

Highlights of the Week

- ❖ Cotton prices noticed steady to weak tone except slight firmness in few markets.
- ❖ According to a press statement, the Government of India has revised MSP prices for medium staple cotton from Rs. 2800/qlt to Rs. 3600/qlt 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.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 09/11/2012	Previous Week 02/11/2012
Cotton	Amravati–Vunni Mech-1#	2%	4150	4050
	Kadi–Bt Cotton#	1%	4450	4400
	Ahmedabad–Shankar-6#	-1%	4450	4500
	Gondal	-6%	4505	4800
	Rajkot-(Bt Cotton)	Unch	4500	4480
	Abohar–J-34*	1%	3500	3450
	Muktsar–J-34*	1%	3500	3450
	Fajlika#	-	4325	-
	Khandwa M.P.	-2%	4275	4350
	Patan-(Bt Cotton)	-	-	-
	Sri-Ganganagar	1%	3410	3380

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 09/11/2012	Previous Week 02/11/2012	
Amravati –Vunni Mech-1	4500	7100	-37%
Kadi –Bt Cotton	122500	79500	54%
Ahmedabad – Shankar-6	102000	66000	55%
Gondal	7752	8789	-12%
Rajkot-(Bt Cotton)	14800	14200	4%
Abohar J-34*	7000	7300	-4%
Muktsar J-34*	2850	2950	-3%
Fajlika	9600	7700	25%
Khandwa M.P.	10700	1200	792%
Sri-Ganganagar	33000	25000	32%
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 (08/11/2012)	Rs. Per Candy (02/11/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	40200	40700	-1%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40700	41200	-1%
J-34(202)	26mm	3.5 - 4.9	23	31500	31100	1%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33000	33100	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	33500	33600	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35000	34000	3%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35800	34700	3%
DCH-32(107)	34mm	3.0 - 3.8	33	44700	45500	-2%

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bearish tone in the coming days amid expected increase in arrivals in the coming days. 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 buying interest in the market around current levels.
- Increasing volumes and open interest add to the positive tone of the market.
- Immediate resistance could be seen at 987.5 crossing such level price would test second resistance level.
- Our short term outlook on the contract is sideways to bullish. We advise to go for short positions around 960-990 levels.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
860	890	998	1005

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	960-990	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. According to industry sources, output of cotton is likely to decline by 4.2% to 6.9 million metric tonnes in China this year.
- 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.
- Yarns imports from China are increasing following higher price of cotton in the domestic market.
- Cotton futures at NYMEX continued weak tone amid lack of demand and higher supply in the current season.
- Textile millers in Pakistan are looking for cheaper cotton imports amid higher prices in the domestic market.
- According to association officials, cotton output in Ivory coast is expected to increase by 47% to 500,000 metric tonnes in 2015.

ICE Futures (Dec 2012 Contract) Technical Analysis


December 2012 Contract of ICE futures closed on lower side following profit -booking. Prices ranged between 69.03 to 71.10 during the week. Immediate support level is at 69.00 breaching this may touch 67.00 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
69.0	68.8	72.87	73.0

All in cents/pound

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