

COTTON

6th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Weak Today
- Pak Cotton Continues the Lackluster Trading
- ICAC Releases Its Latest Estimates

NEWS ANALYSIS

Cotton: Sowing Progressing Well in Pakistan

According to the Central Cotton Research Institute (CCRI) cotton crop has been sown on 5.2 million acres in Punjab till June 3. The cotton sowing target has been fixed at 6.3 million acres, so over 82 percent target has been achieved. The CCRI chief said the production target for Punjab has been set at 11.65 million bales out of the total national figure of 15 million bales. The CCRI director advised the growers to cultivate only those varieties of seed recommended by cotton experts and agriculture department (extension) officials. The recommended seed varieties include, CIM-496, CIM-506, CIM-499, CIM-473, CIM-446, CIM-707, Niab-111, Niab-999, FH-901 and BH-160. He said for the major cotton zone districts including Multan, Lodhran, Vehari, Khanewal, Bahawalpur, Bahawalnagar, Rahimyar Khan, D G Khan, Muzaffargarh, Rajanpur and Layyah. The sowing target has been fixed at 5.375 million acres and against it the crop has been cultivated on an area of 43.75 million bales, he added.

Cotton: ICAC Forecast Fall in Output in 2005-06

According to the International Cotton Advisory Committee world production is skyrocketing to 26.1 million tons in 2004-05 (up 26%), outpacing world consumption (up 9%) by an estimated 2.9 million tons, the highest gap in twenty seasons. The Cotlook A Index is forecast to average 53 cents per pound in 2004-05, down fifteen cents from a six-

year high in 2003-04. The world production in 2005-06 is forecast to decline to 23.4 million tons in 2005-06, down 2.7 million tons (10%) from the record this season, but still the second largest crop on record. World consumption is projected to climb to a record 23.7 million tons in 2005-06, up half a million tons (2%). China (Mainland) remains the driving force behind world cotton mill use. Cotton consumption in China (Mainland) is expected to reach 8.6 million tons in 2005-06, up 5% from this season, exceeding anticipated production by 2.8 million tons. Mill use in the rest of the world is expected to reach 15.1 million tons, expected increases in India and Pakistan offsetting declines in other developed countries. China (Mainland) is the main beneficiary of the abolition of quotas on textile and apparel trade among WTO members since January 1, 2005. Safeguard petitions to limit the growth of imports from China (Mainland) to developed countries are multiplying in numerous textile categories, as allowed until 2008 under WTO rules. An appreciation of the yuan, if it occurs, would benefit China's competitors on the export markets, without stemming the flows into import markets. Record imports by China (Mainland), combined with lower production and rising consumption in the rest of the world, will lead to 2005-06 world exports of an estimated 8.1 million tons, up 900,000 tons from this season. The Cotlook A Index is expected to average 68 cents per pound in 2005-06. The projected 15-cent jump from the average anticipated for the current season is essentially the result of projected booming net imports by China (Mainland). The structural imbalance between domestic production and consumption in China (Mainland) is expected to continue supporting cotton prices during the next seasons.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

North Indian markets

Cotton prices in the North Indian markets today remained weak amid lower buying interest. There is no sign of rain in near future in these states. Therefore, until that the prices are likely to maintain the weakness.

Gujarat market

Cotton prices in Gujarat remained stable today also. Demand for V-797 declined. The exporters are reluctant to be active amid lower international prices. Mills are however, continuously buying at the lower prices to meet their requirements. Today around 5-6000 bales of cotton arrival

was recorded, of which Shankar contributed only around 1000 bales.

Maharashtra and MP Market

No change in the cotton prices of Maharashtra was recorded. In MP also prices maintained the stable trend. No significant effect of the auction by the CCI and Maharashtra

state federation was seen today on the cotton 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 14800-16000 per candy, while Y1 fetched Rs 13400 to 13700 per candy. Prices of cotton khal in Akola remains at Rs 227 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	3350	3825	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	950	910	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4217-4639	3093-3261
2. Raw Cotton	-	-	2300	1125
3. Cottonseed	-	-	950	725

Vayda Bazaar

The medium staple cotton futures at the NCDEX today opened lower. The June contract remained under pressure throughout the day. The contract also remained in the

negative territory throughout the day. The contract closed at the day on the lower side.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
June	4560.00	4545.00	4505.00	4520.00	-40.00
August	4630.00	4620.00	4605.00	4605.00	-25.00

INTERNATIONAL MARKETS

USA

US Markets remain closed on Saturday and Sunday.

Cotton Futures at the NYBOT as on 03/06/05

(cents/pound)

Contract	Open	High	Low	Close	Change
July	48.76	49.10	48.10	48.34	-0.42
December	52.60	52.90	52.20	52.47	-0.13

Pakistan

Thin trading activity was witnessed at the Karachi cotton market when only 200 bales changed hands. Various grades of cotton were traded during the session and fine lots fetched Rs 2,310 per maund. The KCA spot rate remained unchanged at Rs 2,225 per maund. Traders said mills picked up fine lots on slightly increased rates. The mills also participated in the auction of Trading Corporation of Pakistan (TCP)'s cotton and lifted more than half of the

stocks offered. Poor quality lots of southern Punjab and upper Sindh were also traded in limited quantity. Spinners made future contracts for low-priced poor quality lint, they added. The fine lots would remain in demand until the new crop starts arriving by mid August. The main buyers of TCP lots would be mills as the private sector exporters and foreign buyers were least interested in TCP's cotton. He said recent decline of around 49 cents per pound in international market would create problems for local exporters, as they would not be able to get a good price of their stocks. The leading mills and spinners have received

increased orders for cloth and yarn from abroad while domestic demand has also risen. However, the auction by the TCP eased the supply of cotton. Therefore, there is

least possibility that the prices would change from the present position.

WEATHER WATCH (IMD)

Dust storm/thunderstorm likely at a few places over Uttar Pradesh, Punjab and Haryana including Delhi. Rain/thundershowers likely at a few places over Konkan &

Goa and Madhya Maharashtra. Isolated dust storm/thunderstorm likely over Rajasthan and west Madhya Pradesh. Mainly dry weather in the rest region.

EXCHANGE RATE: 1 USD = Rs 49.60; 1 Euro = 53.37

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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