

Cotton Domestic Fundamentals:

- Lack luster trade could be seen on Friday as local traders are seen waiting for correction in cotton prices in spot market on account of recent surge in cotton prices. However the prices are still below to the extent of 2 to 20% in various trading centers when compared to previous year.
- Arrivals seen range bound to week in most of the trading centers except Ahmedabad where it increased during the day. Better prevailing prices in Ahmedabad encourage growers from adjoining region to bring their produce to Ahmedabad. We expect arrivals to stay steady to firm in Ahmedabad during coming couple of days.
- Cotton arrivals in India which were lower during Jan first week are now starts picking up. As on 15th Jan 2012 progressive arrivals from different states are 135.25 lakh bales compared to 161.25 lakh bales previous year with a decline of 16%. Lower arrivals y-o-y shall keep domestic cotton prices at encouraging note moving forward.
- Exporters/mills who were seen active in buying cotton during last week are now taking cautious approach at these price levels. This resulted in marginal decline in demand due to lack of aggressive buying. Moving forward we expect cotton demand to stay stable as exporters need to adhere with their shipments during Jan end and Feb.

Cotton International Fundamentals

- Cotton production in Pakistan is set to reach record production levels and is likely to surpass 14.27 million bales despite flood damage in the Sindh Province. This results into decline in cotton prices in Pakistan for last couple of week and pose stiff competition to the Indian exporters.
- As per trade sources importers are now start mulling towards Pakistani due to competitive prices. The same might divert some demand from India to Pakistan (Karachi spot market) during coming couple of days.

Outlook: Domestic and International

Keeping in view recent slow in demand cotton prices might see some decline. However, robust international demand and crop threat in Latin American nations might keep medium term price outlook firm.

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

Contract	+/-	Open	High	Low	Close
Feb-12	-39.50	1017.90	1017.90	948.70	948.70
Mar-12	-40.10	990.00	990.00	963.90	963.90
Apr-12	-32.90	992.70	998.00	953.20	960.00

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Feb-12	35	-2	63	-1
Mar-12	13	-10	35	1
Apr-12	15666	-1008	11134	-190

Spread	Feb-12	Mar-12	Apr-12
Basis	-54		
Feb-12		15.2	11.3
Mar-12			-4.0

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	-28.00	985.30	1003.00	957.80	969.50
Apr-12	-29.10	990.00	1005.60	961.00	972.00

Volumes and OI in Lots

Contract	Volume	Change	OI	Change
Mar-12	2623	-550	853	57
Apr-12	3455	-179	1280	177

Spread	Mar-12	Apr-12
Basis	-74.50	
Mar-12		2.50
Apr-12		

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

Cotton Prices at Key Spot Markets

Centre (1 bale = 170 Kg)	Prices (Rs/Qtl)		Change
	20-01-12	19-01-12	
Kadi – Bt Cotton	4325-4675	4325-4675	Unch
Amravati – Vunni Mech-1	4150	4150	Unch
Ahmedabad – Shankar-6	4450-4500	4500-4600	-100
Abhor – J-34	3950	3950	Unch
Muktsar – J-34	3950	3950	Unch

Cotton Arrivals in Key Centers

Centre (1 bale = 170 Kg)	Arrivals		Change
	20-01-12	19-01-12	
Kadi –Bt Cotton (truck)	450	600	-150
Amravati –Vunni Mech-1 (bales)	5000	5000	Unch
Ahmedabad – Shankar-6	65000	60000	+5000
Abohar (bales)	700	800	-100
Muktsar (bales)	400	400	Unch

Cotton Association of India Spot Rates: As on 19/01/2012

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy
Bengal Deshi (RG)/ Assam Comilla	Below 22mm	5.0 - 7.0	15	37000
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	38000
J-34	25mm	3.5 - 4.9	23	34400
H-4/ MECH-1	28mm	3.5 - 4.9	25	35800
Shankar-6	29mm	3.5 - 4.9	26	37200
Bunny/ Brahma	31mm	3.5 - 4.9	27	37200
MCU-5/ Surabhi	33mm	3.3 - 4.5	28	39000
DCH-32	35mm	2.8 - 3.6	31	48000

Cotlook Index: As on 19/01/2012

Cotlook Indices	Cents/Pound	Change
A-Index	102.25	-0.40

China Cotton Index: As on 20/01/2012

Index	RMB/Ton	Change
CCIndex(328)	19283	5
CCIndex(527)	16696	0
CCIndex(229)	20505	2

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

USDA Cotton Spot Rates: As on 19/01/2012

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	92.92	94.67	1108
North Delta	92.67	93.67	0
South Delta	92.67	93.67	41
East TX-OK	86.5	91.25	1181
West Texas	86.75	92.25	8581
Desert SW	91.67	97.42	0
SJ Valley	93.17	103.57	0

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 19/01/2012

Contract	Open	High	Low	Close	Change
Mar-12	97.5	98.5	96.76	98.17	+0.64
May-12	97.21	98.25	96.53	97.99	+0.69
Jul-12	96.9	97.9	96.33	97.57	+0.57
Oct-12	96.53	96.53	96.53	96.53	+0.58
Dec-12	92	93.5	92	93.27	+0.47
Mar 13	93.94	93.94	93.94	93.94	+0.46

Pakistan Cotton Spot rates: As on 19/01/2012 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5500	130	5630
Equivalent	40 Kgs	5894	130	6024

1.00 PKR = 0.5594 INR (as on dated 21st Jan)

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