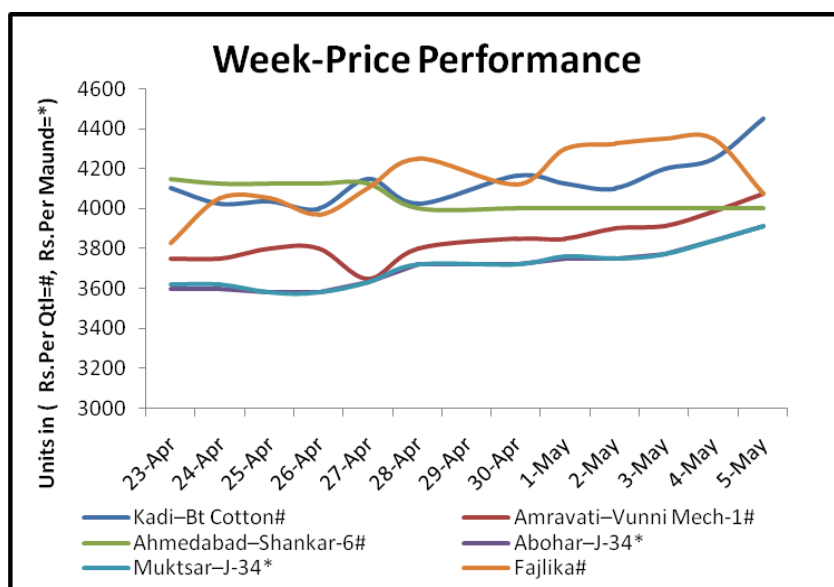


Highlights of the Week

- ❖ The cotton spot markets witnessed firm trend during this week supported by robust exporters demand.
- ❖ The Cotton Corporation of India has accumulated more than 12 lakh quintal of cotton across India through commercial operations so far in the current season which runs from October to September.
- ❖ According to ICAC, a decrease in global cotton area will prompt cotton production down by 7% to 115.74 million bales in 2012/13.
- ❖ Indian government is likely to review on export situation after two to three weeks.
- ❖ We expect sideways to bullish movement of the market during the upcoming week.

Domestic Market Fundamental

The cotton Prices advanced almost in all the markets except Fajlika and Ahmadabad market prices as demand improved as before. Supplies are sharply declining in Gujarat and Maharashtra due to lower inventory against higher export demand which may further help cotton prices to surge in upcoming days. However, exporters are demanding for quality cotton crop as on date to



gain higher profit around Rs. 1800 to 2,000 for a candy of 356 kg at the current price amid weak Indian rupees. The most traded Shankar-6 variety (staple length-29 mm) closed up by 1.78% to 34400 rupees per candy of 356 kg each after coming overseas demand which may support prices to maintain its uptrend in the medium term as well.

Below are the details of MSP for 2012/13 as suggested by The Commission for Agriculture Costs and Prices for cotton:

Crop	MSP 2011-12	Average Market Price*	MSP 2012-13	% rise
Cotton**	2,800-3,300	4,362	3,600-3,900	28.5-

Units in Rs. /Quintal

Above recommendation to hike MSP about 28% will encourage enough to cotton growers in the sense of cotton planting during the season 2012/13.

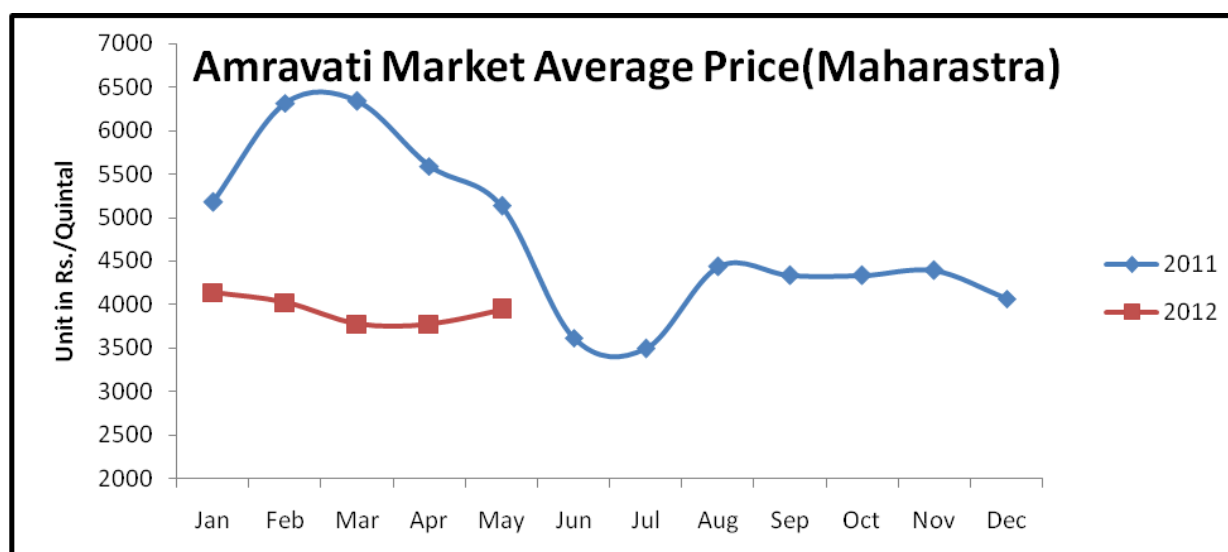
After allowing fresh cotton exports on 30th April 2012, the government has asked CCI to build a buffer stock of around 10 lakh bales of cotton to meet any emergency during offseason of arrivals or in June, July and August 2012.

The Cotton Corporation of India has procured cotton through commercial operations of 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

The cotton prices in Amravati market performed well in 2011 during Jan to March and touched the highest price level of 6338.6 in March-11 unlike this year price fluctuation as below chart shows. In this year, average lower yield due to unfavorable weather condition led prices down during corresponding period of this year 2012. However, restriction free raw cotton export may push up the cotton prices to touch Rs.4250 per quintal in Amravati market from the current level i.e.4075 per quintal.



Cotton Crop Situation

The cotton sowing has been started in Punjab and Rajasthan since April last 2012 in irrigated parts. However, other major growing states are likely to plant cotton since May last in irrigated parts and after the monsoon in rain-fed areas.

Below table shows state-wise cotton crop situation in 2012:

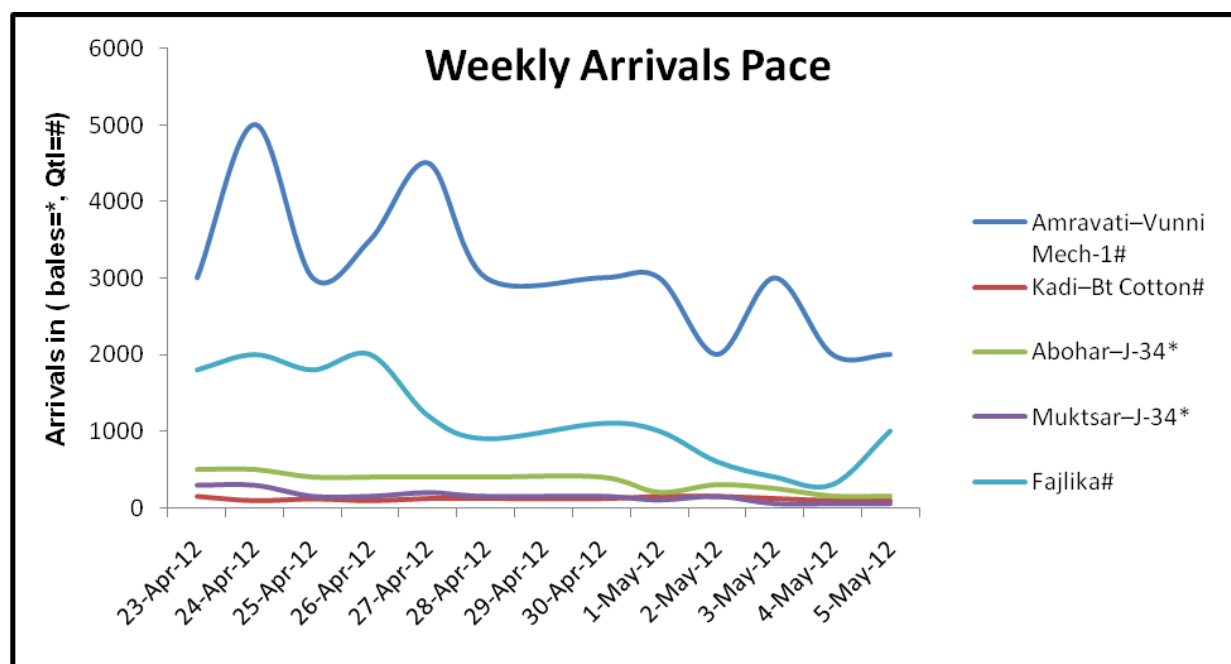
India's Cotton Crop Situation in 2012/13					
States	Gujarat	Punjab	Maharashtra	Madhya Pradesh	Rajasthan
Fresh Crop Available	20%	2 to 3%	10-12%	10 to 15%	10%
Sowing	May Last in irrigated area	Started since April last week in irrigated Parts	May Last in irrigated area	After 15th June	Started since April last
Expected Cotton Area Shift	Guar & Groundnut	No shifting	Soybean	Soybean	Guar
Area 2011/12	30.23	5.6	40.95	7.06	5.3
Production 2011/12	120	19.5	73.75	17.7	17.1

Area in lakh hectares, Production in lakh bales

Cotton Arrivals

Farmers are holding limited stocks in hand resultantly arrivals are declining amid good demand at the season end.

Below table shows the arrivals pace so far including last week arrivals details:-



Yarn & Textile

India is planning to reap a higher textile and garment export target during the current fiscal year 2012/13 despite the downtrend experienced in major importing countries like EU and the US as they are hit by financial crisis during this year. According to the sources, India has identified new export destinations like Africa and Latin America and makes a plan to achieve textile and garment export target at US \$ 38 billion for the current fiscal year. Textile export stood about \$ 34 billion in 2011/12 as against \$ 26.8 billion in 2010/11.

The Indian Finance Ministry has decided to continue on earlier imposition antidumping duty amounting to US \$ 542.22/ton on imports of partially oriented yarn (POY) from China another five years. Such duty was imposed in August 2007 for five years and now extended till Feb 2012.

Export and Import Scenario - Cotton

Primarily, Pakistan and Bangladesh are enquiring for Indian cotton as on date. However, China is in wait & watch situation.

After a review meeting with ministers held on 30th April 2012 regarding export ban, government has decided to remove raw cotton exports ban after a strong protest by senior ministers favoring farmers. As, the government has restricted complete raw cotton exports on 5th March'12 however allowed existing registrations signed on or before 4th March'12 within a week after political pressure.

However, the panel of ministers will meet in two to three weeks to review the situation

Fundamental Cotton Price Outlook for Coming Week

A sideways to bullish momentum could see in the market in upcoming week due to continue buying activities of textile millers and exporters. However, the government's announcement of meeting to review the situation is discouraging exporters to pile higher cotton stocks therefore cotton prices are rising but with slow pace so far.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 5/05/12	Previous Week 28/04/12
Cotton	Kadi-Bt Cotton#	8%	4250-4650	3750-4300
	Amravati-Vunni Mech-1#	8%	4050-4100	3800
	Ahmedabad-Shankar-6#	0%	3750-4250	3750-4250
	Abohar-J-34*	5%	3910	3720
	Muktsar-J-34*	5%	3910	3720
	Fajlika#	2%	3800-4350	4250
	Khandwa#	-	-	3200-4000

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 5/05/12	Previous Week 28/04/12	
Kadi -Bt Cotton	750	720	4%
Amravati -Vunni Mech-1	15000	22000	-32%
Ahmedabad - Shankar-6	16500	210000	-92%
Abohar	1050	1700	-38%
Muktsar	350	800	-56%
Fajlika	4400	9700	-55%
Khandwa	-	6400	-

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 (30/4/2012)	Rs. Per Candy (26/4/2012)	%Change
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	33800	33200	1.81
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	34900	34300	1.75
J-34	25mm	3.5 - 4.9	23	30700	30100	1.99
H-4/ MECH-1	28mm	3.5 - 4.9	25	33500	33200	0.90
Shankar-6	29mm	3.5 - 4.9	26	34600	34300	0.87
Bunny/ Brahma	31mm	3.5 - 4.9	27	35500	35200	0.85
DCH-32	35mm	2.8 - 3.6	31	N.Q	N.Q	-

Cotton Spot Prices (Kadi Market) Technical Analysis


- Bullish momentum seemed in the cotton spot markets during this week. Upwards channel depicts market towards positive zone in upcoming days.
- RSI is moving up at level of 54.33 in neutral region indicating uptrend in the market.
- However, above 9 and 18 EMAs hints sideways to bullish momentum in the market in near as well as in long run.
- Any near-term jump might face resistance towards the level of 4755.6 breaching it would test the level of 4875.8

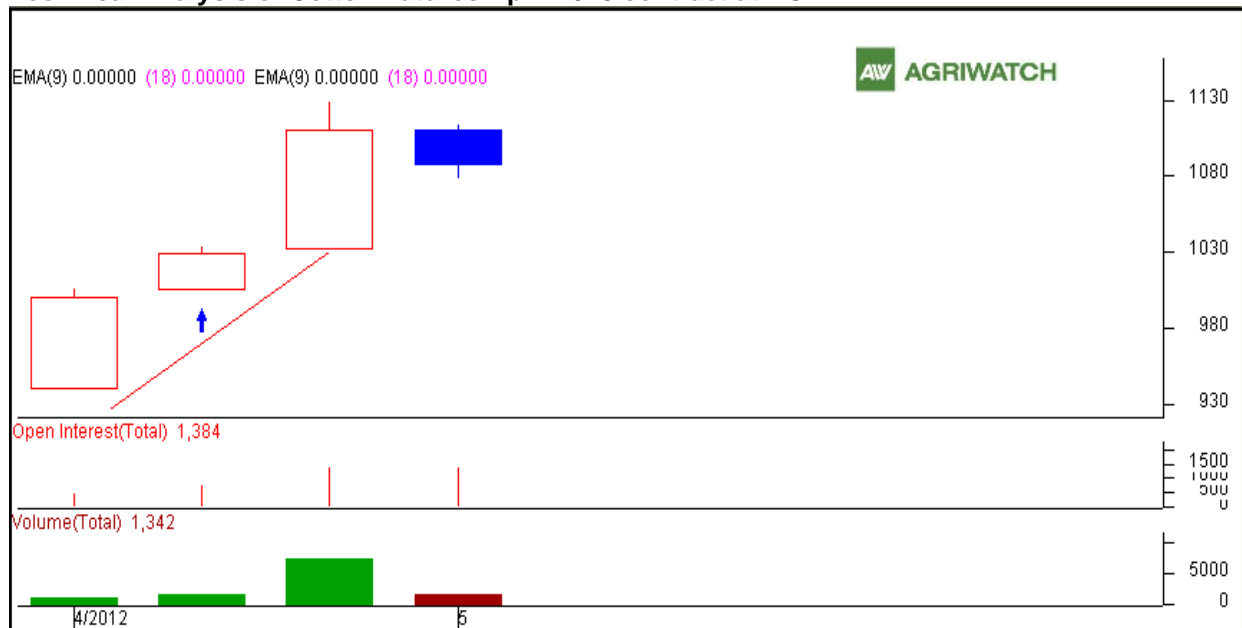
Trading Strategy: 4266-4755 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

Buy at the price between 4510-4515 and book profit towards resistance level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
4047.9	4266.6	4755.6	4875.8

Prices-Rs/quintal Kadi prices- Bt quality

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- The candlestick pattern shows bearish momentum in the market during this week end.
- Falling open interest, volume and prices depicts market under consolidation phase.
- Immediate resistance could be seen at 1129.6 crossing such level price would test second resistance level at 1145.3
- Prices are likely to move between 1075 to 1108 in next week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
1057.6	1073.3	1129.6	1145.3

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1075-1108	Sideways to Bullish Momentum

International Market

ICE future closed down amid moderate supplies and demand as most of the millers had already procured their immediate to nearby raw cotton needs. Besides, lackluster finished product sales have influenced to millers buying activities during this week. While, China bought a moderate volume of color 31, leaf 4, and staple 33 for May/ June Shipment.

Spot Market Prices (US):-

Color 41, Leaf 4, Staple 34 (Units in cents per pound)								
Date	South east	North Delta	South Delta	East TX/OK	West Texas	Desert SW	SJ Valley	7- Market Average
27-Apr	84.48	83.73	83.73	80	80.25	82.48	83.23	82.56
30-Apr	82.65	81.9	81.9	78	78.25	80.65	81.4	80.68
1-May	82.93	82.18	82.18	78.25	78.5	80.93	81.68	80.95
2-May	82.76	82.01	82.01	78.25	78.5	80.76	81.51	80.83
3-May	83.46	82.71	82.71	78.75	79	80.46	81.21	81.19

According to USDA, approx. 70 to 75 % of the cotton crop was planted so far. In Arizona, New Mexico and E1 Paso, Texas seedlings were emerging successfully without facing any insect pressure and moisture on back of favorable weather condition and early irrigation water. While in parts of Kern, Kings and Tulare Counties cotton were re-planted as crops got damage from heavy rainfall in the beginning of April however re planted crop are in well growing condition and in seedlings phase after organic planting. On the other hand, the planting in the Bootheel of Missouri have been delayed in expectation of rain showers so that sufficient moisture could be provided to the cotton crop for better germination besides the farmers are likely to shift cotton area towards soybean too due to higher returns.

According to International Cotton Advisory Committee, world cotton acreage is likely to decline by 7% to 83 million acres (33.6 million hectares) due to poor cotton price performance during the current season. As a result, world production is projected down by 7% to 115.74 million bales following lower production expectation in India, Pakistan, Brazil and Turkey. However, U.S production could increase by 11% to 17.45 million bales amid reducing planting area due to favorable weather condition.

Cotton trade is likely to increase by 13% to 8.6 MT in 2011/12 after a record import by China which account for 50% of global import in the current season as projected by ICAC.

ICE Futures (May 2012 Contract) Technical Analysis


May Contract of ICE futures declined amid selling pressures. Falling Open Interest, Volume and Prices depicts market under consolidation phase. Prices ranged between 85.11 to 86.78. RSI is moving down at 41.56 hints bearish momentum in upcoming days. Immediate support level is at 83.71 breaching this may touch 82.31 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
82.31	83.71	88.17	89.57

All in US\$/lb

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