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The month of November marked a decisive period for the main Northern Hemisphere harvests, and witnessed a further strengthening of international prices. For those merchandising or processing raw cotton, already complex trading decisions based on assessments of supply, demand and quality issues were complicated by uncertainty regarding government intentions in major producing and consuming countries

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MARKET SUMMARY

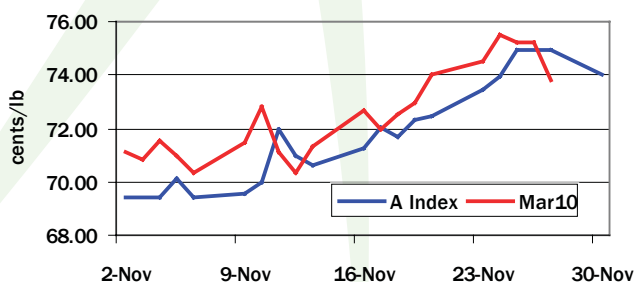
Upland offering rates, as measured by the Cotlook A Index, recorded further significant gains during November. By the end of the month, the Index had risen to 74.05 cents per lb, having touched 74.95 its highest point since September 2008, on November 25.

The strengthening of prices was once again led by a rise in the New York futures market, as funds and other investors ploughed money into cotton and other agricultural commodities, largely in response to a weak US dollar. However, as was the case in October, the shift of cotton fundamentals also lent support to the bull side.

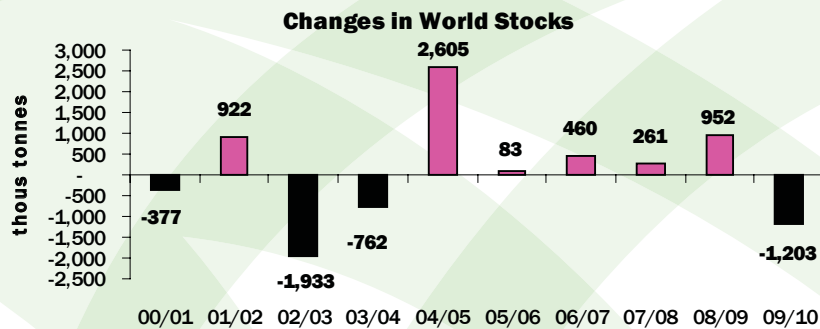
During the course of the month, the production outlook in the Northern Hemisphere deteriorated appreciably, both in terms of quality and quantity. Cotton Outlook's world production forecast fell by over 300,000 tonnes, while the consumption figure was about maintained. The net result was a widening in the prospective gap between production and consumption this season, to an impressive 1,200,000 tonnes. As the month progressed, the availability of classing data tended to confirm what common sense had already suggested: that the adverse, harvest-time weather prevailing in several major producing countries had indeed resulted in a shortfall of better quality lint.

The combination of lower production and

A Index versus New York futures



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doubts with regard to the availability of better grade cotton, underpinned the fund-inspired advance of New York futures. As a result, spinners' price ideas were increased more rapidly than would have seemed plausible only a few months previously. The upward movement in mills' raw cotton replacement costs coincided with an upturn in yarn selling rates, and a general improvement in market conditions. However, by the end of the month, the speed with which the raw cotton market had advanced was again prompting expressions of concern from the spinning sector.

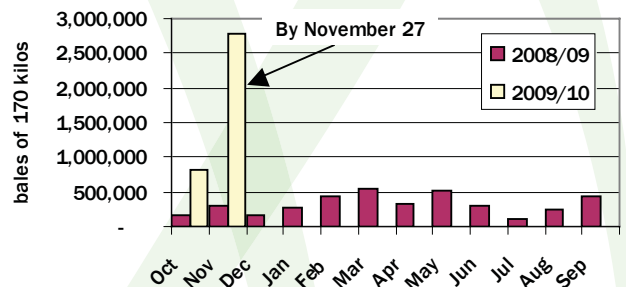
The bullish mood of the international market was replicated – at times perhaps exaggerated - in both China and India, to the extent that, by the end of the month, considerable attention was devoted to possible actions by the governments of those two countries to calm their local raw cotton markets. Given their status as, respectively, major importer and major exporter of raw cotton, any such action would of course have significant repercussions for the international market.

In China, the manner in which the authorities would make use of the two principal levers by which it can influence the local supply position – the state reserves and import quotas – remained under close scrutiny. The second round of state reserve auctions ended in late October. Following a pause of some three weeks, the third round (involving 500,000 tonnes) commenced on November 20, but failed significantly to slow the advance of the domestic market. Towards the end of the

month, fairly unambiguous official indications to the effect that the government would do all within its power to prevent the market from 'overheating' prompted a partial retreat of prices. Having recommenced auctions, the other principal weapon the Beijing's armoury remained the timing and size of additional import quotas. By the end of the month, no detailed clarification in that regard had been received, but an early release was widely anticipated.

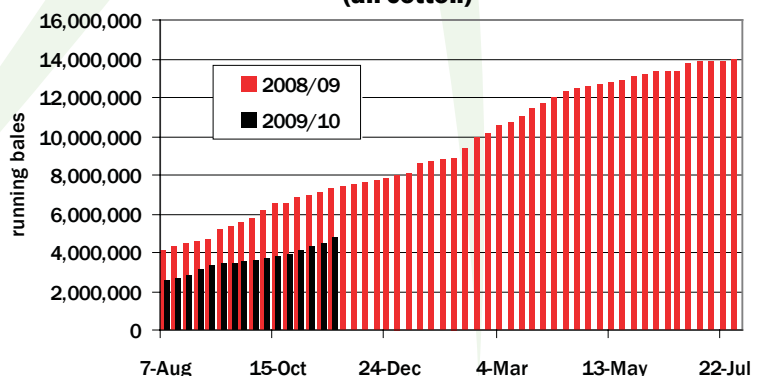
For a time, requests from India's textile industry for a temporary ban on raw cotton exports could not be discounted, in particular after comments attributed to a minister implied that the government was considering such a measure. By the end of the month, however, further ministerial statements appeared to distance the authorities from any such intention, but not before export registrations had risen substantially. Over two and a half million bales were registered for export during November.

Monthly export registrations



The relative strength of New York futures during the period under review – coupled with the crop-related concerns alluded to above - proved an obstacle to the progress of US export sales. By November 19, the cumulative total was some 35 percent behind the corresponding figure a year earlier.

US Export Comparison (all cotton)



ACSA COTTON INSTITUTE

Entering its 16th year, the American Cotton Shippers Association International Cotton Institute has 684 alumni from 62 countries. The program, a comprehensive eight-week instructional course on all aspects of the international cotton business, takes place each year in Memphis and includes instruction on fiber production, textiles, manual classing and the use of HVI data, risk management and the basics of price protection.

ACSA International Cotton Institute graduates account for a notable percentage of the attendees at the annual International Cotton Association Trade Dinner Event in Liverpool, and their numbers continue to increase.

The first year that the number of graduates was

tabulated as a percentage of all those attending the event, approximately four percent had graduated from the Institute. In 2009 more than ten percent of those attending the ICA meeting and dinner were graduates of the ACSA International Cotton Institute.

Of course, one can do many things with percentages, but the statistics reflect the Institute's strong emphasis on the importance of the ICA and its trading rules and arbitration services. The ICA meeting is considered to be the crossroads of the global cotton trade, and the event offers one of the best networking opportunities available in the industry. The 2010 International Cotton Institute program begins June 2 with graduation ceremonies scheduled July 20. Information on the program is available at <http://cotton.memphis.edu/>.

COTTON OUTLOOK'S FIRST SPECIAL FEATURE

Managing Cotton Trading Risk - A New Era:

Since the speculative hike in cotton prices in early 2008, the world cotton trade has undergone fundamental change, with some companies exiting the business and a clear trend emerging towards consolidation. Our first Special Feature of 2010 will consider the manner in which both sellers and buyers can hedge their financial risk in today's cotton world.

The Special Feature will feature contributions from senior executives of major international merchants and other acknowledged experts in the field of risk management, and include a Chinese perspective on cotton futures trading. Contributors to Cotton Outlook's special Feature (left to right):

Peter Egli, Director of Risk Management, Plexus Cotton Limited, Tim Barry, Vice-president, Product Development, ICE Futures US, Joe Nicosia, CEO, Allenberg Cotton Company, Jagdish Parihar, Vice-president, Cotton, Olam.



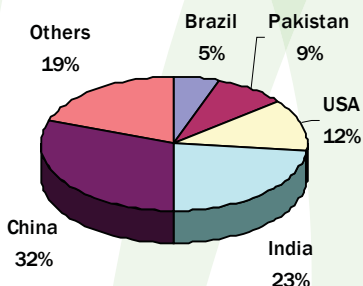


FACT OF THE MONTH

World cotton production and consumption have become more concentrated over the past ten years.

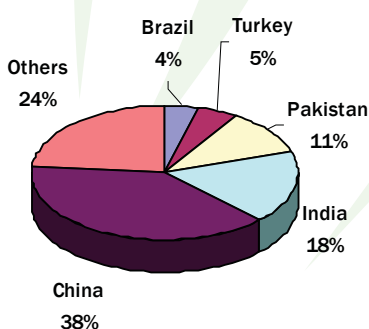
In 1999/00, the five largest cotton-producing countries (China, US, India, Pakistan and Uzbekistan) accounted for some 69 percent of global output. According to Cotton Outlook's latest numbers for 2009/10, the top five will represent 80 percent of world production. During the past decade, Brazil has supplanted Uzbekistan as the fifth largest producer.

Top Five Producers



As far as raw cotton consumption is concerned, a similar comparison reveals a still greater trend toward concentration. Ten years ago, the largest three raw cotton-consuming countries, China, India and the United States, accounted for just under half of global use. Today, that proportion has risen to about two thirds, Pakistan having in the interim displaced the United States as the world's third largest cotton spinner.

Top Five Consumers



FREE laboratory testing for new users

If your company has never used the ICA laboratory testing service then now is a good time to start. Between now and the end of January 2010 we are offering FREE laboratory testing for any new user. You can send a maximum of 50 samples, which will be tested free of charge. You can choose a variety of testing methods including the full range of HVI testing. Your test results will be sent to you via email or fax, in the format you require i.e. pdf, xls, doc or txt. Our lab is ISO 9001 accredited, which means that you are guaranteed a quality service. Why not give us a try?

[Click here](#) to send us an email and register your interest.

[Click here](#) to find out more about our testing service and how to send us samples.

Online registration now open for 'Singapore 2010'

Online registration is now live for Singapore 2010 - the all-new event brought to you by the ICA and Cotton Outlook, which is taking place at the Fullerton Hotel on March 4/5. Singapore 2010 will focus on protecting your cotton business - providing you with an opportunity to meet potential customers in one location, learn how to minimise your trading risk and hear from top international speakers. Open to anybody with an interest in the cotton trade, the two-day event ticket price (including presentations, cocktail reception and banquet) is US\$295.

[Click here](#) to find out more and to book your place.

Major review under way

One of the first jobs for the new ICA Board of Directors (who will be voted in at our Annual General Meeting on 10 December), is to conduct a major review of the ICA membership structure and the arbitration system. This is a BIG piece of work that aims to make membership more affordable for all and the arbitration system more cost effective and timely for both buyers and sellers. The process begins later this month with a strategic planning event for our Board. We will keep you updated on progress and, more importantly, we will be seeking your feedback on the proposals via our 2010 open forum sessions and online surveys. In the meantime, if you have any ideas on how we can improve our membership structure or arbitration system, please let us know.

[Click here](#) to share your ideas.

Bangladesh and Pakistan update

In last month's Newsreel, we shared our plans to meet with mill owners from Bangladesh and Pakistan. We can now confirm that the ICA President and MD will visit Bangladesh and India during mid-January to host workshops and meet with leading cotton officials to hear the views of mill owners about ICA Rules and to encourage companies to join the Association. From India, the next stop is Dubai, where they will meet representatives from the Karachi Cotton Association. Watch this space for more news.

Want to become an ICA Arbitrator?

The next ICA Arbitrator Exams (Basic Level 1) will take place in Bangladesh, India and Dubai in mid-January 2010. To sit the exam you'll first need to complete the course material, which is available as a FREE download from our website. If you would like to take the exam, please contact us for further information regarding locations, dates and times.

[Click here](#) for more information and to download the course

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