

## COTTON

29<sup>th</sup> June 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Prices Saw Less Movements
- NYBOT Cotton Sharply Lower on Technical Corrections
- China Cotton Futures Declined Significantly
- Cotton Trading Maintains Dullness in Pakistan

### NEWS ANALYSIS

#### US Cotton Crop Condition and Weather Updates

The U.S. cotton in good-to-excellent condition fell slightly to 62% for the week ended on June 26, from 63% the previous week, the U.S. Department of Agriculture reported Monday. Cotton in very poor to poor condition increased to 11%, from 9% the previous week. However, that could not support prices. Texas, Missouri and Oklahoma cotton crops are all below what is considered normal development for this time of year. For the 14-state average, the U.S. crop is 100.9% of normal, up from 99.8% last week but down from the year-ago figure of 102.3%. A value of 100 is considered normal. Parts of the Mississippi Delta are forecast to receive beneficial rains this week, with chances for late-day showers and thunderstorms occurring much of this week. It remains to be seen how much rain these systems actually produce, however, one source said. Hot, dry conditions are expected to persist across Texas growing areas, while conditions remain mostly favourable for crop development over the Southeast.

#### Bt Cottonseeds Seized in Andhra Pradesh

Bt cottonseeds worth around Rs 2.13 lakh were seized by the Andhra Pradesh Agricultural officials at Tuni in East Godavari district. The Genetic Engineering Approval Committee (GEAC) earlier issued banning cultivation of Bt cotton in the state of Andhra Pradesh. However, the GEAC approved Bt cottonseeds in North India. Despite banning the Bt cottonseeds remained on high demand in Andhra Pradesh. The three varieties of GM seeds viz. MECH-162, MECH-12 and MECH-184 introduced by the Mahyco-Monsanto particularly saw good demand as these are more pest resistant helping to reduce the cost of cultivation. In some parts these are reportedly being cultivated also. The government wants the sellers of these seeds to book under the Essential Commodities Act.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

#### NORTH INDIAN MARKETS

Monsoon finally reached in the North Indian markets yesterday. The prices of different varieties of cotton in this region remained almost unchanged. The strength in prices continued today also. Lower stocks are helping the prices to remain strong.

#### GUJARAT MARKET

Gujarat is still receiving good rainfall. The prices are also maintaining a good level. The market tone however eased today. The buyers do want to purchase at this price. The sellers are waiting and preparing to come to the market. The opening of the ginneries, which are closed now, is expected to attract sellers and the prices are likely to go down after that.

#### Variety wise Spot Prices in Major Domestic Markets (Rs/Quintal)

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3180	4087	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3475	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1050	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3514
2. Raw Cotton	-	-	-	1160
3. Cottonseed	-	-	900	725

#### MAHARASHTRA AND MP MARKET

Scattered rainfall was recorded in some cotton belts of MP. In Maharashtra the monsoon so far has been well and helped cotton sowing. However, in MP cotton sowing in full fledge is yet to start. The prices here are expected to remain slight strong in the coming days. 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 252.50 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 376 per 10 kg.

## VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened sharply lower amid steep fall in the NYBOT cotton futures. The August contract throughout the day remained weak. However, price movements remained slow. The contract recovered some losses from the days low and

closed the day slightly up above the low. Tomorrow the futures are expected to maintain the weakness.

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

Contract	Prev.	Set High	Low	LTP*	Change
August	4519.00	4490.00	4451.00	4471.00	-48.00

## INTERNATIONAL MARKET

### USA

The cotton futures at the New York Board of Trade (NYBOT) settled sharply higher yesterday amid technical corrections from the overbought region. The most-active December cotton settled 144 points lower at 53.99 cents while July was down 140 points to 49.35 cents a pound. Bearish news contained in the spec/hedge report seemed to set the early tone for the market. While the report showed speculative accounts increased their net long position to 8.6% of open interest, the increase was due to short covering and not new longs in the market. The report also showed a build up of 7,000 new short positions. In addition, Monday's action - in which commercial selling countered the spec buying of nearly 4,000 contracts - likely set the stage for the sell off. Once the speculative buying dried up, prices fell. Cotton was also pressured by a stronger U.S. dollar against the euro and the Japanese yen. A strong dollar is normally bearish for U.S. cotton futures because it makes purchases less attractive to foreign countries. The weakness is likely to continue for the coming few days.

#### Cotton Futures at the NYBOT as on 27/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	50.70	50.85	50.70	49.25	-1.40
December	55.25	55.40	53.85	53.99	-1.44

### CHINA

The cotton futures in China declined today along with the volume. The China Cotton Index (CCI) however, went up slightly. Turnover on CNCE's e-market totaled 8790 tonnes, down by 2550 tonnes than the previous session. Domestic Type 428 reached 30 tonnes and the balance was Type 229. The open interests totaled 94330 tonnes, down by 30 tonnes. The open interests of MD contracts totaled 1170 tonnes, the same as last session. Either the prices or the turnover went down today. The average prices of each contract declined 100-200 Yuan. The MA0507 settled at 13650 Yuan and MD0507 was 12450. The market opened lower than last session. Though the price rebounded a bit at last few minutes, it decreased sharply in the end. MA0509's turnover occupied 53% of MA's total turnover in today's session. The sharp decline in the NYBOT futures

pressurised the prices in China too. The weakness may continue in near future.

### PAKISTAN

Dullness persisted in the Pakistan cotton market, as the leading buyers did not take part in trading in a big way on higher trend of the prices, relevant sources said. The Karachi Cotton Association (KCA) official spot rate remained unchanged at Rs 2300, without upcountry expenses. According to the market sources the Trading Corporation of Pakistan has accepted bid for 2000 bales of cotton from Dera Ghazi Khan at the rate of Rs 2400 and asked other mills to follow the same rate. It accepted bid for 1000 bales from Karachi at Rs 2365 and from Rohri the corporation accepted the bid for 200 bales at Rs 2320. Higher trend in the prices of cotton in the overseas markets encouraged both the ginners and the TCP to ask for higher rates for their unsold stock. However, the mills and the spinners are showing their reluctance in the higher prices.

### WEATHER WATCH (IMD)

Rain/thundershowers are likely at many places over Punjab, Haryana, including Chandigarh & Delhi, Himachal Pradesh; at a few places in the rest region. Rain/thundershowers are likely at many places over north coastal Andhra Pradesh, Telangana, coastal & north interior Karnataka and Kerala and at a few places in the rest or the region outside Tamil Nadu & Pondicherry where it may be isolated. Rain/thundershowers are likely at most places over Konkan & Goa, south Gujarat region and Saurashtra, at many places over the region outside west Rajasthan where it may be at a few places. Enhanced 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 Orissa, Jharkhand, east Madhya Pradesh and Chhattisgarh, north Konkan, Saurashtra and south Gujarat region. Isolated heavy rainfall also likely over West Bengal & Sikkim, Himachal Pradesh, north Gujarat, south Konkan & Goa, Madhya Maharashtra Vidarbha, coastal Karnataka and Kerala.

**EXCHANGE RATE:** 1 USD = Rs 43.55;  
1 Euro = Rs 52.44

**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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