

Highlights of the Week

- Cotton prices continued to notice week tone in various mandis amid rising arrivals.
- Buying by government agencies, millers and exporters supported prices.
- Arrivals in the country are lower in various mandis.
- Andhra Pradesh is expected to harvest around 700,000 bales of cotton during the current cotton season, as against last year's output of 650,000 bales.
- Indian textiles exports fell by 6 per cent year-on-year to \$ 14.1 billion in April-September period due to slowdown in major markets like the US and EU. In the first six months of the 2012-13 fiscal, textiles exports stood at \$ 14.18 billion. The government is hopeful of achieving the textile export target of \$ 40.5 billion for 2012-13 which was \$ 30.4 billion in 2011-12. Exports on yarn may be lifted next week.
- In Gujarat around 35000 bales and in north India around 33000 bales arrived according to trade sources.
- Farmers are bringing less produce to the market amid expectation of better remuneration in the medium –term.
- Good export and yarn demand added to the positive tone of the market.
- Lower cotton crop production than earlier estimate are making Gujarat ginner to depend on supply from others states. Currently, 50 percent of the total arrivals are coming from Maharashtra, Andhra Pradesh and other cotton producing states. So far around 1.8-1.9 million bales of cotton had arrived in Gujarat, of which 700,000-800,000 bales of cotton came from other states.
- Andhra Pradesh cotton production is raised to 70 lakh bales from 65 lakh bales last year. Due to good rains received in last part of monsoon.
- At this time demand in cotton is normal. Mills and exporters are buying hand-to-mouth and no one wants to build inventories. Cotton growers are dissatisfied with prices at MSP levels on which they are demanding government to raise it to Rs.5000/ql.
- 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.
- 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:** Buying from millers and exporters are normal and prices not likely to rise as arrivals are increasing.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 28/12/2012	Previous Week 21/12/2012
Cotton	Amravati–Vunni Mech-1#	-2%	4025	4100
	Kadi–Bt Cotton#	1%	4350	4325
	Ahmedabad–Shankar-6#	-1%	4350	4400
	Gondal	Unch	4375	4375
	Rajkot-(Bt Cotton)	-2%	4350	4425
	Abohar–J-34*	1%	3565	3540
	Muktsar–J-34*	1%	3570	3550
	Fajlika#	1%	3555	3520
	Khandwa M.P.	-	4140	-
	Sri-Ganganagar	1%	3490	3450

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 28/12/2012	Previous Week 21/12/2012	
Amravati –Vunni Mech-1	7000	10200	-31%
Kadi –Bt Cotton	260000	195000	33%
Ahmedabad – Shankar-6	198000	202000	-2%
Gondal	8777	7927	11%
Rajkot-(Bt Cotton)	19200	16350	17%
Abohar J-34*	5100	6400	-20%
Muktsar J-34*	-	-	-
Fajlika	9300	11000	-15%
Khandwa M.P.	15000	3500	329%
Sri-Ganganagar	33000	41000	-20%

(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 (27/12/2012)	Rs. Per Candy (20/12/2012)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	34200	35600	-4%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34700	36100	-4%
J-34(202)	26mm	3.5 - 4.9	23	32500	32300	1%
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	33000	32800	1%
Shankar-6(105)	29mm	3.5 - 4.9	28	33900	33700	1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	33900	33700	1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34500	34400	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	45200	45700	-1%

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 selling interest in the market.
- Decreasing volumes will add to the weak tone of the market.
- Prices are moving range bound and breached strong support of Rs. 1010.
- Immediate support could be seen at 986 touching such level price could slide further to 950.
- Our short term outlook on the contract is sideways to bearish.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
940	949	1044	1034

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	950-1010	Sideways to Bearish Momentum

International Market

- ICE cotton futures rose due to some mill and speculative buying helped support prices. Also, anticipation of China releasing some of its stockpile.
- Cotton futures at NYMEX closed slightly higher amid buying around current levels by millers.
- Pakistan is the only country in the world that has seen stagnating cotton output over the last 20 years.
- Prices in Pakistan remained sluggish following holiday season.
- 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.
- Cotton was the biggest decliner on S&P commodities in 2012.
- New York Futures market prices remained fundamental for translating international lint prices, which was evident from the trend in local market as it would likely keep the physical prices strong.
- 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.

ICE Cotton Futures (March 2013 Contract) Technical Analysis


March 2012 Contract of ICE futures closed on up side. Prices ranged between 75.42 to 77.10 during the week. Immediate support level is at 75.10 breaching this may touch 73.10 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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