

Cotton Domestic Fundamentals:

Cotton prices fell during the Saturday's trade supported by reports of producers holding onto stocks in anticipation of higher prices and wanting higher MSP rates. Higher production and carry-out stocks are may restrict the major upward movement in prices. However demand remained steady to firm for cotton yarn. Traders added that yarn demand is coming in from Hong Kong, South America and Egypt. In November, exports were up by 75 per cent to 76.36 million kgs as compared to 43.69 kgs in October. Traders also added that cotton prices may trade range bound supported by firm export demand for garments.

Cotton International Fundamentals

Cotton futures end higher supported by report of strong demand expectations from China. Prices also moved higher after producers in Pakistan are arguing that their costs are not covered by the current price level, and are demanding that the government to increase MSP prices until the market improves. Prices also moved higher after weak cotton prices have hit farmers across the globe, with producers in the U.S state of Georgia reported to be switching to peanuts in an attempt to improve profitability. However the fiber ended lower this year as the worst-performing commodity market of the year, falling 36.6% from 2010 due to higher output and weak demand and a shaky global economy kept away investors.

Outlook: Domestic and International

In the short term, domestic cotton prices move range bound to firm on firm demand.

U.S markets may trade range bound to firm on firm Chinese demand.

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

Contract	+/-	Open	High	Low	Close
Feb-12	-1.2	816.0	819.4	809.8	818.0
Mar-12	-	-	-	-	-
Apr-12	6.1	811.0	822.0	805.0	815.3

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Feb-12	51	19	62	9
Mar-12	0	-9	28	-
Apr-12	5331	-6693	11636	281

Spread	Feb-12	Mar-12	Apr-12
Basis	42.0	-	44.7
Feb-12	-	-	-2.7
Mar-12	-	-	-
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	7.2	801.0	823.0	801.0	820.3
Apr-12	6.5	816.0	827.2	811.2	823.1

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Mar-12	564	-991	551	20
Apr-12	571	-982	893	23

Spread	Mar-12	Apr-12
Basis	39.7	36.9
Mar-12	-	2.8
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
Jan-12	10	16800	16880	16670	16800
Mar-12	20	17180	17250	17080	17200

Cotton Prices at Key Spot Markets

Centre	Prices		Change
	31-12-11	30-12-11	
Kadi – Bt Cotton#	4150-4325	4100-4500	-175
Amravati – Vunni Mech-1#	3900-4100	3800-4100	Unch
Ahmedabad – Shankar-6#	4250-4350	4250-4400	-50
Abhor – J-34*	3540	3575-3580	-40
Muktsar – J-34*	3540	3575-3580	-40

*-Rs/maund, #-Rs.qtl

Cotton Arrivals in Key Centers

Centre	Arrivals		Change
	31-12-11	30-12-11	
Kadi –Bt Cotton	550	450	100
Amravati –Vunni Mech-1	1000	1000	Unch
Ahmedabad – Shankar-6	40000	45000	-5000
Abohar	800	800	Unch
Muktsar	400	400	Unch

Cotton and Cotton seed prices at other centers: As on 31/12/2011

Commodity	State	Market Center	Arrivals	Variety	Minimum Price	Maximum Price	Modal Price
			Tonnes		Rs/Quintal		
Cotton	Gujarat	Himatnagar	27.2	Other	4030	4275	4153
		Kadi	30	Other	4280	4415	4350
		Morbi	225.7	Other	4100	4420	4260
		Savli	350	G-6	4000	4125	4080
		Unava	42.5	Other	4000	4355	4280
		Vakener	110	Other	3500	4410	4380
	Madhya Pradesh	Kukshi	70	Desi	4055	4200	4150
		Manawar	22	Other	3800	4000	3900
		Punjab					
		Raman	182	Other	3860	4255	4185
Cotton Seed	Uttar Pradesh	Muzzafarnagar	NR	Other	2500	2600	2550

Cotlook Index: As on 30/12/2011

Cotlook Indices	Cents/Pound	Change
A-Index	96.65	1.00

China Cotton Index: As on 31/12/2011-Weekly Closed

Index	RMB/Ton	Change
CCIndex(328)	-	-
CCIndex(527)	-	-
CCIndex(229)	-	-

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

USDA Cotton Spot Rates: As on 30/12/2011

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	88.80	90.55	630
North Delta	88.55	89.55	Nil
South Delta	88.55	89.55	390
East TX-OK	84.50	87.25	2,122

West Texas	84.50	87.00	Nil
Desert SW	88.30	94.05	317
SJ Valley	89.80	100.20	Nil

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 30/12/2011

Contract	Open	High	Low	Close	Change
Mar-12	91.57	91.85	90.80	91.80	0.17
May-12	91.70	91.70	90.49	91.68	0.32
Jul-12	90.98	91.35	90.26	91.31	0.33
Oct-12	90.65	90.65	90.65	90.65	0.18
Dec-12	87.86	88.19	87.80	87.84	0.02
Mar 13	88.51	88.51	88.51	88.51	0.16

Pakistan Cotton Spot rates: As on 30/12/2011 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5400	130	5530
Equivalent	40 Kgs	5787	130	5917

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