

**Highlights of the Week**

- ❖ Cotton prices noticed steady to weak tone except slight firmness in Gondal and Khandwa markets.
- ❖ According to a press statement, the Government of India has revised MSP prices for medium staple cotton from Rs. 2800/ qtl to Rs. 3600/ qtl and for long staple cotton from Rs. 3300/ qtl to Rs. 3900/ qtl for cotton season 2012-13.
- ❖ Increase in arrivals in various mandis is weighing on prices.
- ❖ Recent rains in parts of Andhra Pradesh might damage the crop.
- ❖ Arrivals are expected to increase in the coming days and pick up by mid –November.
- ❖ Increasing arrivals in Gujarat is adding to the weak tone of the market.
- ❖ There is not much demand from the millers and exporters in the ready market.
- ❖ Export demand is likely to be lower this season following higher stocks in the market.
- ❖ The Government has formed a contingency plan to procure 90 lakh bales for the 2012-13 season. The Government expects to open 288 procurement centres in nine cotton growing States.
- ❖ Rise in demand for cotton yarn in the global market and declining cotton prices in the domestic market is likely to increase the margins for spinning industry.
- ❖ According to CMIE, total yarn production is expected to increase by 6.8 percent in the current season following increase in cotton yarn production.
- ❖ Tamil Nadu miller's consortium is planning to buy cotton of Rs. 30 billion for this cotton season.
- ❖ Cotton production has increased from last few years due to increase in acreage but yield has remained static or lower due to lack of technology. Gujarat is likely to have yield of 610 kg/hectare for 2012-13 which is 10 kg lower than last year. All India average yields were 500 kg/hectares for 2011-12, lower than 2007-08 which was 554 kg/hectare.
- ❖ 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.
- ❖ In India, cotton production is estimated to be around 340 lakh bales compared to 345 lakh bales during the previous year.
- ❖ Market is likely to notice sideways to bearish tone amid increasing arrivals in various mandis.

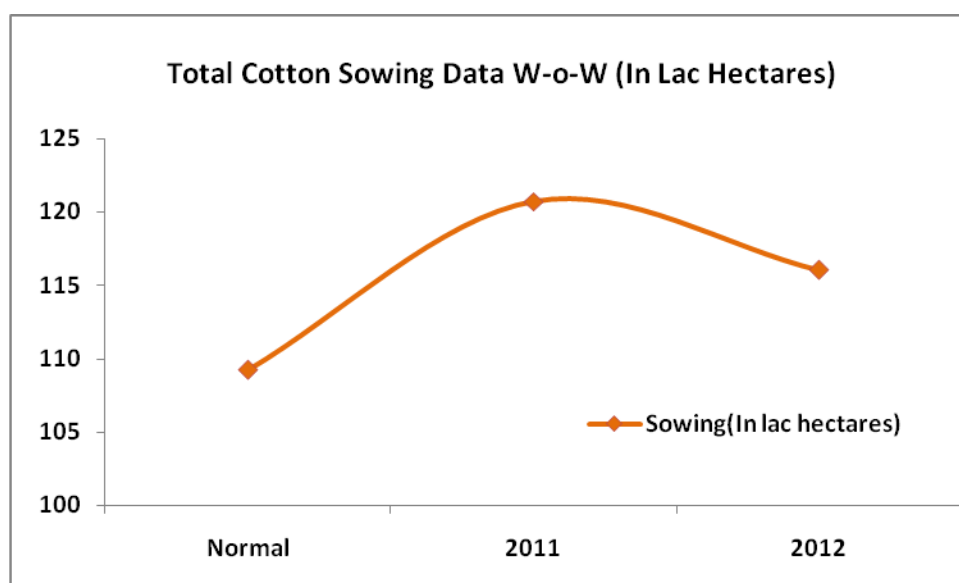
### Domestic Market Fundamental

- ❖ Cotton prices noticed sideways to weak tone during the week. Lack of demand from the millers and increasing arrivals are weighing on prices.
- ❖ New crop arrivals are increasing from Punjab, Rajasthan and Gujarat. Festival demand amid increasing arrivals will lend some support to the market.

### Crop Situation: -

Below Figure shows sowing status of Cotton in India as on 28<sup>th</sup> 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)

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions during this season, June -September. In area-wise distribution, 70% area of the country received excess/normal rainfall. Remaining 30% area received deficient rainfall. For the country as a whole, seasonal rainfall up to 26 September was 07% below the LPA as against 05% by the end of last week ending 19 September. According to IMD, rainfall is

expected at certain places in south peninsular India, north –eastern states, eastern states and weather is expected to be dry in other parts during the week. Rainfall is likely to affect harvesting activities in Southern India.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 02/11/2012	Previous Week 26/10/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	-4%	4050	4200
	Kadi–Bt Cotton#	Unch	4400	4400
	Ahmedabad–Shankar-6#	Unch	4500	4500
	Gondal	3%	4800	4650
	Rajkot-(Bt Cotton)	-2%	4480	4550
	Abohar–J-34*	-1%	3450	3475
	Muktsar–J-34*	-1%	3450	3475
	Fajlika#	-	-	4100
	Khandwa M.P.	1%	4350	4300
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	-1%	3380	3410

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

**Cotton Arrivals in Key Centers**

Centre	Weekly Arrival		% Change
	Current Week 02/11/2012	Previous Week 26/10/2012	
Amravati –Vunni Mech-1	7100	2000	255%
Kadi –Bt Cotton	79500	15000	430%
Ahmedabad – Shankar-6	66000	53000	25%
Gondal	8789	5137	71%
Rajkot-(Bt Cotton)	14200	10560	34%
Abohar J-34*	7300	4800	52%
Muktsar J-34*	2950	1750	69%
Fajlika	7700	1800	328%
Khandwa M.P.	1200	-	-
Sri-Ganganagar	25000	8500	194%
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 (02/11/2012)	Rs. Per Candy (25/10/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	40700	41900	-3%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41200	42200	-2%
J-34(202)	26mm	3.5 - 4.9	23	31100	31700	-2%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33100	33300	-1%
Shankar-6(105)	29mm	3.5 - 4.9	28	33600	33900	-1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34000	34800	-2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34700	35500	-2%
DCH-32(107)	34mm	3.0 - 3.8	33	45500	45500	Unch

**Fundamental Cotton Price Outlook for Coming Week**

We expect cotton prices to notice sideways to weak tone in the near –term. Increasing arrivals will weigh on prices. Downside could be limited amid festival demand in the near –term. Arrivals are increasing from Gujarat, Rajasthan, Punjab and Haryana.

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


Rs/per 20 kgs

- April contract in NCDEX, denotes selling interest in the market.
- Increasing volumes and open interest add to the weak tone of the market.
- Immediate support could be seen at 950 crossing such level price would test second support level. Prices are likely to trend towards the support levels.
- Our short term outlook on the contract is sideways to bearish. We advise to go for short positions around 990-1000 levels.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
930	950	1035	1050

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

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	940-990	Sideways to Bearish Momentum

**International Market**

- Uzbekistan has record cotton production for this year cotton season.
- Cotton futures at NYMEX noticed recovery amid short –covering of the recent losses. Overall scenario is bearish amid higher ending stocks.
- According to the data from Chinese customs, China totally imported 1.08 million tonnes of cotton yarn in the first 9 months of 2012, up a massive 74.17 percent or 462,800 tons over the same period last year.
- In the first five months of 2012, China's cotton yarn imports from India and Pakistan increased by 166 percent and 83 percent respectively.
- According to industry sources, Pakistan is likely to produce 12.66 million bales (1 bale =170kgs) of cotton during this season.
- Cotton prices are steady to firm in Pakistan amid lack of selling around current levels.
- Global cotton output has been raised by 2.8 million bales and consumption lowered by 680,000 bales.
- Cotton in western region in USA is affected by the hurricane Sandy during the week.
- According to Cotton Outlook, global production of cotton this year is expected to be lower at 25.93 million tonnes against 26.73 million tonnes last year.
- The carryover stock for the next season is seen at 3.83 million tonnes compared to 5.33 million tonnes during previous year
- Cotton stockpiles in China, the world's biggest consumer, are set to climb to about 9 million metric tons this season, enough to cover the country's deficit for the next six years, according to Allenberg Cotton Co.

**ICE Futures (Dec 2012 Contract) Technical Analysis**


December 2012 Contract of ICE futures closed on lower side following profit -booking. Prices ranged between 69.66 to 73.13 during the week. Immediate support level is at 67.35 breaching this may touch 65.35 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
65.35	67.35	73.70	75.2

All in cents/pound

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