

Monthly Research Report

AW MARKET OUTLOOK

NEUTRAL

Domestic Fundamentals

Cotton production Agriwatch estimate for the marketing season 2012-13 is 327 lakh bales and total availability in the market is projected at 397 lakh bales in 2012-13.

In the month of February 2013, the supply of raw cotton had decreased from last month of January 2013, from 2.15 lakh bales a day to 1.75 lakh bales a day. Around 230 lakh bales have arrived in the Indian market as on 28 February 2013. Consumption of 240 lakh bales by textile mills is expected in marketing year 2012-13. Also, as on February 28, 2013, registration for cotton exports stands at about 70 lakh bales and Imports stood at 7 lakh bales.

Export demand picked up in current month, as China raises queries for fresh imports of 40 lakh bales.

Cotton Corporation of India is likely to procure 40 lakh bales of cotton in 2012-13. It has already procured 22 lakh bales of cotton till date. 90% of procurement are from in Andhra Pradesh.

Domestic demands have picked up as major buying had started by the millers and exporters. Arrivals are falling amid rising demand. There is no base for prices to sustain at higher levels in March as arrivals are declining, stockiest have stored produce but that is not likely to support prices at current levels.

International Fundamentals

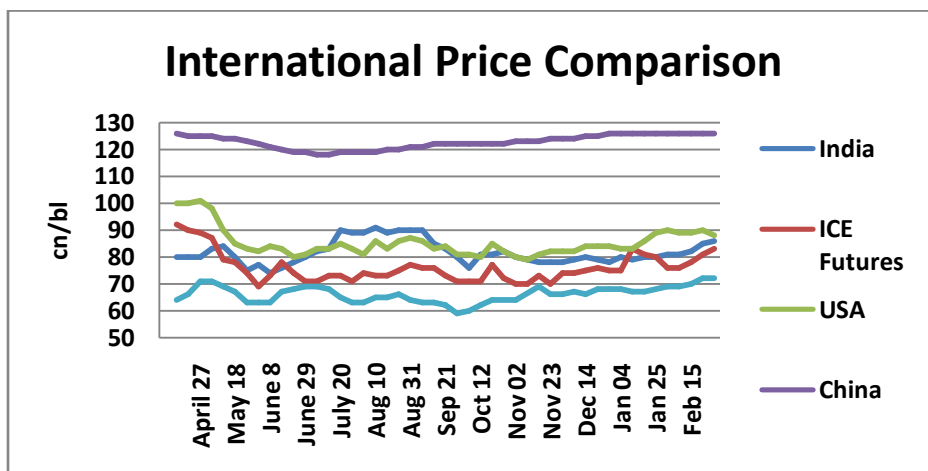
The Indian raw cotton currently is competitive with respect to USA and China. Pakistan domestic prices are lower than Indian domestic prices but they are unlikely to export much as their production is projected at 13.5 million bales in 2012-13 and domestic demand is at 15 million bales. China is not exporting at this moment as their domestic prices are far too high than what is prevalent at international market. By comparison of International CIF, Indian variety MECH-1, high grade variety, face stiff competition by various small countries holding raw cotton crop.

On 18th February, 2013 reserve cotton release restarted. During the Spring Festival, international cotton price edged higher, narrowing its gap between domestic cotton. Reserve cotton release actual transaction of the week was 126,290 ton, 31.51% of the release target, 25% up than that before holiday. By 22nd, February, reserve cotton of 2012/13 season released for 1,519,000 ton, and concluded by 517,975 ton, by 34.1%.

Indian Cotton Prices Compared to International Prices (2012-13)

Cotton variety Shankar-6 competes with other international varieties as shown in the graph.

Indian cotton exports are growing FOB stands at 85 cents/pound as compared to USA 97-99 cents/pound



Source: *Indian ex-gin prices are from the Cotton Association of India., MRCI, China Cotton Index, USDA and Karachi Market Association

Domestic Prices

Commodity	Centre & Variety	Prices (Rs/Qtl)		% Change
		28-02-13	31-01-13	
Cotton	Amravati-Vunni Mech-1#	4700	4050	16%
	Kadi-Bt Cotton#	4800	4250	13%
	Abohar-J-34*	4100	3680	11%
	Muktsar-J-34 *(Cotton)	4100	3680	11%
	*(Kapas BT Cotton)	5030	4200	20%
	Ahmedabad-Shankar-6#	4900	4350	13%
	Fajlika *(Cotton New)	4080	3635	12%
	*(Kapas BT Cotton)	5060	4390	15%
	Khandwa-(M.P)	4370	4090	7%
	Khargaon-(M.P)	4370	4090	7%
	Gondal	4910	4300	14%
	Rajkot-(B.T)	4900	4300	14%
	Sri-Ganganagar	4020	3600	12%
	Patan(B.T. Cotton)	4920	-	-

*-Rs/maund, #-Rs.qtl

Cotton Cumulative Arrivals in Key Centers

Centre	Cumulative Monthly Arrivals		% Change
	Current Month 28/02/13	Previous Month 31/01/13	
Amravati –Vunni Mech-1#	66500	75000	-11%
Kadi –Bt Cotton	805000	1075000	-25%
Abohar–J-34*	8300	24300	-66%
Muktsar–J-34#(Kapas BT Cotton)	1500	7750	-81%
Ahmedabad – Shankar-6#	830000	944000	-12%
Fajlika#(Kapas BT Cotton)	23950	39700	-40%
Khandwa (M.P)	46800	61400	-24%
Khargaon-(M.P)	119000	161000	-26%
Gondal	25174	53483	-53%
Rajkot-(B.T)	73290	106310	-31%
Sri-Ganganagar	74000	147000	-0.50
Patan(B.T. Cotton)	42288	-	-

Khandwa, Kadi, Fajlika-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmadabad, Abohar and Muktsar-Bales

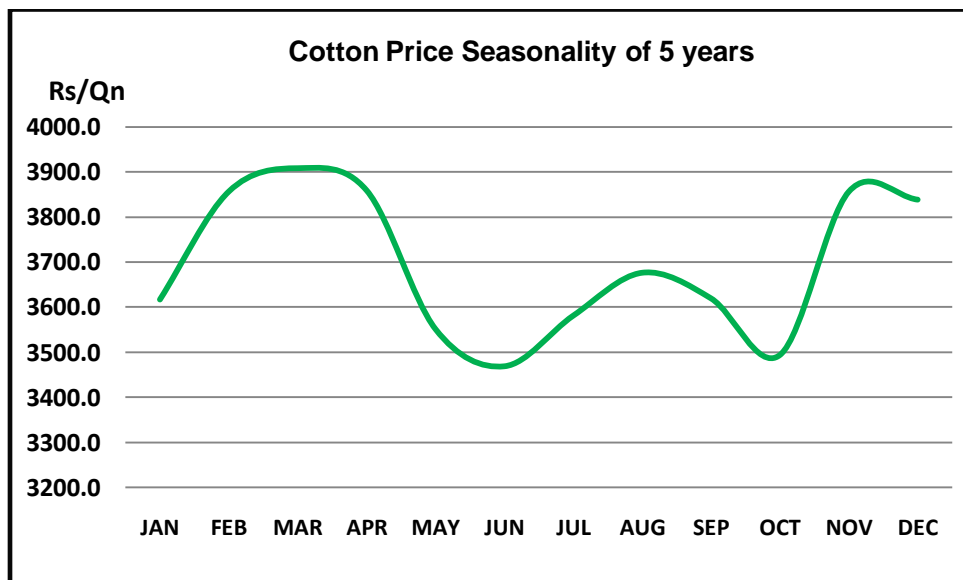
Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy (28/02/2013)	Rs. Per Candy (30/01/2013)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	34600	33700	3%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35600	34200	4%
J-34(202)	26mm	3.5 - 4.9	23	36900	33800	9%
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	35700	33700	6%
Shankar-6(105)	29mm	3.5 - 4.9	28	36600	34300	7%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	36900	34900	6%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	-	35800	-
DCH-32(107)	34mm	3.0 - 3.8	33	47300	45000	5%

Cotton Seasonality Index

Seasonal indices method has been adopted to find out seasonality of Cotton prices in India. The monthly average auction price from 2008-09 to 2012-13 has been collected from spot market. Seasonal Indices were calculated by averaging monthly average prices

The seasonality index for domestic raw cotton prices from 2008-09 to 2012-13, indicates movement of prices. Like other commodities, cotton also shows a seasonality pattern in the price movement. As shown in the figure, the cotton prices traded higher during the early arrival season, i.e., from October to March and started decline after May. The seasonality index remained below from May to September and started increasing only after mid October till May, which is the peak arrival season for cotton in Indian domestic markets



Source: AW Research

Cotton Procurement
Procurement by CCI in Andhra Pradesh (2011-12)

Adilabad				Warangal				Guntur			
Dist.	Centre	in Qntls	in bale	Dist	Centre	in Qntls	in bale	Dist	Centre	in Qntls	in bale
Adilabad	Adilabad	3486	695	Kari mna gar	Choppadan	1625	304	Kha mma m	Bhadrac hala	16498	3081
	Asifabad	4474	903		Gangadhar	249	48		Burgam padu	7887	1529
	Bela	506	100		Jamrnikunt	16	3		Enkoor	46433	8806
	Indervall	5095	1021		Karimnagar	8940	1714		Khamma mA	12208	2383
	Kadam	2726	514		Peddapalli	1419	271	Nalg onda	Mallepall i	26802	5175
	Luxettipe	21650	4293		Vemulawad	3144	607		Bhongir	8199	1562
	Mancheri	2511	504	Meh boob naga r	Shadnagar	41343	8255	Kurn ool	Nandyal	15280	2998
	Neradigond a	507	103	Wara ngal	Warangal	646	123	Gunt ur	Narasar aopet	3175	613
	Sonala	2020	398						Tadikon da	1864	358
	Wankidi	2244	444						Guntur	8037	1508
	Total	45219	8975		Total	57383	11325		Total	151634	29013

Total Purchased in A.P
254236 Qntls.
49313 Bales

Source: Textile Ministry

Comparative CIF (Cost, Insurance and Freight) to Bremen, Germany, with other Competing Countries
(As on 27 Feb 2013)
Variety: H-4, MECH-1

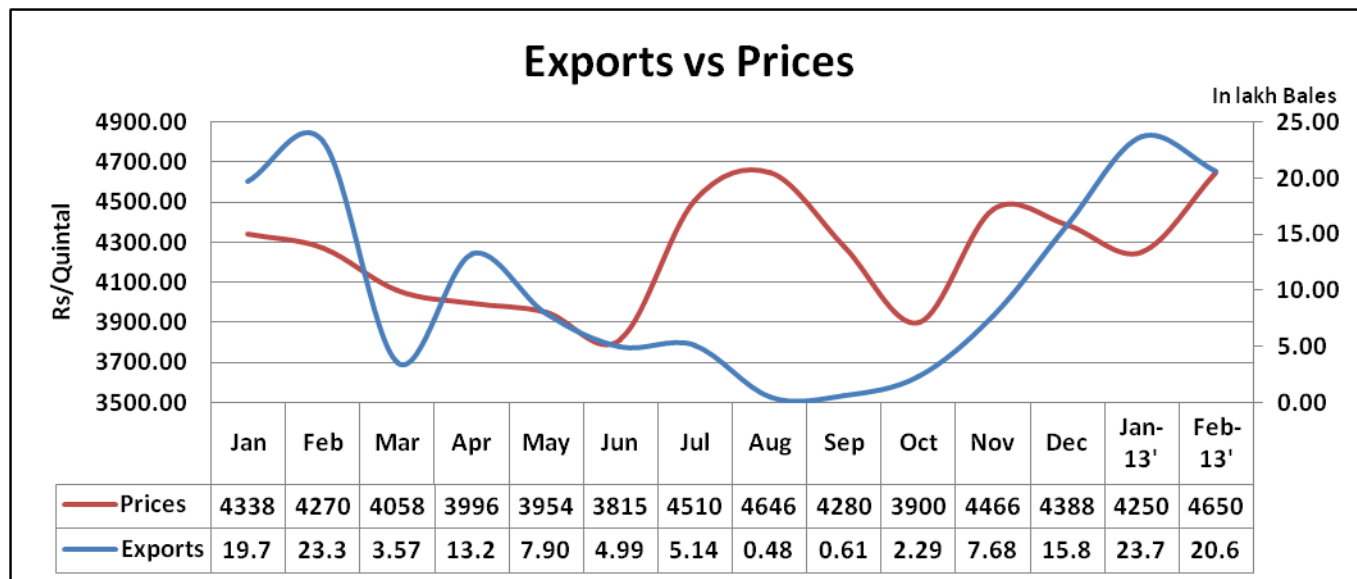
		length(inch)	CIF	
AFR. 'Franc-Zone'	SM	1.3/32"	94.00	
	M	1.3/32"	93.00	
EAST AFRICA	SM	1.3/32"	92.50	
C. I. S.	SM	1.3/32"	93.50	
	M	1.3/32"	92.00	
SYRIA	SM	1.3/32"	n.q.	
	M	1.3/32"	n.q.	
GREECE	SM	1.3/32"	n.q.	
	M	1.3/32"	93.00	
SPAIN	SM	1.3/32"	n.q.	
	M	1.3/32"	93.50	
BRAZIL	M	1.3/32"	94.75	
ARGENTINA	M	1.3/32"	n.q.	
PARAGUAY	SM	1.3/32"	93.25	
U S A				
EASTERN / M./O./T.	SM	1.3/32"	94.00	
	M	1.3/32"	92.50	
CALIFORNIA Acala SJV	SM	1.1/8"	110.50	
INDIA	S-6	1.3/32"	95.50	
TURKEY Southeast	Std. I	1.3/32"	n.q.	
PAKISTAN	M	1.3/32"	92.50	
SUDAN Barakat	G 3 B		117.00	} High Quality Cotton Variety
EGYPT GIZA 86	G+3/8		137.75	
EGYPT GIZA 88	G+3/8		152.75	
U S A Pima	Gr. 2. 1.7/16"		149.00	
ISRAEL Pima	H-1	1.7/16"	141.50	

N=Nominal

n.q.=not quoted

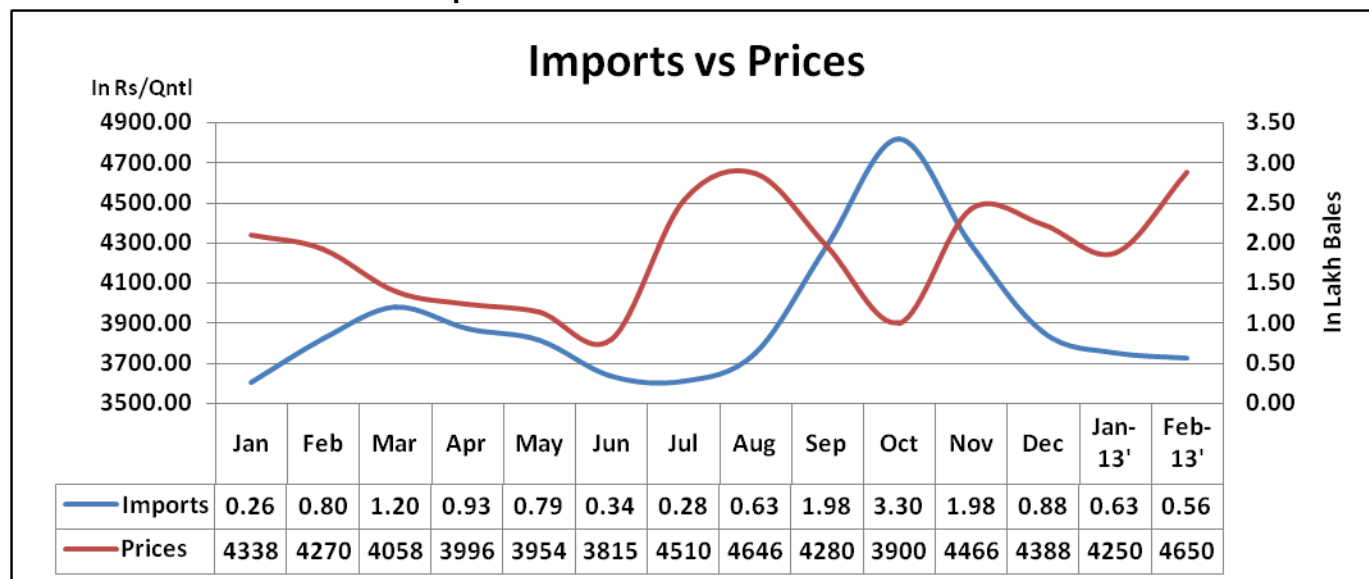
Source: Bremen Cotton Exchange

Exports and Price movement in 2012-13



Source: USDA, IBIS and Agmarknet

Imports and Price movement in 2012-13



Source: USDA, IBIS and Agmarknet

Cotton Futures

Future Forecast in Domestic Markets; March 2013

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 added to the firm tone of the market.
- Immediate support could be seen at 956 touching such level price could slide further to 930.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
890	895	980	990

Expected Price range of Cotton Prices for next week

Market	Expected Trading Band for the coming Month	Expected Trend in coming Month
NCDEX	950-930	Sideways to Bearish Momentum

Future Trend in International Markets; May 2013

ICE Cotton Futures (May 2013 Contract) Technical Analysis



March 2013 Contract of ICE futures closed on up side. Prices ranged between 87.45 to 81.90 during the week. Immediate resistance level is at 87 breaching this may touch 89 levels during upcoming month.

Support 2	Support 1	Resistance 1	Resistance 2
70.25	74.40	89.0	89.20

All in cents/pound

Source: MRCI

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