

**Highlights of the Week**

- ❖ Cotton prices dropped during this week due to heavy arrivals in the market during this week ending on 10<sup>th</sup> September 2012.
- ❖ Cotton crop will get respite in parts of Rajasthan and Gujarat with rains, which will weigh sentiment on local prices to go down.
- ❖ Cotton arrivals began to come in the market in Gujarat.
- ❖ Crop condition, Maharashtra 96.5% kharif sowing done.
- ❖ Area under cotton is down by 5.54 lakh hectares to 112.83 lakh hectares as on 31st August 2012 compared to 118.37 lakh hectares during the same period last year. **Higher acreage** is reported in the states of **Andhra Pradesh** (up by 6.03 lakh ha.), **Haryana** (down by 0.82 lakh ha.), **Maharashtra** (up by 2.8 lakh ha.), **Rajasthan** (up by 0.51 lakh ha.) and **Orissa** (up by 0.42 lakh ha.) as per Ministry of Agriculture. **Lower area** is reported in the states of **Gujarat** (down by 3.57 lakh ha.), **Madhya Pradesh** (down by 0.56 lakh ha) and **Punjab** (down by 0.31 lakh ha.) and compared to same period during previous year.
- ❖ Cotton acreage recovers after sowing picked up in central and south India, this will bring more arrivals in coming marketing season thus putting downward pressure on prices.
- ❖ Cotton production will increase in Haryana and Punjab which has received plenty rainfall in August this will bring more crop in the market.
- ❖ Cotton Yarn Board assured that there will be no shortage of yarn in the market. Also yarn production will increase from 305 lakh bales in 09-10 to 353 lakh bales in 2010-11
- ❖ Cotton crop has been hit by virus in Punjab area which can damage the plant, which will be plucked in coming days.
- ❖ Rains received in August are likely to benefit Haryana cotton crop. Yield is likely to increase by 10 percent.
- ❖ Cotton prices are likely to remain low due to heavy imports and supply in domestic market bought by ginners and farmers.
- ❖ Harvesting of new crop will begin in fortnight from Punjab and Haryana.
- ❖ All India Cotton Sowing progress, area covered under cotton 112.83 lakh hectares as on 31 August, 2012.
- ❖ The cotton prices are likely to trade with bullish momentum in coming week in expectation of higher supplies with lower demand.

**Domestic Market Fundamental**

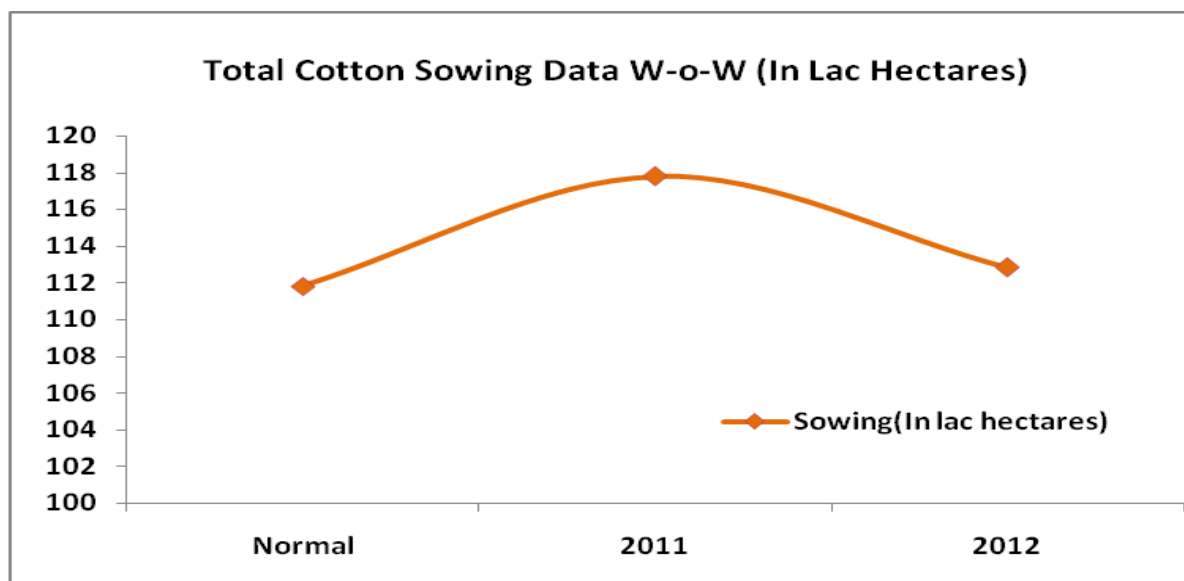
Cotton prices traded amid lower side with imports mainly from Africa and fresh arrivals begin in the market from Gujarat. Punjab and Haryana will harvest in coming fortnight. India, area under cotton is up by 6.14lakh hectares to 112.83lakh hectares as on 31<sup>st</sup> August, 2012 compared to 106.91lakh hectares during the same period last year.

Cotton supply has increased considerably thus pushing price downwards, importing cotton form other countries. It is notable that Indian cotton is expensive than international cotton.

**Crop Situation: -**

Below Figure shows sowing status of Cotton in India as on 31<sup>st</sup> August 2012

	2012-13	2011	Normal(DES)	Corresponding Week
<b>Area Sown (In Lac hectares)</b>	<b>112.83</b>	117.67	106.91	111.53



Source: Ministry of Agriculture

**Weather Situation (IMD Report)**

As per IMD, Due to presence of well marked low pressure area, the monsoon trough remained active on most days of the last week, which caused active to vigorous monsoon conditions over parts of central and south Peninsula. This week, south Peninsula and central India received highest rainfall of this monsoon season so far that is 115% and 47% above their respective long period average (LPA). As a result, seasonal rainfall country as a whole further improved by 2% as compared to previous week.

As per IMD has forecasted for second week of September month that, fairly widespread rainfall with isolated heavy falls would occur over central & east India during first half of the week and decrease thereafter. Fairly widespread rainfall with isolated heavy falls would also occur over western Himalayan region and adjoining plains of northwest India during next 2-3 days and decrease in intensity thereafter. Fairly widespread rainfall would occur along west coast and over northeastern states on many days of the week. Scattered rainfall would occur over remaining parts of the country on many days of the week.

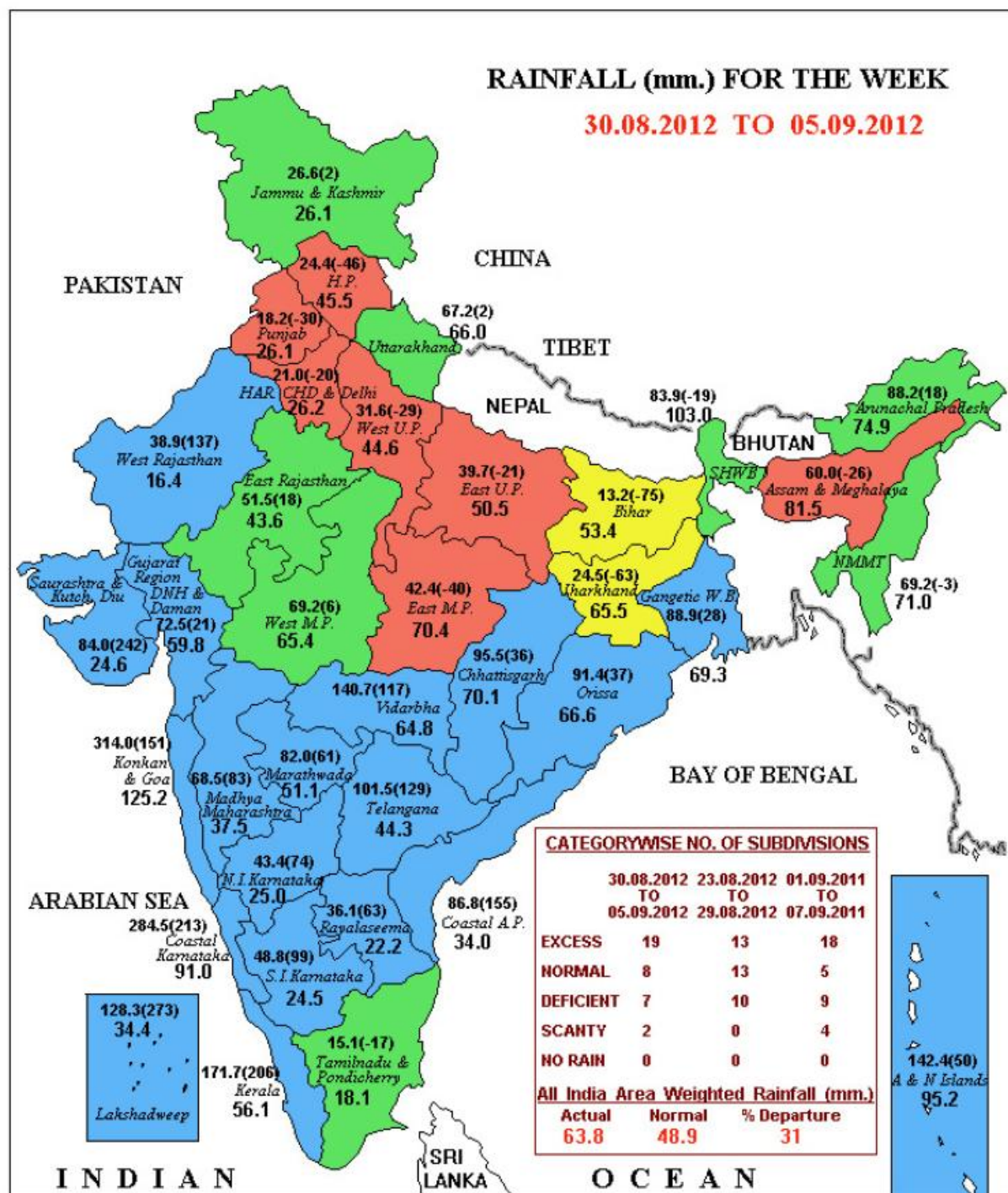
**Outlook for the Week Ending on 07<sup>th</sup> September, 2012**

According to IMD, Rainfall activity would also occur over southeast Peninsula on many days.

**Weather Watch (Weather Outlook Up to 16th September, 2012):**

Rain/thundershowers would occur at many places over west coast, east & northeastern states and Andaman & Nicobar Islands. Rain/thundershowers would occur at a few places over northwest India.

<b>Seasonal Rainfall (in mm) from 1 June-8 September, 2012</b>			
<b>Region</b>	<b>Actual</b>	<b>Normal</b>	<b>% Departure from Long Period Average</b>
<b>All India</b>	700.8	768.3	-9
<b>East &amp; Northeast India</b>	1034	1223	-15
<b>Northwest India</b>	477.6	544.4	-12
<b>Central India</b>	829.6	858.6	-3
<b>South Peninsula</b>	558.9	594.8	-6



**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.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 7/9/2012	Previous Week 31/8/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	<b>-2%</b>	4700	4800
	Kadi–Bt Cotton#	<b>0%</b>	4625	4375-4625
	Ahmedabad–Shankar-6#	<b>-3%</b>	4700	4850
	Gondal	<b>-17%</b>	4105	4925
	Rajkot-(Bt Cotton)	<b>-4%</b>	4725	4925
	Abohar–J-34*	<b>-3%</b>	3820	3950
	Muktsar–J-34*	<b>-3%</b>	3820	3950
	Fajlika#	<b>-4%</b>	3820	3980
	Khandwa M.P.	<b>0%</b>	5200	5200
	Patan-(Bt Cotton)	<b>-</b>	<b>-</b>	<b>-</b>
	Sri-Ganganagar	<b>-3%</b>	3750	3880

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

**Cotton Cumulative Arrivals in Key Centers**

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 7/9/2012	Previous Week 31/8/2012	
Amravati –Vunni Mech-1	1600	3500	<b>-54%</b>
Kadi –Bt Cotton	-	-	<b>-</b>
Ahmedabad – Shankar-6	14000	14000	<b>0%</b>
Gondal	3877	8666	<b>-55%</b>
Rajkot-(Bt Cotton)	3840	4200	<b>-9%</b>
Abohar J-34*	-	-	<b>-</b>
Muktsar J-34*	-	-	<b>-</b>
Fajlika	-	-	<b>-</b>
Khandwa M.P.	-	-	<b>-</b>
Sri-Ganganagar	-	-	<b>-</b>
Patan-(Bt Cotton)	-	-	<b>-</b>

(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 (6/8/2012)	Rs. Per Candy (30/8/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	40000	41900	-5%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40600	42500	-4%
J-34(202)	26mm	3.5 - 4.9	23	34100	35600	-4%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	36000	37300	-3%
Shankar-6(105)	29mm	3.5 - 4.9	28	36500	38000	-4%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39500	40400	-2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	N.Q.	N.Q.	-
DCH-32(107)	34mm	3.0 - 3.8	33	53000	53500	-1%

**Fundamental Cotton Price Outlook for Coming Week**

We expect sideways to bearish momentum in upcoming week on back of higher arrivals in the market. In India, the production will be higher than last year; also government is in process of framing regulation policy for cotton.

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


Rs/per 20 kgs

- April contract in NCDEX closed down due to heavy import by millers and new crop is expected in the market from Punjab and Haryana in coming last of September.
- Decreasing open interest with prices depicts market under long liquidation phase.
- Immediate support could be seen at 992 crossing such level price would test second support level at 965.
- Our short term outlook on the contract is bearish. We advise to go for short positions price level around 1000-970.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
965	992	1022	1030

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1000-970	Sideways to Bearish Momentum



**International Market**

- Egypt will export 1,513 Metric Tonne of cotton in this week starting August 30.
- Damage due to hurricane Isaac in USA has drenched main cotton producing regions, which will possibly lead to decline in stockpiles. Also, cotton farmers are switching to soybean to benefit from rising grain prices.
- According to USDA, Brazil cotton production will drop by 25% to 6.3 million bales in 2012-13 as major crop shift was recorded to soybean.
- Hurricane ISSAC in USA has not done major crop damage for cotton growing region. US are expected to produce 17.65 million bales against 15.57 million bales last year.
- China released first of cotton sale by releasing 35,708 tonnes on Wednesday.
- Cotton inventories in China and Australia is likely swell by triple in two years due to low demand and high production.
- World prices are likely to show bearish run when supply start flooding the market cotton.
- USA crosses 83,900 bales of net export sales of cotton for 2012-13 marketing year.
- Cotton future in NYSE was raised on Friday on the news of ECB buying bonds.
- World prices are likely to show bearish run when cotton supply start flooding the market



**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 and record production in Australia and USA. Prices ranged between 73.7 to 76.40 during the week. Immediate support level is at 73.7 breaching this may touch 70.38 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.38	73.7	77	78.5

All in USc

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