

Highlights of the Week

- ❖ Cotton prices dropped during this week due to sluggish demand in the market during this week ending on 6th October 2012.
- ❖ Government is considering ban on cotton exports till surplus stock is not available in the market.
- ❖ Cotton arrivals have started picking up but traders are waiting for quality cotton in the market which will begin in third week of October. Until then cotton traders and millers are keeping distance from buying.
- ❖ Cotton prices has been close to MSP levels now, in futures market, prices are generally fall this time of the year when the farmers had to bring their crop to market, for procuring the crop at low prices. Prices are likely to be down until good quality cotton starts to arrive in the market which is likely to begin after 15 October.
- ❖ Tamil Nadu has given subsidy of 20 percent for yarn and cotton production this can increase the acreage for cotton in next sowing months.
- ❖ Maharashtra gets Rs 300 crore for irrigation development in Vidarbha region, Maharashtra, this will help local farmers and cotton output will boost up when projects starts.
- ❖ Cotton export registration for 2012-13 will remain under DGFT.
- ❖ On account of low prices in the international markets imports have been more than double to 12 lakh bales for the month ending in September.
- ❖ Ending stock for the season has been revised to 28 lakh bales from previous estimates of 25 lakh bales for the year 2011-12 for the month of September.
- ❖ Cotton Advisory Board has revised production estimates to 347 lakh bales from previous estimated 357 lakh bales.
- ❖ Cotton spot prices are higher than MSP which is Rs.3600 to Rs.3900; this is due to weak global demand.
- ❖ Cotton area in Punjab and Haryana has declined which is likely to make shortfall of 10-15 percent lower output from last year. Last year the production was 48 lakh bales this year it is expected to be at 40-42 lakh bales.
- ❖ Cotton exports for this season starting from June-July has been at 1.2 million bales while exports have crossed 13 million bales for the year 201-13.
- ❖ Cotton production may go up by 3-4 percent as south Gujarat region has received good rains in last few days hoping for recovery in the major cotton growing region. The first advance estimate was calculated on the acreage of 11.5-11.6 million hectares, which has gone up due to good rains received by the Gujarat region. This could offset steep rise in prices in that region.
- ❖ Domestic demand for cotton is pegged 5 percent higher at 213 lakh bales against 218 lakh bales.
- ❖ Market is likely to trade at lower side this week as amid weak demand from millers. Buyers are waiting for good quality arrivals which will begin by mid-October.

Domestic Market Fundamental

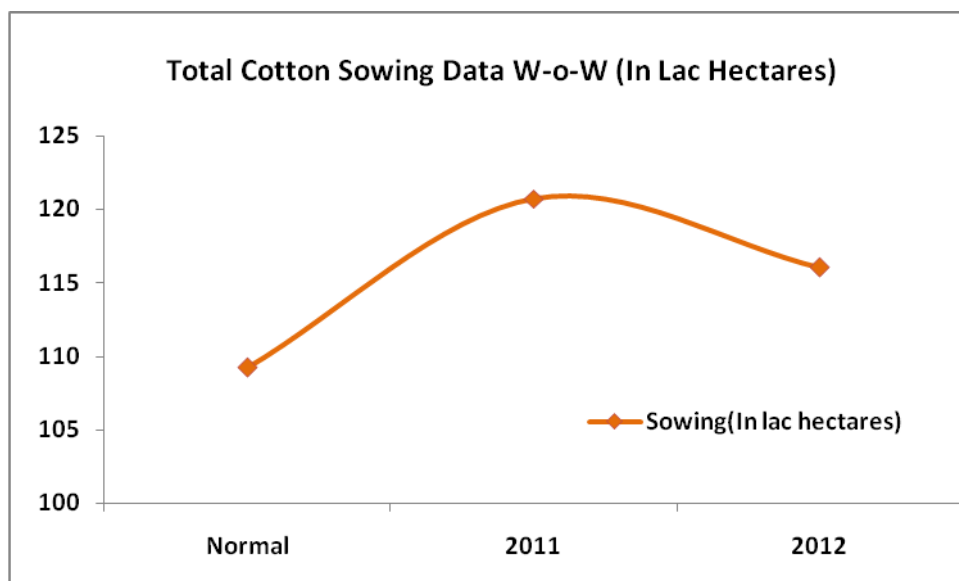
- ❖ Cotton prices traded amid lower side with traders waiting for fresh crop in the market. Prices of candy are likely to fall as arrivals are expected to be heavy. Cotton sowing progress, 116.04 lakh hectares have been sown in 2012-13, which is lower than previous year, due to late monsoon as on 28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

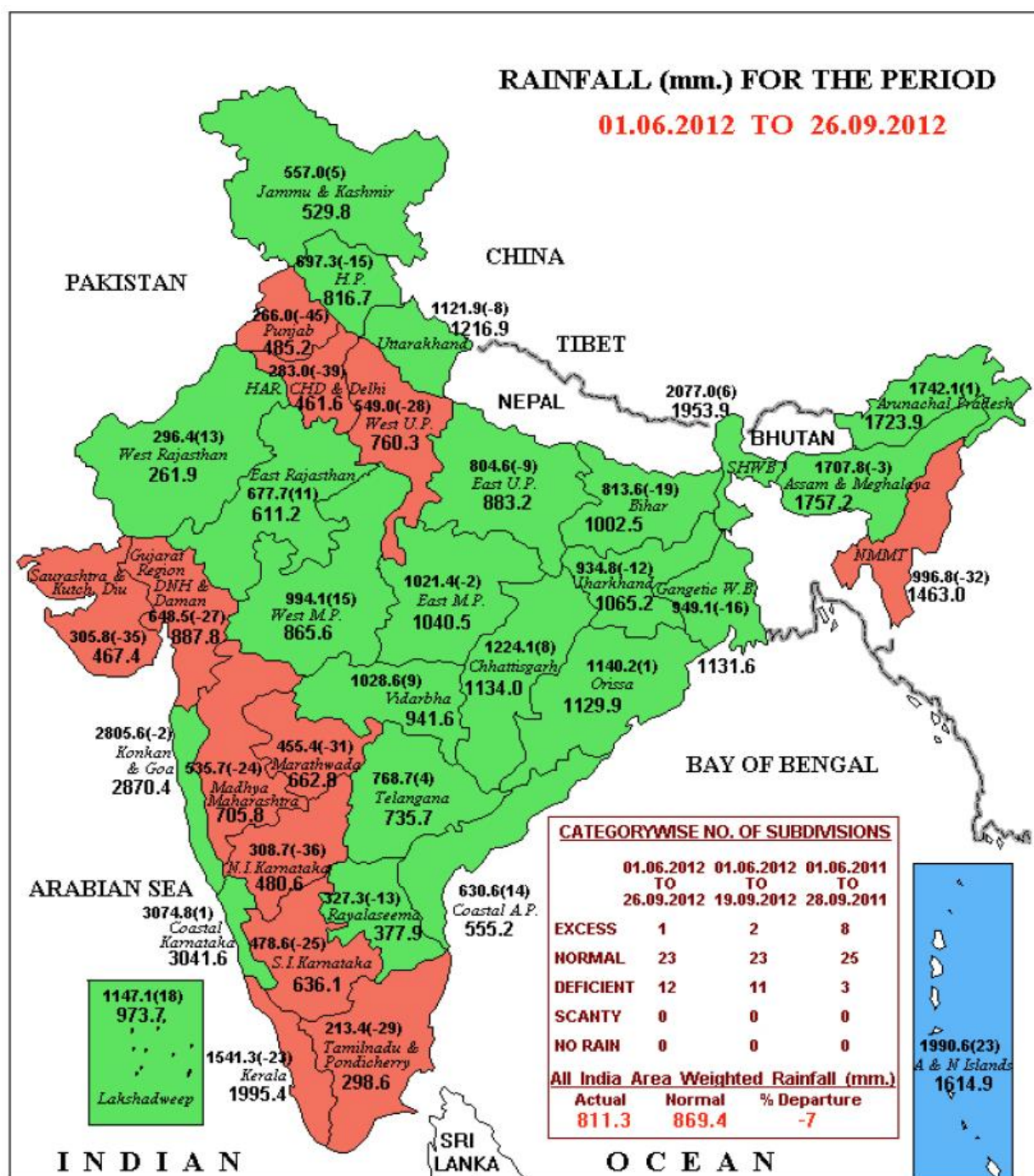
Below Figure shows sowing status of Cotton in India as on 28th September 2012

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



Source: Ministry of Agriculture

Total Rainfall All over India



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 06/10/2012	Previous Week 28/9/2012
Cotton	Amravati–Vunni Mech-1#	-1%	3400	3450
	Kadi–Bt Cotton#	-	-	-
	Ahmedabad–Shankar-6#	-3%	4250	4375
	Gondal	Unch	4095	4080
	Rajkot-(Bt Cotton)	-3%	4230	4355
	Abohar–J-34*	-6%	3400	3600
	Muktsar–J-34*	-6%	3400	3600
	Fajlika#	-	3500	-
	Khandwa M.P.	3%	3400	3300
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-2%	3440	3510

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Weekly Arrivals		% Change
	Current Week 6/10/2012	Previous Week 28/9/2012	
Amravati –Vunni Mech-1	700	1000	-30%
Kadi –Bt Cotton	-	-	-
Ahmedabad – Shankar-6	7000	5000	40%
Gondal	778	876	-11%
Rajkot-(Bt Cotton)	2350	2050	15%
Abohar J-34*	300	150	100%
Muktsar J-34*	250	-	-
Fajlika	700	-	-
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 (06/10/2012)	Rs. Per Candy (28/9/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	36100	36600	-1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36600	37100	-1%
J-34(202)	26mm	3.5 - 4.9	23	31000	32000	-3%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32600	33700	-3%
Shankar-6(105)	29mm	3.5 - 4.9	28	33200	34100	-3%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35200	35700	-1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	36000	36500	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	48000	48500	-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. 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, recovered amid start of harvesting season in northern states. Major arrivals will begin to from mid-October.
- Increasing open interest and prices depicts market under long build up phase.
- Immediate resistance could be seen at 936 crossing such level price would test second support level at 945.
- Our short term outlook on the contract is bullish. We advise to go for short positions price level around 935-904.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
880	890	936	945

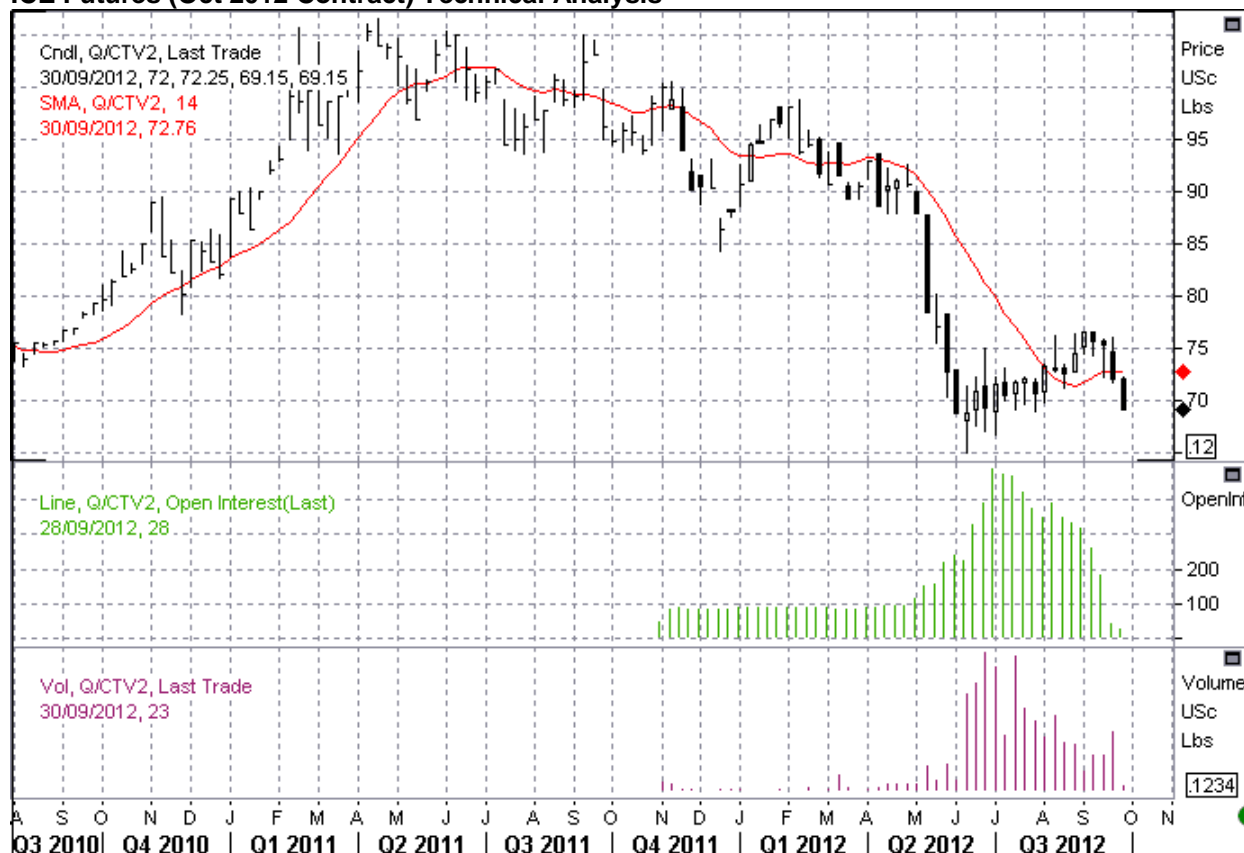
Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	935-904	Sideways to Bearish Momentum

International Market

- Pakistan production is estimated at 15 million bales for 2012-13. Also domestic consumption is 13 million bales as of last 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.
- Egypt will export 424 metric tonnes of additional cotton this week starting September 27, 2012. Egypt has already exported 3,163 tonnes of cotton this month. Country has finest cotton in the world.
- Tanzania and Uzbekistan are likely to have record production of cotton in year 2012-13.
- International prices of cotton declined slightly and China cotton prices increase due to minimum support price by the government, under which government is purchasing cotton daily from September 2012 to March 2013.
- According to ICAC, China is expected to remain the largest cotton importer in 2012/13. This will prevent international and Chinese cotton prices from diverging too much. In addition, international cotton prices will eventually receive some support from the expected lower plantings in the Southern Hemisphere at the end of 2012.
- According to ICAC, Outside of China, cotton production is forecast down by 6% to 18.6 million tons, while mill use is expected to increase by 5% to 14.9 million tons. Taking into account reduced shipments to China, stocks in the rest of the world are expected to grow by 16% to 9 million tons in 2012/13.
- China is expected to import 2.5 million tonnes of cotton this year, which is less than half of the quantity purchased last year.
- Cotton acreage will drop by 7 percent in crop year 2012-13, but cotton will continue to remain low under pressure from slowing down global economy and depressed demand.
- Pakistan is likely to miss the target of 15 million bales for 2012-13 and is likely to harvest 13.5 million bales.
- Australia cotton area is projected to decline by 14 percent in 2012-13 to 5.15 lakh hectares.

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 69.15 to 72.50 during the week. Immediate support level is at 68 breaching this may touch 67.2 during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
64.77	67.05	75.95	76.86

All in USc

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