

COTTON

15th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Spot Prices Stable; Futures Down
- NYBOT Cotton Mixed on Roll Over Positions
- China Cotton Futures Remain Quiet
- Trading Activities Slightly Improve in Pakistan

NEWS ANALYSIS

Cotton: Planting in US Going Normal

The U.S. cotton crop rated 60% good to excellent, from 61% the previous week, the U.S. Department of Agriculture reported Monday afternoon. Declines were seen in the major producing states of Texas, Georgia and California. As of Sunday 94 percent of the crop was planted, up from 90% the previous week and on target with the year-ago and five-year average of 94 percent. U.S. cotton was 16% squaring, compared to 24% one year ago and the 22% five-year average. While there are concerns over dryness in the Rio Grande Valley of Texas, moisture levels in west Texas and particularly north around Lubbock are in the best moisture shape, according to the market players. The USDA rated 73% of the north Lubbock area as having adequate-surplus moisture while areas south of Lubbock were rated even higher at 76 percent. Mostly dry conditions are expected this week in Texas cotton areas, with a chance for a few light showers Wednesday. Daytime high temperatures range from 94-97 Fahrenheit this week, the Meteorlogix weather service said.

Drought May Hit Cotton Output in Australia

Drought may lower the cotton output in Australia this season. The size of crop for the year 2006 is very much unknown to the market participants also. The water storage can be used for harvesting only 1.5 million bales against the average crop size of 3 million. The 2005 crop is expected to be between 2.5 million to 2.6 million bales. However, recent sign of some rains acted as a confidence booster for the growers. The market players are expecting that prices may go up only if there is rain. However, very significant rain is needed to change the current scenario. They opined that anything less than 50 millilitres would be considered as light rain. Growers also were dealing with higher input costs, with seed supplier Monsanto raising the price for Bolgard.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Weakness continued in the North Indian cotton prices. The prices of Bengal deshi variety went down marginally further

amid less buying interests. Prices of J-34 in all the markets remained almost unchanged.

GUJARAT MARKET

The cotton prices in Gujarat remained stable with a strong undertone. Demand was seen for both Shankar and V-797. The exporters however still remained outside the market. Prices of Kapaskhali continue the rally. The cottonseed prices and kapas prices also maintained the strength. The arrival of Shankar kapas has almost finished, whereas, Kalyan kapas is likely to end within the coming few days. Today around 4-5000 bales of cotton arrival was recorded, of which Shankar contributed only around 1000 bales.

MAHARASHTRA AND MP MARKET

No significant change in cotton prices was found in the markets of Maharashtra and MP. The market players are waiting for the monsoon that may show some clear direction. 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 14800-16200 per candy, while Y1 fetched Rs 13700 to 13800 per candy. Prices of cotton khal in Akola remains at Rs 255 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 366 per 10 kg.

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

MARKET	Bengal deshi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3137	4037	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3350	3875	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1040	960	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3149-3374
2. Raw Cotton	-	-	2225	1100
3. Cottonseed	-	-	975	780

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened slightly lower. However, after that the June contract went up significantly higher. But after remaining at the peak for some time the contract fell down and closed the day at the day's low prices. The August contract also fell today.

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) settled mixed o spread trading between July and December. The July contract settled 7 points higher at 47.60 cents per pound. Rolling over of position from July to December was the only major activity in the market. In fact, the July/December spread had a much wider trading range - 105 points - than either the July or December flat price, illustrating the dominance of the spread during the session. Overall, the U.S. cotton crop is in good shape even though cotton in good-to-excellent condition decreased slightly in the latest week. Meanwhile, NYBOT'S spec/hedge cotton report, normally released on Tuesday, is scheduled to be issued Wednesday due to the July cotton options expiration last Friday. The near-term futures are still likely to remain higher.

Cotton Futures at the NYBOT as on 14/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	47.50	47.75	47.25	47.60	+0.07
December	51.20	51.60	51.05	51.12	-0.48

CHINA

The cotton futures in China remained quiet today with light volume. 7510 tonnes were concluded on CNCE e-trading market, down by 960 tonnes from yesterday's session. Domestic Grade 428 reached 70 tonnes and the balance was Grade 229. The open interests totalled 103330 tonnes, up by 510 tonnes. The open interests of MD contracts totalled 1930 tons, down by 40 tonnes. Market opened lower, trading was light. The open interests of back months increased while the front months kept firm. The buying was witnessed at the low levels. The trading of MA0509 was active, whose volume accounted for nearly half of the total. Today the China Cotton Index (CCI) improved marginally. Trading is expected to be lower.

PAKISTAN

Moderate trading activity was witnessed at Karachi cotton market on Tuesday when around 2,500 bales were traded

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
June	4521.00	4550.00	4520.00	4520.00	-1.00
August	4609.00	4601.00	4591.00	4599.00	-10.00

during the session. Quality lint fetched Rs 2,450 per maund while around 600 bales of Indian cotton were also traded. The spot rate remained unchanged at Rs 2,225 per maund. 1,000 bales of various stations changed hands at Rs 2,425 per maund on mill-to-mill basis. The exporters also offered 1,000 bales to mills for Rs 2,400 per maund and Rs 2,150 per maund. Leading mills made deals for quality lots of southern Punjab and upper Sindh. Traders said the ginnerers of upper Sindh and southern Punjab offered very little quantity of quality lots to mills. The leading spinners stood on the sidelines, as they waited for Trading Corporation's next auction to make a guess about future price trend. Mills in Hyderabad also participated in the trading and lifted lint imported from India. The TCP was working to ensure the speedy disposal of its stocks after auctions before arrival of the new crop by mid August. The private sector exporters lifted other than fine lots in little quantity at Rs 2,000 per maund. The TCP's move is likely to control the market ton in the coming few days.

WEATHER WATCH (IMD)

Isolated dust storm/thunderstorm is likely over Punjab and Haryana including Delhi. Rain/thundershowers are likely at a few places over Konkan & Goa and isolated in interior Maharashtra. Isolated dust storm/thunderstorm likely over Rajasthan and West Madhya Pradesh. Mainly dry weather in the rest region.

EXCHANGE RATE: 1 USD = Rs 43.66;
1 Euro = Rs 52.54

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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