

COTTON

28th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Spot Prices Remained Steady
- NYBOT Cotton Continued the Rally on Fund Buying
- China Cotton Futures Went Down Today
- Cotton Spot Prices Improved in Pakistan

NEWS ANALYSIS

Weather to Remain Mostly Dry in US Cotton Belts

While dry conditions are a concern in central areas of the Mississippi Delta, sources said it is still early in the season. Mostly dry weather is seen Tuesday in western Mississippi Delta areas, with chances for isolated late-day showers and thunderstorms possible in the east, the Meteorlogix weather service said. Mostly dry conditions with a few isolated late-day showers and thunderstorms are possible each day this week, with temperatures mostly above normal Wednesday through Friday. In the Southeast, mostly dry weather with scattered to isolated afternoon and evening showers and thunderstorms are expected each day this week. Temperatures are seen near to above normal. Dry conditions are expected to continue this week over much of Texas, with above-normal temperatures. Mostly dry conditions are seen over California's central valley this week. Meteorlogix said warmer temperatures are needed, however, to benefit the cotton crop.

Cotton: Production to Go Down in Tajikistan

According to the Foreign Agricultural Service (FAS) of the US Department of Agriculture the cotton production of Tajikistan for the year 2005 is expected to decrease. The lower production is attributed to the less planted area and poor weather conditions. The maturation of plants has been delayed 8-12 days. Weather will play a major factor in final production levels. Good weather conditions during the harvest could benefit overall production. The lack of good quality inputs remains a problem. Exports are expected to decrease as a result of the drop in production. The USDA report said that cool and wet weather in early spring delayed cotton sowing in Tajikistan. As a result of the heavy rains, about 28,000 hectares had to be replanted. In addition, the average temperature during the early germination period was lower than normal, which consequently delayed maturation of plants for about 8-12 days. This may result in a delayed harvest in some areas and possible lower quality due to damage from autumn precipitation. Total planted area is expected to decrease in MY 05/06. Although the planned planted area is reported at 288,000 hectares, independent sources indicate that planted area will be almost 10,000 hectares less. According to official announcement, production of seed cotton is expected to be 550,000 metric tonnes, however unofficial

sources believe production will be 40,000 metric tonnes lower. Lint production is forecast at 160,000 metric tonnes. The average yield in Tajikistan is 1.8-1.9 tonnes per ha (seed cotton). Last years crop was on average about 14-20 days earlier than in 2003. Official 2004 production data for seed cotton have been slightly lower than originally reported and is almost 10 per cent lower than the state plan. Lint production was 173,000 in MY 2004-05 tonnes towards the higher end of the forecast. The expected lower production of cotton almost world wide in the coming season is expected to support the prices to remain firm.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices remained firm in the North Indian markets today also. Lower stocks and less expectation of damage from the monsoon provided support to the prices. The Bengal deshi cotton witnessed improvement in all the major markets. Still there is no rain in the Sri Ganganagar region of Haryana. The prices are not expected to go down significantly from this level.

GUJARAT MARKET

Heavy rainfall continues in the state of Gujarat today also. The prices still remained strong with less market activities. Buyers still remained reluctant to enter into the markets at these higher prices. Kalyan variety remains with its seasonal demand from the south Indian buyers. The arrival of Kalyan variety is going to be over within two-three days. Prices are not expected to change within next few days.

MAHARASHTRA AND MP MARKET

Maharashtra is receiving good rainfall. The sowing activities have also been going on. However, in MP rain is yet to come to the cotton belts. The stockists are holding some cotton and this is providing marginal support to the cotton prices here. In Maharashtra MCU-5 (31 mm) fetched a price of Rs 18000-18500 per candy. Price of H-4 (27 and 28 mm) cotton in MP was quoted between 15300-16300 per candy, while Y1 fetched Rs 14200 to 14500 per candy. Prices of MCU-5 (30mm) were recorded at Rs 17000 to Rs 17500 per candy. Prices of cotton khal in Akola remains at

Rs 249.50 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 376 per 10 kg.

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened higher however, went down thereafter smoothly amid lack of buying support. The futures could not get support from the strong NYBOT futures. Towards the closing the August contract tried to recover and closed slightly up above the day's low. Tomorrow also the prices are expected to remain weak.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
August	4522.00	4540.00	4505.00	4519.00	-3.00

INTERNATIONAL MARKET

USA

The Cotton futures at the New York Board of Trade (NYBOT) continued the rally yesterday amid strong fund buying. The Most-active December cotton settled 64 points higher at 55.43 cents a pound and July ended 62 points higher at 50.75 cents. According to the traders no fresh news was cited for the gains. Instead, the mostly positive technical picture kept fund interest alive in cotton and helped spark the gains. December cotton settled at its strongest level since May 11, when it closed at 55.84 cents. However, prices continue to make new highs, despite the lack of supportive fundamental factors. Weather conditions also are not seen as price supportive. Only the elimination of the lower priced Memphis/Eastern cotton quote from the Step 2 payment calculation is a supportive fundamental development for the market and may have helped boost prices by effectively making U.S. cotton more valuable. Technically, December cotton is trading above nearly all of its major moving averages and is now into overbought territory. Many traders and analysts will be looking for some type of correction in the near term. In news, Egypt's Alcotexa has made commitments to export 642 tons of cotton varieties in the week ended July 2, at average prices ranging from 89 cents to 102 cents a pound. So far Alcotexa has sold 138,548 tons of cotton in the 2004-05 season that began Aug. 14, 2004. Therefore, the near-term outlook of cotton still looks good.

Cotton Futures at the NYBOT as on 27/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	50.70	50.85	50.05	50.75	+0.62
December	54.90	55.48	54.70	55.43	+0.64

CHINA

The cotton futures in China settled down today with the volume increased significantly. The China Cotton Index (CCI) however, improved marginally today. Turnover on CNCE e-market totalled 11340 tonnes, up by 7540 tonnes than the previous session. Domestic Type 428 reached 230 tonnes and the balance was Type 229. The open interests totalled 94360 tonnes, down by 340 tonnes. The open

Variety wise Spot Prices in Major Domestic Markets (Rs/Quintal)

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3175	4087	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3475	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1025	925	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3514
2. Raw Cotton	-	-	-	1160
3. Cottonseed	-	-	900	725

interests of MD contracts totalled 1170 tonnes, up by 230 tonnes. The prices went down a lot, the average pices of each contract had fell around 100 Yuan. However, the turnover was cubed to last session. The market was quiet before the morning time. But after that, the turnover increased sharply. The turnover on the last half an hour took up 85% for today's session. MA's total turnover was 93190 tonnes, and MA0509 has reached 56%. It was the largest volume since MA0509's coming into the market. The market is expected to revive tomorrow again.

PAKISTAN

The cotton trading activities in Pakistan improved with the spot rates also increased by Rs (Pak) 25 to Rs (Pak) 2300 per maund. cotton stocks held by Trading Corporation of Pakistan (TCP) were the main attraction for mills. TCP offered 142,000 bales to the buyers. The lint of Dera Ghazi Khan and Karachi warehouses fetched Rs 2,400 per maund. The lint of Rohri fetched Rs 2,308 per maund. The private sector exporters made deals for 30,000 bales. The 111,700 bales lying in Karachi warehouses were sold by TCP. Poor quality cotton fetched Rs 2,265 per maund to 2,277 per maund. The arrival of new crop from Punjab and Sindh would start around mid August. The TCP would announce fresh auction date and quantity after the meeting of price evaluation committee in Islamabad. The ginneries of southern Punjab with very little quality lint are still holding back their stocks. They are confident of getting better prices for their produce in the coming sessions. Spinners also purchased cotton of various grades offered by the national entity. TCP might announce termination of its market activity around August 15. The cotton prices are thus, in Pakistan likely to remain firm in near future.

WEATHER WATCH (IMD)

Rain/thundershowers are likely at many places over coastal Karnataka, north coastal Andhra Pradesh and Telangana and at a few places in the rest region outside south interior Karnataka, Rayalaseema and Tamil Nadu & Pondicherry where it may be isolated. Rain/thundershowers are likely at most places over north Konkan & Goa and south Gujarat region; at many places over Saurashtra, north Gujarat region, south Konkan & Goa, Madhya Maharashtra,

Vidarbha and at a few places over the rest region out side west Rajasthan where it may be isolated.

Enhanced rainfall activity over Eastcentral parts of the country is likely to extend westwards into central parts of the country.

Warning: Heavy to very heavy rainfall is likely at a few places over Gangetic West-Bengal, Orissa, Jharkhand, north Konkan & south Gujarat region. Isolated heavy rainfall

also is likely over Chhattisgarh, east Madhya Pradesh, Vidarbha, north Gujarat, Saurashtra, south Konkan & Goa and Madhya Maharashtra , Uttaranchal and Himachal Pradesh.

EXCHANGE RATE: 1 USD = Rs 43.56;
1 Euro = Rs 52.87

Latest ICAC Estimates on Global Cotton Scenario (As on 1st June)

Particulars	2003-04	2004-05	2005-06
Production	95.1	120.0	107.0
Consumption	97.7	106.7	109.0
Exports	33.3	33.1	37.0
Ending stocks	36.3	48.3	47.0
Cotlook A index*	68.3	53.0	68.0

(Figures in million bales)

*- US cents per pound

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