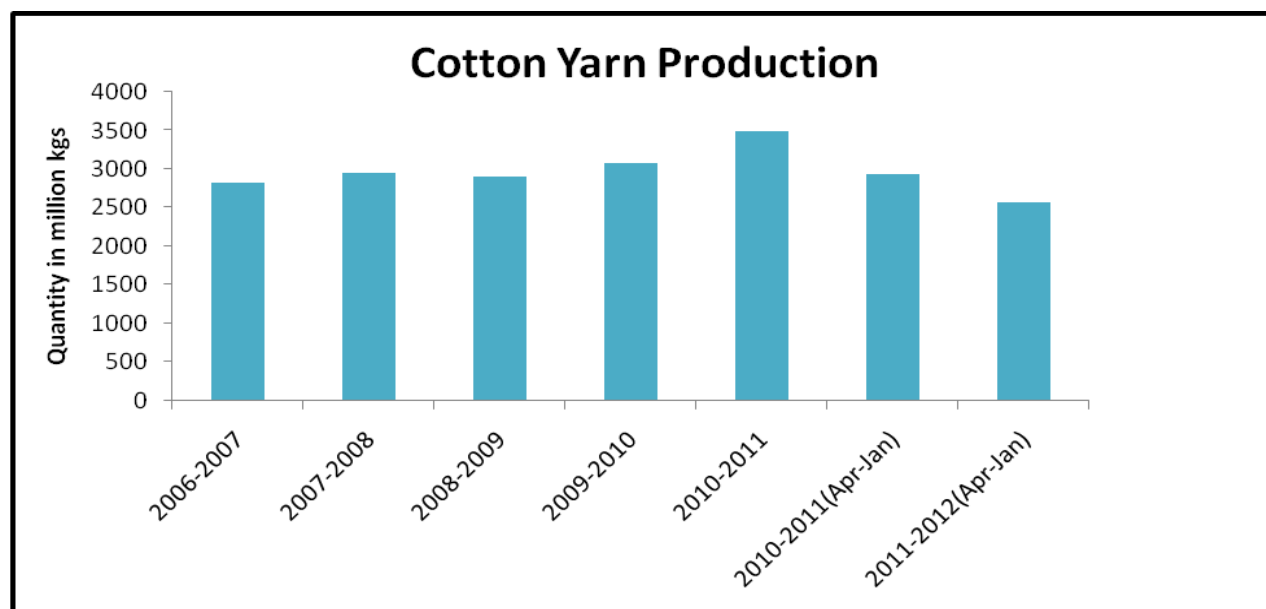
Item	2010-12	2011-12 18th April	2011-12 24th Jan	% Change 24th Jan Vs 18th April 012
Supply				
Opening stock	40.5	39.1	48.3	-19.05
Crop size	339	347	345	0.58
Imports	5	6	6	Unch
Total Availability	384.5	392.1	399.3	-1.80
Demand				
Mill Consumption	220.7	211	216	-2.31
Small-Mill consumption	24.7	21	24	-12.50
Non-Mill Consumption	22	20	20	Unch
Total Consumption	267.4	252	260	-3.08
Exports	78	115	84	36.90
Total Disappearance	345.4	367	344	6.69
Carry Forward	39.10	25.1	55.3	-54.61
*As estimated by CAB in its meeting held on 18-04-12				

Yarn Production and Export

In the recent release report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have increased by 6.12% to 64.22 million kgs in March'12 as compared to 60.51 million kgs of Feb'12 however it is still below from Dec'11 to 83.05 million kgs and Jan'12 to 76.36 million kgs. The total cotton yarn export registrations 2011/12 have increased by 15% to 827.68 million kgs against 720 million kgs in last year 2010/11. With the growing demand for Indian cotton yarn in overseas markets, yarn export registrations are expected to go above 70 million kgs a month in 2012/13.

Cotton Yarn production reduced by 13% to 2565 million kg during April- Jan 2011-2112 from 2933 million kg of April- Jan 2010-11 yarn productions on poor financial condition of millers amid falling cotton prices and dull overseas Yarn demand has picked up since Jan'12 and, yarn export is likely to increase as textile millers' demand and overseas markets demand are expected to improve in upcoming month which will encourage yarn producers.

Below table shows the details of Cotton Yarn Production Y-O-Y basis:-



Source: Textile Commissioner, Mumbai

Domestic Export Scenario

After the review meeting by ministers held on 30th April 2012 regarding raw cotton exports, government has decided to remove the ban hoping the move will help farmers get better prices. However, the panel of ministers will meet in three weeks to review the situation again. The government had restricted raw cotton exports on 5th March'12 completely however allowed exports under registrations signed on or before 4th March'12 within a week after political pressure.

India has exported a record 11.5 million bales of cotton in 2011/12 thanks to the robust demand from China as well as other overseas markets. Bangladesh purchased cotton from India in a higher quantum at 1.647 million bales in fiscal year 2010/11 followed by 1.391 million bales from Commonwealth of Independent states including Uzbekistan, 0.301 million bales from African countries and 0.598 million bales from other countries to meet their domestic mills demand.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX



Prices-Rs/20kg (* Above Chart is continuous chart of April'12 future contract)

Bullish momentum could be seen getting support from fundamentals. However, 9 and 18 days EMAs are down and indicating bearish signals in the long run. RSI is down hinting weakness in the market. Immediate resistance level could be found at 1196 breaching it prices may test 1276 level.

Strategy: Buy at the current price level and book profit at resistance level.

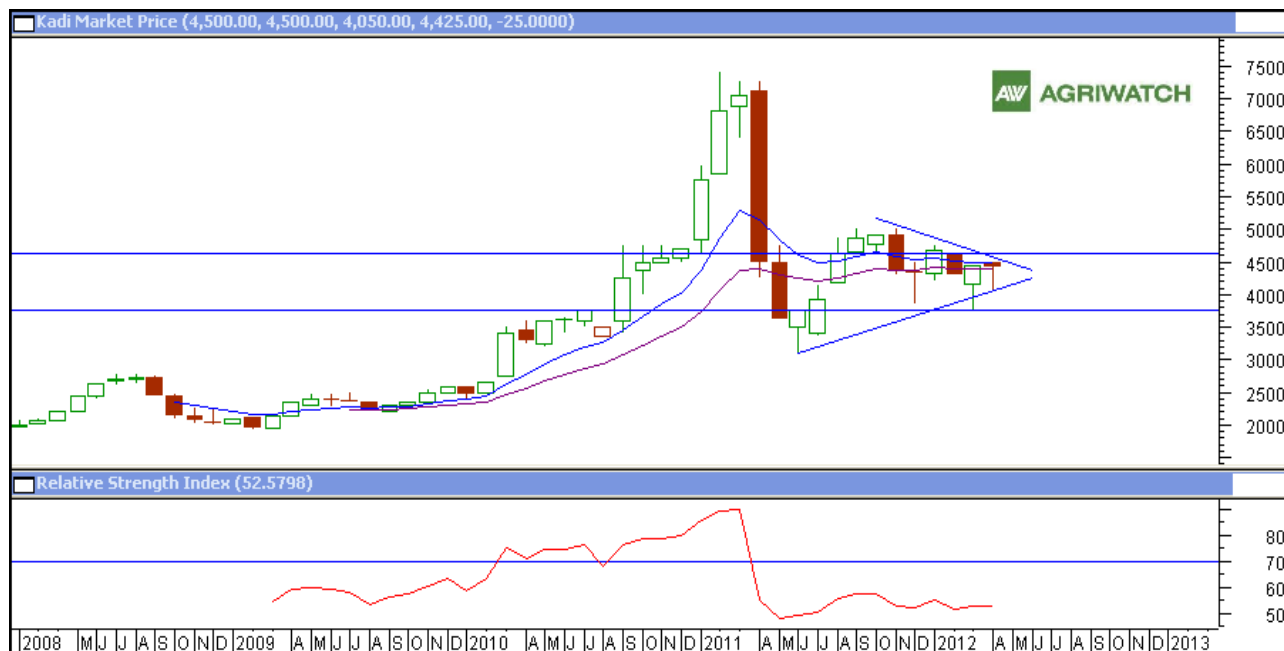
Support 2	Support 1	Resistance 1	Resistance 2
944	979	1196	1276

Strategy:

Fundamental Cotton Price Outlook for Coming Month (April'13)

Cotton prices are expected to go up from the current level after strong fundamental news i.e. the government decision to remove fresh cotton exports ban. As a result, we can see an improvement in millers and exporters buying activities which will lead cotton prices towards upside in long run as well.

Technical Analysis of Cotton Prices at Kadi Market



Prices-Rs/quintal

Sideways price movement featured during the month. Prices remained within the price range of 4050-4500 during this month. On the other hand, RSI is also moving sideways and hints remained sideways to bullish momentum of the market.

Strategy: Buy Kapas (Kadi Market) at the current price level.

Expected Price range of Cotton Prices for next month

Markets	Expected Trading Band for the coming month	Expected Trend for coming month
Kadi	3757-4637	Sideways to Bullish

International Markets

ICE futures declined during the month amid higher supplies and average millers demand. Prices are likely to fall in the future after the decision of India to allow fresh cotton exports which will create more competition for U.S farmers. Total spot transaction as on 30th April'12 registered at 837,967 so far for U.S upland cotton.

US Highlights:

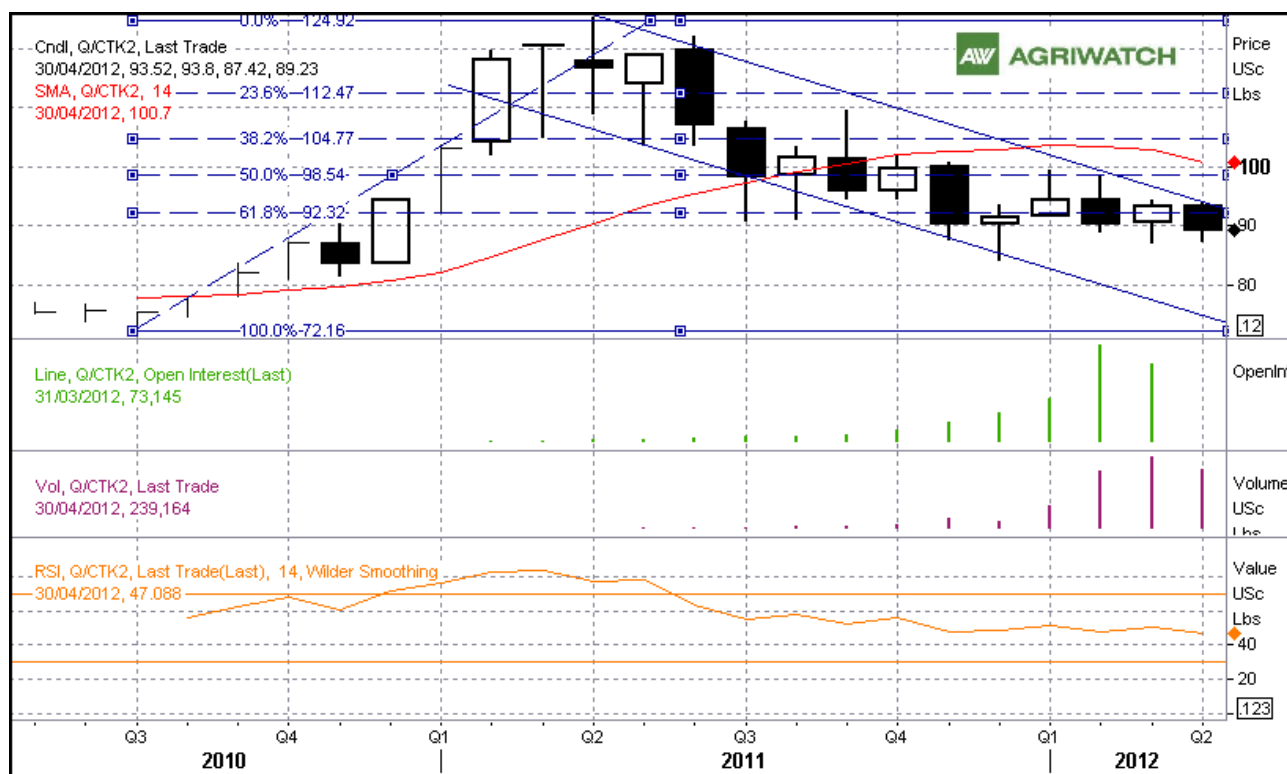
- According to USDA, Bangladesh and Japan were the main buyers of U.S Cotton during this month.
- The rains boosted soil moisture in Texas in U.S during the peak spring planting season and may impact the growth of early sown plant. However, Yuma area got approx. one- tenth of an inch of rainfall due to which crop has made good progress. In Arizona , good progress in planting has been made during the last week.
- According to the National Agriculture Statistics Services' report, Texas is likely to cover 10% lower cotton area at 6.8 million acres from the previous year.

China Highlights: -

- According to the China Cotton Association, China's planting area of cotton in 2012 is likely to go down by 9.4% on account of falling cotton prices around 3% year to date and unseasonably cool weather which compelled farmers to delay planting. However, farmers are happy about the 3% hike of the Chinese government's purchase price of Yuan 20,400/RMB.
- As per latest release of ICAC (International Cotton Advisory Committee), China bought over 3 million tons of domestic cotton and around 1 million tons from overseas markets in its national reserve during the first eight months of 2011/12. Now, the forecast stands up by 61% at 4.2 million tons from previous year 2010/11.
- As per the USDA Report, China mills use is estimated lower by 1 million bales from March to 42.5 million bales in April month 2012. While, China's import estimated higher by 2.0 million bales from March to 20.5 million bales a record in April 2012 mainly to boost up its national reserves for cotton limiting consumption resulting China's ending stock is estimated at 23.1 million bales in 2012.

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Technical analysis of ICE Futures (May contract)



The above chart depicts bearish momentum during the week. Downward channel indicates remain weak trend of the market in the next week. On the other hand, Prices are seen below 61.8% to 92.32 price level of Fibonacci retracement level which also shows possible bearish forward outlook in the market. Other oscillator, RSI is moving down to 47.08 against 50.52 level of previous session which also signals market on declining phase in upcoming trading sessions.

Recommendation: - Sell towards immediate resistance level of 98.54.

Support 2	Support 1	Resistance 1	Resistance 2
81.52	83.93	98.54	104.77

All in USc

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