

Highlights of the Week

- ❖ Cotton prices dropped during this week due to less purchase by the millers during this week ending on 17th August 2012
- ❖ There are limited stocks in the market and lack of sufficient rainfall in the growing regions will lend some support to the market in the medium –term.
- ❖ Cotton sowing has so far covered around 4.52 lakh hectares in Rajasthan as on 14th August 2012 as against 5.31 lakh hectares during the same period previous year.
- ❖ Expected demand for cotton yarn from China is likely to support the spinning mills during this season
- ❖ Textile and clothing companies in India have recorded losses during the first quarter of the fiscal year 2012 -13 following high cotton inventory and lack –luster demand in the overseas market.
- ❖ 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.
- ❖ The cotton prices are likely to trade with sideways to bearish momentum in coming week in expectation of drop in demand along lower supplies.

Domestic Market Fundamental

Cotton prices traded amid steady to lower side with less buying by the domestic mills. Cotton sowing has so far covered around 4.52 lakh hectares in Rajasthan as on 14th August 2012 as against 5.31 lakh hectares during the same period previous year.

Cotton acreage has fallen from 12 million hectares in 2011-12 to 11 million hectares. But better yield could compensate that. Millers are expecting good season ahead to sell their produce in international markets on much needed support provided by the RBI on restructuring of loans on case-to-case basis. Also, due to policy regulations, Chinese mills have become uncompetitive. In which India is likely to gain maximum benefit.

Yarn production:-

Latest report by the Centre for Monitoring Indian Economy (CMIE) said that production is likely to grow by 6% the coming marketing year compared to drop of 5.1% last year in the same period. Yarn production increased by 0.4 % this month compared to last month.

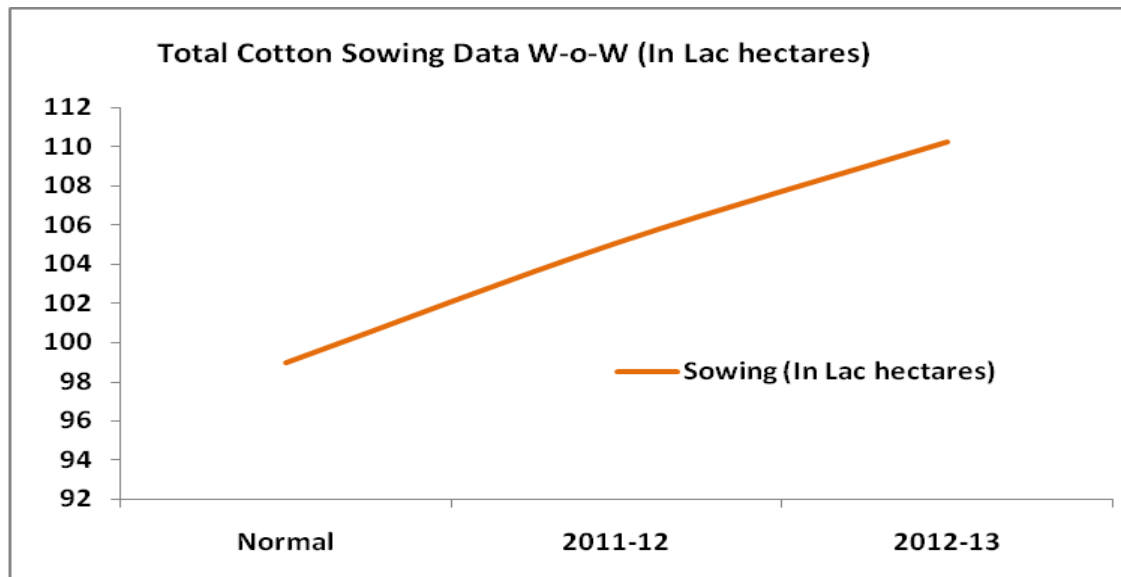
Domestic Export Scenario:-

After drop in demand for four months of this financial year, exports demand picked up for yarn. Exports have grown 25-30% this year compared to last year in the same period. This is due to good demand from China which comprises of 30-40% of yarn exports from India.

Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 17th August 2012

	2012-13	2011	2010	
Area Sown (In Lac hectares)	110.26	105.11	99.98	



Source: Ministry of Agriculture

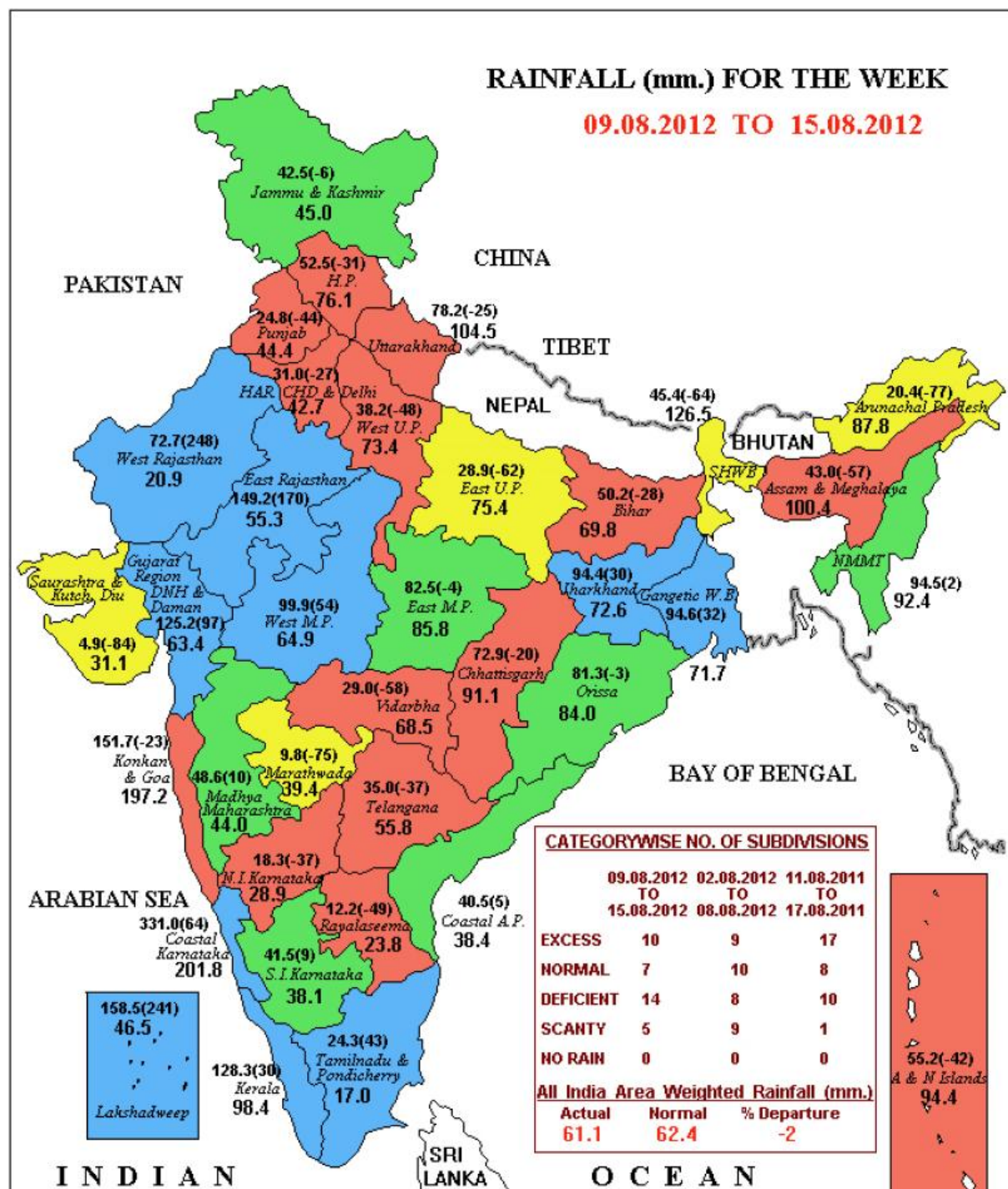
Weather Situation (IMD Report)

As per IMD, The western end of the axis of monsoon trough was south of its normal position and eastern end was near normal position during the week. Under the influence of low pressure area across west Madhya Pradesh and East Rajasthan, heavy to very heavy rainfall occurred over many stations in Madhya Pradesh, Rajasthan and Gujarat region during 2ndhalf of the week. All India rainfall during this week was 2% below long period average (LPA) and it has caused further improvement in the seasonal rainfall by 2% over the country as a whole.

As per IMD has forecasted for fourth week of August month that, fairly wide spread rainfall would occur over west coast, east and central India. Western Himalayan region would receive rainfall at a few places during first half and at most places with heavy to very heavy rains at a few places thereafter. Rainfall activity would occur at isolated places over plains of northwest India during first half and increase during the second half of the week. Scattered rainfall would occur over northeastern states during first half of the week which would increase in the second half of the week. Rainfall would be generally below normal over interior parts of south peninsula

Outlook For The Week Ending on 17th August, 2012

According to IMD, Rainfall activity is likely to be below normal over interior parts of south peninsular.



LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)
■ SCANTY (-60% TO -99%) ■ NO RAIN (-100%) NO DATA

NOTES:

- (a) Rainfall figures are based on operational data.
 (b) Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
 Percentage Departures of Rainfall are shown in Brackets.

Source: IMD

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 17/08/2012	Previous Week 09/8/2012
Cotton	Amravati–Vunni Mech-1#	1%	4825	4800
	Kadi–Bt Cotton#	-	-	4900
	Ahmedabad–Shankar-6#	0%	4900	4900
	Gondal	2%	5000	4925
	Rajkot-(Bt Cotton)	1%	5005	4970
	Abohar–J-34*	-1%	3875	3900
	Muktsar–J-34*	-1%	3875	3900
	Fajlika#	-1%	3850	3900
	Khandwa M.P.	6%	5500	5200
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-2%	3800	3880

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 17/08/2012	Previous Week 09/8/2012	
Amravati –Vunni Mech-1	2000	5300	-62%
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	4000	18000	-78%
Gondal	430	579	-26%
Rajkot-(Bt Cotton)	530	4025	-87%
Abohar J-34*	-	-	-
Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

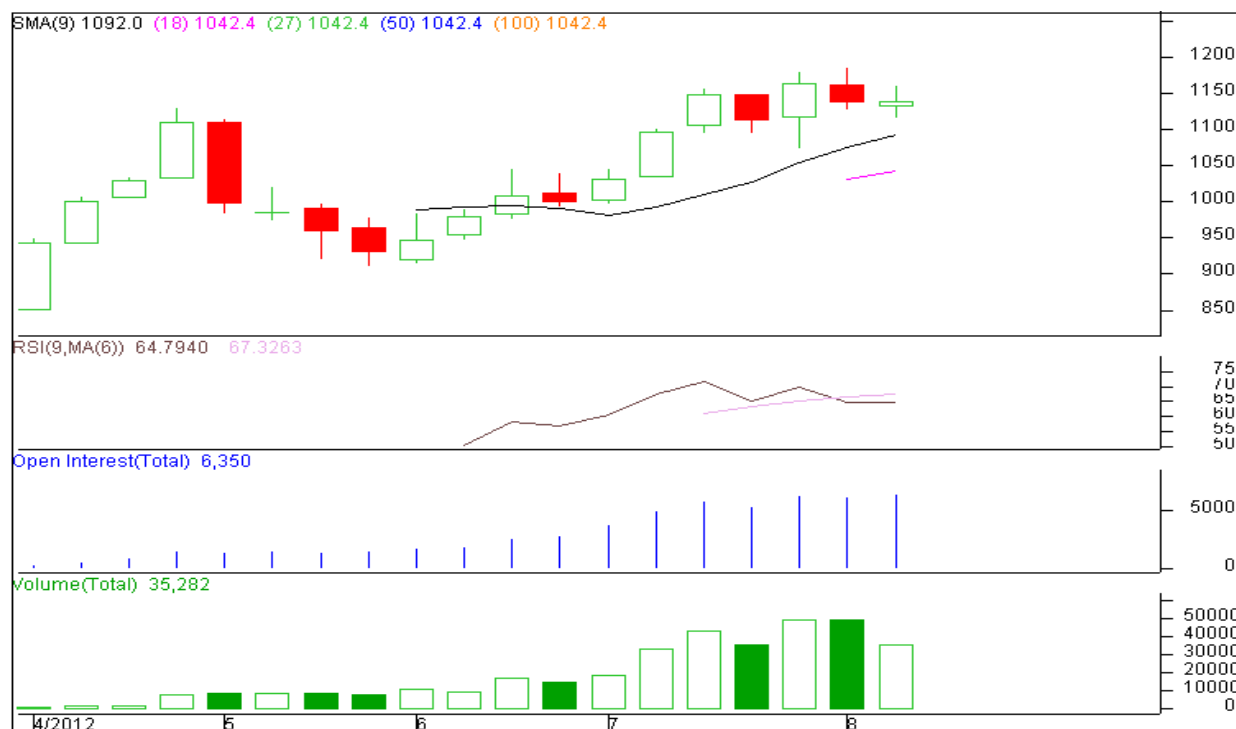
(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (17/08/2012)	Rs. Per Candy (09/08/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	42300	42800	-1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	43100	43600	-1%
J-34(202)	26mm	3.5 - 4.9	23	35400	36000	-2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	37400	37500	0%
Shankar-6(105)	29mm	3.5 - 4.9	28	38000	38500	-1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40500	40800	-1%
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 bearish momentum in upcoming week on back of lower spinners demand. As millers have picked up their production stocks. After China exports becoming non competitive due their domestic policy, it would give India opportunity to capture market share. In India, even when the production will be lower than last year, but it will only impact the export quota while domestic demand will be easily met

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- April contract in NCDEX closed slight down due to selling interest.
- Rising open interest with prices depicts market under long build up phase.
- Immediate support could be seen at 1097 crossing such level price would test second resistance level at 1042.
- Our short term outlook on the contract is bearish. We advise to go for long positions price level around 1164-1178 and book profit near resistance level 1203.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
1050	1080	1184	1203

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1106-1193	Sideways to Bearish Momentum

International Market

- As per USDA forecast, cotton supply and demand include larger production and ending stock of last month. World production also increased by 300,000 bales, also world consumption has reduced 820,000 bales.
- Australia is set to become world's second largest exporter of cotton as there has been bumper crop production due to availability of water for the fields. The projected harvest is at 4.95 million bales in 2012-13, which were 4.5 million bales in 2011-12.
- Ethiopia produced 78,000 tons of cotton during last fiscal which ended on July 7, 2012, according to the Ministry of Agriculture
- Australia's cotton growers will pay levy to their industry group from next year. Record harvest during the last two years has improved profitability of the industry.
- As per USDA, Us Net Upland sales of 77,800 running bales for the 2012/2013 marketing year were primarily for South Korea (24,800 RB), Taiwan (10,900 RB), China (10,800 RB), and Turkey (8,300 RB).
- China has changed its policy which has made the exporting of cotton un-competitive that would give domestic exporters a window to increase their market share.
- Lack –luster trading witnessed in Pakistan following the festival of Eid.

ICE Futures (Oct 2012 Contract) Technical Analysis


Oct Contract of ICE futures closed on lower side due to selling pressures. Prices ranged between 71.1 to 73.5 during the week. Immediate resistance level is at 73.72 breaching this may touch 70.34 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67.0	70.34	73.72	76.45

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.