

## Domestic Market

- Cotton season begun with delayed arrival, currently picking up the pace, which will create the buying pressure in the market.
- Cotton production is expected to be around 37 million bales this season, whereas Gujarat traders expect it to be 40 million bales due to surplus rain, which has enhanced the yield.
- Cotton and cotton yarn have been withdrawn from the duty credit scrip eligibility under focus market scheme (FMS), w.e.f. 25<sup>th</sup> September, making cotton export less competitive.
- According to Ministry of Agriculture Cotton area sown till date is 114.37 lakh hectares whereas it was 116.04 lakh hectare last year during the same period
- The prices of cotton reached highest in three year amid domestic and international demand of Indian cotton, said cotton association of India (CAI)
- **Weekly Outlook:** Cotton prices will remain sideways to bullish in near term as traders, ginner and millers are likely to buy. Prices could move down after a saturation level of buying arrived, as there would not be any supply shortage.

## International Market

- Global cotton prices are above their long term average, as China keeps its domestic prices 50 percent above the current international prices.
- Production of cotton in Pakistan is estimated to be 14 million bales in FY 2012-13
- China cotton import quota declared for year 2014 is 89400 tones.
- A MoU has been signed by Chinese buyer with Indian companies for procurement of cotton and cotton yarn worth USD 93 million, beckoning higher domestic prices of cotton in future.
- World cotton production is expected decline by 2.9 % as compare season 2012-13, whereas estimates for this month are higher than previous month by 0.8 % amid good crop prospects in India.

**Cotton Prices at Key Spot Markets:**

| Centre         | Variety     | Prices (Rs/Qtl) |            | %Change      |
|----------------|-------------|-----------------|------------|--------------|
|                |             | 04.10.13        | 28.09.13   |              |
| Amravati       | Mech-1      | No Arrival      | No Arrival | -            |
| Khandwa        | Mech-1      | No Arrival      | No Arrival | -            |
| Khargaon       | Mech-1      | No Arrival      | No Arrival | -            |
|                |             |                 |            |              |
| Mahesana(Kadi) | B.T. Cotton | No Arrival      | No Arrival | -            |
| Muktsar        | B.T. Cotton | No Arrival      | No Arrival | -            |
| Patan          | B.T. Cotton | No Arrival      | No Arrival | -            |
| Rajkot         | B.T. Cotton | 6550            | 6125       | <b>6.94</b>  |
| Fazilika       | B.T. Cotton | 4640            | 4600       | <b>0.87</b>  |
| Fazilika*      | B.T. Cotton | 5250            | 5250       | <b>0</b>     |
| Bhiwani        | B.T. Cotton | 4650            | 4650       | <b>0</b>     |
| Bhiwani*       | B.T. Cotton | 5300            | 5350       | <b>-0.93</b> |
| Sirsa          | B.T. Cotton | 4660            | 4630       | <b>0.65</b>  |
|                |             |                 |            |              |
| Ahmedabad      | Shankar-6   | 5750            | No Arrival | -            |
| Gondal         | Shankar-6   | 6405            | No Arrival | -            |
|                |             |                 |            |              |
| Sri-Ganganagar | J-34        | 4640            | 4620       | <b>0.43</b>  |
| Abohar         | J-34        | 4650            | 4625       | <b>0.54</b>  |
| Muktsar        | J-34        | 4650            | No Arrival | -            |

\* New Crop

**Cotton Arrivals in Key Centers:**

| Centre         | Variety     | Arrivals (Qtl) |            | %Change      |
|----------------|-------------|----------------|------------|--------------|
|                |             | 04.10.13       | 28.09.13   |              |
| Amravati       | Mech-1      | No Arrival     | No Arrival | -            |
| Khandwa        | Mech-1      | No Arrival     | No Arrival | -            |
| Khargaon       | Mech-1      | No Arrival     | No Arrival | -            |
|                |             |                |            |              |
| Mahesana(Kadi) | B.T. Cotton | No Arrival     | No Arrival | -            |
| Muktsar        | B.T. Cotton | 3485           | No Arrival | -            |
| Patan          | B.T. Cotton | No Arrival     | No Arrival | -            |
| Rajkot         | B.T. Cotton | 4955           | 1825       | <b>171.5</b> |
| Fazilika       | B.T. Cotton | No Arrival     | No Arrival | -            |
| Fazilika*      | B.T. Cotton | 1800           | 1130       | <b>59.29</b> |
| Bhiwani        | B.T. Cotton | 7500           | 3700       | <b>102.7</b> |
| Sirsa          | B.T. Cotton | 3570           | 2506       | <b>42.45</b> |
|                |             |                |            |              |
| Ahmedabad      | Shankar-6   | 8700           | No Arrival | -            |
| Gondal         | Shankar-6   | 877            | 271        | <b>223.6</b> |
|                |             |                |            |              |
| Sri-Ganganagar | J-34        | No Arrival     | No Arrival | -            |
| Abohar         | J-34        | 3740           | 3060       | <b>22.22</b> |
| Muktsar        | J-34        | 3485           | No Arrival | -            |

\* New Crop

**Cotton Association of India Spot Rates:**

| Variety Name                          | Staple | Micronaire | Strength/<br>GPT | Rs. Per<br>Candy | Rs. Per<br>Candy | Change |
|---------------------------------------|--------|------------|------------------|------------------|------------------|--------|
|                                       |        |            |                  | 3-Oct-13         | 27-Sep-13        |        |
| Bengal Deshi (RG)/ Assam Comilla(101) | <22mm  | 5.0 - 7.0  | 15               | 38000            | 38000            | --     |
| Bengal Deshi (SG)(201)                | <22mm  | 5.0 - 7.0  | 15               | 39000            | 39000            | --     |
| J-34(202)                             | 26mm   | 3.5 - 4.9  | 23               | 43400            | 42400            | 1000   |
| H-4/ MECH-1(105)                      | 28mm   | 3.5 - 4.9  | 27               | 47500            | 47500            | --     |
| Shankar-6(105)                        | 29mm   | 3.5 - 4.9  | 28               | 48200            | 48100            | 100    |
| Bunny/<br>Brahma(105)                 | 31mm   | 3.5 - 4.9  | 30               | 48600            | 48700            | -100   |
| MCU-5/<br>Surabhi(106)                | 32mm   | 3.3 - 4.9  | 31               | 49200            | 49300            | -100   |
| DCH-32(107)                           | 34mm   | 3.0 - 3.8  | 33               | 57500            | 57500            | --     |

**Fundamental Cotton Price Outlook for Coming Week**

We expect cotton prices to witness sideways to bullish tone in the coming days.

**State Wise Comparisons (in Rs/Qtl)**

| State          | Prices<br>October,<br>2013 | Prices<br>September,<br>2013 | Prices<br>October,<br>2012 | % Change(Over<br>Previous Month) | % Change(Over<br>Previous Year) |
|----------------|----------------------------|------------------------------|----------------------------|----------------------------------|---------------------------------|
| Andhra Pradesh | 3900                       | 5239.88                      | 3909.23                    | -25.57                           | -0.24                           |
| Gujarat        | 4861.22                    | 5432.62                      | 4080.84                    | -10.52                           | 19.12                           |
| Haryana        | 5300                       | 5084.69                      | 4391.7                     | 4.23                             | 20.68                           |
| Karnataka      | 3750                       | 4914.59                      | 3988.83                    | -23.7                            | -5.99                           |
| Madhya Pradesh |                            | 4991.51                      | 3852.78                    | —                                | —                               |
| Maharashtra    |                            |                              | 3768.74                    | —                                | —                               |
| Pondicherry    |                            | 2854.93                      | 2531.93                    | —                                | —                               |
| Punjab         | 5045                       | 5014.19                      | 4324.3                     | 0.61                             | 16.67                           |
| Rajasthan      |                            | 5071.19                      | 4576.46                    | —                                | —                               |
| Tamil Nadu     | 4786.05                    | 5084.37                      | 3835.19                    | -5.87                            | 24.79                           |
| Uttar Pradesh  |                            | 4426.19                      | 4394.31                    | —                                | —                               |
| Average        | 4607.04                    | 4811.42                      | 3968.57                    |                                  |                                 |

\*Report Generation: As per the data reported by APMCs

(Source: Agmarket)

**Cotton Export and Import:**
**Cotton Exports**

| Cotton Exports(In Lakh Bales) |               |              |
|-------------------------------|---------------|--------------|
| Month                         | 2011-12       | 2012-13      |
| Oct                           | 16.41         | 2.29         |
| Nov                           | 18.37         | 7.68         |
| Dec                           | 12.92         | 15.83        |
| Jan                           | 19.71         | 19.71        |
| Feb                           | 23.30         | 20.67        |
| Mar                           | 3.57          | 13.07        |
| Apr                           | 13.26         | 2.50         |
| May                           | 7.90          | 2.58         |
| Jun                           | 4.99          | 3.01         |
| Jul                           | 5.14          | 2.06         |
| Aug                           | 0.48          | 2.5          |
| Sep                           | 0.61          | 1.22         |
| <b>Total</b>                  | <b>126.65</b> | <b>93.12</b> |

**Cotton Imports**

| Cotton Imports(In Lakh Bales) |             |              |
|-------------------------------|-------------|--------------|
| Month                         | 2011-12     | 2012-13      |
| Oct                           | 0.05        | 3.30         |
| Nov                           | 0.14        | 1.98         |
| Dec                           | 0.06        | 0.88         |
| Jan                           | 0.26        | 0.63         |
| Feb                           | 0.80        | 0.56         |
| Mar                           | 1.20        | 0.55         |
| Apr                           | 0.93        | 0.76         |
| May                           | 0.79        | 0.80         |
| Jun                           | 0.34        | 0.05         |
| Jul                           | 0.28        | 1.1          |
| Aug                           | 0.63        | 1.01         |
| Sep                           | 1.98        | 0.99         |
| <b>Total</b>                  | <b>7.45</b> | <b>12.61</b> |

**Export Break-Up by Major Countries in Month of September-2013**

| Country    | Quantity<br>(In Lakh Bales) |
|------------|-----------------------------|
| Bangladesh | 0.74                        |
| China      | 0.17                        |
| Pakistan   | 0.08                        |
| Hong Kong  | 0.06                        |
| Vietnam    | 0.04                        |

(Source: IBIS)

**Import Break-Up by Major Countries in Month of September-2013**

| Country  | Quantity<br>(In Lakh Bales) |
|----------|-----------------------------|
| Pakistan | 0.238                       |
| Mali     | 0.149                       |

(Source: IBIS)

### International Prices

| World Monthly average Cotlook A Index (FE) in US Cent per pound |         |         |
|---|---------|---------|
| Month   | 2012-13 | 2013-14 |
| <b>August</b>   | 84.4    | 92.5    |
| <b>September</b>  | 84.15   | 89.9    |
| <b>October</b>  | 82.17   |         |
| <b>November</b>   | 80.87   |         |
| <b>December</b>   | 83.37   |         |
| <b>January</b>  | 85.51   |         |
| <b>February</b>   | 89.71   |         |
| <b>March</b>  | 94.45   |         |
| <b>April</b>  | 94.94   |         |
| <b>May</b>  | 94.92   |         |
| <b>June</b>   | 93.35   |         |
| <b>July</b>   | 92.6    |         |

### Cotton Future Contracts on ICE (International Market)

| ICE Futures Cotton |            |            |             |                |               |
|--------------------|------------|------------|-------------|----------------|---------------|
| Contracts          | 04/10/2013 | 04/09/2013 | 04/10/2012  | % Month change | %Y-o-Y change |
| <b>Oct-13</b>      | 37836.20   | 36513.72   | 33348.57768 | 3.62           | 13.46         |
| <b>Dec-13</b>      | 38431.32   | 36478.45   | 0.00        | 5.35           |               |
| <b>Mar-14</b>      | 38409.27   | 36288.90   | 0.00        | 5.84           |               |
| <b>May-14</b>      | 38387.23   | 36310.94   | 0.00        | 5.72           |               |
| <b>July-14</b>     | 38210.90   | 36315.34   | 0.00        | 5.22           |               |
| <b>Oct-14</b>      | 36271.26   | 34327.21   | 0.00        | 5.66           |               |

\*PRICE UNIT-Rs/Candy (1Candy=356kg)

Cotton Futures:

**Technical Analysis of Cotton Futures April 2014 contract at NCDEX**



- Price range during the week was 982-1021.
- Prices are going upward seeking support of 993 which could further move up to 998.
- RSI is moving in neutral region depicting recovery towards uptrend.
- Our short term outlook on the contract is sideways to bullish.

**Support and Resistance:**

| Support 2 | Support 1 | Resistance 1 | Resistance 2 |
|-----------|-----------|--------------|--------------|
| 993       | 998       | 1020         | 1025         |

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

| Markets | Expected Trading Band for the coming week | Expected Trend for coming week |
|---------|---|--------------------------------|
| NCDEX   | 993-1025                                  | Bullish Momentum               |

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



- October 2013 Contract of ICE futures closed higher.
- Prices ranged 82 to 86 during the week. Immediate support level is at 83 which could move higher to 84
- We expect price to remain sideways to bullish in near term.

| Support 2 | Support 1 | Resistance 1 | Resistance 2 |
|-----------|-----------|--------------|--------------|
| 82        | 84        | 86           | 88           |

All in cents/pound

Source: MRCI

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