

## COTTON

13<sup>th</sup> June 2005

### MAJOR HIGHLIGHTS

- **Domestic Cotton Prices Remain Strong**
- **China Cotton Futures Improve Today**
- **TCP Auctions Dominate Pak Trading**

### NEWS ANALYSIS

#### Cotton Yarn Mills Protest against VAT in Haryana

Cotton yarn mills in some parts of Haryana have gone on three-day strike to protest against imposition of market fee on cotton and Value Added Tax (VAT) on cotton yarn. Haryana Government had imposed these taxes in the state whereas there was no VAT on cotton yarn in Delhi and only two per cent VAT has been fixed by the Rajasthan Government. However, the Haryana government had imposed VAT in the state one year earlier. Cotton yarn was already in the ambit of sales tax in the state. Because of economic recession and trade rivalry, the cotton mill owners were passing through a period of economic problems. It is anticipated that if the market fee on cotton and VAT on cotton yarn at the rate of four per cent were imposed, the industry would be completely ruined.

#### Cotton: Quality Should Come First than Quantity

Though the government had estimated cotton output at 232 lakh bales, it is expected that the actual production would surpass the estimate in the cotton year (October - September) 2004-05. Despite this huge production the quality still remains under question. The textile ministry said that there has been a reduction in the trash content in raw cotton to 2-4 per cent in the current year from 6 per cent in 2000-01. The globally allowed level of contamination however, is 1.75 -2 per cent. Under the mini mission 3 and 4 the Technology Mission on Cotton (TMC) had taken up 275 out of 473 ginning and pressing units for modernisation in 2000. The trash content in the roller ginned cotton came down to 3 per cent from 5-6 per cent. However, in saw ginned cotton the level actually gone up to 4.5 per cent from 2.5 per cent due to lack of modern practices. The efforts by the TMC over the years have been very helpful to improve the quality of cotton. However, the process should continue for the betterment of the quality of cotton to remain competitive in the quality concerned international markets.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

#### NORTH INDIAN MARKETS

Cotton prices in the North Indian states remained unchanged. The price of J-34 in Sri Ganganagar market of

Rajasthan remained strong. However, prices of Bengal deshi cotton maintained the weakness in Haryana and Punjab also.

#### GUJARAT MARKET

Spot prices of cotton in Gujarat markets improved today. The market tone remains strong. Buyers dominated the markets. Sellers preferred to wait. Price of V-797 also improved significantly along with Shankar. The mills are still in the market to cover their requirements. Monsoon may pressurise the cotton prices in these markets. 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 in Maharashtra and MP was seen today. The participants are waiting for the monsoon to see some changes in 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 248 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 desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3150	4037	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3375	3875	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1020	940	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	42744724	3149-3374
2. Raw Cotton	-	-	2225	1100
3. Cottonseed	-	-	950	755

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

Contract	Prev. Set	High	Low	LTP*	Change
June	4521.00	4550.00	4520.00	4540.00	+19.00
August	4582.00	4630.00	4590.00	4601.00	+19.00

## INTERNATIONAL MARKET

### USA

The NYBOT remain closed on Saturday and Sunday.

#### Cotton Futures at the NYBOT as on 10/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	46.32	47.15	46.30	46.96	+0.67
December	50.50	51.30	50.50	51.27	+0.56

### CHINA

Cotton futures in China improved today. The volume in CNCE e-trading totalled 13390 tonnes significantly higher than the previous day. The China Cotton Index (CCI) also improved today. The CNCE open interest totalled 103020 up by 1050. The positive tone of the market is likely to continue tomorrow also.

### PAKISTAN

The cotton trading activities in Pakistan were dominated by the TCP auctions. Fine lots remained on demand. Ginners were not able to sell their low quality cotton at the ongoing market prices. Spot rate stayed at Rs 2225 without upcountry expenses. The TCP auction sales continued to attract the spinners and textile millers keeping completely subdued ginners who would have liked to sell before new cotton arrivals. The ginners have held spot rate unchanged at Rs 2225, showing ginners determination to dictate terms despite low quality left with them. The very first day ginners would have liked to lighten their cotton burden, TCP liquidated nearly 80,000 bales of cotton. The TCP received bids for 111,300 bales of cotton in its Saturday's auction

## VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened slightly lower. However, after that the June contract went up and remained positive throughout the day. The contract found some support amid strong market sentiments in the spot markets followed by the international market advice. After a smooth increase the contract closed the day near the day's high.

from 62 participants against its 49,700 bales of cotton tender. From Exporters, the TCP received bid for 10,000 bales of cotton at rate of Rs 41-43 cents per pound. The spinners were away from the market to show sellers (spinners) they were unlikely to come under pressure to pay more. In this situation the cotton prices are not likely to change significantly in the nearby days.

## WEATHER WATCH (IMD)

Isolated dust storm/thunderstorm is likely over Punjab and Haryana including Delhi. Isolated rain/thundershowers are likely over Konkan & Goa. Isolated dust storm/thunderstorm likely over Rajasthan and West Madhya Pradesh. Mainly dry weather in the rest region.

**EXCHANGE RATE:** 1 USD = Rs 43.62;

1 Euro = Rs 52.74

## 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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