

## COTTON

9<sup>th</sup> June 2005

### MAJOR HIGHLIGHTS

- **Domestic Cotton Prices Improve Today**
- **NYBOT Cotton Mixed as Buying Offsets Early Selling**
- **China Cotton Futures Settled Higher Today**
- **Pak Trading Turns Dull Again**

### NEWS ANALYSIS

#### Cotton: Pak Traders Happy with New Budget

The new budget in Pakistan came as a breather for the cotton markets and the June 7 budget termed by the market players as textile budget. The Pak government did everything to boost the textile exports to \$10 billion. The removal of general sales tax of 15 per cent on the purchase of lint would have a positive impact on the export shipments. The spinners and the mills got what they want from the government. Now it is the turn for them how they can use these benefits to boost the exports. The spinners are likely to go for value addition in the tax-free regime. The ginners are also likely to get benefits from this new mechanism, as earlier ginners had to collect sales tax from the spinners and then had to deposit to the government.

#### Talks Continue on Cotton Subsidy Issue

The Maharashtra State Cooperative Cotton Growers' Marketing Federation is in talks with the Centre on the issue of export subsidies on cotton procured by the federation. The federation pointed that the Cotton Corporation of India (CCI) got 3 cents subsidy on exports. Therefore, they are also demanding the same kind of subsidy. The federation has procured around 4.33 million bales (1 bale = 170 kg) of cotton on behalf of the Maharashtra government and sold around 1.3 million bales till now. Though nothing has been finalised, the talk is going on with the centre. The federation also agrees that if the subsidy is given the scope to export to China would also increase.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### NORTH INDIAN MARKETS

North Indian spot prices remained almost unchanged today. The prices are still under pressure. There was marginal demand for narma (J-34) cotton in Sri Ganganagar market of Rajasthan.

##### GUJARAT MARKET

Cotton prices in Gujarat remained stable today. Continuously declining NYBOT futures pressurised the cotton prices. The exporters on the sideline. The mills also

did not show any interest. Today around 5-6000 bales of cotton arrival was recorded, of which Shankar contributed only around 1000 bales.

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

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3150	4037	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3350	3825	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	970	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4217-4639	3093-3261
2. Raw Cotton	-	-	2225	1100
3. Cottonseed	-	-	90	720

#### MAHARASHTRA AND MP MARKET

The cotton prices in the markets of Maharashtra and MP changed slightly today. Prices improved in MP amid improved buying. After the rain the prices may went down as the stockists would like to sell their produce. In Maharashtra Bunny fetched a price of Rs 18000-18500 per candy. Price of H-4 (27 and 28 mm) cotton in MP was quoted between 14800-16300 per candy, while Y1 fetched Rs 13500 to 13700 per candy. Prices of cotton khal in Akola remains at Rs 234 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 368 per 10 kg.

#### Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
June	4506.00	4500.00	4485.00	4493.00	-13.00
August	4584.00	4575.00	4550.00	4560.00	-24.00

## Vayda Bazaar

The medium staple cotton futures at the NCDEX today opened higher. The June contract remained positive

throughout the day. The contract found some buying support and closed with a positive note.

## INTERNATIONAL MARKET

### USA

Cotton futures at the New York Board of Trade (NYBOT) settled mixed as the rally later pushed the benchmark contract off a three-month low. The benchmark July contract closed 5 points lower at 48.59 cents per pound. Firstly the fund selling put weight on the cotton futures. However, continuous strong demand at the low prices has been supportive for cotton. Significant export demand also was seen for cotton. Weather reports appeared to be bullish for cotton futures on Wednesday as storms swept across West Texas dumping golf-size hail on the cotton crop. Market sources said damage has not yet been assessed in West Texas but one source noted that some parts of the Mississippi Delta region were getting dry. The U.S. Department of Agriculture will release its weekly export sales report on Friday. Therefore, the cotton futures are likely to improve from its recent low in near by days.

#### Cotton Futures at the NYBOT as on 08/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	46.77	47.15	46.20	46.89	-0.05
December	50.65	50.90	50.01	50.90	-0.05

### CHINA

The China cotton futures saw good volume traded today. The futures settled higher today amid improved sentiments. The China Cotton Index (CCI) also improved and closed higher today. 11110 tonnes were concluded on CNCE e-market, up by 2900 tonnes. Domestic Type 428 reached 390 tonnes, the balance was domestic Type 229. The open interests totaled 100350 tonnes, up by 1040 tonnes. The open interests of MD contracts totaled 2040 tonnes, down by 30 tonnes. The market settled up despite data showed that the Chinese textile sector made less profit.

### PAKISTAN

Dull trading activity was witnessed at the Karachi cotton market with around 450 bales changed the hands. The

KCA spot rate stayed unchanged at Rs 2,225 per maund. Quality lint of southern Punjab fetched Rs 2,315 per maund. The trade stayed thin because ginner preferred to hold their stocks in anticipation of better prices in coming sessions. They said the mills picked up odd lots to cover their future positions. The spinners also picked up available quality stocks along with the second-grade lots. The leading ginner remained on the sidelines. The ginner offered limited stocks. Next auction of 55,000 bales by Trading Corporation of Pakistan (TCP) on Saturday may set the price outlook of the market. Till then the trading is expected to remain quiet.

### WEATHER WATCH (IMD)

Dust storm/thunderstorm likely at a few places over Uttar Pradesh, Punjab and Haryana including Delhi. Mainly dry weather in the rest region. Current rainfall activity over coastal Karnataka, Kerala, Lakshadweep and Andaman & Nicobar islands is likely to continue.

**EXCHANGE RATE:** 1 USD = Rs 43.55;

1 Euro = Rs 53.22

### Latest ICAC Estimates on Global Cotton Scenario (As on 1<sup>st</sup> 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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