

Highlights of the Month

- ❖ The Cotton Prices closed on higher side amid higher arrivals and off take from ginners and traders.
- ❖ Cotton exports for this season starting from June-July has been at 1.2 million bales while exports have crossed 13 million bales for the year 2011-12.
- ❖ Cotton production may go up by 3-4 percent as south Gujarat region has received good rains in last few days hoping for recovery in the major cotton growing region. The first advance estimate was calculated on the acreage of 11.5-11.6 million hectares, which has gone up due to good rains received by the Gujarat region. This could offset steep rise in prices in that region.
- ❖ Domestic demand for cotton is pegged 5 percent higher at 213 lakh bales against 218 lakh bales.
- ❖ Cotton production has increased from last few years due to increase in acreage but yield has remained static or lower due to lack of technology. Gujarat is likely to have yield of 610 kg/hectare for 2012-13 which is 10 kg lower than last year. All India average yields were 500 kg/hectares for 2011-12, lower than 2007-08 which was 554 kg/hectare.
- ❖ The Company is planning to procure 18 lakh bales of cotton during this season.
- ❖ In Gujarat, moisture content in new crop arrival is around 20 -25%. Demand is less following higher moisture content in the new crop.
- ❖ According to CAB, this year cotton exports are expected to be around seven million bales in 2012-13.
- ❖ Cotton Advisory Board has reduced the exports estimates because China's decision to reduce the imports, while yarn exports are tend to increase as China's domestic cotton price is 20 cents higher than international yarn prices.
- ❖ CAB has estimated cotton yarn exports at 920 million kg for 2012-13. Last year, India exported 827.68 million kg of yarn, according to the Directorate General of Foreign Trade (DGFT).
- ❖ Yarn production is expected to grow by 6.8 percent from 5.9 percent earlier estimated, according to CMIE. This is mainly due to value added exports to China, which has reduced cotton import but has raised yarn imports.
- ❖ Cotton prices are surging due to rise in buying from the millers which are riding on higher demand from the market due to festive season, in which demand from garments increase.
- ❖ Cotton prices are likely to fall in November due to higher supplies that are expected in the market and the festive off take by the millers.
- ❖ Cotton prices are rising as farmers are not willing to sell at lower levels and reports of exports to china, also poor quality cotton arrivals in market also boosted price sentiments.
- ❖ Exports target of cotton has dipped 46 percent to 7 million bales for this 2011-12, by CAB.
- ❖ Cotton exports are not going to be affected by China's decision for not selling huge cotton reserve it has created.
- ❖ We expect domestic cotton prices to notice steady to firm tone amid good quality crop arrival.

Raw cotton-Import & Export Scenario

India's cotton yarn exports to China quadrupled in the first nine months of the current calendar year due to the country's emphasis on value added products in order to reduce cost of garment manufacturing. Data compiled by the Ministry of Textiles showed that overall cotton yarn exports jumped to 222,052 tonnes between January – September 2012 as compared to 77,688 tonnes in the same period last year.

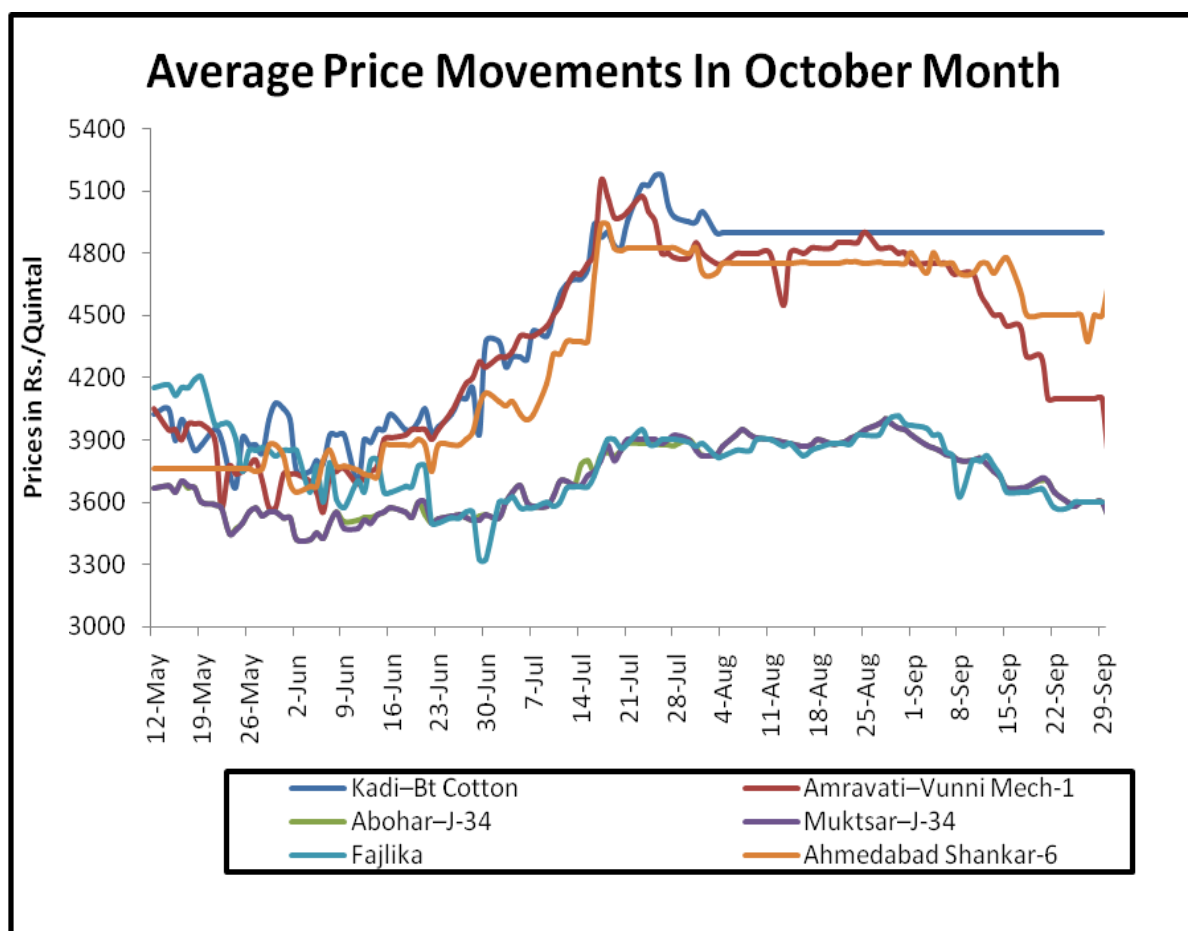
India, however, continued its position as the second largest cotton yarn exporter to China after Pakistan, this year again. Total cotton yarn exports to China from Pakistan were recorded at 391,556 tonnes in the first nine months of the current calendar year as compared to 202,310 tonnes in the corresponding period of the previous year. "China is focusing more on cotton yarn in order save on labour cost which has been going to the roof for the last few months. Hence, instead of cotton, the country may import more of yarn going forward," said Umang Kapasi, joint managing director of Comibatore-based Shri Vardhaman Cotton Corporation, which also operates as an indenting agent. Meanwhile, India's cotton exports in 2012-13 is expected to fall to 7 million bales compared to 12.8 million bales last year following sharp fall in Chinese demand, according to the Cotton Advisory Board (CAB) headed by the textile commissioner. Around 65 per cent of India's cotton exports is shipped to China and thus this year due to lack of demand from China. Meanwhile, export of cotton yarn to China is expected to continue its uptrend as cotton available in that country is priced nearly 20 cents per pound more than in the international markets. Besides, wages are on the rise. As a result, China is now cutting on spinning activities and focusing more on value-added items. "China is not only importing cotton yarn from India but also from Indonesia and Pakistan. We are definitely benefiting from this. Indian spinners are happy, as they are in a position to utilise their capacities as orders for yarn are pouring in," said S P Oswal, chairman and managing director of the Vardhman group of industries.

Source: Business Standard

Cotton Price Performance during the October Month 2012

Average cotton prices were steady to strong in cotton spot markets on back of higher arrivals against during October 2012. Prices mainly increased in October as demand picked up in local markets due to new crop arrivals.

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



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		30-10-12	29-09-12	
23300Cotton	Kadi-Bt Cotton#	4500	-	16%
	Amravati-Vunni Mech-1#	4100	3525	Unch
	Ahmedabad-Shankar-6#	4500	4500	-4%
	Abohar-J-34*	3460	3600	-4%
	Muktsar-J-34*	3460	3600	16%
	Fajlika#	3460	-	Unch

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Month 30/10/12	Previous Month 29/09/12	
Kadi -Bt Cotton	80500	-	-
Amravati -Vunni Mech-1	18110	5300	242%
Ahmedabad - Shankar-6	225000	61000	269%
Abohar	17300	1435	1106%
Muktsar	6425	-	-
Fajlika	25900	550	4609%
Khandwa	3000	-	-

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

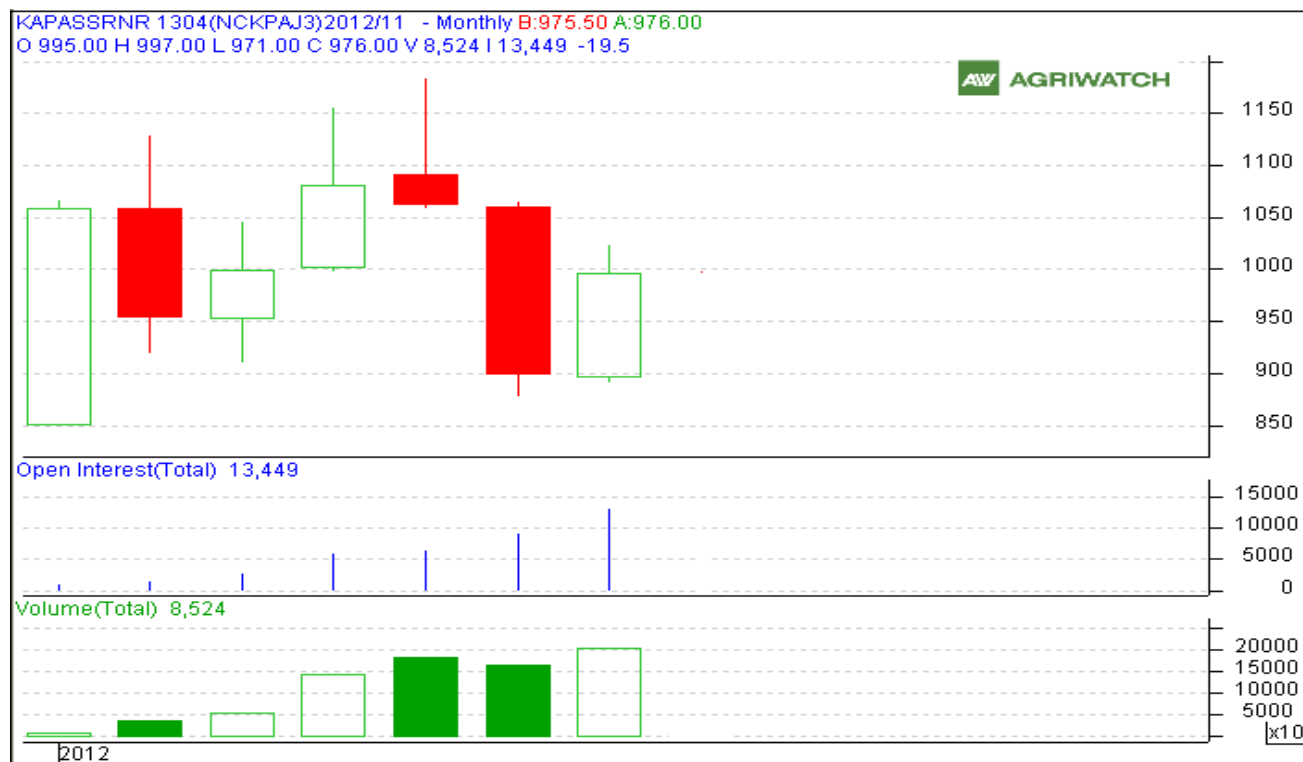
Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strengt h/ GPT	Rs. Per Candy (29/10/2012)	Rs. Per Candy (28/09/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	40700	36600	11%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41100	37100	11%
J-34(202)	26mm	3.5 - 4.9	23	31200	32000	-3%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32900	33700	-2%
Shankar- 6(105)	29mm	3.5 - 4.9	28	33500	34200	-2%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34000	35700	-5%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34500	36500	-5%
DCH-32(107)	34mm	3.0 - 3.8	33	45500	48500	-6%

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in November, on back of rising arrivals expected in the market. However, cheaper international prices against domestic cotton prices of cotton have influenced 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 moved up due to pick up in demand.
- Rising open interest & prices depicts market under long build up phase.
- Immediate support could be seen at 892 crossing such level price would test second support level at 870.

Our short term outlook on the contract is bullish. We advise to go for long positions price at current price level and book profit by short covering as prices are likely to fall by mid November.

Strategy: We advise traders to make Sell call and book profit by short covering as prices are likely to decline, based on fundamentals.

Support 2	Support 1	Resistance 1	Resistance 2
870	892	1022	1040

International Markets

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

	Fri	Mon	Tue	Wed	Thu
Market	19-Oct	22-Oct	23-Oct	24-Oct	25-Oct
SE	74.13	74.18	71.52	69.92	69.98
ND	73.13	73.18	70.52	68.92	68.98
SD	73.13	73.18	70.52	68.92	68.98
ETX	70.00	70.00	68.00	66.50	66.50
WTX	69.50	69.50	67.50	66.00	66.00
DSW	71.38	71.43	68.77	67.17	67.23
SVJ	72.13	72.18	69.52	67.92	67.98
7-Mkt Avg	71.91	71.95	69.48	67.91	67.95

Source: USDA (In cn/bl)

- Egypt has agreed to export 566 tonnes of cotton in the week ending on October 18, 2012. Till latest information Egypt has exported 5437 tonne of cotton.
- Pakistan production is estimated at 15 million bales for 2012-13. Also domestic consumption is 13 million bales as of last year.
- Australia cotton area is projected to decline by 14 percent in 2012-13 to 5.15 lakh hectares.
- USA and Pakistan are the only major Cotton producing counties where cotton production is expected to rise from previous year. While USA is battling from its lower quality cotton in first China Cotton production by USDA is slightly up at 31.50 million bales from previous of 31 million bales.
- USDA has raised opening stock of India to 129 lakh bales for 2011-12.
- China cotton reserve is now over a million tones also international prices are going up.
- Uzbekistan has harvested 3.35 million tonne of cotton this year. 90 percent of this is a high quality crop.
- China Cotton production by USDA is slightly up at 31.50 million bales from previous of 31 million bales
- Global cotton output has been raised by 2.8 million bales and consumption lowered by 680,000 bales. All major producing countries China, Pakistan, India and USA have raised their estimated.
- USA has exported 34,500 bales for 2013-12, mainly to China.
- China cotton reserve is now over a million tones also international prices are going up.
- USA cotton futures increased in few days due to quality of cotton already harvested has been low. Also, the inventory of good quality cotton is from previous years.

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, rising open Interest & volume rising depict market under long covering phase. Prices ranged between 69.93 to 79.19 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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
 © 2005 Indian Agribusiness Systems Pvt Ltd.