

Highlights of the Week

- Sluggish trading activity featured in Cotton spot markets due to uncertainty in the market during this week.
- Overall arrivals from 1st Oct. to 25th March declined by 9% to 25 million bales of 170 kgs each as compared to last year arrivals to 27.5 million bales during the corresponding period as reported by the Cotton Corporation of India.
- Cotton sowing is likely to start in late April or 1st week of May 2012. However, lower area is expected to cover under Cotton crop due to rising input costs against lower profit margin.
- We expect bullish trend on back of CCI buying activity and with the entrance of textile millers' demand.

Current Market Dynamics

Cotton market ruled bearish tone as dull trading activities were featured over this week. Lower millers demand and partial ban on cotton export have mainly driven prices. Despite, overall outlook in cotton segment is bullish in near term as textiles millers demand is likely to re-enter in the market along with CCI buying.

The Cotton Corporation of India revealed that farmers in India still hold one crore bales with the value Rs.20, 000 crore. Farmers are facing Rs. 2,000 crore losses in cotton as raw cotton prices fell by Rs. 1000-3000 per 100 kg after the unexpected ban.

CCI has started to buy Kapas in the price range of Rs. 3200 to 3800 from Amravati market (Maharashtra) and Rs. 4000 to 4300 from Fajilka market (Gujarat) while at MSP of Rs. 3300 in Andhra Pradesh where prices have declined to MSP. Running buying activity of CCI may prevent cotton prices from any major fall in the medium term.

The Excise duty on Cotton textiles exports has been raised from 4% to 6% in the union budget for 2012-13 and service tax from 10% to 12%, which will increase exporters' cost. Custom duty of 5% has been exempted on importing automatic shuttle less loom which may favor textile industries especially for weaving sectors.

Crop conditions & Cotton Arrivals

Weekly arrivals declined mainly in Maharashtra and Gujarat. However, other cotton growing states of India reported higher arrivals like Andhra Pradesh, Haryana, Rajasthan, Madhya Pradesh and Karnataka because producers were seemed to sell off their stocks at the prevailing prices. Farmers are holding the remaining 25-30% stocks in hand as of now but could sell off their stocks to CCI due to the uncertainty in the market. Consequently, the pace of arrivals significantly increased in the last week of March. Meanwhile, big farmers seem to be holding their stocks and as they believe that the export will resume shortly.

Below table shows the comparison of Arrivals from the corresponding period last year:-

Comparison of Arrivals 2011/12 Vs 2010/11

States	2011-12	2010-11	% Change
	Arrivals* As on 25-03-2012	Arrivals As on 25-03-2011	
India	250.44	274.65	-8.81
Gujarat	79.23	90.87	-12.81
Maharashtra	52.5	72.42	-27.51
Andhra Pradesh	42.57	40.16	6.00
Haryana	16.48	14.29	15.33
Punjab	15.58	16.56	-5.92
Madhya Pradesh	15.18	14.64	3.69
Rajasthan	14.01	9.95	40.80
Karnataka	8.56	7.25	18.07
Tamil Nadu	3.15	5.2	-39.42

Source: The Cotton Advisory Board (Quantity in lakh bales)

Cotton sowing 2012/13 will start when wheat standing crop would be harvested completely. As, farmers viewed that planting will be on pick stage in late April or 1st week of May if weather will support. However, they are intended to cover lower cotton area than previous year and may move to other crops like Guar, Soybean due to higher profit realization in the current season.

Export and Import Scenario

On other hand, exporters are not actively participating in the market on restriction of fresh issues which is weighing on market and restricted prices to sustain at higher level. While China and Pakistan renewed demand is expected to come. If ban of fresh issues would be continued, there is possibility that prospectus import demand may switch towards other competing countries like Australia, U.S or Brazil. India has so far exported 95 lakh bales (1 bale = 170kg) against original estimate of 84 lakh bales in 2012.

On other hand, the Government added (after allowing only those registrations signed before 5th March 2012) that DGFT would revalidate all RCs and separate application should be issued for each valid RC, which should be submitted till 22nd March which has been decided as a last date to submit.

In the favor of partial running ban in India, the Commerce Ministry said that around 85% of shipments have been delivered to China therefore we expect that there were evidence of storage of fibers abroad which could adversely impact on India as India is also one of the top consumer of cotton for its domestic requirements.

Fundamental Cotton Price Outlook for Coming Week

Cotton prices are expected to inch up amid CCI buying and with the entrance of textiles millers demand.

Cotton Spot Prices (Kadi Market) Technical Analysis



- The chart depicts range bound trading during this week due to uncertainty in the market. However, the cotton prices may inch up on CCI buying in near term.
- Divergence between prices and RSI could be seen indicating accumulation of cotton at these levels and stands indicative of possible price rise.
- Any near-term jump might face resistance towards the level of 4566.

Strategy: Buy Kapas (Kadi Market) at current level and book profit at resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3833	3966	4566	4733

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
Kadi	3984-4587	Sideways to bullish

Prices-Rs/quintal Kadi prices- Bt quality

Cotton Prices at Key Spot Markets:

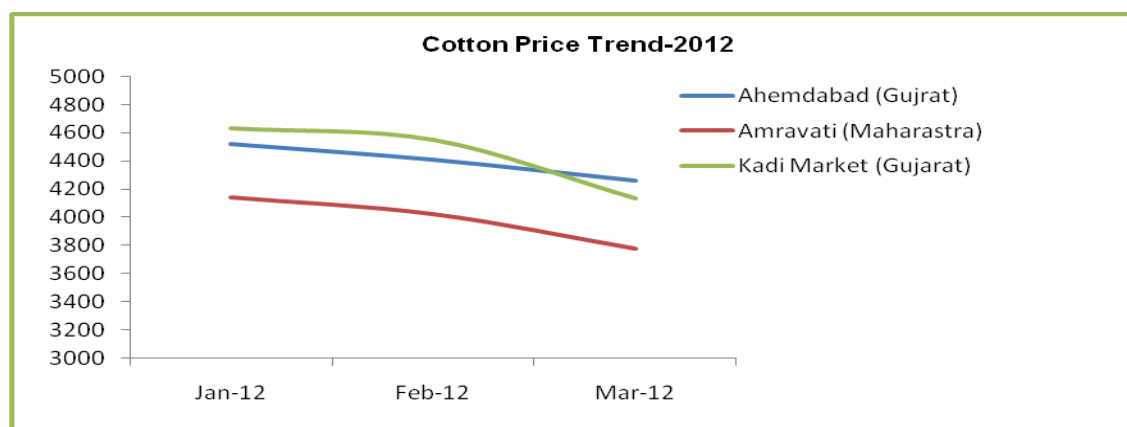
Commodity	Centre & Variety	% Change Over Previous Week	Current Week 24/03/12	Previous Week 17/03/12
Cotton	Kadi-Bt Cotton#	-2%	3900-4300	3900-4400
	Amravati-Vunni Mech-1#	-1%	3850	3850-3900
	Ahmedabad-Shankar-6#	Unch	3750-4250	4160-4250
	Abohar-J-34*	-4%	3530	3670
	Muktsar-J-34*	-4%	3540	3670
	Fajlika#	-5%	3700-4225	3700-4451
	Khandwa#	-	-	3350-4000

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 24/03/12	Previous Week 17/03/12	
Kadi -Bt Cotton	710	520	37%
Amravati -Vunni Mech-1	13000	18500	-30%
Ahmedabad - Shankar-6	165000	20000	725%
Abohar	6900	3500	97%
Muktsar	3250	1800	81%
Fajlika	14200	11100	28%
Khandwa	-	6200	-

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

Cotton Price Performance during this year 2012:


Technical Analysis of Cotton Futures April 2012 contract at NCDEX


- April contract in NCDEX represented sideways momentum of the market. Prices are likely to move sideways to bearish phase as cotton prices are between 61.8% of Fibonacci retracements points.
- Cotton prices are likely to move between 783-880 and test its key immediate resistance of 857.7 breaching the same might initiate a fresh bull run. However, failing the immediate resistance could lead prices lower towards support near 801.3
- RSI, indicating possibility of sideways to bullish momentum of cotton prices in near term however would be highly affected on fundamentals.

Strategy: We can see range bound trading between 783-880 during upcoming week. One can sell towards resistance level and book profit at immediate support level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
783.5	801.3	857.7	895.1

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	783-880	Sideways to Bearish

INTERNATIONAL MARKETS

Cotton prices trended up after an announcement of ban imposed in India in expectation of higher demand from overseas demand especially Bangladesh and China. However, we expect prices to go down amid increasing ending stocks and overall moderate mills demand in long run.

In the latest report of USDA, World production estimate has been revised and increased to 123.6 million bales from its earlier estimate given in Feb to 123.3 million bales on account of higher production estimate in Pakistan and Brazil to 10.6 and 9.3 million bales respectively in March against 10.4 million bales and 9.0 million bales respectively estimate of Feb. However, consumption has reduced in March from Feb from 109.7 million bales to 108.7 million bales on account of poor mills demand due to which ending stocks is estimated higher in March to 62.3 million bales from 60.8 million bales of Feb month estimate, which may restrict ICE future prices.

ICE Futures (March 2012 Contract) Technical Analysis



However, the trend is expected to be down in next week on bearish fundamental outlook. Even, prices below 9 and 18-day EMAs hint the bearish sentiments. RSI is also moving down in the neutral region and hints the sideways to weak tone in the long term. Sell towards resistance level 94.03 and book the profit towards 86 or at the support level.

Support 2	Support 1	Resistance 1	Resistance 2
84.80	86.11	94.03	98.5

All in USc/lb

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