

Cotton Domestic Fundamentals:

Market sentiments remained mixed with Abohar, Muktsar and Ahmedabad remaining firm and Amravati and Kadi ending lower on Tuesday's trade. Total arrival in the country was 113,000 bales compared to 130,000 bales on the previous day. Yarn demand remained weak as exports offer of 30 count combed cotton yarn were placed at 3.25-3.30 dollar per kg CNF. However, millers and exporters were buying cotton as arrivals declined on Tuesday due to Moharram. Prices may move higher as yield in A.P may decline due to unfavourable weather conditions during sowing. Demand may weaken this year due to weak demand from textiles. Sources added that Lower textile shipment to the US and Europe has forced domestic textile industry to cut down production by around 10%. Weak demand from is expected from China as Chinese cotton importers are refraining from booking shipments before April because of uncertainty over the timing and volume of sliding-tariff quotas for 2012.

Cotton International Fundamentals

Cotton futures end higher on Monday in thin trade as the market awaited Friday's release of a government crop report. Key March cotton futures gained 0.38 cent to finish at 92.22 cents per lb. Markets may continue uptrend as USDA is expected to reduce its estimate of US 2011/12 cotton production and of US 2011/12 cotton exports. USDA had forecast US 2011/12 cotton production at 16.3 million (480-lb bales) in its November supply data, from 16.61 million bales in its preceding month. Markets were also supported by reports that China brought 4.1 million tonnes, 55% of the estimated 2011 cotton output.

Outlook: Domestic and International

In the short term, domestic cotton prices move range bound to firm on slightly better demand at lower levels and lower arrivals as farmers hold onto stocks for better pricing. In the longer run weak demand from textiles may pull markets lower.

U.S markets may trade range bound to weak on higher harvest, weak demand and higher surplus.

NCDEX Kapas Futures: (Prices in Rs/20/kg)

| Contract | +/- | Open | High | Low | Close |
|----------|------|-------|-------|-------|-------|
| Feb-12 | -4.0 | 710.0 | 710.0 | 708.0 | 708.0 |
| Mar-12 | 0.5 | 710.0 | 710.0 | 710.0 | 710.0 |
| Apr-12 | -2.6 | 710.0 | 711.6 | 704.1 | 706.0 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|-------|--------|
| Feb-12 | 3 | -4 | 136 | 2 |
| Mar-12 | 2 | -22 | 45 | - |
| Apr-12 | 1863 | -704 | 10419 | -275 |

| Spread | Feb-12 | Mar-12 | Apr-12 |
|--------|--------|--------|--------|
| Basis | 137.0 | 135.0 | 139.0 |
| Feb-12 | - | 2.0 | -2.0 |
| Mar-12 | - | - | -4.0 |
| Apr-12 | - | - | - |

NB: Spread was done by taking Average of Spot prices at Ahmedabad market for Shankar cotton.

MCX Kapas Futures: (Prices in Rs/20/kg)

| Contract | +/- | Open | High | Low | Close |
|----------|------|-------|-------|-------|-------|
| Mar-12 | 0.4 | 713.0 | 715.0 | 711.3 | 713.0 |
| Apr-12 | -0.9 | 720.0 | 720.4 | 714.4 | 716.5 |

Volumes and OI in Lots

| Contract | Volume | Change | OI | Change |
|----------|--------|--------|------|--------|
| Mar-12 | 122 | -19 | 1010 | -45 |
| Apr-12 | 126 | -143 | 1740 | -3 |

| Spread | Mar-12 | Apr-12 |
|--------|--------|--------|
| Basis | 132.0 | 128.5 |
| Mar-12 | - | 3.5 |
| Apr-12 | - | - |

NB: Spread was done by taking Average of Spot prices at Ahmedabad market for Shankar cotton.

MCX Cotton Futures (29 mm Variety): Prices in Bales

| Contract | +/- | Open | High | Low | Close |
|----------|------|-------|-------|-------|-------|
| Dec-11 | -100 | 17050 | 17050 | 16770 | 16830 |
| Jan-12 | -120 | 17030 | 17040 | 16780 | 16820 |
| Mar-12 | -50 | 17170 | 17170 | 16900 | 17020 |

Cotton Prices at Key Spot Markets

| Centre | Prices | | Change |
|--------------------------|-----------|-----------|--------|
| | 06-12-11 | 05-12-11 | |
| Kadi – Bt Cotton# | 4150-4325 | 4125-4375 | -50 |
| Amravati – Vunni Mech-1# | 4000-4200 | 3900-4200 | Unch |
| Ahmedabad – Shankar-6# | 4150-4800 | 4150-4250 | 550 |
| Abhor – J-34* | 3470 | 3425 | 45 |
| Muktsar – J-34* | 3470 | 3425 | 45 |

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

| Centre | Arrivals | | Change |
|------------------------|----------|----------|--------|
| | 06-12-11 | 05-12-11 | |
| Kadi –Bt Cotton | 200 | 250 | -50 |
| Amravati –Vunni Mech-1 | 600 | 500 | 100 |
| Ahmedabad – Shankar-6 | 20000 | 30000 | -1000 |
| Abohar | 750 | 900 | -150 |
| Muktsar | 200 | 250 | -50 |

Kadi-1 Truck-100 Qtls, Amravati-1 Truck-100 kgs, Ahmedabad, Abohar and Muktsar-Bales

Prices of Cotton and Cotton Seed at Other Centers: As on 06/12/2011

| State | Market Center | Arrivals | Variety | Minimum Price | Maximum Price | Modal Price |
|---------|---------------|---------------|--------------|-------------------|---------------|-------------|
| | | Tonnes | | Rs/Quintal | | |
| Gujarat | Kadi | 20 | Other | 4200 | 4310 | 4250 |
| | Unava | 33.8 | Other | 4000 | 4355 | 4310 |
| Haryana | Siwani | 212 | Bengal Deshi | 3880 | 3910 | 3900 |
| Punjab | Bareta | 126 | Other | 3990 | 4110 | 4075 |
| | Bariwala | 27 | Other | 3300 | 4125 | 4060 |

Cotton Association of India Spot Rates: As on 06/12/2011

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy |
|----------------------------------|------------|------------|---------------|---------------|
| Bengal Deshi (RG)/ Assam Comilla | Below 22mm | 5.0 - 7.0 | 15 | 34000 |
| Bengal Deshi (SG) | Below 22mm | 5.0 - 7.0 | 15 | 34800 |
| J-34 | 25mm | 3.5 - 4.9 | 23 | 31000 |
| H-4/ MECH-1 | 28mm | 3.5 - 4.9 | 25 | 33700 |
| Shankar-6 | 29mm | 3.5 - 4.9 | 26 | 35200 |
| Bunny/ Brahma | 31mm | 3.5 - 4.9 | 27 | 35200 |
| MCU-5/ Surabhi | 33mm | 3.3 - 4.5 | 28 | 36500 |
| DCH-32 | 35mm | 2.8 - 3.6 | 31 | 43000 |

Cotlook Index: As on 05/12/2011

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 98.75 | +0.50 |

China Cotton Index: As on 06/12/2011

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 19003 | +2 |
| CCIndex(527) | 16458 | +3 |
| CCIndex(229) | 20261 | +2 |

RMB - Renminbi, 1RMB = 0.16 \$U.S.

USDA Cotton Spot rates: As on 05/12/2011

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 91.22 | 92.97 | 989 |
| North Delta | 90.22 | 91.22 | Nil |
| South Delta | 90.22 | 91.22 | Nil |
| East TX-OK | 87.75 | 90.50 | 418 |
| West Texas | 87.75 | 90.25 | 8,367 |
| Desert SW | 89.72 | 95.72 | Nil |
| SJ Valley | 90.72 | 100.62 | 500 |

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per tex and uniformity 80.5 to 81.4

ICE Cotton Futures (Prices in cents/lb.): As on 05/12/2011

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Dec-11 | 92.50 | 92.59 | 90.93 | 91.51 | 0.16 |
| Mar-12 | 91.84 | 92.80 | 91.54 | 92.22 | 0.38 |
| May-12 | 91.50 | 92.38 | 91.44 | 92.03 | 0.57 |
| Jul-12 | 91.00 | 91.91 | 90.81 | 91.67 | 0.74 |
| Oct-12 | 91.58 | 91.58 | 91.58 | 91.58 | 1.05 |
| Dec-12 | 89.46 | 89.88 | 89.05 | 89.75 | 0.82 |

Pakistan Cotton Spot rates: As on 05/12/2011 (in Pakistan Rupees)-Closed for Moharram

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | Closed | Closed | Closed |
| Equivalent | 40 Kgs | Closed | Closed | Closed |

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