

**Highlights of the Week**

- ❖ Cotton prices dropped during this week due to sluggish demand in the market during this week ending on 17th September 2012.
- ❖ In Gujarat, cotton seed sales is likely to touch below 30 lakh packets against 38 lakh packets of last year during this sowing season.
- ❖ The farmers in Maharashtra are likely to adopt “Brazil Pattern” for rising cotton yield in rain fed areas from the current cotton yield 475 kg/hectare to 600 kg/hectare. Brazilian farmers receive cotton crops about 1,495 kg/hectare in rain-fed areas because of better mechanization.
- ❖ India may have 15% lower cotton planting against 12.2 million hectares sowed in 2011/12 as per the Cotton Association of India. According to USDA report, there is likely to be a decline in the cotton crop in 2012/13 to 32.3 million bales (1 bale=170kgs) in comparison to the current year crop of 34.3 million bales due to the lower planting area.
- ❖ Cotton Yarn prices is likely to increase in anticipation of textiles millers demand.
- ❖ Rajasthan Agriculture dept. Issued first advanced estimated for cotton. Area at 482768 hectares, Production 1232478 tonnes., 434 bales/hect. (1 bales=170 kg)
- ❖ Haryana Agriculture dept. Issued first advanced estimated for cotton. Area 525,000 hectares, Production 2162,000 tonnes, Yield 700 kg/ hectares for Cotton Lint.
- ❖ Andhra Pradesh production is likely to grow to 75 lakh bales.
- ❖ Gujarat share in cotton is likely to fall by 6 % this year in production due to weak rains. A 28% dip in production from last year.
- ❖ Cotton sowing progress, Cotton has been sown in 113.46 lakh hectares area till 7 September 2012 which was 112.83 lakh hectares last week.
- ❖ Gujarat sowing progress, 86% of the sowing has been completed, this year 212.2 thousand hectares has been reduced due to delayed rainfall.
- ❖ Marginal demand is reported in key spot markets, as millers are importing at cheaper prices.
- ❖ Damage reported in Maharashtra cotton crop due to heavy rains.
- ❖ According to Saurashtra Oil Miller's Association, 60 percent cotton crop in south Gujarat is damaged due to defiant rain in the area.
- ❖ Cotton prices are sliding due to sluggish demand in the market. Also, fresh arrivals are likely to begin in the last part of September, which would further reduce prices.
- ❖ This year the stocks were depleted from the market at faster rate than expected on which prices went up for short period.
- ❖ Market is likely to trade at lower side this week as arrivals will begin in coming days, putting pressure on prices amid low demand.

Domestic Market Fundamental

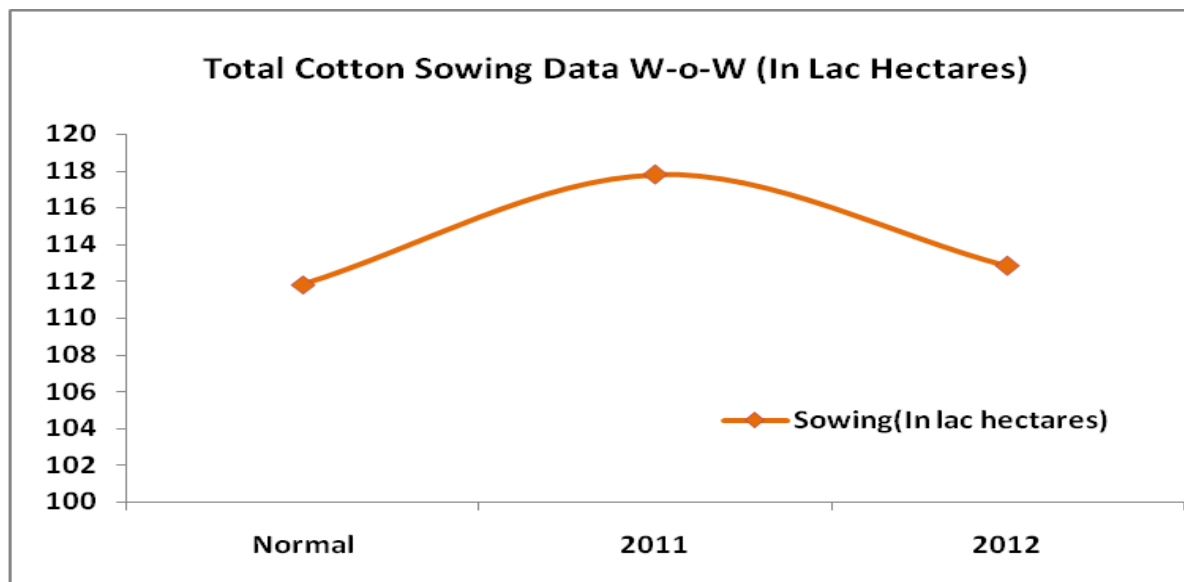
Cotton prices traded amid lower side with imports mainly from Africa and fresh arrivals begin in the market from Gujarat. Punjab and Haryana will harvest in coming fortnight. India, area under cotton is up by 6.14lakh hectares to 112.83lakh hectares as on 31st August, 2012 compared to 106.91lakh hectares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

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



Source: Ministry of Agriculture

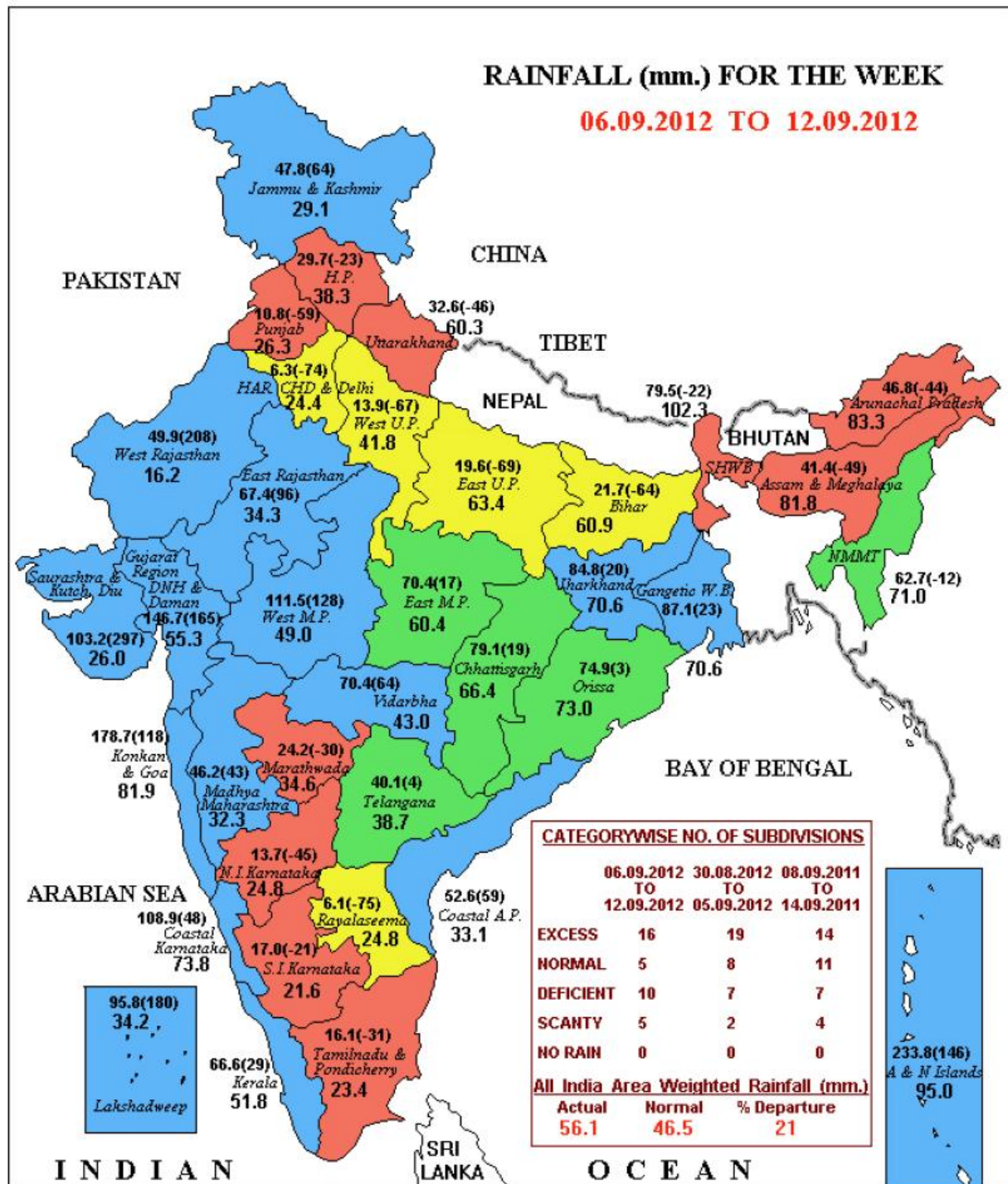
Weather Situation (IMD Report)

As per IMD, Monsoon trough remained active and south of its normal position during most days of the week resulting active to vigorous monsoon conditions over the parts of central India, south Peninsula and northwest India during many days of the week. The country as a whole received above normal rainfall on most days of the week. Seasonal rainfall country as a whole further improved by 2% as compared to previous week.

As per IMD has forecasted for third week of September month that, Conditions are not favorable for withdrawal of southwest Monsoon from northwest India during the week. Fairly widespread rainfall with isolated heavy falls would occur over western Himalayan region and adjoining plains of northwest India during next 3-4 days and at a few places thereafter. Fairly widespread rainfall would also occur over east and northeast India during the week. Fairly widespread rainfall would occur over central India and along west coast during first half of the week and decrease thereafter. Rain/thundershowers would occur at one or two places over rest parts of the country.

Outlook for the Week Ending on 14th September, 2012

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



Source: IMD

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 14/9/2012	Previous Week 7/9/2012
Cotton	Amravati–Vunni Mech-1#	-4%	4500	4700
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	0%	4700	4700
	Gondal	0%	4695	4715
	Rajkot-(Bt Cotton)	-1%	4680	4725
	Abohar–J-34*	-3%	3720	3820
	Muktsar–J-34*	-3%	3720	3820
	Fajlika#	-2%	3725	3820
	Khandwa M.P.	-12%	4600	5200
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-2%	3680	3750

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 14/9/2012	Previous Week 7/9/2012	
Amravati –Vunni Mech-1	4800	1600	200%
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	14000	14000	0%
Gondal	655	3877	-83%
Rajkot-(Bt Cotton)	3360	3840	-13%
Abohar J-34*	300	-	-
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 (13/9/2012)	Rs. Per Candy (6/9/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	39200	40000	-2%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39800	40600	-2%
J-34(202)	26mm	3.5 - 4.9	23	33400	34100	-2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	35300	36000	-2%
Shankar-6(105)	29mm	3.5 - 4.9	28	36100	36500	-1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39200	39500	-1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40300	40500	0%
DCH-32(107)	34mm	3.0 - 3.8	33	53000	53000	0%

Fundamental Cotton Price Outlook for Coming Week

We expect sideways to bearish momentum in upcoming week on back of higher arrivals in the market. Market demand is low and supply is ample with arrivals in the Gujarat and Punjab began and arrivals from others states will begin in coming days.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- April contract in NCDEX, showed little correction in the market but it is likely to go down. As arrivals will begin to come from Punjab and Haryana in last of September.
- Increasing open interest with prices depicts market under long build up phase.
- Immediate support could be seen at 998 crossing such level price would test second support level at 950.
- Our short term outlook on the contract is bearish. We advise to go for short positions price level around 1010-970.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
950	965	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	1010-970	Sideways to Bearish Momentum

International Market

- As per ICAC forecast, cotton prices are weak on global phase in anticipation of higher ending stock to 14.46 million tons against previous year record 13.26 million tons despite a lower forecast of cotton production to 25.10 million tons in 2012/13.
- Ample Rain water in Texas, the top US producing state, helps to improve cotton planting. "In some places there were very good rains," says the National Weather Service's Matt Ziebell. This may pressurize ICE future price in anticipation of higher productions in the marketing season of 2012/13.
- 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
- China cotton imports increased by 48 percent till August 2012. Increased reserves by China are likely to affect international price downwards.
- China also started stockpiling cotton to protect domestic farmers as the international prices are 40 percent lower than domestic market.
- Australia agriculture department has forecasted lower cotton production in winter crop during 2012-13
- According to USDA report, US cotton crop will be reduced by 3.1% to 17.11 million bales than earlier projected in August 2012 17.65 million bales.
- According to USDA report, estimated world cotton ending stock are raised by 2 million bales, to 76.5 million bales.

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

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.