

COTTON

17th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Shows Improvement
- NYBOT Cotton Mixed on Export Sales, Profit-Taking
- China Cotton Futures Settled Higher
- Pak Cotton Spot Prices Saw Improvement

NEWS ANALYSIS

CCEA Approved Expansion of Mini Missions on Cotton

It's good news for the Indian cotton sector. The Cabinet Committee on Economic Affairs (CCEA) on Thursday approved the expansion of Mini Missions 3 and 4 of the cotton technology mission. The additional cost will be Rs 308 crore during the 10th Plan period. The number of market yards would be increased to 250 from 60 at present. The expansion will also include the Modernisation of 1,000 ginning and pressing factories with new bale-press and installation of 200 grading laboratories.

Bt Cotton Being Preferred over Conventional Seeds

Bt cotton is doing well in Nagpur. Monsanto's Bt cotton seeds are in hot demand according to the Nagpur District Agro Dealers Association. The sale is expected to be ten times more than the last year. According to the association the yield of 5 to 8 quintals last year has increased to 10 to 15 quintals due to use of Bt cotton. Also the area under Bt cotton is expected to go up to around 20000 acres against 2000 acres last year. Though the cost of Bt cotton is almost four times more than the conventional seeds, the higher returns compensate the costs. The lower use of pesticides, the main component of cotton cultivation helps to bring down the total cost of cultivation. The retail price of regular cotton seed ranges from Rs 350 to Rs 500 per 400 gm pack, while that of Bt cotton is between Rs 1,600 to Rs 1,800 per 400 gm pack. On every Bt cotton seed packet, a 120 gm pack of non-Bt cotton seeds is being given free by retailers. Different varieties of Bt cotton seeds are available in market such as Mahyco-162, 184, Rashi-2, Bunny-145 and Ankur-651 and for most farmers the retailer makes the decision. Mahyco-Monsanto recently introduced a new variety, which is supposed to give good results in fields where irrigation is poor. This year in all the cotton growing states the area under Bt cotton has been increased significantly. It is expected the exact result of using Bt cotton can be

viewed this year, which may show the future of Bt cotton in India.

Cotton: USDA Reported Strong Weekly Export Sales

The USDA reported the weekly export sales for the period June 3-9. The report sates stronger export sales for the period. Net Upland sales of 239,500 RB were two and three-fifths times the prior week and 8 percent over the previous 4-week average. The major buyers were China (135,700 RB), Turkey (50,300 RB), Mexico (14,300 RB), Indonesia (10,100 RB), and Pakistan (8,100 RB). Net sales of 34,000 RB for delivery in 2005/06 were primarily for Indonesia (9,600 RB), Turkey (9,600 RB), and Mexico (4,600 RB). Exports of 300,300 RB were 9 percent above the previous week and 12 percent over the prior 4-week average. The primary destinations were China (129,400 RB), Turkey (41,700 RB), Mexico (25,700 RB), Indonesia (24,900 RB), Pakistan (15,300 RB), Taiwan (12,300 RB), and Thailand (11,600 RB). However, the stronger export sale could not provide support to the NYBOT futures.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Slight improvement was noticed in the cotton prices in North India. Storm over Haryana, Rajasthan and Punjab last week damaged almost 10 per cent of the newly sown crop. This provided some support to the prices. However, in these states acreage under cotton has increased by 35 to 40 per cent this year. It is expected that if the monsoon hits these states within two-three days the prices may fall further otherwise would go up.

GUJARAT MARKET

In Gujarat the prices of cotton maintained the strength today also. Both Shankar as well as Kalyan (V-797) improved strongly today amid good buying interests. Sowing of cotton is going on in Gujarat at a slow pace where there are irrigation facilities. Monsoon is not likely to

have any significant effect on the cotton prices here. Around 4 lakh bales of cotton are with the stockists, of which Shankar contributes 3 lakh bales and Kalyan around 1 lakh. The arrival has also come down and around 1 lakh bales of cotton is to come to the market.

MAHARASHTRA AND MP MARKET

Cotton prices remained unchanged in the markets of Maharashtra and MP. Private stockists are reluctant to sell their cotton in the current prices. The participants are waiting for the monsoon, when it is expected that there would be some market activities. The sowing is also likely to start after the monsoon comes. The auction by the federation is also not likely to have any significant impact on the market prices. 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 13700 to 13800 per candy. Prices of cotton khal in Akola remains at Rs 260.4 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 374 per 10 kg.

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened higher. There was very less activities and price movements today. The June contract remained higher throughout the day and closed the day at the day's high.

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) settled mixed after profit-taking eroded strong gains towards the end. The benchmark July contract ended 43 points lower at 46.64 cents, whereas, the December cotton added 3 points to close at 50.63 cents a pound. Traders were rolling positions from July into the December contract ahead of the June 24 first notice day, and that spread was once again active. Trade was thin, and it took only 130 contracts to break prices about 110 points. The July/December spread widened to settle at 399 points. The market is eyeing hot, dry conditions in the Delta and in China, where rain is needed. In addition, India's monsoon season so far hasn't touched the northern cotton growing areas, which need rain. This may be supportive for cotton. Meanwhile, export sales for the week ended June 9 were a net 239,500 running bales, higher than the previous week, the U.S. Department of Agriculture said Thursday. China was the largest buyer at 135,700 bales; Turkey was next at 50,300 bales. Net 2005-06 export sales were 34,000 bales. Sales commitments this year total 13.644 million bales, up from 13.151 million at the same time last year. The market opened higher on the stronger-than-expected exports and traded to highs in the first 30 minutes of the session. Cotton then traded mostly sideways but sold off heavily in the last 10 minutes. December's 51.95-cent high was the strongest in nearly two weeks. The dollar, after a weak start to the day, traded steady to firmer against the world's major currencies. Crude oil futures were sharply higher at the New York Mercantile Exchange.

Cotton Futures at the NYBOT as on 16/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	47.15	47.85	46.55	46.64	-0.43
December	51.00	51.95	50.55	50.63	+0.03

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
June	4521.00	4530.00	4526.00	4530.00	+9.00
August	4600.00	4585.00	4575.00	4585.00	-15.00

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

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3150	4050	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3425	3875	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1050	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3149-3374
2. Raw Cotton	-	-	2225	1125
3. Cottonseed	-	-	975	760

CHINA

The cotton futures in China settled higher today on light volume. The China Cotton Index (CCI) also improved today. Turnover on CNCE e-market totalled 9690 tonnes, up by 2500 tonnes than the previous session. Domestic Type 428 reached 450 tonnes, the balance was domestic Type 229. The open interests totalled 102120 tonnes, down by 740 tonnes. The open interests of MD contracts totalled 2010 tonnes, up by 40 tonnes. Though the New York Future was weaker, the e-trading market moved up slightly. The prices of MA had risen 30-80 Yuan. MD0506 opened at 12300, but declined to 12150 in the mid-session, ending at 12200. The china cotton futures in the coming days are likely to remain at the same level.

PAKISTAN

The Karachi Cotton Association spot rate rose Rs 25 per maund to Rs 2,250 per maund despite dull trading session on Thursday. However, deals for around 500 bales were made at Rs 2,425 per maund. Trading Corporation of Pakistan (TCP) announced to hold auction on today, a day ahead of schedule. The ginnings of upper Sindh and southern Punjab remained on the sidelines while some private exporters offered quality produce in limited quantity to the mills. The TCP would probably fetch Rs 2,325 per maund to Rs 2,400 per maund during Friday's auction of its stocks. The auction prices would determine the future price trend of the market. The ginnings were still holding back some quantity of quality stocks. The lint price is likely to go slightly up in the days to come because mills would cover their forward positions. The new crop would arrive in the mid August but it is feared the quantity would not be enough to meet the demand from mills and spinners. The mills and spinners are also waiting for TCP auction, as they would cover their forward positions by lifting fine lots. The

strength in the prices are likely to continue for few more days.

WEATHER WATCH (IMD)

Isolated dust storm/thunderstorm likely over Haryana & Delhi. mainly dry weather in the region. Rain/thundershowers likely at many places over south Konkan & Goa, at a few places over north Konkan and

Isolated in rest Maharashtra. Isolated dust storm/thunderstorm likely over Rajasthan and west Madhya Pradesh. Mainly dry weather in the rest region. Increase in rainfall activity likely over southern parts of Maharashtra.

EXCHANGE RATE: 1 USD = Rs 43.59;
1 Euro = Rs 52.75

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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