

Highlights of the Week

- ❖ Lower trading activities featured in most of the cotton spot markets during this week end.
- ❖ China is likely to issue extra cotton import quotas around 1 million ton in 2011/12.
- ❖ The cotton association of India has pegged India's total cotton export so far at 11.6 million bales in the current season.
- ❖ USDA forecast an increase in world ending stocks to 73.8 million bales in 2012/13 as compared to 66.8 million bales in 2011/12.
- ❖ We expect choppy market movement on intermittent demand during the upcoming week.

Domestic Market Fundamental

The cotton Prices significantly fell on slow demand almost in all the markets except Amravati market which closed upside on good exporters demand. However, overseas demand below expectation prompted exporters to buy cotton in a limited quantity. Though, supplies in the entire markets reported comparatively lower pace as stocks are depleting due to season end which may weigh on the market. While, Kadi market which reported higher supplies in the week on higher cotton produce in 2011/12.

On the other hand, the textile industries are demanding for debt restructuring package as most of spinning mills are facing financial crisis.

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 revealed.

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: PIB

Cotton Crop Situation & Weather Condition

The farmers in Punjab and Rajasthan are busy in cotton sowing as on date. However, other major growing states are likely to plant cotton since May last in irrigated parts and after the monsoon in rain-fed areas.

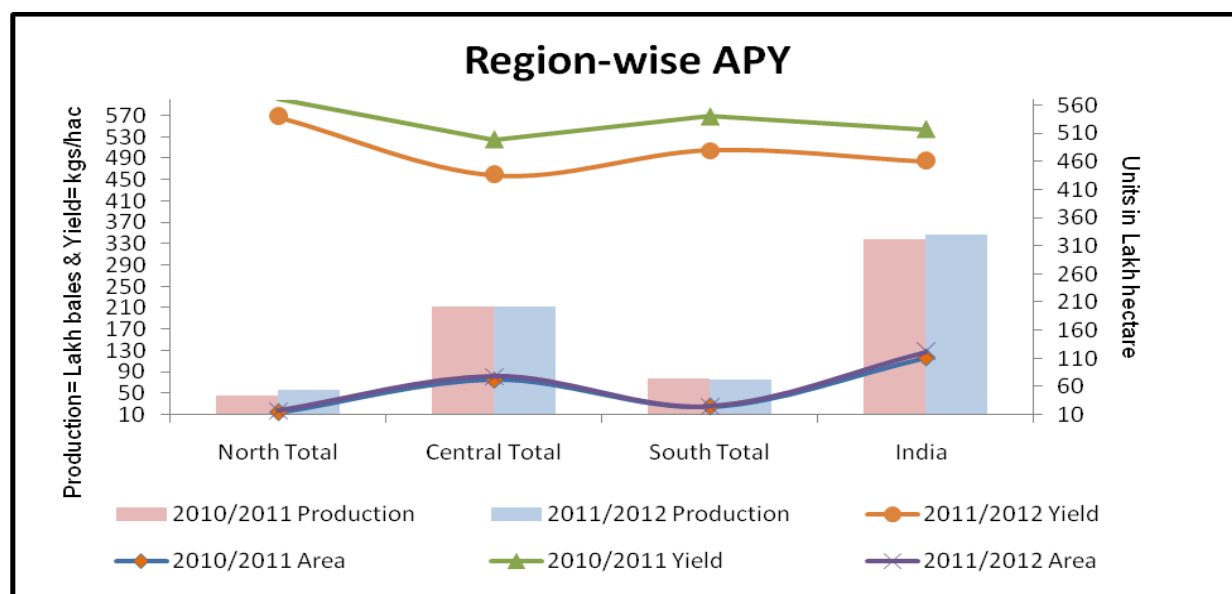
Below table shows state-wise cotton crop situation in 2012:

India's Cotton Crop Situation in 2012/13					
States	Gujarat	Punjab	Maharashtra	Madhya Pradesh	Rajasthan
Fresh Crop Available	15-20%	2 to 3%	8-10%	No crop available	5%
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

Higher production estimate by the Cotton Advisory board in North region has increased the estimates of total India's production to 347 lakh bales during 2011/12 despite lower production estimates in central and south region as yields has been received on lower side due to unfavorable weather condition in 2011/12 planting season.

Below table shows Region-wise comparison of Area, Production and Yield:-



Source: Cotton Advisory Board

Yarn & Textile

The state-backed Cotton Yarn Advisory Board (CYAB) has projected a 12% rise in yarn production to 3,500 million kg in 2012-13. While, domestic consumption of cotton yarn is expected to decline on back of lackluster textile millers' demand due to liquidity crunch. Specially, 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.

Export and Import Scenario - Cotton

As per government data, India has exported a record total 116 lakh bales during October 1, 2011 and May 7, 2012 in the current cotton marketing year. In the current situation, Indian raw cotton is being enquired by Bangladesh and Southeast Asian countries and likely to buy another 1.5 to 2 million bales of cotton as per the cotton association of India. While, China is asking very limited quantity of raw cotton as on date and likely to issue extra cotton import quotas around 1 million ton soon. However, weakness in Rs. Vs dollar is the main driving factor to overseas buyers.

The Directorate of foreign Trade under ministry of commerce has given following conditions on the request of new cotton export RCs:

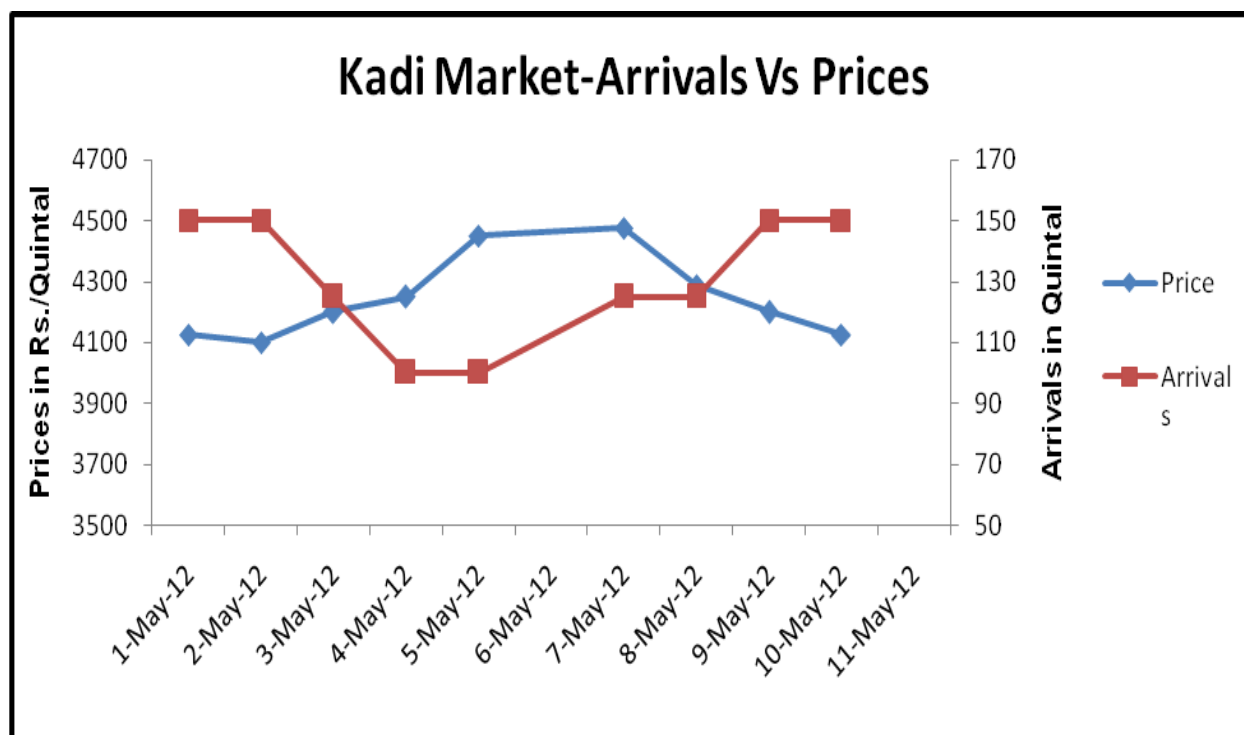
1. RC will be issued by the 7 designated Regional Authorities of DGFT at Ahmadabad, Bangalore, Chennai, CLA New Delhi, Hyderabad, Kolkata and Mumbai.
2. One RC for a maximum quantity of 10,000 bales or actual quantity exported in the current season, whichever is less would be issued at a time to an exporter. While, for new exporter or who have exported upto 1500 bales can export upto 1500 bales.
3. DGFT asked the cotton exporters to send e-mail of all documents and associate papers so that exporter can get RC speedily.
4. Exporters can apply another RC after executing at least 50% of quantity of exports mentioned in the first RC.

Fundamental Cotton Price Outlook for Coming Week

A choppy momentum in the cotton markets may extend in next week on expectation of average millers buying activities. However, declining fresh crops against demand will prevent cotton prices from any major fall.

Arrivals Vs Prices at Kadi Market during the Week

Farmers in Kadi market received low prices of their sales on account of higher supplies. Arrivals pace regained its pace similar to earlier week as given in below charts. We expect prices may rise in upcoming days as exporters are remained actively participating in Kadi market amid lower anticipation of arrivals.



Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 11/05/12	Previous Week 4/05/12
Cotton	Kadi-Bt Cotton#	-6%	3900-4250	4000-4500
	Amravati-Vunni Mech-1#	2%	4085-4100	3950-4025
	Ahmedabad-Shankar-6#	-	-	3750-4250
	Abohar-J-34*	-2%	3770	3840
	Muktsar-J-34*	-2%	3770	3840
	Fajlika#	-4%	3750-4190	4350
	Khandwa#	-	3400-4050	-

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 11/05/12	Previous Week 4/05/12	
Kadi -Bt Cotton	675	650	4%
Amravati -Vunni Mech-1	10500	13000	-19%
Ahmedabad - Shankar-6	-	140000	-
Abohar	640	900	-29%
Muktsar	No arrivals	350	-
Fajlika	1080	3400	-68%
Khandwa	3300	-	-

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

Cotton Spot Prices (Kadi Market) Technical Analysis


- Filled marubozzo candlestick represented significant downside momentum in the market on back of selling pressure during the week.
- RSI is moving down at level of 46.27 in neutral region indicating sideways phase in the market.
- However, below 9 and 18 EMAs hints bearish momentum in the market in near as well as in long run.
- Any near-term jump might face resistance towards the level of 4762.3 breaching it would test the level of 4924.2

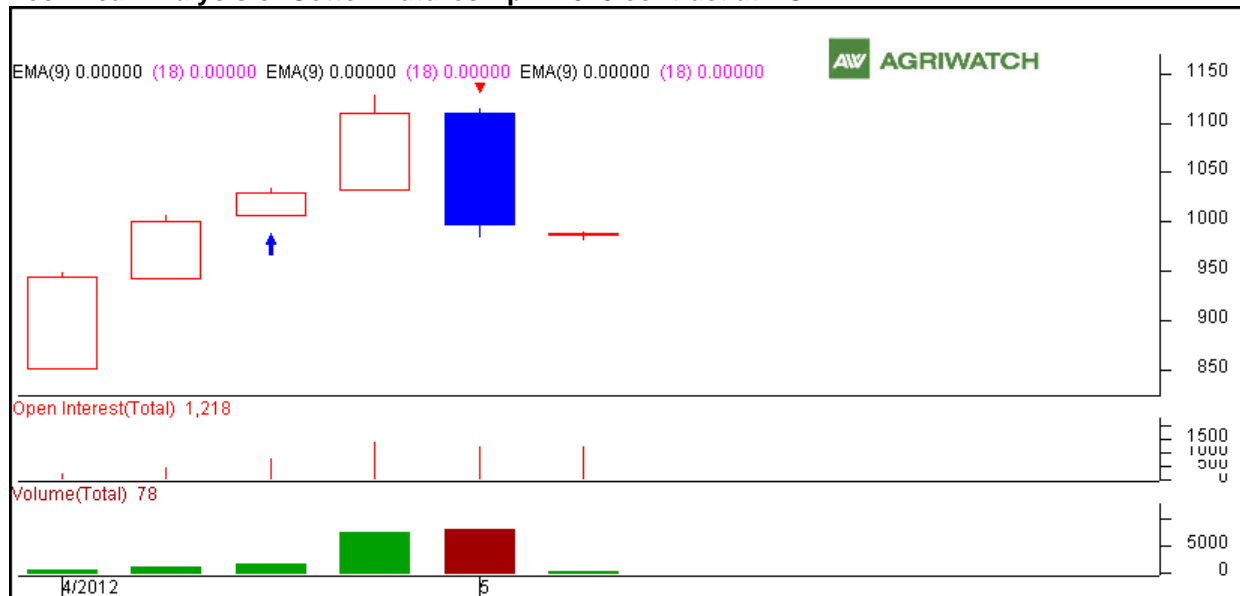
Trading Strategy: 4040-4762 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

Sell at the resistance price level and book profit towards support level.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
3910.8	4040.5	4762.3	4924.2

Prices-Rs/quintal Kadi prices- Bt quality

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- Sluggish trading activities seen in the cotton future market.
- However, rising open interest & falling prices depicts market possible in short build up phase.
- Immediate resistance could be seen at 996.3 crossing such level price would test second resistance level at 1002.6
- Prices are likely to move between 970 to 996 in next week.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
963.6	970.3	996.3	1002.6

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	970-996	Sideways to Bearish Momentum

International Market

- ICE futures sharply declined on Thursday on investor liquidation after the release of a bearish US government crop report.
- Overall US export in March 2012 has been registered down by 20% from the record in March 2011 as overseas buyers are demanding only some specific varieties of US cotton as shown in the table.

Below table show the status of US cotton export month-wise:-

Cotton export Upland	March'2012	Feb'2012	March'2012	% Change in March
Under 1 inch	26719	13835	30199	-12
1 to 1 1/8	209921	211741	191613	10
1 1/8 or more	119108	109668	227166	-48
American Pima	8853	7927	5522	60
Total	364601	343170	454500	-20

Source: USDA (Figures in Thousands bales)

- According to USDA forecast, U.S cotton yields in 2012/13 down to 777 lbs per acre against previous year record to 790 lbs in 2011/12.
- USDA said that farmers in US are likely to receive lower prices in the upcoming 2012/13 season. The forecast range for the marketing-year average price received by producers is 65 to 85 cents per pound, compared with 91.0 cents estimated for 2011/12.
- The world cotton ending stocks is forecasted at a record 73.75 million bales which is up around 10% from 66.9 million bales in 2011/12. While, world cotton production for 2012/13 is forecasted at 116.7 from previous year record to 123 million bales.
- As per USDA, China import is expected to reduce to 14 million bales in 2012/13 from 21.5 million bales in 2011/2012.

- **ICE Futures (July 2012 Contract) Technical Analysis**



July Contract of ICE futures sharply declined due to selling pressure. Prices moved below 61.8% of Fibonacci retracement level and likely to touch below price level of 73.45 in near term due to bearish fundamental outlook. On the other hand, falling Open Interest, Volume and Prices show market under consolidation phase. Prices ranged between 77.16 to 88.42. RSI is moving below oversold region to 24.63 against previous week level at 39.51 hints bearish momentum in upcoming days. Immediate support level is at 75.43 breaching this may touch 73.45 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
73.45	75.43	89.43	94.36

USDA also reported a total of 28.05 million bales is in

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