

## COTTON

8<sup>th</sup> June 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Weak
- NYBOT Cotton Lower on Fund Liquidation
- Pak Trading Improves Slightly

### NEWS ANALYSIS

#### CCI to Set Up More Centres in Tamil Nadu

The Tamil Nadu state government wants the Cotton Corporation of India (CCI) to open its purchasing centres in the southern districts so that the farmers get good prices for their produce. The farmers complained the government that the CCI and NAFED are not coming forward to buy their cotton at the MSP. As a result the farmers have to go for distress sale below the MSP. Currently the farmers are selling their produce at Rs 1200 per quintal, whereas the MSP set by the government is between Rs 1640 to Rs 2000 per quintal for different varieties. A team comprising different government, CCI and other officials found that the farmers were selling cotton at Rs 200 to 300 less than MSP. Thus, it has been decided to set up purchasing centres by the CCI in the districts of Madurai, Virudhunagar, Rajapalayam etc. In other cotton producing states the roll of CCI has been supportive to protect the interest of the farmers.

#### Cotton Output to Fall in Greece

Cotton lint production in Greece is expected to drop sharply this year, according to a recent report from the U.S. agricultural attache for the country. Production could sink from 390,000 metric tons (MT) last year to a forecast 371,000 MT this year on the basis of a decline in seeded area from 380,000 to 358,000 hectares. This year's area is a preliminary estimate reported by the GOG Ministry of Agriculture (figure subject to slight revisions in the future). However, the GOG Ministry of Agriculture and Food has announced that this acreage is the acreage "target" for this year, in an attempt to keep production within the EU guaranteed threshold. By staying on target farmers get the highest possible price subsidy, avoiding high coresponsibility levies, as was the case a year earlier.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### North Indian markets

North Indian spot prices witnessed no significant change today. The prices are still under pressure. There was marginal demand for narma (J-34) cotton in Sri Ganganagar market of Rajasthan.

##### Gujarat market

Cotton prices in Gujarat remained stable today. Continuously declining NYBOT futures pressurised the cotton prices here as, the exporters kept themselves out of the market. The mills also almost covered their positions. Lower arrival of Shankar in Gujarat however helped the prices to remain stable. Today around 5-6000 bales of

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

##### Maharashtra and MP Market

In the markets of Maharashtra and MP the prices of cotton maintained the same position as has been for last several days. Till the rain hits the markets the prices are not likely to change significantly. 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 13500 to 13700 per candy. Prices of cotton khal in Akola remains at Rs 229.5 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	970	935	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4217-4639	3093-3261
2. Raw Cotton	-	-	2225	1100
3. Cottonseed	-	-	940	725

### Vayda Bazaar

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

futures pressurised the domestic futures. The June contract recovered some losses from the day's low during the close.

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

Contract	Prev. Set	High	Low	LTP*	Change
June	4506.00	4500.00	4485.00	4493.00	-13.00
August	4584.00	4575.00	4550.00	4560.00	-24.00

## INTERNATIONAL MARKETS

### USA

The cotton futures at the New York Board of Trade (NYBOT) settled lower amid long liquidation. The benchmark July contract settled 43 points lower at 46.94 cents per pound. The option related trading pulled the market sentiment down. The market is now waiting for the monthly demand supply data by the US Department of Agriculture to be released on Friday. Meanwhile, U.S.

cotton plantings are moving along above the average and just below the 2004 figures. As of June 5, 90% of cotton was planted in the U.S. versus 91% the year-prior and the average 88%. The market participants opined that a friendly demand figure for cotton may boost short covering ahead of the USDA report. Thus, there may be some strength later this week.

### Cotton Futures at the NYBOT as on 07/06/05

(cents/pound)

Contract	Open	High	Low	Close	Change
July	47.48	47.65	46.85	46.94	-0.43
December	51.55	51.70	50.85	50.95	-0.57

### Pakistan

Moderate trading activity was witnessed at Karachi cotton market with around 1,200 bales changed hands. Mills and private sector exporters remained the main buyers. The KCA spot rate remained unchanged at Rs 2,225 per maund. Traders said cotton of various grades of upper Sindh and southern Punjab was traded during the session. They said fine lots of Punjab changed hands Rs 2,335 per maund. The Trading Corporation of Pakistan (TCP) has announced it would end market activity by August 15. This would help reduce pressure on the price of the new crop, which would arrive by the mid of August. TCP sold fine lots to Punjab mills at Rs 2,336 per maund while exporters also

lifted TCP's fine lots for future trade. TCP would float another tender for auction of around 40,000 bales on Saturday. A senior broker said the mills have sufficient stocks bought from local market and abroad. However there is still a shortfall of around 37,000 bales, which they would meet in coming days. The current cotton crop was coming to an end and the first delivery of new crop season would probably arrive by mid August. Thus, there may be some strength in the cotton prices in the coming days.

## 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 North Rajasthan and west Madhya Pradesh. Mainly dry weather in the rest region.

**EXCHANGE RATE:** 1 USD = Rs 43.53; 1 Euro = 53.62

### 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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