

Highlights of the Week

- ❖ Cotton prices dropped during this week due to heavy arrivals in the market during this week ending on 24th August 2012.
- ❖ All India, area under cotton is down by 6.14lakh hectares to 111.53lakh hectares as on 24th August, 2012 compared to 117.67lakh hectares during the same period last year.
- ❖ Higher acreage is reported in the states of Andhra Pradesh (up by 6.01lakh ha.), Maharashtra (up by 2.88lakh ha.), Orissa (up by 0.34lakh ha.), Haryana (up by 0.82lakh ha.), Karnataka (up by 0.09lakh ha.) and Rajasthan (up by 0.68lakh ha.) as per Ministry of Agriculture.
Lower area is reported in the states of Gujarat (down by 4.22lakh ha.), Madhya Pradesh (down by 0.55lakh ha), Punjab (down by 0.31lakh ha.) compared to same period during previous year.
- ❖ According to, Centre for Monitoring Indian Economy (CMIE) yarn production is expected to grow by 6 percent (2012-13) after falling by 5.1 percent in the previous year. Lack of sufficient rainfall in the growing regions is adding to the positive tone of the market but also weak demand is bring down markets.
- ❖ Cotton area in Haryana has fallen shapely due to less rain. Shortfall of 75000 hectares of area is reported which was projected to be 6 lakh hectares, now it is 5.25 lakh hectares.
- ❖ According to Agricultural and Processed Foods Export Development Authority, Organic textile is likely to touch 50 percent increase in exports in 2012-13.
- ❖ Export growth raised by 25-30percent during between April-July 2012 compared to same period last year.
- ❖ Imported cotton mainly from Africa has started arriving during last week, stabilizing the prices.
- ❖ Cotton crops are on verge of failure in Saurashtra region located on the Arabian Sea coast of Gujarat state as 75% crop in area are dying
- ❖ Floods in Cotton growing regions of East-West Godavari ruined over 1000 hectares of land; this is likely to increase prices in local region in coming marketing year.
- ❖ Indian cotton exports are likely to rise by 10 percent to 12.7 million bales for the current year began on 1 October 2011.
- ❖ Cotton production output is likely to be lowered by the Cotton Advisory Board (CAB) from 35.3 million bales to 34.7 million bales for October-September Season (2011-12).
- ❖ The cotton prices are likely to trade with sideways to bearish momentum in coming week in expectation of higher supplies.

Domestic Market Fundamental

Cotton prices traded amid steady to lower side with less buying by the domestic mills. All India, area under cotton is down by 6.14lakh hectares to 111.53lakh hectares as on 24th August, 2012 compared to 117.67lakh hectares during the same period last 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.

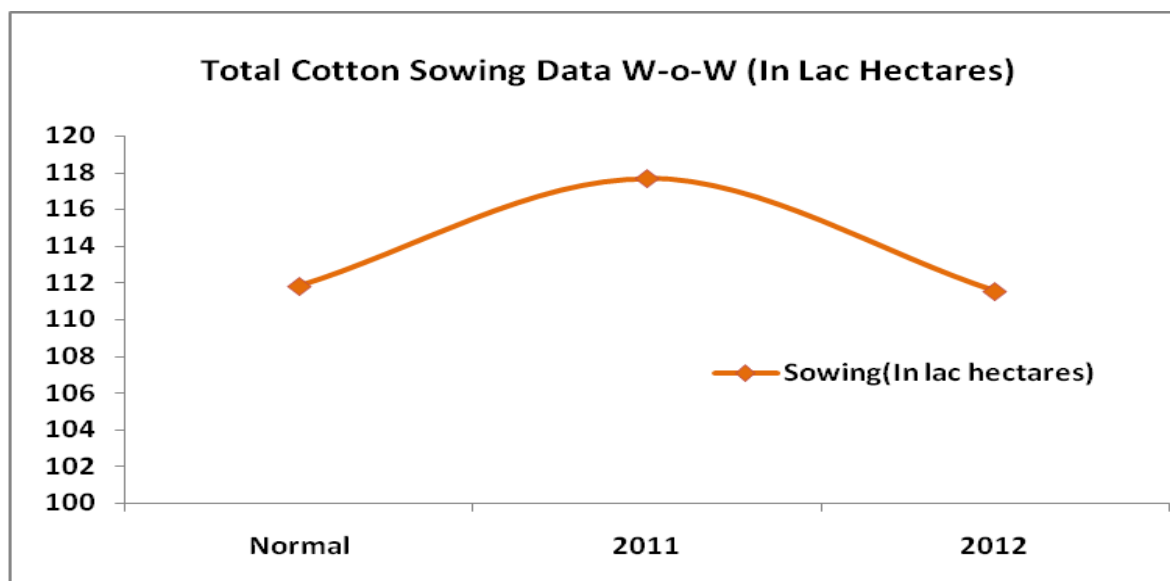
Yarn production:-

According to, Centre for Monitoring Indian Economy (CMIE) yarn production is expected to grow by 6 percent (2012-13) after falling by 5.1 percent in the previous year. Lack of sufficient rainfall in the growing regions is adding to the positive tone of the market but also weak demand is bring down markets.

Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 24th August 2012

	2012-13	2011	Normal(DES)	Corresponding Week
Area Sown (In Lac hectares)	111.53	117.67	111.81	105.75



Source: Ministry of Agriculture

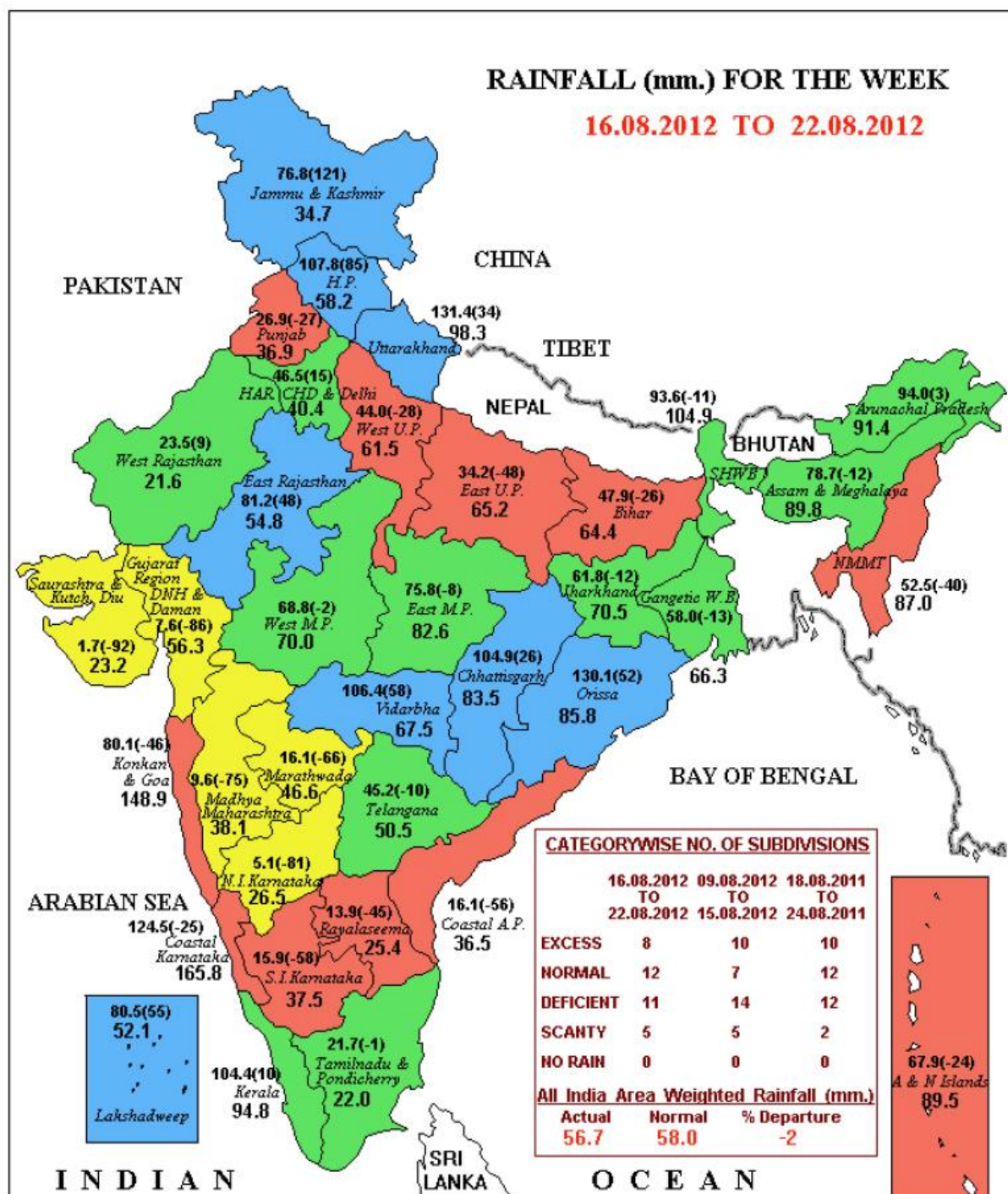
Weather Situation (IMD Report)

As per IMD, Due to last week low pressure area over northwest Bay of Bengal & neighborhood and its west-northwesterly movement, active to vigorous monsoon conditions prevailed over parts of northwest & central India during many days of the week. All India rainfall during this week also was 2% below long period average (LPA). In result, it has further improved the seasonal rainfall by 1% over the country as a whole.

As per IMD has forecasted for fourth week of August month that, Western Himalayan region would continue to receive wide spread rainfall with heavy to very heavy falls over the region on many days with decrease in rainfall towards end of the week. Fairly wide spread rainfall would occur over plains of northwest India, central & east India, west coast and northeastern states on many days of the week. Rainfall would be generally below normal over southeast peninsular India.

Outlook For The Week Ending on 24th 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 24/8/2012	Previous Week 17/8/2012
Cotton	Amravati–Vunni Mech-1#	0.52	4850	4825
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	2.04	5000	4900
	Gondal	0.80	5040	5000
	Rajkot-(Bt Cotton)	-0.60	4975	5005
	Abohar–J-34*	1.29	3925	3875
	Muktsar–J-34*	1.29	3925	3875
	Fajlika#	1.95	3925	3850
	Khandwa M.P.	-5.45	5200	5500
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	2.63	3900	3800

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 24/8/2012	Previous Week 17/8/2012	
Amravati –Vunni Mech-1	2300	2000	15
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	14000	4000	250
Gondal	3603	430	737.91
Rajkot-(Bt Cotton)	3775	530	612.26
Abohar J-34*	-	-	-
Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

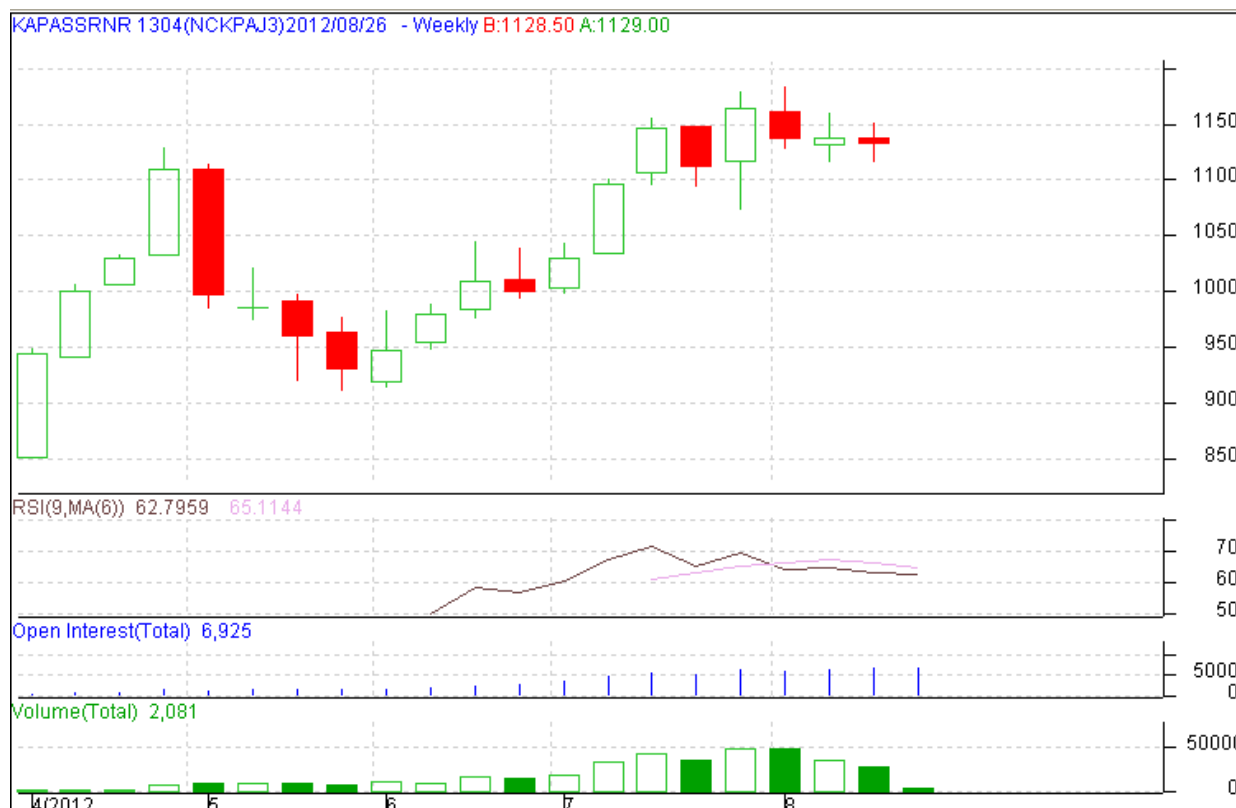
(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (23/8/2012)	Rs. Per Candy (17/8/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	42000	42300	-0.71
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	42800	43100	-0.70
J-34(202)	26mm	3.5 - 4.9	23	35600	35400	0.56
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	37400	37400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	38400	38000	1.05
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40500	40500	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	N.Q.	-
DCH-32(107)	34mm	3.0 - 3.8	33	53500	54000	-0.93

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in upcoming week on back of higher arrivals in the market. As millers have picked up their production stocks. After China demand decreasing and increase of global surplus, international prices of cotton have declined making exports competitive in already saturated market. 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 heavy arrivals.
- Rising open interest with falling prices depicts market under short covering phase.
- Immediate support could be seen at 1114 crossing such level price would test second support level at 1106.
- Our short term outlook on the contract is bearish. We advise to go for long positions price level around 1142-1130 and book profit near support level 1110.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
1106	1114	1149	1161

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1161-1109	Sideways to Bearish Momentum

International Market

- 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).
- Cotton futures at NYMEX closed slightly higher amid short –covering. Lower acreage in India till date lent some support to the market.
- According to USDA's first survey-based forecast, U.S. cotton production in 2012 is projected at 17.65 million bales, 651,000 bales above July's estimate and nearly 2.1 million bales above last season's crop.
- Due to policy regulations in China the mills produce have become uncompetitive which gives India a window to increase the market share.
- Center for Advanced Studies on Applied Economics (CEPEA) stated that cotton prices are keeping the upward trend in the domestic market which should not be the case when markets are expecting the arrivals.
- According to Morgan Stanley, China, the world's biggest importer and consumer of cotton, has accumulated stockpiles and has reduced demand.
- China cotton consumption may decline 11 percent this year, as they are piling up the stocks.
- China has issued fresh quotas for additional 400,000 tonnes of cotton import at cheaper international, which are 40 percent lower than that of domestic prices.
- Turkmenistan is cotton production is likely to show slight increase this year from 1 million tonnes to 1.109 million tonnes this year.

ICE Futures (Oct 2012 Contract) Technical Analysis


Oct Contract of ICE futures closed on lower side due to china decision to release more cotton in the market. Prices ranged between 70.5 to 73.85 during the week. Immediate resistance level is at 76.49 breaching this may touch 79.16 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
68.5	70.5	76.49	79.16

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