

**Highlights of the Week**

- ❖ Cotton imports by mills in the South have picked up considerably in the last one month.
- ❖ The cotton prices have been reported down almost in all the cotton spot markets due to declining demand.
- ❖ Government directed Banks to restructure loans of Rs. 35,000 for textile firms.
- ❖ Indian farmers are likely to reduce cotton area by 10 to 15% during this year, as per Textile commissioner due to deficit in rain and poor price as seen last few months.
- ❖ In a recently released report of DGFT (Directorate General of Foreign Trade) cotton yarn export registrations have increased sharply by 10.69% to 82.41 million kgs in June'2012 as compared to 74.45 million kgs of May'12 followed by good demand from Yarn makers and textiles millers.
- ❖ World cotton trade is likely to fall by 20% to 7.5 million tons in 2012/13 in expectation of lower imports by China in 2012/13.

**Domestic Market Fundamental**

Cotton prices traded steady to lower with normal buying support from the domestic mills. According to Ministry of Agriculture, sowing of total area under cotton cultivation in India is 97.24 lakh hectares 7.24 lakh hectares lower than last year during the same period. However, rainfall has been good in Andhra Pradesh, Maharashtra and Madhya Pradesh. Though rains were a bit late initially, sowings have been excellent in Andhra Pradesh, ICF said. The region is expected to produce a crop of above 70 lakh bales, it said quoting cotton trade sources.

As per rating agency Fitch in its 2012 mid-year outlook on Indian textiles, India cotton prices will continue to increase on fall in acreage and delayed monsoon for September 2012-March 2013 cotton season.

On the other hand, Ginners said that cotton will not move down much in near future due to shortage of the stocks and scanty rain. Currently, cotton price may not go below Rs 36,000 a candy (of 356 kg) in the near future as ginning activity is weak due to lower stock availability. Meanwhile, cotton imports by mills in the South have picked up considerably in the last one month.

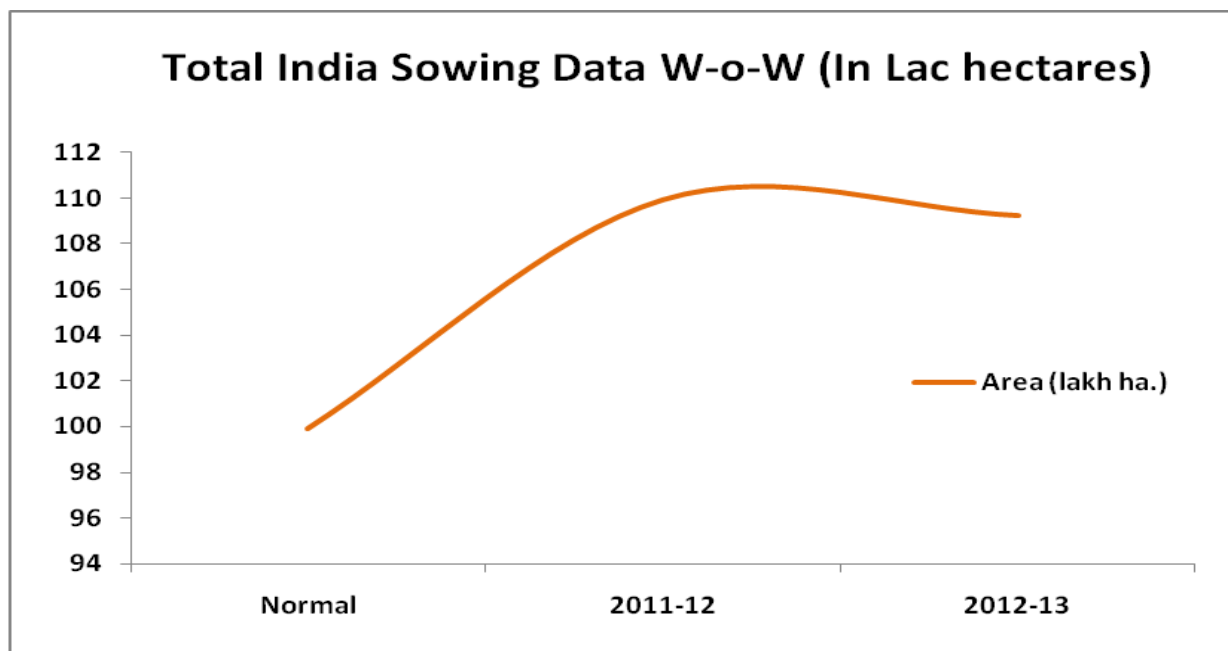
Currently, the mills are importing the raw material from West Africa, Uganda and Tanzania. A total of 1.5 to two million bales (a bale=170 kg) are expected to be imported by November after India's new crop cotton enters the market. However, India is second largest exporter of World, therefore it is unusual for India to import the commodity. The last time India had imported cotton heavily was in 2004, as the area under cotton was lower due to poor rainfall.

**Crop Situation: -**

Area under cotton is down by .69 lakh hectares to 109.23 lakh hectares as on 10<sup>th</sup> August 2012 compared to 109.92 lakh hectares during the same period last year. Higher acreage is reported in the states of Andhra Pradesh (up by 4.23 lakh ha.), Maharashtra (up by 1.54 lakh ha.), Orissa (up by 0.15 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the states of Gujarat (down by 4.73 lakh ha.), Madhya Pradesh (down by 1.09 lakh ha), Haryana (up by 0.82 lakh ha.), Karnataka (down by 0.3 lakh ha.), Punjab (down by 0.59 lakh ha.) and Rajasthan (down by 0.1 lakh ha.) compared to same period during previous year.

Below Figure shows sowing status of Cotton in India as on 10<sup>th</sup> August 2012

	2012-13	2011	Normal (as on date)	Normal (Season)
<b>Area Sown (In Lac hectares)</b>	<b>109.23</b>	109.92	99.9	111.81



Source: Ministry of Agriculture

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 9/08/2012	Previous Week 03/8/2012
<b>Cotton</b>	Amravati-Vunni Mech-1#	2%	4800	4700
	Kadi-Bt Cotton#	0%	4900	4900
	Ahmedabad-Shankar-6#	2%	4900	4700-4800
	Gondal	4%	2500-4925	2500-4755
	Rajkot-(Bt Cotton)	2%	4250-4970	4125-4870
	Abohar-J-34*	2%	3900	3825-3830
	Muktsar-J-34*	2%	3900	3825-3830
	Fajlika#	2%	3900	3820
	Khandwa M.P.	0%	5100-5200	5100-5200
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	3%	3880	3785

\*-Rs/maund, #-Rs.qtl

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 9/8/2012	Previous Week 3/8/2012	
Amravati -Vunni Mech-1	5300	3700	43%
Kadi -Bt Cotton	-	-	-
Ahmedabad - Shankar-6	18000	35000	-49%
Gondal	579	1381	-58%
Rajkot-(Bt Cotton)	4025	4046	-1%
Abohar J-34*	-	-	-
Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

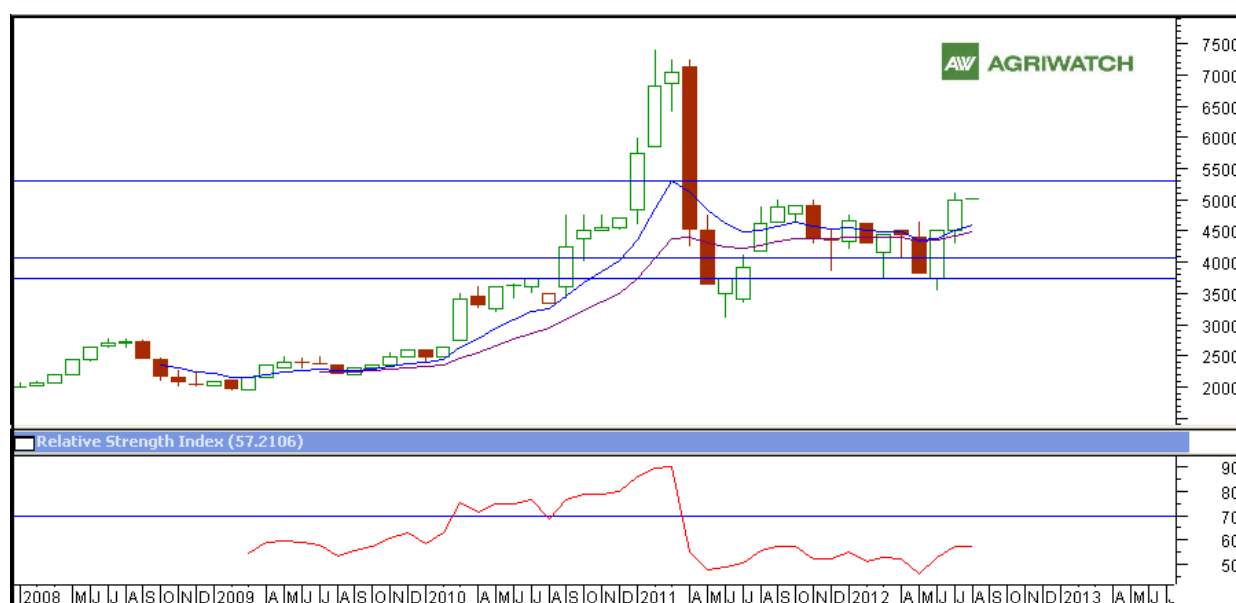
(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

**Cotton Association of India Spot Rates**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (09/08/2012)	Rs. Per Candy (02/08/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	42800	42100	2%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43600	43000	1%
J-34(202)	26mm	3.5 - 4.9	23	36000	34800	3%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	37500	36100	4%
Shankar-6(105)	29mm	3.5 - 4.9	28	38500	36700	5%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40800	38900	5%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	N.Q.	-
DCH-32(107)	34mm	3.0 - 3.8	33	54000	54000	0%

**Fundamental Cotton Price Outlook for Coming Week**

We expect sideways to bullish momentum in upcoming week on back of rising spinners demand against lower stocks.

**Cotton Spot Prices (Kadi Market) Technical Analysis**


- Continued bullish trend reflected in the cotton spot market due to buying interest.
- On the other hand, RSI is moving up in the neutral region hinting a bullish momentum in the upcoming days.
- Above 9 & 18 days EMAs reinforcing its medium term & long term bullish momentum.
- Any near-term jump might face resistance towards the level of 5303 breaching it would test the level of 5424.4.

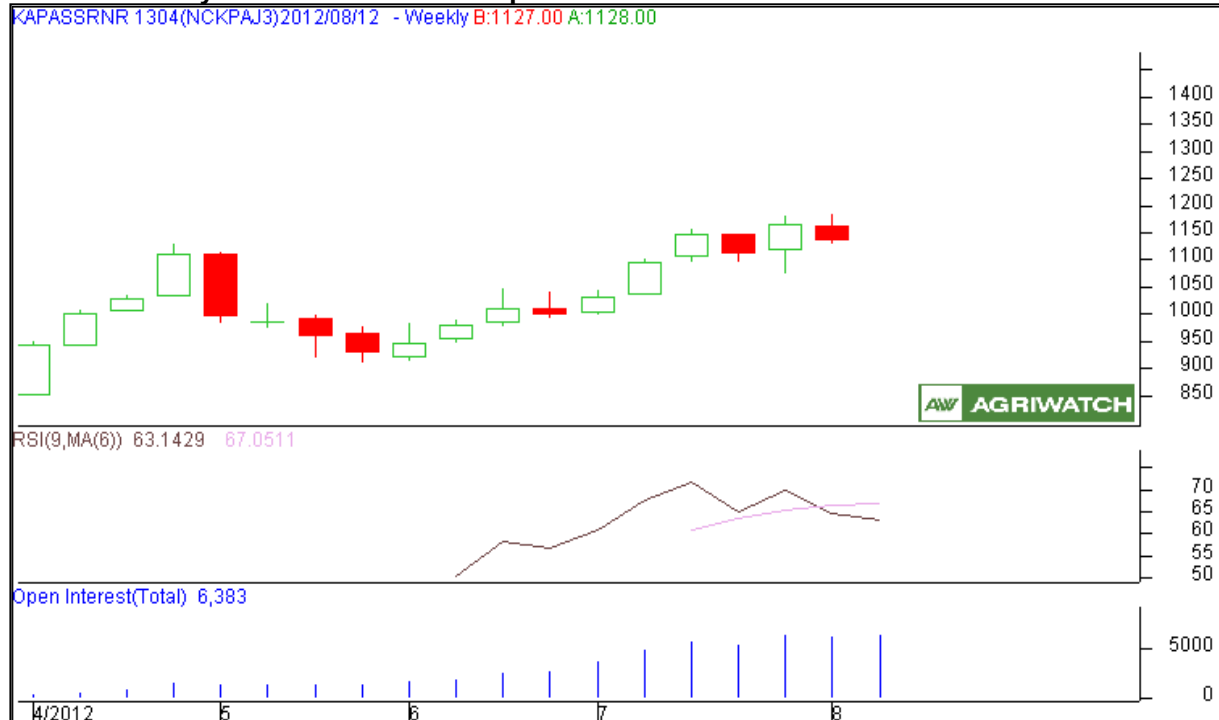
**Trading Strategy:** 4059.9 to 5314 is the immediate trading range for the price; drifting in either direction is likely to take it further in the respective direction.

**Buy at the current price level near around Rs. 5000 levels.**

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
3751.4	4059.6	5314	5424.4

Prices-Rs/quintal Kadi prices- Bt quality

**Technical Analysis of Cotton Futures April 2013 contract at NCDEX**


- April contract in NCDEX closed slightly down due to selling pressure.
- Rising open interest & falling prices depicts market under short build up phase.
- Immediate resistance could be seen at 1194 crossing such level price would test second resistance level at 1203.
- Our short term outlook on the contract is bullish. We advise to go for long positions around 1120-1135 levels and book profit near resistance level.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
1076	1095	1148	1164

**Expected Price range of Cotton Prices for next week**

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1095-1138	Sideways to Bullish Momentum

**International Market**

- According to China Cotton Association, china is likely to have bumper crop this year and it is considering not to increase the limit this year
- Australia is set to become world's second-biggest exporter as water availability has boosted the yields even as the area under cotton declines.
- As per International Cotton Advisory Committee, World Cotton consumption and output will be lower than last month. This month demand will be 23.17 million tonne down from 23.53 million tonne estimated. Production will be 0.10 million tonne lower than projected 24.87 million tonne.
- The Cotlook "A" Index averaged \$1.00 per pound in 2011/12, down by 39% from its record of the previous season. Exceptionally high cotton imports by China (5.2 million tons) triggered by domestic policies were the main factor preventing a more pronounced fall in international prices.
- World cotton production is forecast down by 9% to 24.7 million tons in 2012/13. Global cotton mill use is projected to rise only slightly to 23.2 million tons, as the rate of global economic growth is expected to remain slow and because the high domestic cotton support price in China is encouraging mills there to shift toward alternative fibers.
- In 2012/13, the resulting excess supply of 1.6 million tons will cause global stocks to rise by 11% to 15.2 million tons. In contrast with 2011/12, stocks could accumulate at a faster rate outside of China. However, the Chinese government announced a slightly higher minimum support price for 2012/13 and is expected to buy a large portion of the new cotton crop. This suggests that the size of the Chinese national cotton reserve may continue to increase, even if the government rotates some of its old stocks during the season.
- World cotton trade is likely to fall by 20% to 7.5 million tons in 2012/13 in expectation of lower imports by China in 2012/13. However, imports by countries other than China could go up, due to lower cotton prices and a slightly higher level of consumption.

**ICE Futures (Oct 2012 Contract) Technical Analysis**


Oct Contract of ICE futures closed on lower side due to selling pressure. RSI is marginally moving down to 30 in neutral region. Prices ranged between 71.4 to 73.4 during the week. Immediate resistance level is at 73.11 breaching this may touch 70.5 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67.06	68.46	73.11	74.66

All in USc

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