

Highlights of the Month

- ❖ The Cotton Prices closed on lower side amid dried demand from ginners and traders.
- ❖ Cotton picking has started in northern states of Punjab, Haryana and Rajasthan. Arrivals have started in markets but ginners and traders are waiting for the good quality cotton which will arrive in the market only after mid October.
- ❖ Cotton has been planted in 116.04 Lakh hectares so far, as on 28-09-2012 for 2012-13.
- ❖ According to Cotton Advisory Board, mills are likely to import 1.2 million bales in 2011-12(ending Sep 30, 2012). 0.48 million bales already have been imported.
- ❖ In Gujarat, cotton seed sales is likely to touch below 30 lakh packets against 38 lakh packets of last year during this sowing season.
- ❖ Rajasthan Agriculture dept. Issued first advanced estimated for cotton. Area at 482768 hectares, Production 1232478 tonnes., 434 bales/hect. (1 bales=170 kg)
- ❖ Haryana Agriculture dept. Issued first advanced estimated for cotton. Area 525,000 hectares, Production 2162,000 tonnes, Yield 700 kg/ hectares for Cotton Lint.
- ❖ Andhra Pradesh production is likely to grow to 75 lakh bales.
- ❖ Except for Gujarat which will make 30 percent of loss of cotton crop, all other major cotton producing states Punjab, Haryana, Andhra Pradesh will make up the losses.
- ❖ Pest has attacked cotton crops in Punjab which is ready for plucking
- ❖ The cotton prices are likely to trade with sideways to bullish momentum till mid October, until good quality cotton crop hit the market. After that this prices are likely to rise.

Crop Situation: -

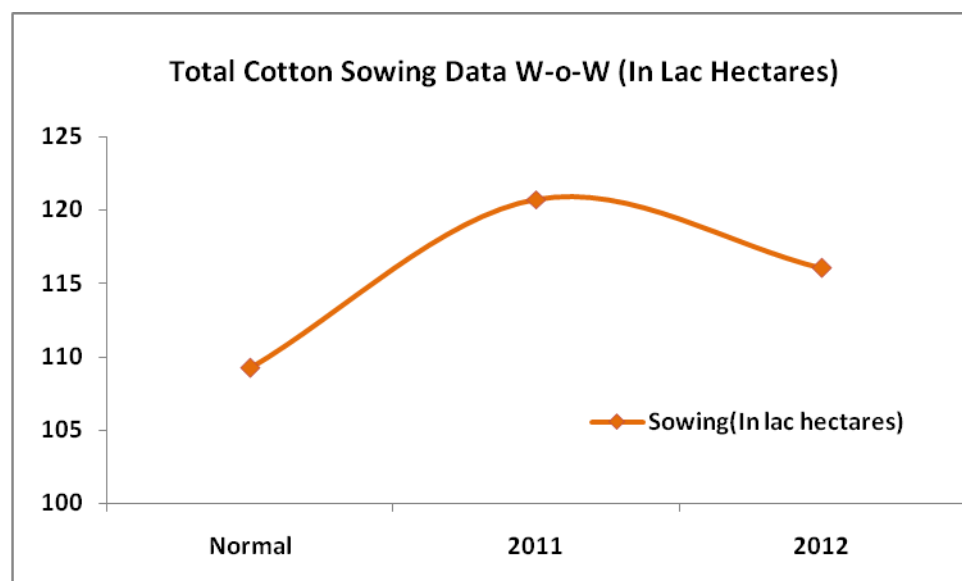
Cotton cultivation in India is likely to fall in 2012/13 from last year, as late rains in key growing areas made sowing delay and standing crop suffered due to which yield dropped, but recent spell of rains in Andhra Pradesh made large areas to sow cotton.

Area under cotton is down by 4.79 lakh hectares to 116.04 lakh hectares as on 28th September 2012, compared to 120.83 lakh hectares during the same period last year. **Higher acreage** is reported in the states of **Andhra Pradesh** (up by 3.36 lakh ha.), **Maharashtra** (up by 0.22 lakh ha.), and **Orissa** (up by 0.17 lakh ha.) as per Ministry of Agriculture.

Lower area is reported in the states of **Haryana** (down by 0.02 lakh ha.), **Rajasthan** (down by 0.80 lakh ha.), **Gujarat** (down by 5.11 lakh ha.), **Madhya Pradesh** (down by 0.98 lakh ha) and **Punjab** (down by 0.44 lakh ha.) and compared to same period during previous year.

Below Figure shows sowing status of Cotton in India as on 28th September 2012

	2012-13	2011	Normal (as on date)	Normal (Corsp. Week)
Area Sown (In Lac hectares)	116.04	120.83	116.04	114.24



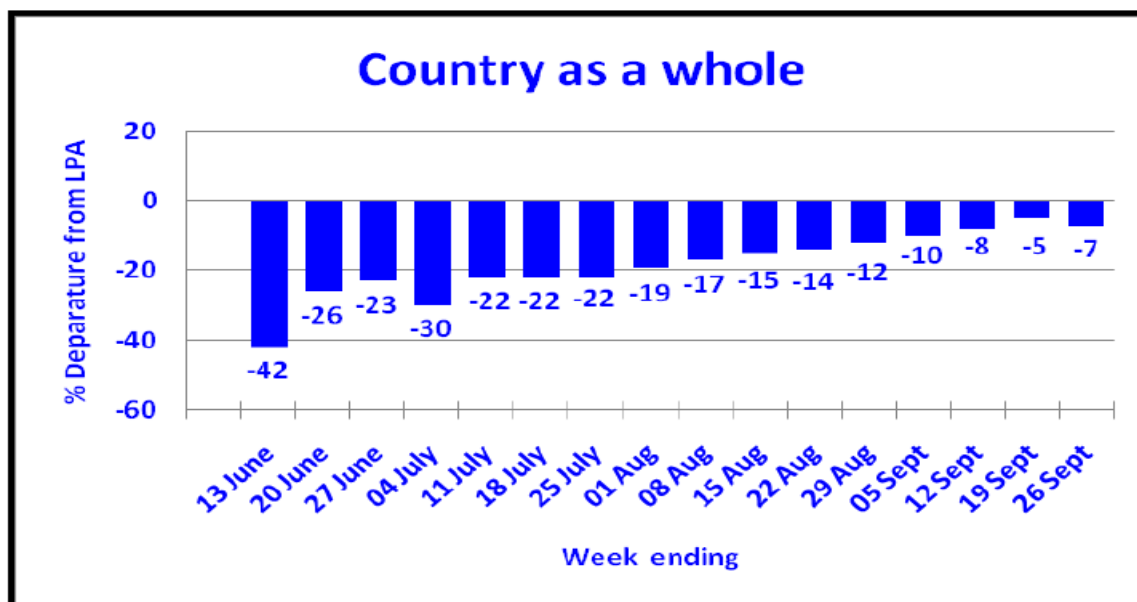
Source: Ministry of Agriculture

Monsoon Impact for Cotton Sowing Progress

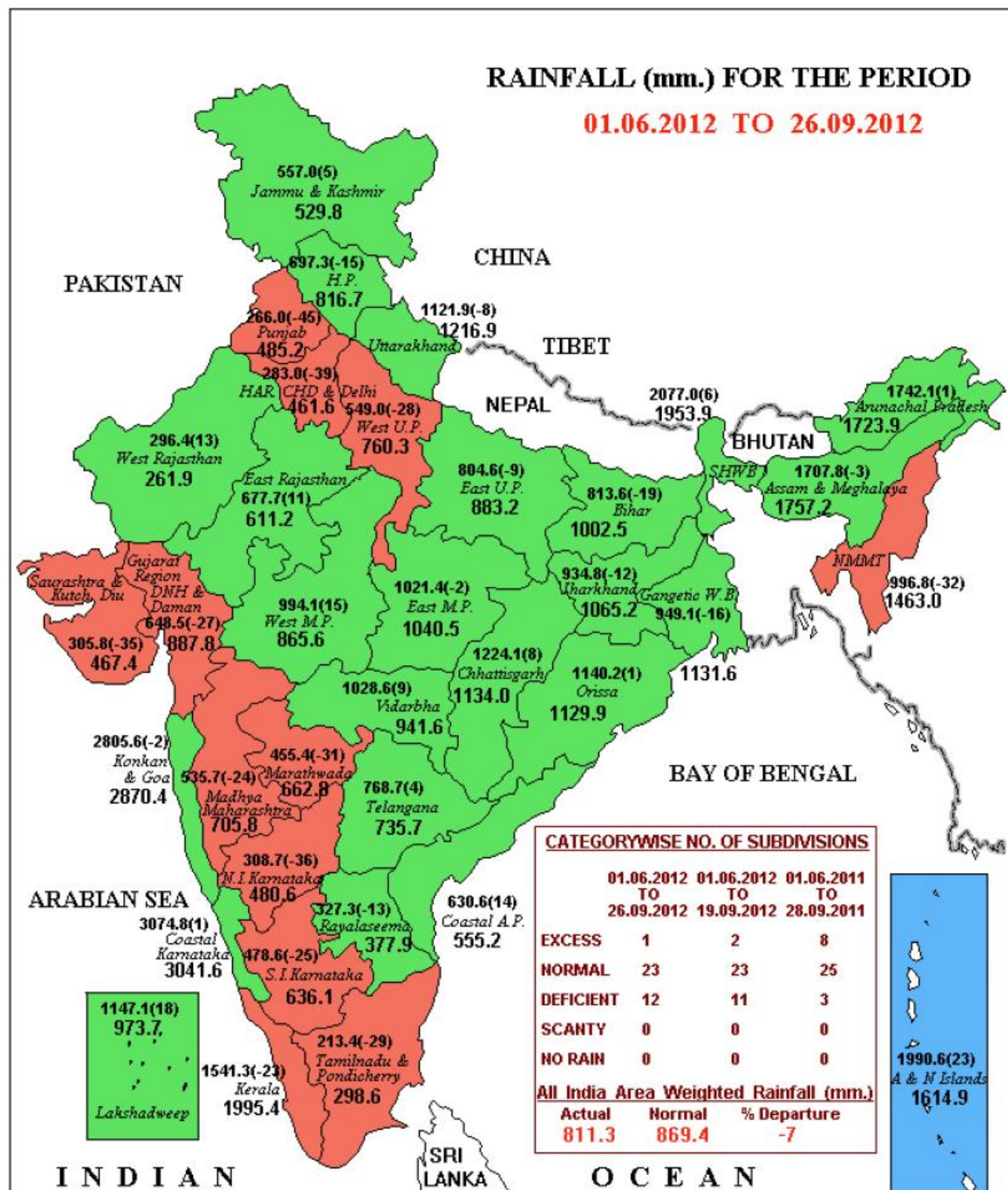
As per IMD, The southwest monsoon has withdrawn from parts of northwest India on 24th September against its normal date 1st September. Subsequently, the southwest monsoon withdrew from most parts of northwest India and parts of Gujarat State and west Madhya Pradesh. During the week (20- 26 September), active to vigorous monsoon conditions along with heavy to very rainfall were experienced over the parts of northeast India during many days of the week. The sharp reduction in rainfall over the north and central parts of the country caused the seasonal rainfall deficiency on all India scale to increase from -5% to -7%, by the end of the week.

As per IMD has forecasted for fifth week of September month that, the current Meteorological analysis suggests delay in the withdrawal of southwest monsoon from the regions comprising of east and northeast India. Rain/thundershowers would occur at many places over coastal Andhra Pradesh, Rayalaseema, coastal Tamilnadu & Puduchery and Andaman & Nicobar Islands and at a few places over interior Tamilnadu, Kerala, Konkan & Goa, Madhya Maharashtra, Marathawada and Lakshadweep on many days of the week. Heavy rainfall would also occur at one or two places over coastal Andhra Pradesh, north coastal Tamilnadu and Andaman & Nicobar Islands during next 72 hours. Rain/thundershowers would occur at a few places over Karnataka, Telangana and northeastern States during next 48 hours and increase thereafter. Rain/thundershowers would occur at one or two places over Jharkhand, Odisha, Chhattisgarh and West Bengal & Sikkim during next 48 hours and at a few places thereafter. Bihar, Vidarbha, East Madhya Pradesh and east Uttar Pradesh would receive rainfall at a few places during second half of the week. Rain/thundershowers would occur at one or two places over Jammu & Kashmir on 30 Sept. & 1 October. Weather would be mainly dry over rest of the country.

According to IMD, Weather would be mainly dry over rest of the country.



Week-by-week seasonal rainfall departure (%) from LPA



LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)
■ SCANTY (-60% TO -99%) ■ NO RAIN (-100%) NO DATA

NOTES:

[a] Rainfall figures are based on operational data.

[b] Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
 Percentage Departures of Rainfall are shown in Brackets.

Raw cotton-Import & Export Scenario

Cotton yarn accounted for close to 80 per cent of the total spun yarn exported from India. Manmade fibre yarn, comprising polyester, viscose and acrylic yarns, contributed around eight per cent while blended spun yarn accounted for the remaining 12 per cent.

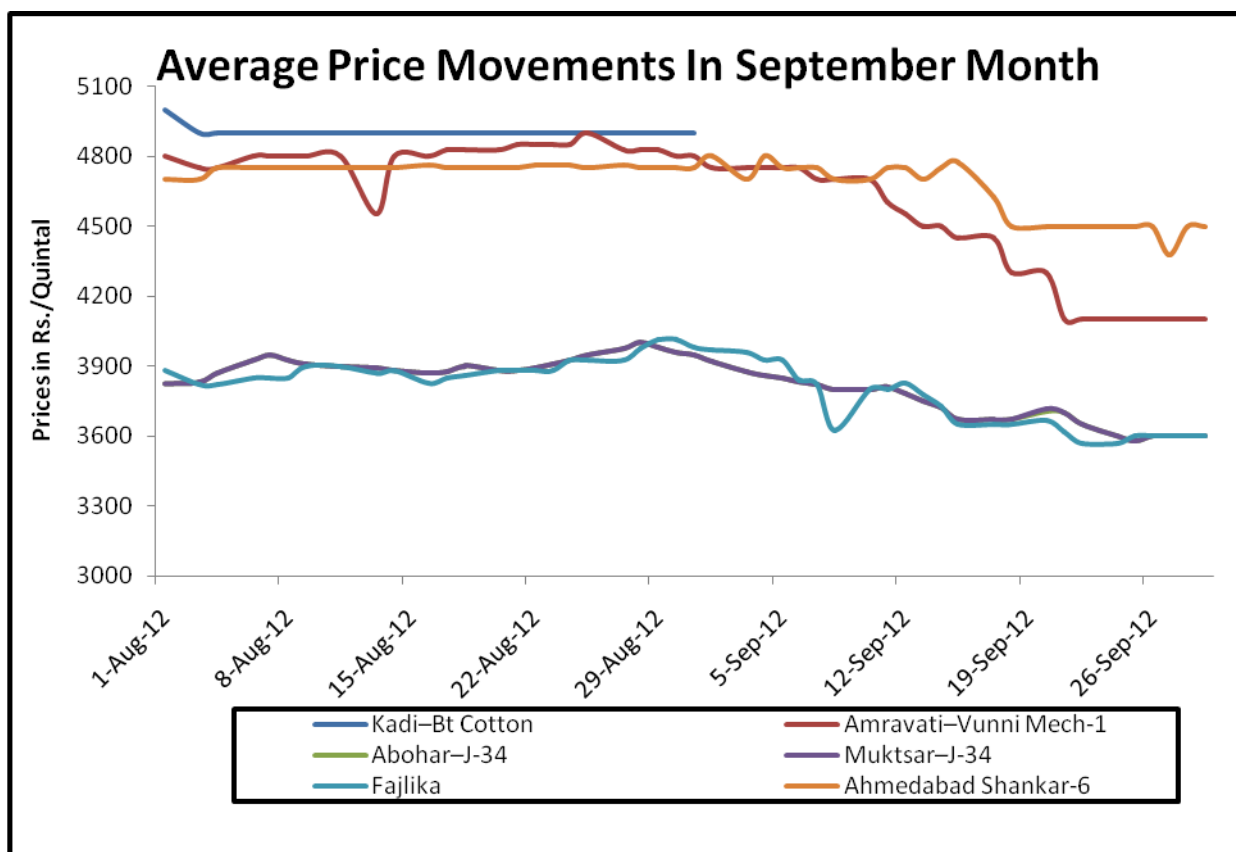
In August 2012, about 58 million kgs of cotton yarn was exported valued at US\$205 million (Rs. 1,125 crore) implying unit price realization of US\$3.52 a kg on an average. This was US cents 13 more than July and US cents 18 down from a year ago level. Combed cotton yarn exports increased 33 per cent to 37 million kgs accounting for 63 per cent of the total cotton yarn export-ed during the month. Carded yarn exports jumped 49% to 14 million kgs. Their respective unit value realization was US\$3.81 per kg and US\$3.10 per kg. Open end yarn export was at 3.90 million kgs with realization at US\$2.14 per kg. Cotton yarn was exported to 72 countries in August 2012, of which, two markets accounted for 50 per cent of Indian cotton yarn exports with total volume at 30 million kgs worth US\$97 million. They were China and Bangladesh.

Source: YNFX

Cotton Price Performance during the September Month 2012

Average cotton prices were steady in cotton spot markets on back of lower arrivals against during September 2012. Prices mainly declined in September as demand dried up in local markets.

Below Chart reflects September month average price movements of various markets:-



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		29-09-12	31-08-12	
23300Cotton	Kadi-Bt Cotton#	-	4800	-
	Amravati-Vunni Mech-1#	3525	4625	-24%
	Ahmedabad-Shankar-6#	4500	4850	-7%
	Abohar-J-34*	3600	3950	-9%
	Muktsar-J-34*	3600	3950	-9%
	Fajlika#	-	3980	-

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Month 29/09/12	Previous Month 31/08/12	
Kadi -Bt Cotton	-	-	-
Amravati -Vunni Mech-1	5300	12000	-56%
Ahmedabad - Shankar-6	61000	51000	20%
Abohar	1435	-	-
Muktsar	-	-	-
Fajlika	550	-	-
Khandwa	-	-	-

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

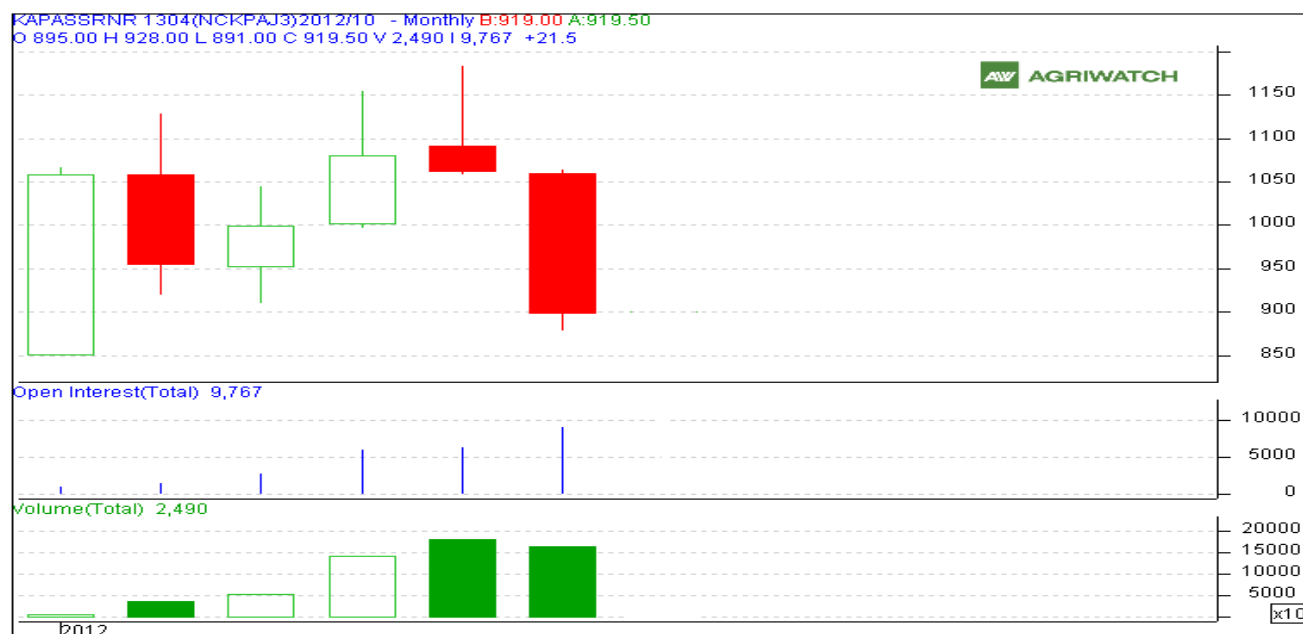
Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strengt h/ GPT	Rs. Per Candy (28/09/2012)	Rs. Per Candy (31/08/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	36600	41400	-12%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37100	42000	-12%
J-34(202)	26mm	3.5 - 4.9	23	32000	35200	-9%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33700	37100	-9%
Shankar- 6(105)	29mm	3.5 - 4.9	28	34200	37800	-10%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35700	40200	-11%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36500	N.Q.	-
DCH-32(107)	34mm	3.0 - 3.8	33	48500	53500	-9%

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum till mid October, and then prices might show bullish movement in upcoming month on back of rising arrivals expected in the market. However, cheaper international prices against domestic cotton prices of cotton have influenced spinners' mills to import more quantity of cotton from foreign markets which may cap cotton prices upper level.

Technical Analysis of Kapas Futures April 2013 contract at NCDEX



Prices-Rs/20kg

- April contract in NCDEX closed down due to dried up demand.
- Rising open interest & falling prices depicts market under short build up phase.
- Immediate resistance could be seen at 940 crossing such level price would test second support level at 970.

Our short term outlook on the contract is bearish. We advise to go for long positions price at current price level and book profit at higher levels as prices are likely to rise by mid October.

Strategy: We advise traders to make buy call and book profit at higher levels as prices are likely to rise based on fundamentals.

Support 2	Support 1	Resistance 1	Resistance 2
840	859	940	970

International Markets

The United States
US Spot market rate for Color 41, Leaf 4 and Staple 34

	Fri	Mon	Tue	Wed	Thu
Market	21-Sep	24-Sep	25-Sep	26-Sep	27-Sep
SE	69.75	69.00	68.83	67.52	68.03
ND	69.00	68.25	68.08	66.77	67.28
SD	69.00	68.25	68.08	66.77	67.28
ETX	66.25	65.50	65.50	64.25	64.75
WTX	65.75	65.00	65.00	63.75	64.25
DSW	67.75	67.00	66.83	65.52	66.03
SJV	68.50	67.75	67.58	66.27	66.78
7-Mkt Avg	68.00	67.25	67.13	65.84	66.34

Source: USDA

- Egypt will export 424 metric tonnes of additional cotton this week starting September 27, 2012. Egypt has already exported 3,163 tonnes of cotton this month. Country has finest cotton in the world.
- China released first of cotton sale by releasing 35,708 tonnes on 5th September 2012.
- USA made fresh exports of 317,500 bales to China of cotton for 2012-13 marketing year.
- Cotton inventories in China and Australia is likely swell by triple in two years due to low demand and high production.
- According to USDA, Brazil cotton production will drop by 25% to 6.3 million bales in 2012-13 as major crop shift was recorded to soybean.
- As per ICAC forecast, cotton prices are weak on global phase in anticipation of higher ending stock to 14.46 million tons against previous year record 13.26 million tons despite a lower forecast of cotton production to 25.10 million tons in 2012/13.
- According to USDA report, US cotton crop will be reduced by 3.1% to 17.11 million bales than earlier projected in August 2012 17.65 million bales.
- According to USDA report, estimated world cotton ending stocks are raised by 2 million bales, to 76.5 million bales.
- According to USDA, Chinese imports will fall by 51 percent in 2012-13 marketing year, putting pressure on global prices.
- China will stop releasing its cotton reserve by Sept 29 as this year's fresh cotton is launched onto the market, said an official from the National Development and Reform Commission.
- Global cotton production will exceed demand, more than which was forecasted by Cotlook. Global output is likely to be 3.239 million metric tonnes up from last month projection of 3.0 million metric tonnes.

Technical analysis of ICE Futures (December Contract)

December Contract of ICE futures closed on higher side supported by buyer's activities. However, below 9 and 14 Days



EMAs signify further down momentum. On the other hand, falling open Interest & rising depict market under short covering phase. Prices ranged between 70.46 to 77.29 during the month. Immediate support level is at 70.1 breaching this may touch 65.34 during upcoming days.

Recommendation: - Buy on dips towards 70 price level and book profit towards resistance level.

Support 2	Support 1	Resistance 1	Resistance 2
63.34	70.1	77.61	80.64

All in USc

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