

**Highlights of the Week**

- ❖ Cotton prices dropped during this week due to sluggish demand in the market during this week ending on 1st October 2012.
- ❖ Government is considering ban on cotton exports till surplus stock is not available in the market.
- ❖ The estimated production of Cotton at 33.40 million bales (of 170 kg each) has registered an increase of 5.32 million bales as compared to average cotton production of 28.08 million bales.
- ❖ Traders are expecting high arrivals by mid-October and prices of cotton are likely to continue downfall in prices.
- ❖ Exporters are booking forward contracts of November, as prices are far below than last year due to sluggish demand and over expectation of price arise after arrivals will start.
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- ❖ Cotton exports from India touched 12.7 million bales of 170 kg each in the ongoing marketing season which ends this month.
- ❖ Area under cotton is down by 5.20 lakh hectares to 114.94 lakh hectares as on 21st September 2012 compared to 120.17 lakh hectares during the same period last year. Higher acreage is reported in the states of Andhra Pradesh (up by 3.35 lakh ha.), Maharashtra (up by 0.47 lakh ha.), and Orissa (up by 0.12 lakh ha.) as per Ministry of Agriculture. Lower area is reported in the states of Rajasthan (down by 1.17 lakh ha.), Haryana (down by 0.02 lakh ha.), Gujarat (down by 5.56 lakh ha.), Madhya Pradesh (down by 0.98 lakh ha) and Punjab (down by 0.44 lakh ha.) and compared to same period during previous year.
- ❖ There has been a significant increase in area sown under cotton in Andhra Pradesh which will compensate for the loss in Gujarat.
- ❖ Supplies in spot markets are rising in Punjab, Haryana and Rajasthan; prices in overseas markets are low due to record output with lower demand. Also rupee is also getting stronger. All these factors are weighing on sentiments.
- ❖ Market is likely to trade at lower side this week as arrivals will begin in mid-october, putting pressure on prices amid low demand.

Domestic Market Fundamental

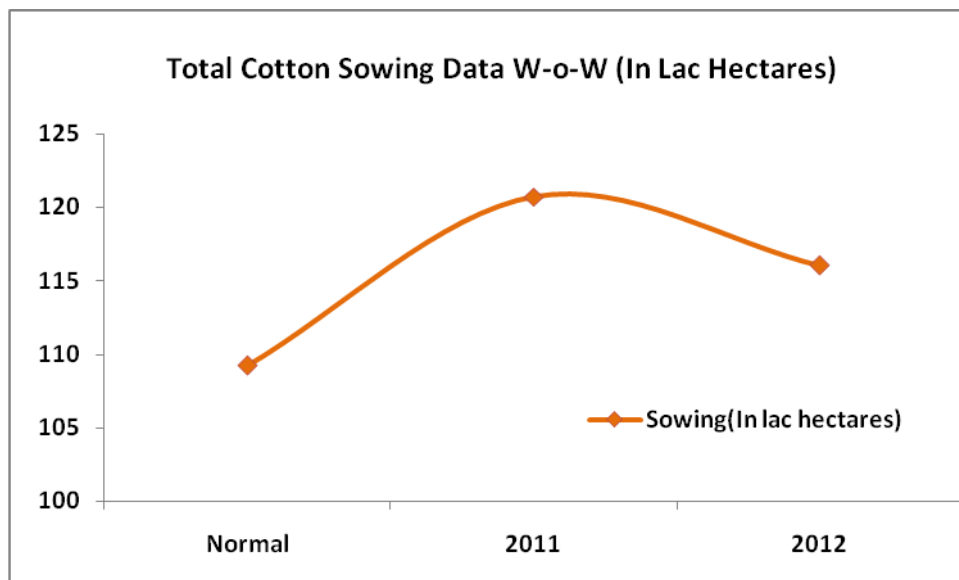
- ❖ Cotton prices traded amid lower side with traders waiting for fresh crop in the market. Prices of candy are likely to fall as arrivals are expected to be heavy. Cotton sowing progress, 116.04 lakh hectares have been sown in 2012-13, which is lower than previous year, due to late monsoon as on 28 September 2012.

Cotton supply has dried considerably thus pushing price downwards, market is waiting for new crop arrival which will begin majorly by mid-October. As for now crop arrivals have started from Punjab which starts sowing early than rest of the country.

Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 28th September 2012

	2012-13	2011	Normal(DES)	Corresponding Week
Area Sown (In Lac hectares)	116.04	120.70	109.23	114.6



Source: Ministry of Agriculture

Weather Situation (IMD Report)

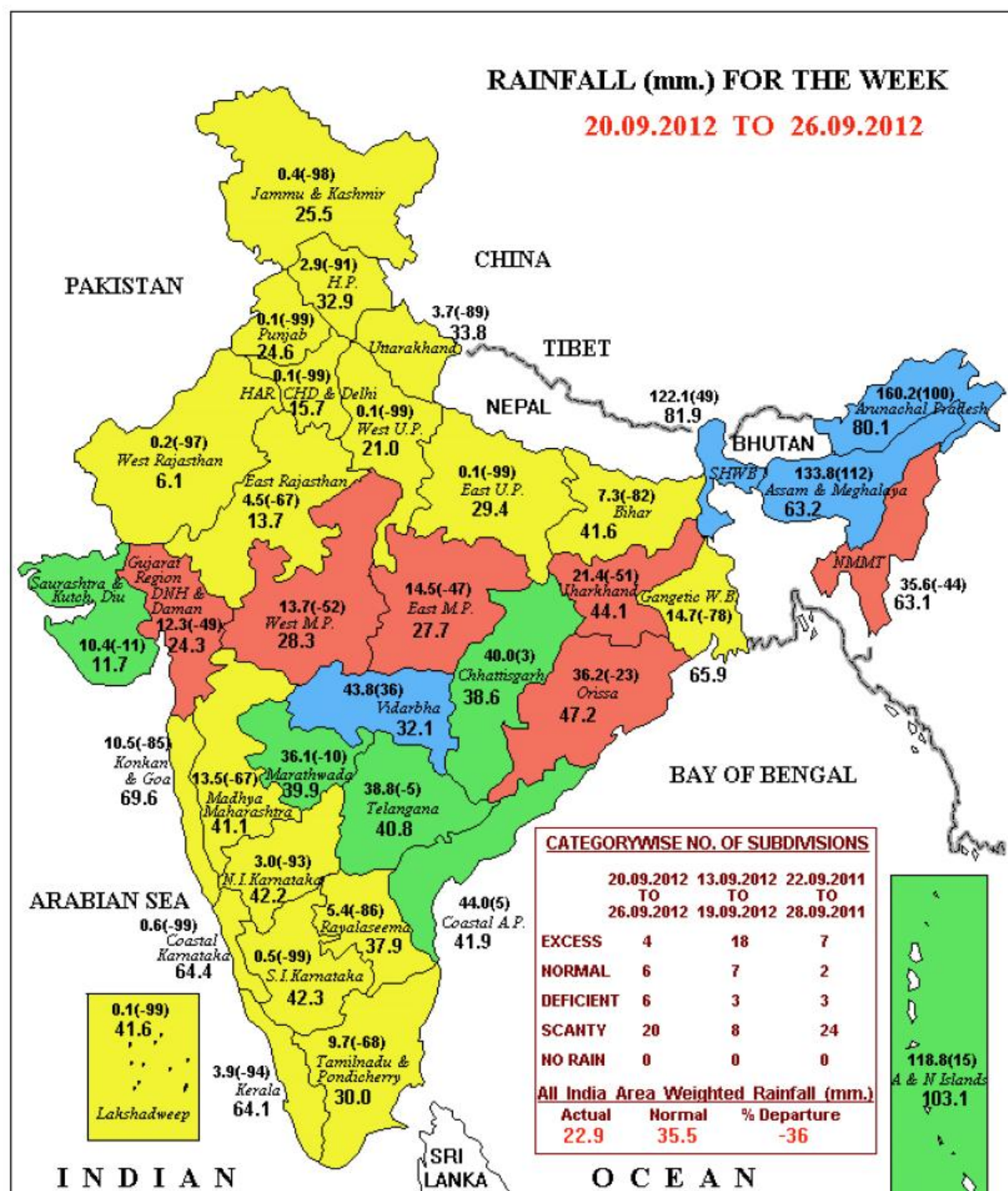
As per IMD, The southwest monsoon has withdrawn from parts of northwest India on 24th September against its normal date 1st September. Subsequently, the southwest monsoon withdrew from most parts of northwest India and parts of Gujarat State and west Madhya Pradesh. During the week (20- 26 September), active to vigorous monsoon conditions along with heavy to very rainfall were experienced over the parts of northeast India during many days of the week. The sharp reduction in rainfall over the north and central parts of the country caused the seasonal rainfall deficiency on all India scale to increase from -5% to -7%, by the end of the week.

As per IMD has forecasted for fifth week of September month that, the current Meteorological analysis suggests delay in the withdrawal of southwest monsoon from the regions comprising of east and northeast India. Rain/thundershowers would occur at many places over coastal Andhra Pradesh, Rayalaseema, coastal Tamilnadu & Puduchery and Andaman & Nicobar Islands and at a few places over interior Tamilnadu, Kerala, Konkan & Goa, Madhya Maharashtra, Marathwada and Lakshadweep on many days of the week. Heavy rainfall would also occur at one or two places over coastal Andhra Pradesh, north coastal Tamilnadu and Andaman & Nicobar Islands during next 72 hours. Rain/thundershowers would occur at a few places over Karnataka, Telangana and northeastern States during next 48 hours and increase thereafter. Rain/thundershowers would occur at one or two places over Jharkhand, Odisha, Chhattisgarh and West Bengal & Sikkim during next 48 hours and at a few places thereafter. Bihar, Vidarbha, East Madhya Pradesh and east Uttar Pradesh would receive rainfall at a few places during second half of the week. Rain/thundershowers would occur at one or two places over Jammu & Kashmir on 30 Sept. & 1 October. Weather would be mainly dry over rest of the country.

Outlook for the Week Ending on 28th September, 2012

According to IMD, Weather would be mainly dry over rest of the country.

Regions	Actual Rainfall (mm)		% Departure from LPA	
	13-19 Sept	20-26 Sept	13-19 Sept	20-26 Sept
Country as a whole	55.9	22.9	44	-36
Northwest India	70.4	1.1	199	-94
Central India	30.8	23.6	-19	-30
South Peninsula	21.2	18.0	-41	-57
East & northeast India	123.6	69.3	66	15



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 28/9/2012	Previous Week 21/9/2012
Cotton	Amravati–Vunni Mech-1#	-16%	3450	4100
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	-3%	4375	4500
	Gondal	-4%	4080	4265
	Rajkot-(Bt Cotton)	-9%	4355	4800
	Abohar–J-34*	-3%	3600	3700
	Muktsar–J-34*	-3%	3600	3700
	Fajlika#	-	-	3620
	Khandwa M.P.	-8%	3300	3600
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-3%	3510	3600

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 28/9/2012	Previous Week 21/9/2012	
Amravati –Vunni Mech-1	1000	400	150%
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	5000	3000	67%
Gondal	876	1008	-13%
Rajkot-(Bt Cotton)	2050	830	147%
Abohar J-34*	150	150	Unch
Muktsar J-34*	-	-	-
Fajlika	-	-	-
Khandwa M.P.	-	-	-
Sri-Ganganagar	-	-	-
Patan-(Bt Cotton)	-	-	-

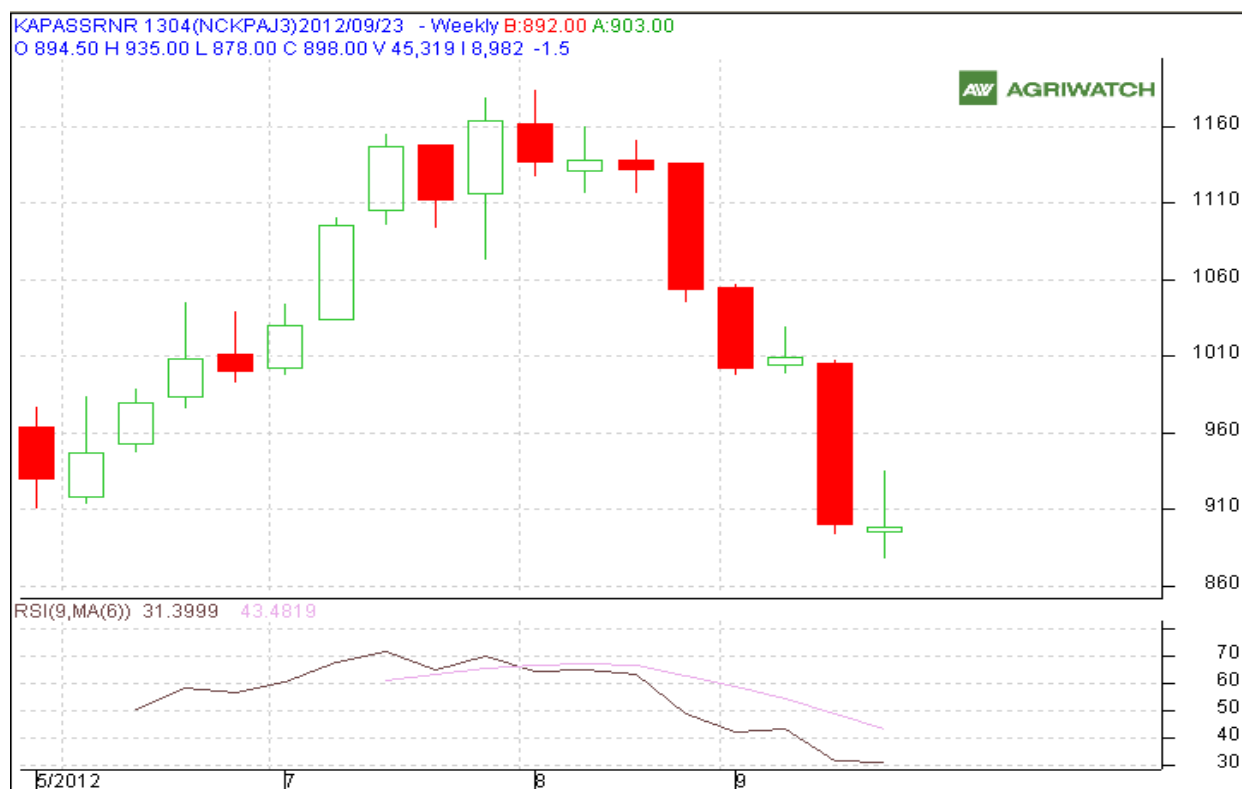
(Amravatai, Fajlika = Quintal,) (Kadi- Motors=100 quintals,) (Ahmadabad, Abohar and Muktsar-Bales)

Cotton Association of India Spot Rates

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (28/9/2012)	Rs. Per Candy (21/9/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	36600	39200	-7%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37100	39800	-7%
J-34(202)	26mm	3.5 - 4.9	23	32000	32700	-2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33700	34600	-3%
Shankar-6(105)	29mm	3.5 - 4.9	28	34100	34900	-2%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35700	37700	-5%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36500	39200	-7%
DCH-32(107)	34mm	3.0 - 3.8	33	48500	52200	-7%

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 has started from northern states of Rajasthan, Haryana and Punjab. Arrivals from others states will begin in mid-October.

Technical Analysis of Cotton Futures April 2013 contract at NCDEX


Rs/per 20 kgs

- April contract in NCDEX, showed heavy fall in the market and is likely to go down. As arrivals will begin to from mid-October.
- Increasing open interest with decreasing prices depicts market under short build up phase.
- Immediate support could be seen at 870 crossing such level price would test second support level at 855.
- Our short term outlook on the contract is bearish. We advise to go for short positions price level around 910-860.

Support and Resistance:

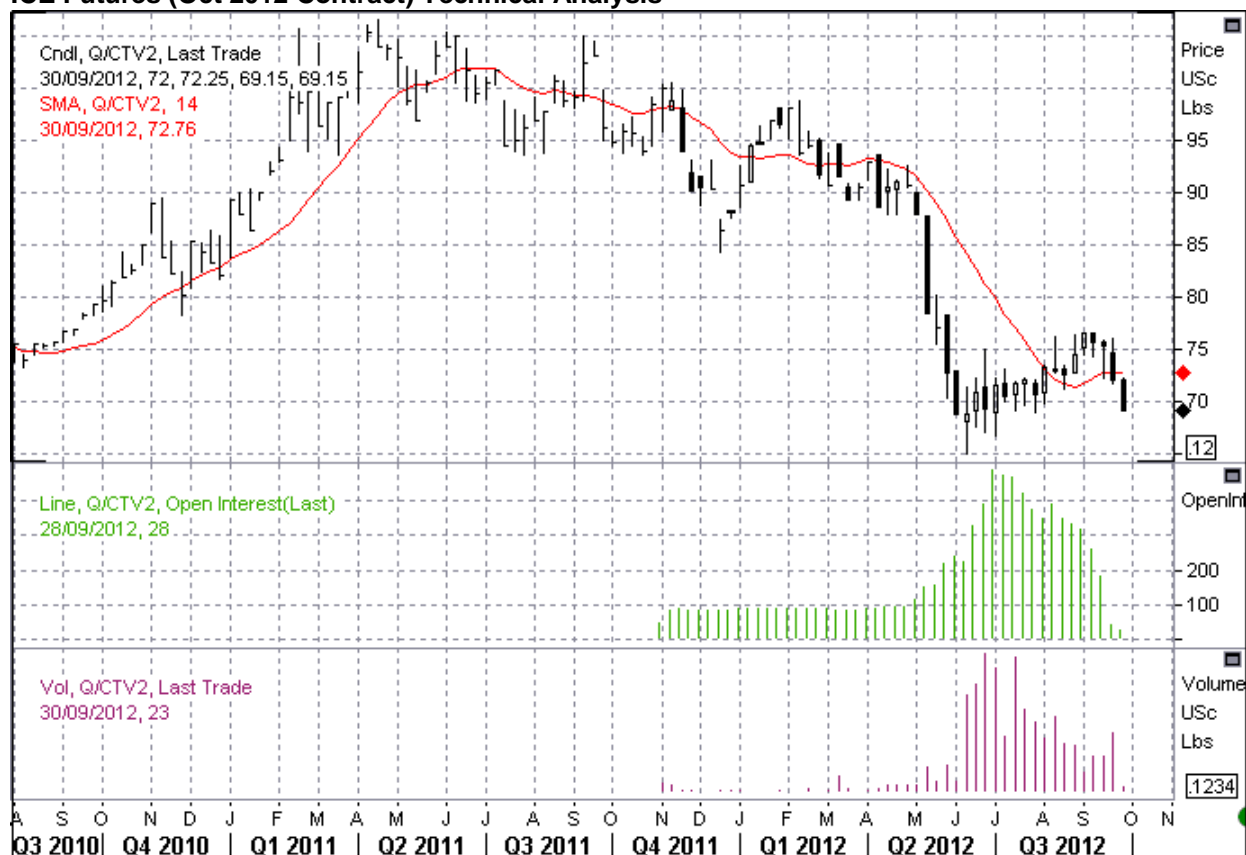
Support 2	Support 1	Resistance 1	Resistance 2
850	860	935	950

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	910-860	Sideways to Bearish Momentum

International Market

- Global cotton prices are likely to fall by 11 percent amid higher output and lesser demand.
- China, the world's top buyer and consumer of cotton, will not issue additional import quotas for 2012 as part of a drive to support local farmers just as the new crop is coming to market as per senior Chinese official.
- Egypt agreed to export additional 322 metric tons of cotton in the week through Sept. 20
- Global output is likely to be at 76 million bales for year ending in July next year.
- .Australia cotton area is projected to decline by 14 percent in 2012-13 to 5.15 lakh hectares.
- In Pakistan, there had been crop shift of cotton area into Rice which is more than 2 lakh hectares.
- USA net exports for cotton stands at 13.05 lakh bales, primarily for China for marketing year 2012-13.
- China will not issue any fresh import quota for Cotton in 2012.
- 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 increase in Global output. Prices ranged between 68.70 to 72.39 during the week. Immediate support level is at 68 breaching this may touch 65.2 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
67.5	68.5	75.2	76.7

All in USc

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