

Highlights of the Week

- Cotton prices notice slight rise in prices amid demand for cotton yarn and rising arrivals.
- Cotton prices increased in Gujarat, over fresh buying from millers and exporters. Prices after coming down in this week are expected to increase in coming next week, if demand from exporters continues in the market.
- Cotton consumption by non-SSI mill stood at 1.928 million bales during November, 2012 and SSI mill consumption was at 184,000 bales up 8.2 percent compared to same period last year, as per textile commissioner.
- Cotton Association of India has come out with higher outlook in carryover stocks at 147.46 lakh bales.
- Exports in 2012-13 are estimated to be at 57 lakh bales by USDA report.
- Cotton Association of India has come out with higher outlook in carryover stocks at 147.46 lakh bales.
- According to Indian Cotton Association, Gujarat is likely to produce 85 lakh bales of cotton in 2012-13. They have estimated country production to 325 lakh bales, Maharashtra at 80 lakh bales, Andhra Pradesh with 68 lakh bales, and Punjab, Haryana and Rajasthan at 57 lakh bales, M.P with 16 lakh bales, T.N would give 5 lakh bales another 2 lakh bales from orissa in 2013-13
- Ranbobank report on cotton, suggest that cotton prices to remain range bound in first half of 2013 before shifting to higher in second half of the year as a reduction in exportable surplus in the market.
- Cotton demand is likely to be lack luster due to rising arrivals and normal demand, however prices are supported by the buying by exporters
- Central Institute for Cotton Research has developed new variety of cotton which has highest known fiber strength. Cotton units generally use cotton having fiber strength over 17g/Tex. CICR cotton type has strength of 29g/Tex, the highest known so far in American cotton. It will be another three years that variety is put into trail in field.
- Farmers in major parts of the country are holding the crop due to low prices available in the market. Also, winter season is favoring them as it helps maintain the fiber moisture (8.5%). By March, the rise in day temperature will result in major off load of the fiber. Till date only 35% of cotton harvest has reached the market this season, this is 50-60% of the raw cotton which reach the market by this time of the year. Poor procurement by the market due to less domestic and export demand has resulted in less off take; 20 lakh bales by Private traders, 2 lakh bales by CCI and 10,000 bales by federation.

Weekly Outlook: Buying from millers and exporters is expected to be normal and prices likely to rise as demand from export is expected to continue.

Cotton Prices at Key Spot Markets:

Commodity	Centre & Variety	% Change Over Previous Week	Current Week 25/1/2013	Previous Week 18/1/2013
Cotton	Amravati–Vunni Mech-1#	Unch	4025	4025
	Kadi–Bt Cotton#	Unch	4250	4250
	Ahmedabad–Shankar-6#	Unch	4350	4350
	Gondal	-	Closed	4300
	Rajkot-(Bt Cotton)	1%	4325	4290
	Abohar–J-34*	1%	3600	3575
	Muktsar–J-34*	-	3600	-
	Fajlika#	1%	3585	3560
	Khandwa M.P.	-	Closed	-
	Sri-Ganganagar	1%	3550	3500

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Weekly Arrival		% Change
	Current Week 25/01/2013	Previous Week 18/01/2013	
Amravati –Vunni Mech-1	22500	16700	35%
Kadi –Bt Cotton	320000	115000	178%
Ahmedabad – Shankar-6	262000	115000	128%
Gondal	9358	13961	-33%
Rajkot-(Bt Cotton)	25880	23510	10%
Abohar J-34*	6900	4800	44%
Muktsar J-34*	-	-	-
Fajlika	10700	7300	47%
Khandwa M.P.	55000	3000	503%
Sri-Ganganagar	35000	34000	3%

(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 (24/01/2013)	Rs. Per Candy (17/01/2013)	Change
Bengal Deshi (RG)/ Assam Comilla(101)	Below 22mm	5.0 - 7.0	15	33400	34600	-3%
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33900	35100	-3%
J-34(202)	26mm	3.5 - 4.9	23	32800	32700	Unch
H-4/ MECH- 1(105)	28mm	3.5 - 4.9	27	32800	33000	-1%
Shankar-6(105)	29mm	3.5 - 4.9	28	33600	33900	-1%
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34100	34300	-1%
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35000	35200	-1%
DCH-32(107)	34mm	3.0 - 3.8	33	45000	45000	Unch

Fundamental Cotton Price Outlook for Coming Week

We expect cotton prices to witness sideways to bearish tone in the coming days amid expected rise 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. 920
- Immediate support could be seen at 910 touching such level price could slide further to 890.
- Our short term outlook on the contract is sideways to bearish.

Support and Resistance:

Support 2	Support 1	Resistance 1	Resistance 2
890	910	930	935

Expected Price range of Cotton Prices for next week

Markets	Expected Trading Band for the coming week	Expected Trend for coming week
NCDEX	890-910	Sideways to Bearish Momentum

International Market

- Egypt has agreed to export 1978 metric tons of cotton ended on Jan 17, 2013. The country has shipped 33,115 tons of the fiber, valued at \$95.1 million, since Sept. 1 2012. India is top importer of Egyptian cotton.
- Pakistan production may jump up from 13.3 million bales of earlier projected.
- US Cotton future jump to 7 months high as speculations bet of robust demand from China from February and March.
- Pakistan total cotton arrivals to ginneries and millers had touches 12.02 million bales, which is 6.29 percent less than previous year. Mills are struggling from energy crisis, which has affected the export.
- China cotton output increased by 3.2% to 6.84 million tons as per National Bureau of Statistics, China.
- USDA forecast, China to reduce the imports by 53% which may be affecting international prices to reduce.
- USA Cotton acreage is expected to decrease by 21% to 9.73 million hectares due to crop shift to corn and soybean crops as they are giving higher returns than fiber crop.
- Cotton futures jumped on signs that demand is improving in China. As cotton sold from huge reserve is not of good quality and is being rejected by traders and spinners.
- In Brazil, cotton prices may sustain in 2013, due to the smaller domestic production, good pace of exports and the industry's need to purchase more than the half of its needs regarding 2011/12.
- In December, China imported 532,000 tonnes of cotton. Indian cotton was highest with 134,000 tonnes, which supported prices in domestic market.
- Brazil cotton production would decline by 23% to 1.44 million tons in 2012-13. This is not likely to have significant impact on global prices as there is record surplus of global cotton. Mainly losing area to soybean due to higher prices.
- China has finalized the selling of cotton reserves from Monday to meet demand from domestic textile companies.
- The price at which the selling is to be done is slightly lower than domestic prices but 25-30% higher than international prices.

ICE Cotton Futures (March 2013 Contract) Technical Analysis


March 2013 Contract of ICE futures closed on up side. Prices ranged between 80.51 to 78.94 during the week. Immediate resistance level is at 81 breaching this may touch 82 levels during upcoming week.

Support 2	Support 1	Resistance 1	Resistance 2
77.30	78.40	80	82

All in cents/pound

Source: MRCI

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