

COTTON

14th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Steady
- NYBOT Cotton Higher on Textiles Export Issue
- Cotton Trading Remain Dull in Pakistan

NEWS ANALYSIS

Expected Huge Stocks Pressurising Kapas Prices

The kapas prices in the different cotton markets of the country are under pressure for quiet sometimes despite ending of the arrival. A likely higher carry-over of cotton into 2005-06 is expected to add price pressure on the kapas cotton market. The buyers are reluctant to make new deals as the most of the mills have almost covered their positions. The carry over stock is expected to be around 50 lakh bales against 25 lakh bales in 2004-05 season. The projected higher carry-over stock of 50 lakh bales is based on the current unsold stock of 30/32 lakh bales with the Maharashtra State Co-operative Cotton Growers Marketing Federation and another 10 lakh bales with the Cotton Corporation of India. The textile mills which account for an average 15 lakh bales of monthly consumption are believed to be holding two to three months stocks. According to sources, the private cotton trade is holding 10-12 lakh bales in stock. Even after adjusting the consumption by the mills between this month and August, the existing cotton stocks could get liquidated only partially, thus leaving a good quantum of cotton with the mills.

Cotton Sowing Almost Completed in Pakistan

Cotton sowing in Pakistan has almost been completed. However, some re-sowing due to rains and delayed sowings are in progress. Official figures about the area sown for 2005-2006 season is yet to be released but private estimates put total area around 2.95 - 3.08 hectares. Presently, weather can be said satisfactory but fears are there about more than normal monsoon rains. Unlike last season, this time lands have enough moisture, water storage is also in a good condition. More than normal rain can create a flood situation. The high temperatures ranging above 45 degrees Celsius in some cotton areas of Sindh is quite undesirable. The high humidity in the atmosphere would help pest development. The official production target for next season has been fixed at 13.0 Million bales ex-farm almost equal to cotton production achieved this season. Stocks of unsold cotton with the ginners have almost evaporated but Trading Corporation of Pakistan (TCP) is still holding unsold stocks of about 1.175 Million bales out of 1.6 million bales. Local spinners are evincing keen interest in buying TCP cotton stocks in open tenders.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices in the North Indian states eased further today. The price of J-34 in Sri Ganganagar market of Rajasthan remained unchanged however, weakened slightly in Sirsa. Prices of Bengal deshi cotton maintained the weakness in all the states of Rajasthan, Haryana and Punjab. Prices of Kapaskhali and seed improved significantly amid strong demand. Till the rain the cotton prices are likely to remain at this level.

GUJARAT MARKET

Spot prices of cotton in Gujarat markets remained steady today. The market tone remains strong. Still there is some scattered buying that is supporting the market prices. The international prices are also improving slowly. The exporters are waiting for the prices above 50 cents. Local demand was seen in V-797. Market sources are expecting the prices of V-797 to go up in near future. Isolated rain helped the Kapas and cottonseed prices to remain high along with the prices of kapaskhali. Today around 4-5000 bales of cotton arrival was recorded, of which Shankar contributed only around 1000 bales.

MAHARASHTRA AND MP MARKET

Cotton prices remained almost unchanged in the markets of Maharashtra and MP. The sowing is going on in a very small scale. The major portion of sowing is likely to take place once the monsoon hits the states. It is likely that the cotton stocks will be released after the monsoon, which may pull down the 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 14800-16200 per candy, while Y1 fetched Rs 13700 to 13800 per candy. Prices of cotton khal in Akola remains at Rs 256 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 368 per 10 kg.

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened slightly lower. However, after that the June contract went up but could not sustain there. The contract went

down after that. The strong sentiments in NYBOT futures could not provide any significant support. The June contract overall remained range-bound and closed near the day's high prices. Tomorrow the futures are expected to remain positive.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
June	4537.00	4540.00	4520.00	4534.00	-3.00
August	4601.00	4615.00	4601.00	4609.00	+8.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade settled higher amid news of a successful trade agreement between China and the EU. The most-active July cotton settled 57 points higher at 47.53 cents a pound. The cotton futures also got support from the technical factors and rolling over positions. Technically the market was in oversold region. The trade agreement between China and the EU reportedly states that China would work with E.U. officials to limit the growth of certain textile and apparel exports to Europe to about 10% a year through the end of 2008. This boosted up the market sentiments with the anticipation that the textile issue between the US and China may also be discussed. Trade relations between China and the U.S. have worsened this year with the end of country-by-country textile quotas on Jan. 1. In the first four months of 2005, China's textile exports to the U.S. rose 78%. Cotton was able to gain despite a surging U.S. dollar. The greenback made multi-month highs against the world's major currencies Monday, which likely limited the upside for cotton but did not force it into a lower trade. A strong dollar is normally bearish for cotton as it discourages foreign imports of U.S. cotton. A sharp rally in crude oil was also supportive for cotton futures by making synthetic fabrics more expensive compared to cotton. For near-term the cotton futures are likely to remain strong.

Cotton Futures at the NYBOT as on 13/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	47.30	47.70	47.25	47.53	+0.57
December	51.20	51.77	51.20	51.60	+0.33

PAKISTAN

Dull activity was witnessed at the Karachi cotton market, as the local ginners did not participate in the trading, said brokers. The mills lifted around 150 bales at Rs 2,300 per maund. The KCA spot rate stayed unchanged at Rs 2,225 per maund without upcountry expenses. The ginners of

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

MARKET	Bengal desi	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	1030	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4724	3149-3374
2. Raw Cotton	-	-	2225	1100
3. Cottonseed	-	-	950	775

southern Punjab offered very limited lots at prices between Rs 22,10 per maund and Rs 2,300 per maund. The spinners remained inactive, as they did not want to purchase poor quality lint. Trading Corporation of Pakistan (TCP) on Monday sold 50,500 bales of cotton to 27 local mills against 63 bids for 101,300 bales. The players think that the Trading Corporation of Pakistan (TCP) would receive better offers on Saturday when it auctions around 56,000 quality cotton bales. The TCP's cotton is likely to remain in great demand, as mills and spinners have received more orders for cloth and yarn as compared to last year. The demand for cotton would move further up in the coming days due to higher demand of garments by the local markets. The main buyers of TCP's cotton stocks would be spinners and private sector exporters. The market sentiment is likely to remain firm in the coming 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 43.65;
1 Euro = Rs 52.90

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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