

COTTON

30th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Continue the Steadiness
- NYBOT Cotton Sharply Higher on Short Covering
- China Cotton Futures Maintains the Weakness
- Pak Cotton Prices Remain Stable

NEWS ANALYSIS

Cotton Weather Watch in US and India

After mostly dry conditions Wednesday and Thursday in the Mississippi Delta, Friday and Saturday are forecast to bring partly cloudy conditions with scattered afternoon and evening showers and thunderstorms. Mostly dry weather is seen again on Sunday with a few isolated late-day showers. Above-normal temperatures are expected Friday through Sunday, the Meteorlogix weather service said. In the Southeast, where conditions have been much more beneficial to cotton, chances for scattered showers and thunderstorms are possible for much of this week and into the weekend. On the other hand, cotton prices in India fell in the week to Wednesday as concerns over monsoon rains faded. Gujarat, the largest cotton-producing province, has seen heavy showers for the last four to five days. Heavy monsoon rains have also been seen in cotton-growing regions of Maharashtra and Tamil Nadu. North Indian states also stated receiving good rain. Sowing is going on in Gujarat, and Maharashtra. In North Indian states sowing has been completed. In MP scattered rainfall was recorded and the sowing activities are yet to state. However, such massive rainfall if continues in Gujarat it would ultimately affect the crop.

Rain is Helping Cotton Sowing in India

Cotton sowing in India's major producing states of Gujarat and Maharashtra has been progressing well after monsoon rains, with farmers showing much interest in transgenic seeds after reaping a record crop last year. Scattered rains in the southern state of Andhra Pradesh and central India had slowed the process, but the plantings would pick up in the coming days with good showers, traders said. Traders said about one-third of plantings in Maharashtra, the country's second-largest producer, had been completed with coastal areas getting bountiful rains, but some interior parts have not received enough rainfall, delaying plantings. A weather office statement late on Wednesday said heavy rainfall was expected in the entire eastern state of Orissa, eastern parts of Madhya Pradesh in central India and the western state of Gujarat. The southwest monsoon has covered almost all of the country ahead of schedule and the rains in June are now expected to be only 10 to 15 percent below normal, compared with 49 percent deficiency in the first three weeks, a weather official said. It may be early

enough but the country could harvest another record crop because of widespread sowing of genetically modified (GMO) cotton that boosts yields. According to the market sources the heavy rainfall will ultimately help the better growth of cotton by enriching the soil.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Prices of cotton in the North Indian markets remained with the strong undertone. The markets in Haryana and Punjab are receiving good rainfall. However, in the Sri Ganganagar and Hanumangarh region of Rajasthan rainfall is still scattered. The prices are not likely to change significantly.

GUJARAT MARKET

The heavy rainfall in some parts of Gujarat caused a flood situation. However, the cotton sowing is going on well here. Some areas are still waiting for the end of rain to start sowing. Prices did not change significantly here today. Earlier it was thought that prices may ease due to the entrance of the sellers. However, continuous heavy rainfall restricted the ginneries to open. Thus, the prices for the time being are likely to remain unchanged.

MAHARASHTRA AND MP MARKET

MP is still waiting for good rain. Scattered rainfall however, recorded in some places. According to the market sources so far only 20% rainfall was recorded in the cotton belts of MP. Maharashtra got around 70% rainfall so far. The State federation sold around 51000 bales to the private mill at a price lower by Rs 200. Federation is getting some offers from the mills at the lower prices. The rates in MP are strong till now in absence of the sellers. In Maharashtra MCU-5 (31 mm) fetched a price of Rs 18000-18500 per candy. Price of H-4 (27 and 28 mm) cotton in MP was quoted between 15300-16300 per candy, while Y1 fetched Rs 14200 to 14500 per candy. Prices of MCU-5 (30mm) were recorded at Rs 17000 to Rs 17500 per candy. Prices of cotton khal in Akola remains at Rs 254.90 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 378 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	3180	4050	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3475	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1035	935	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3514
2. Raw Cotton	-	-	-	1160
3. Cottonseed	-	-	925	750

INTERNATIONAL MARKET

USA

Cotton futures at the New York Board of Trade (NYBOT) settled sharply higher amid short covering strong fund buying. The most-active December cotton settled 116 points higher at 55.15 cents and July settled 145 points higher at 50.80 cents. According to the sources the cotton futures traveled through stops on their way to the highs. No fresh fundamental news was cited for the higher prices. Traders are waiting for the USDA's acreage report due for today, which would show how much cotton was planted. A Dow Jones Newswires survey expects 2005-06 acres at an average 14.02 million, compared to 13.8 million the USDA issued in its March prospective plantings report. However, many traders and analysts believe yields, not acres, are the key to the 2005-06 crop season, and there are some dry weather concerns in Delta growing areas that could potentially affect yields. Scale-up commercial selling helped keep the rally in check and pressured prices off of their highs in late trade as the speculative buying dried up, another source said. However, the price movements in the December futures are indicating towards the positive tone of the market.

Cotton Futures at the NYBOT as on 29/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	49.10	50.80	49.10	50.80	+1.45
December	53.85	55.65	53.85	55.15	+1.16

CHINA

The cotton futures in China continued the downfall today also. Despite strength in the NYBOT futures selling pressure put weight on the cotton prices. The China Cotton Index (CCI) fell marginally today. Turnover on CNCE e-market totalled 7640 tonnes, down by 1150 tonnes than the previous session. Domestic Type 428 reached 30 tonnes and the balance was Type 229. The open interests totalled 93520 tonnes, down by 810 tonnes. The open interests of MD contracts totalled 1170 tonnes, the same as last session. The prices, turnover and open interests all fell down in today's session. The average price of MA0510 has declined 95 Yuan. The turnover of MA0509 has taken up 54% among the total turnover of MA today. It was the third

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened lower amid selling pressure. The August contract throughout the day remained weak. The price movements remained slow. The contract recovered some losses during the closing and went up again. The contract finally closed at the day's high. Tomorrow the futures are expected to open higher.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
August	4471.00	4470.00	4435.00	4470.00	-1.00

that its turnover had cross 50% in MA's. The marginal weakness is likely to continue in near future.

PAKISTAN

Stable trend persisted in the cotton market, as prices did not show any weakness. The trading remains dull. The Karachi Cotton Association (KCA) official spot rate remained unchanged at Rs 2300, without upcountry expenses. The trading activity is still low as many buyers kept to the sideline on lack of interest in fresh buying. The most of the mills were on the sidelines as they have already bought enough stock of fine quality to meet the daily requirements. On the other hand, ginners preferred to be back in the market with their unsold stock, but failed to attract any buyer due to higher asking prices. The Trading Corporation of Pakistan (TCP) might wind up its weekly auction programme in the month of August and the remaining stock would meet the urgent needs of days ahead. In the absence of any fresh leads, the cotton market may not be able to fix any direction in the near future. The Trading Corporation of Pakistan (TCP) on Wednesday sold 89,400 bales of cotton to 37 local mills against the bids for 110,100 bales.

WEATHER WATCH (IMD)

Rain/thundershowers are likely at most places in east Madhya Pradesh, Chhattisgarh and Vidarbha. Rain/thundershowers are likely at many places over Telangana, coastal & north interior Karnataka and at few places in the rest region outside Rayalaseema and Tamil Nadu & Pondicherry where it may be isolated. Rain/thundershowers are likely at most places over Konkan & Goa; Gujarat region and Saurashtra; at many places over rest region outside west Rajasthan where it may be at a few places.

Enhance rainfall activity over central parts of the country is likely to shift westwards to western parts of the country.

Warning: Heavy to very heavy rainfall likely at a few places over Jharkhand, east Madhya Pradesh, Vidarbha, Chhattisgarh, north Konkan, Saurashtra and south Gujarat region. Isolated heavy rainfall also likely over sub-Himalayan West Bengal & Sikkim, north Gujarat, south

Konkan & Goa, Madhya Maharashtra and coastal
Karnataka.

EXCHANGE RATE: 1 USD = Rs 43.51;
1 Euro = Rs 52.68

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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