

Highlights of the Month

- ❖ Weak tone witnessed in the cotton spot markets during this month amid subdued demand.
- ❖ Arrivals have depleted in the markets in Rajasthan, Punjab and Madhya Pradesh.
- ❖ The Cotton Association of India has pegged India's total cotton export so far at 11.6 million bales in 2011/12.
- ❖ The Cotton Association of India believes there will be 15% lower cotton planting in 2012/13 against 12.2 million hectares sowed in 2011/12.
- ❖ Cotton planting in China is projected down by 9.2% in 2012 on account of higher cost of cultivation and falling cotton prices as revealed by the China Cotton Association.
- ❖ World cotton production 2012/13 is forecasted down to 116.4 million bales against 123.04 million bales of previous year in anticipation of that major producing countries like India and USA would shift cotton area towards other profitable crops like Groundnut, soybean etc as per WASDE latest report. While world ending stocks is projected to rise to 73.8 million bales in 2012/13 against 66.8 million bales in 2011/12.
- ❖ Bearish factors like low demand and higher world ending stocks projections for 2012/13 by USDA will further inert to gain in the cotton markets.

Current Market Dynamics

The cotton prices tumbled in the current month due to unsupportive domestic demand. While, cotton crops are arriving with lower pace due to marginal cotton availability at the end of the season. However, depleting stocks could not push prices up in the absence of fresh buying in the markets. Currently, exporters are releasing their already procured stocks and not quoting any fresh demand amid lower foreign demand.. Hence, we can assume a fall in cotton prices in near term due to dried up domestic demand.

The Cotton Corporation of India has procured cotton through commercial operations in this season from the different states like Andhra Pradesh, Maharashtra, Gujarat and the other States as prevailing prices are ruling above MSP level.

Below given table shows details of CCI cotton procurement:-

States	Average Cotton Price (Rs./Qtl)	Quintal (Lakh)
Andhra Pradesh	3949	2.09
Maharashtra	4075	2.65
Gujarat	4448	6.60
Other states	4185	1.26

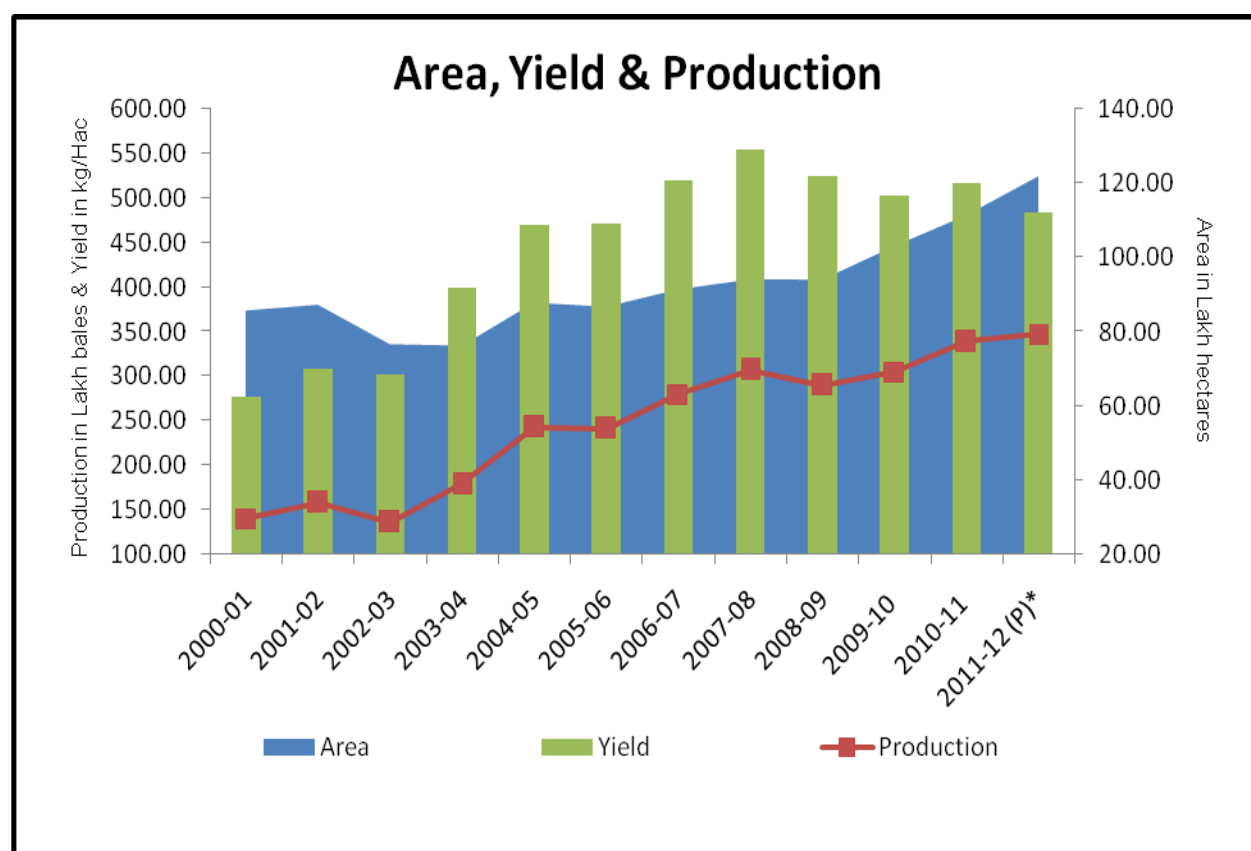
Source: PIB

Area, Yield and Production

After record cotton planting in 2011/12, India is likely to reduce cotton area by 15-20% during 2012/13 on account of poor price performance, higher cost of cultivation and unstable export policy. Despite covering higher cotton areas in 2011/12, Yield is received less consecutively last five years due to unfavorable weather condition which significantly discouraged cotton growers.

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.

Below table shows last 10 years details of Area, Yield & Production details:-



Source: The Cotton Advisory Board

Cotton Crop Situation and Weather Condition

Gujarat: - At the end of this season, farmers have in hand nearly 10 to 12% of the cotton in Gujarat. However, continued dull demand from millers as well exporters have led to tumbling cotton prices. The cotton sowing will begin after monsoon arrivals in rain-fed areas while approx. 5% sowing has been completed in irrigated areas of the state. Farmers are of the opinion that they should shift towards Groundnut, Soybean and Guar due to higher profit realizations in those crops as against cotton.

Maharashtra: - The farmers in Maharashtra are likely to adopt the “Brazil Pattern” for rising cotton yield in rain fed areas from the current cotton yield 475 kg/hectare to 600 kg/hectare. Brazilian farmers receive cotton crops about 1,495 kg/hectare in rain-fed areas because of better mechanization.

Cotton sowing has been done in almost 15 to 20% of planned cotton area especially in irrigated parts of Maharashtra as on date. Major Cotton sowing will commence after monsoon probably by 15th of June 2012. Farmers are holding below 10% cotton crops further to delivery in the markets.

Punjab: - The farmers have covered almost 70 to 80% cotton sowing in irrigated parts of Punjab. Ample accessibility of water helps growers to successfully plant cotton. On the other hand, there are very nominal crops held by farmers so far but could not boost up cotton prices due to moderate millers buying.

Rajasthan: - Both millers and exporters are inactive in Sri-Ganganagar. Arrivals seem to have ended. Farmers have sown 40% cotton crops in areas with water availability as on date. However, they could shift about 20 to 25% of cotton area towards Guar.

As per ministry of agriculture the use of Bt cotton seed should not decline in this year on account of better performance as last few years records.

Below table shows the figure of Area, Production and % share of Bt cotton in the past few years:-

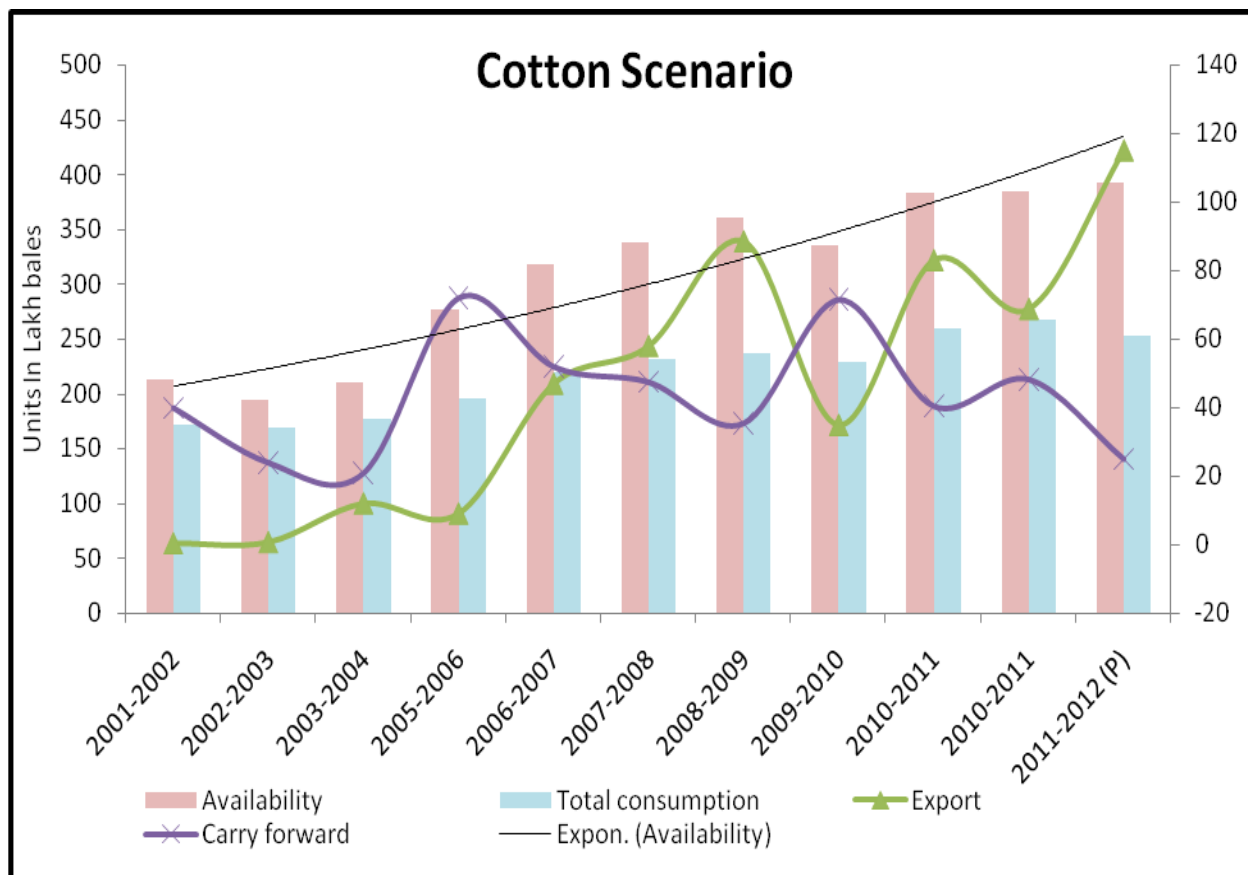
Year	Area (in lakh ha)		% age share of Bt. cotton to total cotton	Total Cotton production (in lakh bales)
	Bt cotton	Total cotton in 9 Bt. cotton States		
2006-07	33.52	90.55	37.03%	226.32
2007-08	54.72	94.23	58.07%	258.84
2008-09	66.69	92.04	75.80%	222.76
2009-10	85.52	101.15	84.40%	240.22
2010-11	93.36	110.56	84.45%	330

Source: Ministry of Agriculture

2011-12 Supply and Demand (CAB Estimates):

According to the Cotton Advisory Board, the cotton availability and export is estimated to have reached a record high during 2011/12 as compared to the last 10 years. however, total consumption in 2011/12 including mills, small mills & non mills consumption is estimated lower for the last two years year i.e. 259 & 267.4 lakh bales in 2009/10 & 2010/11 respectively.

The following table shows Indian Cotton Scenario for last 10 years:-



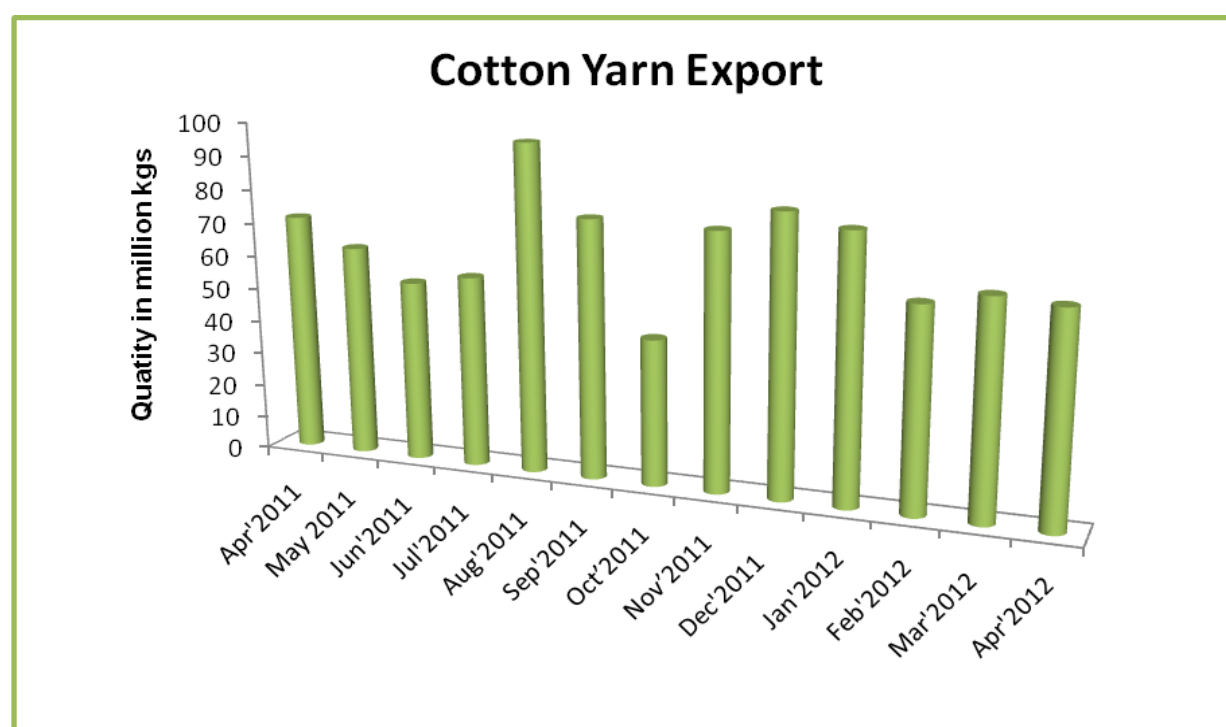
Source: Cotton Advisory Board

Yarn Production and Export

The state-backed Cotton Yarn Advisory Board (CYAB) has projected a 12% rise in yarn production to 3,500 million kg in 2012-13. Domestic consumption of cotton yarn is expected to decline on back of lackluster textile millers' demand due to liquidity crunch. The demand from power loom and hosiery units which account for more than half of the total demand for cotton yarn is likely to come down in the near future.

In a recently released report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have decreased by 6.12% to 62.81 million kgs in April'12 as compared to 64.22 million kgs of Mar'12 and down by 11.98% from 71.36 million kgs of last year cotton yarn exports during corresponding period amid declining textiles owners demand.

Below table shows the Cotton Yarn export registrations since April 2011 to April 2012:-



Source: DGFT

Domestic Export Scenario

As per sources, low Chinese demand is limiting farmers' gains as Chinese mills are carrying ample quantity of Brazilian cotton bought at higher prices. Besides, the flip flop export policy in India is also affecting the overseas demand. China is likely to curb on cotton import and may fulfill daily cotton demand from its domestic markets in future as per market sources.

India is expected to export around 13.5 million bales of cotton during this season after buying support from Bangladesh and Pakistan. India has exported totaled 11.6 million bales so far during this season as per Indian Government.

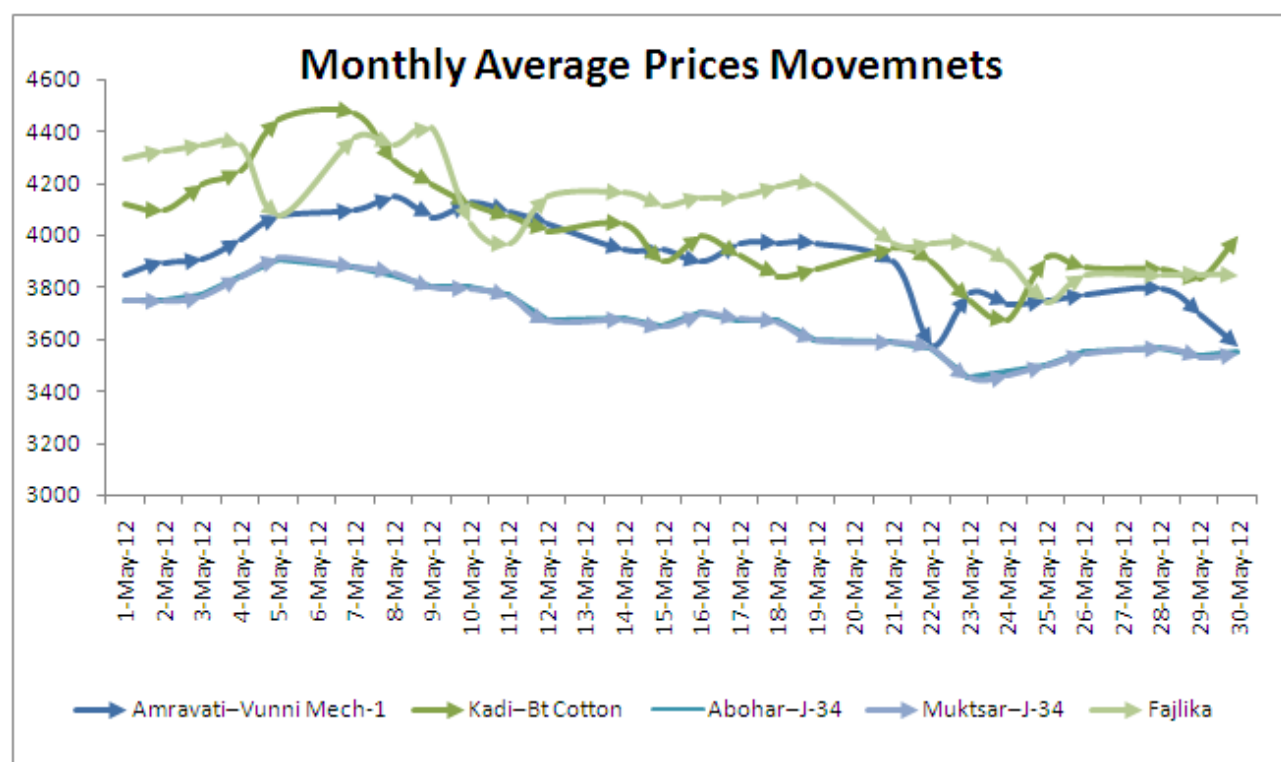
Fundamental Cotton Price Outlook for Coming Month (April'13)

Cotton traders can consider short selling on higher price level on assumption of continued sluggish domestic demands..

Cotton Price Performance during the May Month 2012

Major Cotton spot rates came down during end of May month as compared to the level in the beginning of the month. Dull exporters activities and slow ginners and spinners demand could not support cotton prices at higher level.

Below Chart reflects May month average price movements of different markets:-



Source: Agriwatch, Prices in Rs./Quintal

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		30-05-12	30-04-12	
Cotton	Kadi-Bt Cotton#	3750-4250	3900-4425	-4%
	Amravati-Vunni Mech-1#	3350-3800	3850	-1%
	Ahmedabad-Shankar-6#	3750-4000	3750-4250	-6%
	Abohar-J-34*	3540-3560	3720	-4%
	Muktsar-J-34*	3540-3560	3720	-4%
	Fajlika#	3650-4050	4120	-2%
	Khandwa#	3300-3750	3200-4000	-6%

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Month 30/05/12	Previous Month 30/04/12	
Kadi -Bt Cotton	2585	4170	-38%
Amravati -Vunni Mech-1	85500	103000	-17
Ahmedabad - Shankar-6	53800	65800	-18%
Abohar	5480	15300	-64%
Muktsar	910	6850	-87%
Fajlika	12580	51200	-75%
Khandwa	30600	62600	-51%

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

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (30/5/2012)	Rs. Per Candy (30/4/2012)	%Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	34400	33800	1.78
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35400	34900	1.43
J-34(202)	26mm	3.5 - 4.9	23	30200	30700	-1.63
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	32100	33500	-4.18
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	34600	-4.05
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35300	35500	-0.56
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36100	N.Q	-
DCH-32(107)	34mm	3.0 - 3.8	33	46700	45200	3.32

Technical Analysis of Kapas Prices at Kadi Market



Prices-Rs/quintal

- Spinning top candlestick pattern indicated that both bulls and bears were active during the month as prices moved significantly higher and lower in the meantime which signals that market is in indecisive phase.
- On the other hand, slight fall in the 9 days EMA and the unchanged 18 Days EMA hint that the market will be in the weak zone in the near and long term.
- RSI is moving down in neutral territory implying downward momentum.
- It is hovering in the price range of 3595 to 4869.6 and is expected to follow the same price range next month also.

Strategy: Sell Kapas (Kadi Market) at resistance level and book profit towards support level.

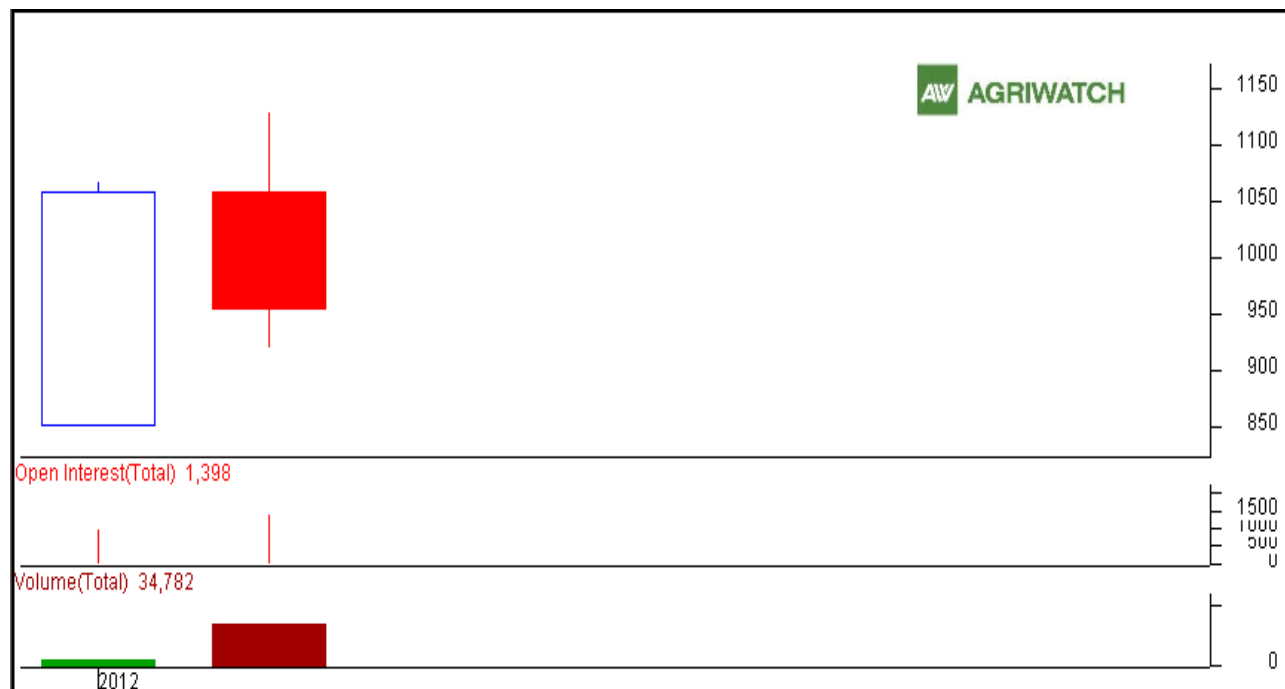
Expected Price range of Cotton Prices for next month

Markets	Expected Trading Band for the coming month	Expected Trend for coming month
Kadi	3595-4869.6	Range-bound to Bearish

Support 2	Support 1	Resistance 1	Resistance 2
3347.4	3595	4744.5	4869.6

Prices-Rs/quintal

Technical Analysis of Kapas Futures April 2013 contract at NCDEX



Prices-Rs/20kg

- April 13 NCDEX cotton contract significantly declined during the month as bears strengthen.
- Cotton price is likely to test its key immediate resistance of 1081.6. Breaching the same might instigate a fresh bull run. However, breaching the immediate resistance it would then find support near 871.6.
- We can see range bound trading between 871.6 to 1081.6 in the long term.

Strategy: Sell at resistance level and book profit towards support level.

Support 2	Support 1	Resistance 1	Resistance 2
790.3	871.6	1081.6	1210.3

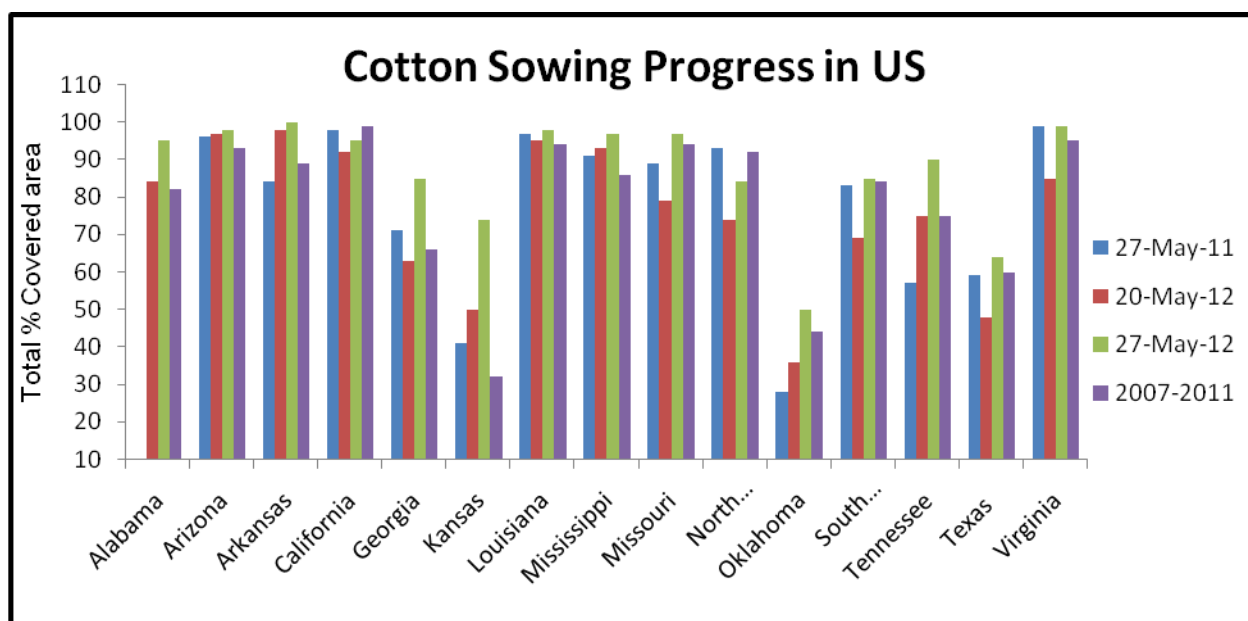
International Markets

US Highlights:-

Crop Progress: - As per USDA, cotton crops in Yuma has begun to bloom. While in Arizona, cotton planting is near to complete supported by favorable weather condition. In southern California, cotton crops have made good progress, while planting is almost complete in South delta. According to National Agricultural Statistics Service, 89% of cotton planting has been completed in Louisiana while 80% in Mississippi. Now farmers are making the arrangements to begin irrigating in cotton area.



Below Chart shows total % of cotton covered area so far along with previous week and previous year sowing progress:



Source: USDA

China Highlights:-

- According to the China Cotton Association, cotton planting in China is expected to reduce by 9.2% in 2012 on back of higher cost of cultivation and falling cotton prices. Cotton farming costs increased by 17% in 2011 following 13% and 20% rise in cost of materials and a labor costs respectively.
- Spring planting in Yangtze River and the Yellow River areas (which account for more than 60 percent of the country's output) is almost complete.
- Chinese government has promised to buy cotton above market price to increase cotton planting. Market sources said that the government will buy new crops at 20,400 Yuan (\$3,215) a ton.

- According to WASDE report, China's ending stocks is projected to increase by 14% to 28 million bales during 2012/13.

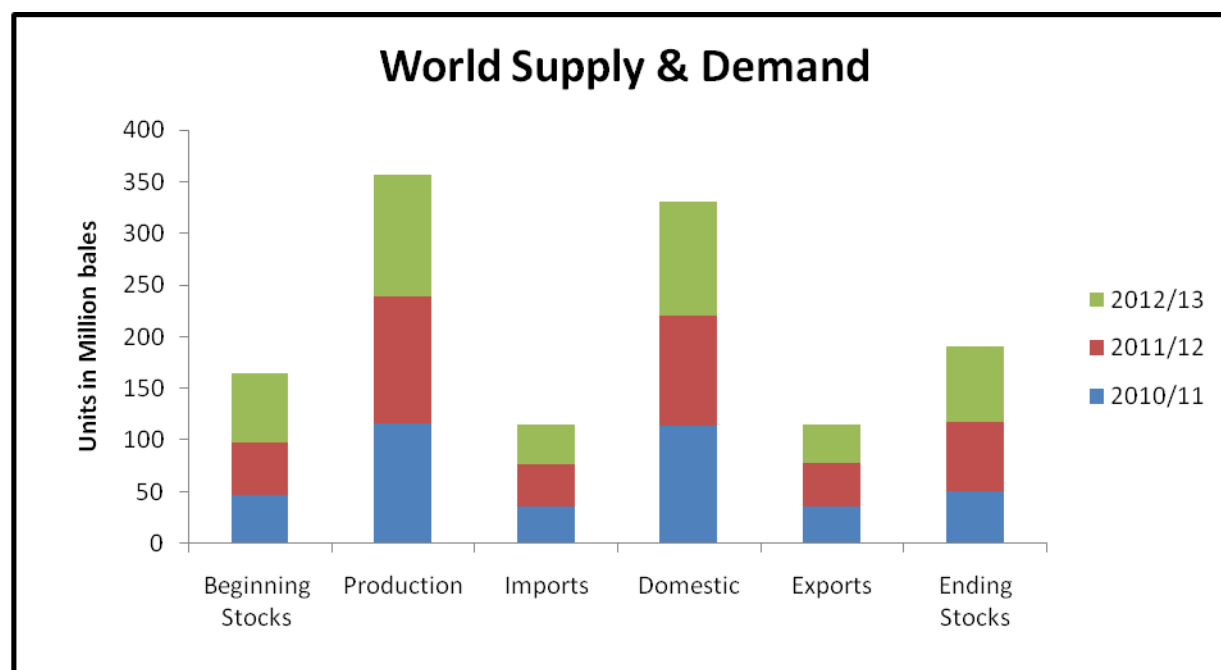
Pakistan Highlights: -

- Farmers in Sindh have completed planting in around 45% of targeted cotton area so far in 2012 against 49% area covered in the corresponding period last year as revealed by the Agriculture Department of Sindh.
- As per the market sources, Pakistan's cotton production is likely to decline by 15% or around 2.2 million bales in 2012/13 after major reduction in cotton area due to water shortage and low cotton prices.
- According to the Federal Bureau of Statistics (FBS) figures, Pakistan imported 5.19 million tons of polyester yarn in 2009-10, which increased to 27.616 million tons in 2010-11. Cotton fabric imports reached 120.53 million square meters during first half of the current fiscal which began on June 1, 2011, a 107 percent up from imports worth 58.36 million square meters registered during the corresponding period of last year.

World Demand & Supply

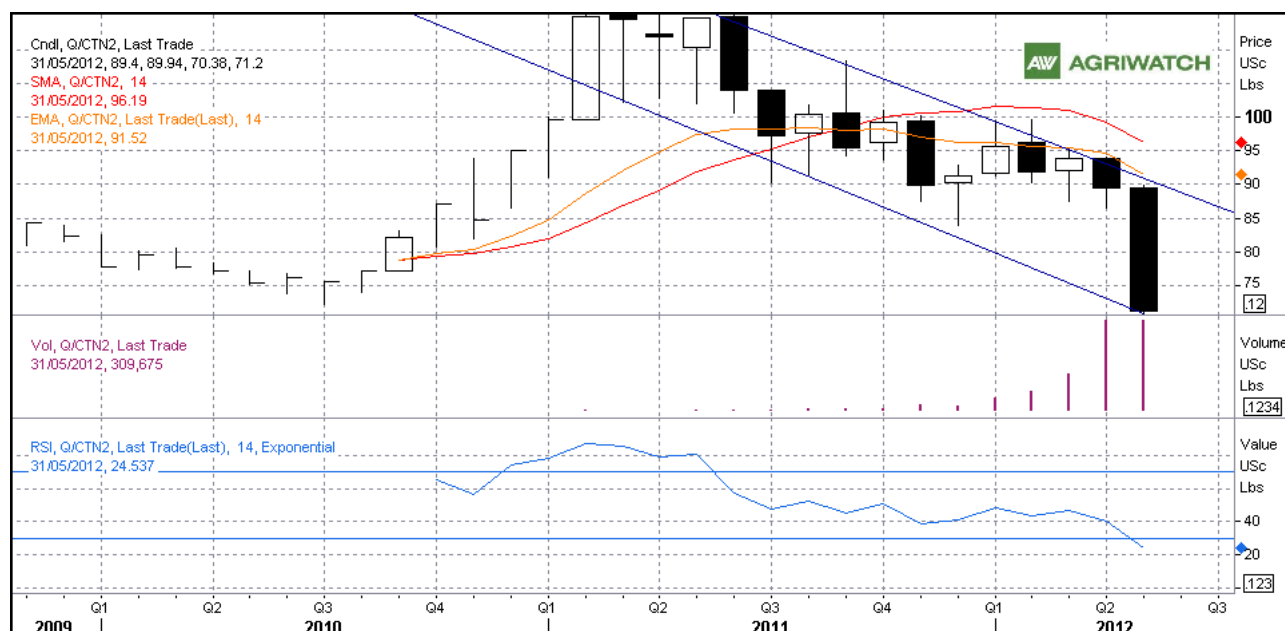
According to WASDE report, world cotton production 2012/13 is projected down to 116.4 million bales against 123.04 million bales of previous year in anticipation of cotton areas in major producing countries like India and USA shifting towards other profitable crops like Groundnut, soybean etc.

Below chart shows World supply and Demand figures and comparisons:-



Source: WASDE

Technical analysis of ICE Futures (July contract)



- ICE future prices of July contract closed with long black body candlestick due to heavy selling pressures during the month. Double bearish candlestick hint further declining phase of the market.
- Other oscillator, RSI is crossing even oversold region and strongly signals towards a correction from the current level.
- Prices are expected to touch the immediate resistance price level of 92.99 breaching it may test 98.24 in upcoming month.

Recommendation: - Sell towards immediate resistance level and book profit towards support level.

Support 2	Support 1	Resistance 1	Resistance 2
57.62	64.43	92.99	98.24

All in USc

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