

## COTTON

4<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic Cotton Prices Remain Stable
- NYBOT Cotton Lower on Bearish Exports Sales
- Pak Trading Remains Dull

### NEWS ANALYSIS

#### Area Under GM Cotton may Fall in Australia

The area planted with genetically modified (GM) cotton in Australia could fall this summer, with Monsanto announcing a 20 per cent increase in the cost of its cotton plants. About 70 per cent of the crop planted this year was Monsanto's new two-gene cotton. Growers say the price rise could force them to return to non-GM cotton and use chemicals to control pests. Though the Monsanto says the price has been set in collaboration with the industry the farmers are not satisfied. The farmers may go for conventional farming due to this. However, the company thinks though the \$300 is little up but still it would be economically viable. Meanwhile, the National Australia Bank says cotton prices could rise up to 17 per cent next summer because more expensive oil is pushing up the price of synthetics. However, the quality issue may be a matter of concern in this regard.

#### Cotton: USDA Reports Reduced Weekly Export Sales

The USDA reported a decline in the weekly cotton sales for the period May 20 - 26. The net sales as well as exports both reduce on the week. Net Upland sales of 112,700 RB were 70 percent below the prior week and the previous 4-week average. The major buyers were China (54,100 RB), Turkey (16,100 RB), Indonesia (8,500 RB), Mexico (8,400 RB), and Vietnam (6,700 RB). Reductions of 5,900 RB for Canada were changed to delivery in 2005/06. Net sales of 29,600 RB for delivery in 2005/06 were primarily for South Korea (7,800 RB), Canada (6,100 RB), and Japan (5,300 RB). Exports of 257,000 RB were 7 percent below the previous week and 9 percent under the prior 4-week average. The primary destinations were China (80,400 RB), Turkey (33,100 RB), Thailand (31,300 RB), Mexico (30,200 RB), Taiwan (17,000 RB), and Indonesia (16,300 RB). The lower exports are expected to pressurise the cotton futures.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### North Indian markets

Slightly up-trend in the cotton prices in North Indian markets continued today also. There was very little change in the prices at Sirsa mandi of Haryana and Sri Ganganagar of Rajasthan. It is expected that cotton prices in these markets would remain in this level till the monsoon hits these states.

##### Gujarat market

Prices in Gujarat also remain almost unchanged. Continuous buying is there due to higher quality. The exporters and the mills are also present in the market to cover their position. They are interested in Shankar variety. Local demands are felt in V-797. The arrival is declining in Gujarat. Arrival of Shankar has almost come to an end. Today around 4-4500 bales of cotton arrival was recorded, of which Shankar contributed only around 500 bales.

##### Maharashtra and MP Market

There was almost no change in the cotton prices in Maharashtra and MP. Yesterday the federation however, got good response from the buyers in its auction. The price range was Rs 9520 to Rs 13400 per candy from different grades. Most of the cotton fetched Rs 11000 to Rs 12500 per candy. Mills remains the major buyers. Total 22800 bales were sold in the auction. The buyers opted to wait n watch the arrival of monsoon. Late monsoon is likely to support 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 14800-16000 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	3187	4050	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3362	3825	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	950	870	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4217-4667	3093-3290
2. Raw Cotton	-	-	2200	1100
3. Cottonseed	-	-	925	700

### Vayda Bazaar

The medium staple cotton futures at the NCDEX today opened lower. The June contract remained under slight

pressure. The contract tried to cross the yesterday's closing level but could not succeed. The contract 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	4577.00	4570.00	4554.00	4554.00	-23.00
August	4645.00	4635.00	4616.00	4630.00	-15.00

## INTERNATIONAL MARKETS

### USA

Cotton futures at the New York Board of Trade (NYBOT) settled lower amid a bearish export sales report and roll over of positions from July to December. The benchmark July contract fell 42 points to close at 48.35 cents per pound. The decline in December was less dramatic, due to selling in the nearby July and buying in the deferred months as a part of the rollover. December dipped just 13 points to 52.47 cents. There was buying of Dec and selling July on the close. The funds probably rolled around 750 to 1,000

contracts going into the close. The rest of the day was a very thin day, mostly dominated by the spreads. Cotton futures began the week with was the worst performance of the CRB (Commodity Research Bureau Index) components as speculators liquidated positions. The other factors have been sharply declining euro against the dollar and trade relation between US, UK and China. Export data from the U.S. Department of Agriculture Friday showed that for the week ended May 26, net upland sales of 112,700 running bales (RB) were 70% below the prior week and the previous four-week average. Exports of 257,000 RB were 7% below the previous week and 9% under the prior four-week average. Therefore, the overall scenario is pointing towards a weak outlook for the coking few days.

### 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

### China

China cotton markets remain closed on Saturday and Sunday.

### Pakistan

Trading activity remained thin at the Karachi cotton market with 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. 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. The fine lots would remain in demand until the new crop starts arriving by mid August. The stocks lying with the ginners are expected to fetch around Rs 2,390 per maund to Rs 2,410 per maund. According to the market sources the main buyers of TCP lots would be mills as the private sector exporters and foreign buyers were least interested in TCP's cotton. Today the auction by the TCP is scheduled. 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.

Thus, there may be some improvement in the prices in the early next week.

## WEATHER WATCH (IMD)

Dust storm/thunderstorm are likely in Haryana. Isolated rain/thundershowers are likely over Vidarbha. Mainly dry weather in the rest region.

**EXCHANGE RATE:** 1 USD = Rs 43.66; 1 Euro = 53.54

## Latest ICAC Estimates on Global Cotton Scenario (as on 2nd May)

Particulars	2003-04	2004-05	2005-06
Production	95.09	119.3	108.10
Consumption	98.07	106.00	108.60
Exports	33.43	32.60	36.40
Ending stocks	35.66	47.60	47.00
Cotlook A index*	68.3	53.0	66.0

(Figures in million bales)

\*- US cents per pound

## Latest Balance Sheet of Indian Cotton

Quantity in lakh bales of 170 Kg

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Supply						
Opening stock	36.50	40.5	29	40	24	21
Crop size	156.00	140	158	136	177	232
Imports	22.01	22.13	25.26	17.67	7.21	6
Total availability	214.51	202.63	212.26	193.67	208.21	259
Demand						
Mill consumption	150.60	149.36	147	142.42	150.39	168
Small Mill consumption	8.37	10.97	11.7	11.63	13	17
Non-mill consumption	14.39	12.7	13.06	14.78	10.57	13
Total consumption	173.36	173.03	171.76	168.83	173.96	198
Exports	0.65	0.6	0.5	0.84	13.25	12
Total disappearance	174.01	173.63	172.26	169.67	187.21	210
Carry Forward	40.50	29	40	24	21	49

Source: The Cotton Corporation of India Ltd., Cotton Advisory Board

## Disclaimer

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). If a customer of an affiliate of IASL receives this report, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is for private circulation only and may not be reproduced in whole or in part for any purpose without written permission. Use of data and information contained in this report is at your own risk. Please visit us at: [www.agriwatch.com](http://www.agriwatch.com) Registered Office: E 12, Greater Kailash I, New Delhi 110 048 Telefax: (011) 2628 3336  
Copyright © 2002 Indian Agribusiness Systems Pvt Ltd.