

**Highlights of the Week**

- Cotton prices continued to notice week tone in various mandis amid falling arrivals.
- Rajkot, Gujarat gains prices on export demand and lower arrivals due to elections in state.
- The Cotton Corporation of India (CCI) has begun its procurement in Madhya Pradesh, Karnataka and Odisha. In these states cotton prices have fallen below MSP on rising arrivals.
- In Andhra Pradesh National Spot Exchange is procuring in behalf of National Agricultural Cooperative Marketing Federation of India (NAFED). In other major cotton producing states procurement is ready to begin. Latest updates of cotton procurement in Andhra and Maharashtra are 13,000 bales by government agencies. National Spot Exchange are targeting of procuring 15,000 bales of cotton worth of Rs. 500 crore by March 2013 from 18 centers of Andhra Pradesh. Cotton quality is good and procurement is open across 7 centers in Andhra Pradesh.
- As on 12 December total all India arrivals across country was 56.30 lakh bales (1 bale=170kg) which is 11.5 percent lower than previous arrival of 62.81 lakh bales at same period last year. Also, it is only 17.5 percent of 320 lakh bales projected for this 2012-2013 cotton season. Commerce Minister said government will continue with free export policy for cotton this year. Export policy is necessary to ensure better income to farmers.
- India cotton production in 2012-13 is likely to be 21.39 percent of world total cotton production. India's cotton prices are currently USD 5 cents/ lb below the COTLOOK index. Government has formulated National Fiber Policy to make 7 percent annual growth in cotton exports from 2010-20.
- Indian mills use in 2012-13 is expected to offset export decline from China.
- Latest arrivals recorded in spot market are 6.2 million bales compared to 6.9 million bales arrive in same time last year.
- While prices are dropping in Rajkot due to low export demand and low buying by mills, rising intervals may put further pressure on prices. Also, about 34,000 bales arrived in Gujarat, while 1.48 lakh bales arrived in the rest of the country.
- 7.14 lakh bales of cotton worth Rs 1,534.45 crore has been procured by Cotton Corporation of India (CCI) till 9 Dec 2012, Textiles and Commerce Minister Anand Sharma told the Lok Sabha on Monday. He also added that Cotton prices are above the minimum support price (MSP) levels in Gujarat, Rajasthan, Punjab, Haryana, Madhya Pradesh and majority areas in Maharashtra which is supporting prices. In Andhra Pradesh, the prices touched MSP levels which have raised prices in state.
- Prices declined in North India on Wednesday on rising arrivals and normal demand.
- Latest arrivals recorded in spot market are 6.2 million bales compared to 6.9 million bales arrive in same time last year.
- Cotton yarn prices have jumped 14.7 percent from Rs.170/Kg to Rs. 195/Kg in Mumbai benchmark market of cotton yarn due to spur in demand from millers and exporters. Demand is mainly coming from China. While domestic market demand is also picking up on seasonal demand. Apparels manufacturer are preparing for summers by building their stocks of four months.
- Yarn traders and exporters hope the trend will continue till the end of the current year, on uninterrupted buying from China and increased potential for imports from Bangladesh, another major buyer of Indian cotton yarn. Cotton Yarn has been on rise to China due to rising labor wages as a result it focusing on value added products and spinning.
- Export of cotton yarn to China is expected to continue its uptrend, as cotton in that country is priced nearly 20 cents a pound higher than in the international markets
- Cotton shortage ahead, warns industry as cotton prices are lower than what farmers are expecting. If prices will be lower than Rs. 5000 then cotton seed demand is likely to go down.

**Weekly Outlook:** Prices are likely to get support from buying from mills and exporters.

**Cotton Prices at Key Spot Markets:**

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 21/12/2012	Previous Week 14/12/2012
<b>Cotton</b>	Amravati–Vunni Mech-1#	Unch	4100	4100
	Kadi–Bt Cotton#	-3%	4325	4450
	Ahmedabad–Shankar-6#	Unch	4400	4400
	Gondal	-1%	4375	4400
	Rajkot-(Bt Cotton)	-2%	4425	4525
	Abohar–J-34*	-2%	3540	3615
	Muktsar–J-34*	-2%	3550	3605
	Fajlika#	-1%	3520	3570
	Khandwa M.P.	-	-	4140
	Sri-Ganganagar	-2%	3450	3510

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

**Cotton Arrivals in Key Centers**

Centre	Weekly Arrival		% Change
	Current Week 21/12/2012	Previous Week 14/12/2012	
Amravati –Vunni Mech-1	10200	9000	13%
Kadi –Bt Cotton	195000	230000	-15%
Ahmedabad – Shankar-6	202000	178000	13%
Gondal	7927	4757	67%
Rajkot-(Bt Cotton)	16350	6875	138%
Abohar J-34*	6400	4850	32%
Muktsar J-34*	-	-	-
Fajlika	11000	10500	5%
Khandwa M.P.	3500	10500	-67%
Sri-Ganganagar	41000	38000	8%

(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 (20/12/2012)	Rs. Per Candy (13/12/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	35600	35700	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36100	36200	Unch
J-34(202)	26mm	3.5 - 4.9	23	32300	32700	-1%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32800	33300	-2%
Shankar-6(105)	29mm	3.5 - 4.9	28	33700	33900	-1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33700	34400	-2%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34400	34800	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	45700	45500	Unch

**Fundamental Cotton Price Outlook for Coming Week**

We expect cotton prices to witness sideways to bullish tone in the coming days amid expected decline in arrivals. Downside could be limited amid increasing demand in the near –term.

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

**Rs/20 kgs**

- April contract in NCDEX, denotes buying interest in the market.
- Increasing volumes will add to the strong tone of the market.
- Prices are moving range bound and breached strong resistance of Rs. 1000.
- Immediate resistance could be seen at 1051 touching such level price could reflect back.
- Our short term outlook on the contract is sideways to bearish.

**Support and Resistance:**

Support 2	Support 1	Resistance 1	Resistance 2
979	984	1054	1065

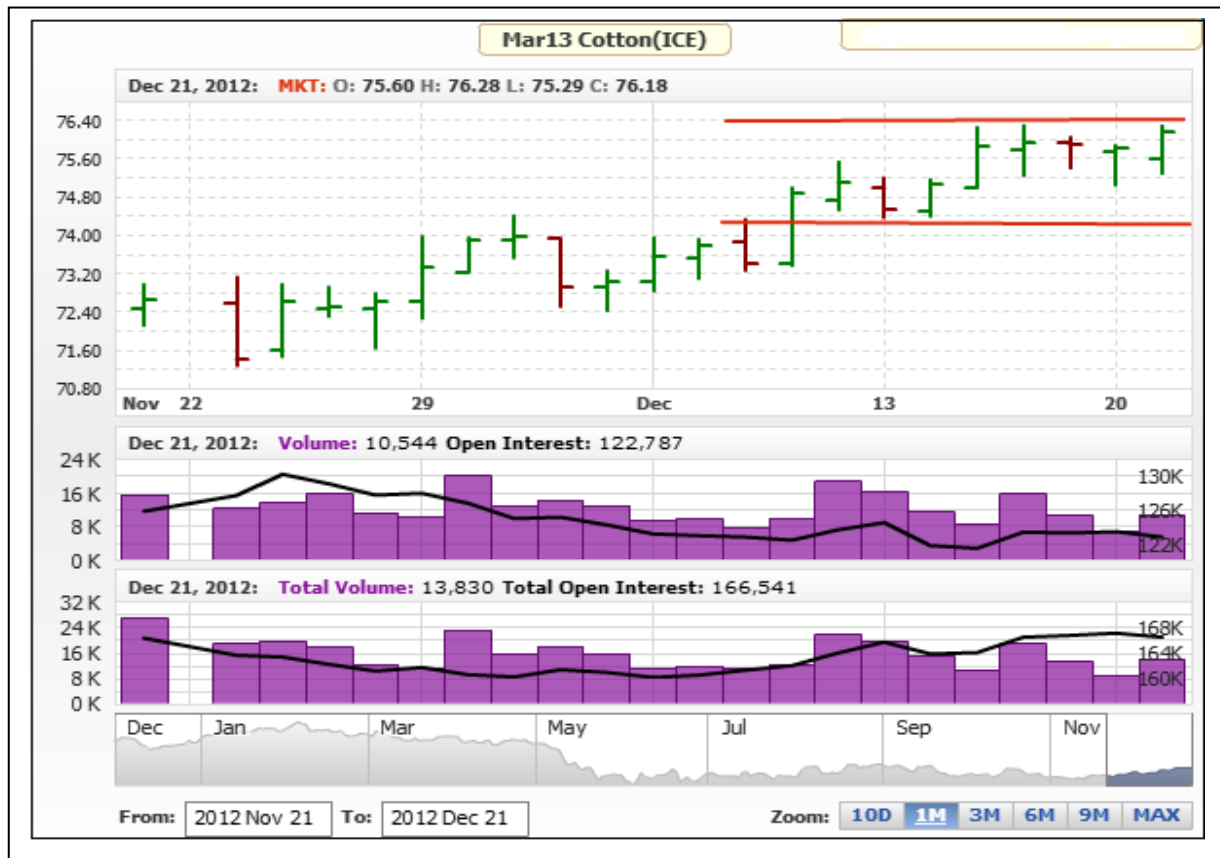
**Expected Price range of Cotton Prices for next week**

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	1010-1051	Sideways to Bearish Momentum

**International Market**

- Pakistan cotton crop is likely to decline by 7.34 percent to 12.66 million bales from earlier projected at 13.59 million bales.
- International Cotton Advisory Committee reports decline of cotton wool production by 11% to 23.2 billion tonnes for 2013-14. Farmers in USA, Turkey, China, Central Asia, Pakistan and French Africa are expected to make sharp cuts in cotton crop due to focus on soybean and other crops.
- Local textile mills of Bangladesh are worried about reduced production of Indian Cotton.
- In Pakistan, domestic lint prices would remain firm with rising demand of fine grade in the next coming sessions, as demand of fine lint would grow on back of local as well as foreign orders of yarn and cloth.
- USDA report projected 3 percent rise in global cotton consumption after 8 year slump.
- 10.7 million bales of cotton has been procured by 15 Dec 2012 across Pakistan. That is 2.42 percent higher than same time last year.
- Cotton futures rose to highest point first time in eight weeks on rising demand perspective from China. Chinese manufacturing is picking up pace. Also USDA raised global demand in their latest report.
- 10.7 million bales of cotton has been procured by 15 Dec 2012 across Pakistan. That is 2.42 percent higher than same time last year.
- Estimates of US cotton plantings were raised 97.7 million hectares to 99.03 million hectares in research report of private analytical firm, which could put pressure on prices on ICE.
- Pakistan is the only country in the world that has seen stagnating cotton output over the last 20 years
- Cotton Futures at NYMEX closed higher amid expectation of good export sales expected in the monthly supply and demand USDA report.
- China cotton production estimates have raised estimates to 6.9 million tonnes for current year 2011-12.
- According to the International Cotton Advisory Committee, cotton production is set to fall by 11% to 23.2m tons in 2013/14.
- The Cotton Assessment Committee has estimated cotton production at 13.3 million bales in Pakistan for 2012 -13.
- Pakistan cotton crop is likely to decline by 7.34 percent to 12.66 million bales from earlier projected at 13.59 million bales.

## ICE Cotton Futures (March 2013 Contract) Technical Analysis



March 2012 Contract of ICE futures closed on up side. Prices ranged between 75.29 to 76.28 during the week. Immediate resistance level is at 76.10 breaching this may touch 76.50 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
70.1	73.2	76.1	76.5

All in cents/pound

Source: MRCI

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