

COTTON

27th June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Spot Prices Show Mixed Trend
- China Cotton Futures Finished Higher Today
- Firm Tone Continues in Pakistan

NEWS ANALYSIS

India may become Second Largest Cotton Producer in the World

The East India Cotton Association (EICA) expects India's cotton production to reach to 250 lakh bales in the near future. The effective working of the technology missions on cotton is indicating that India would soon become second largest cotton producer in the world after China. From about 300 kg per hectare three years ago, cotton lint productivity has gone up to 450 kg/ha currently. World average is, however, much higher at 740 kg/ha. Highlighting the urgent need to upgrade quality of domestic extra-long staple (ELS) cotton which are currently being imported by mills the EICA urged seed producers and scientists to improve varieties such as Suvin and DCH and also introduce other ELS cottons that are in great demand in the country. The main trust areas in this regard are scientific farm management practices, development of infrastructure facilities and price risk management. This would help the domestic cotton industries to remain in competition in the international front. For 2004-05, the crop size has been estimated at 240 lakh bales, considerably up from 177 lakh bales of the previous year. With an opening stock of 21 lakh bales and import of 7 lakh bales, total availability is placed at 268 lakh bales. Mill consumption is higher this year at 160 lakh bales and exports are an estimated 11 lakh bales. After taking into account consumption by SSI units (17 lakh bales) and non-mill use (13 lakh bales), the closing stock for the year is estimated at a new high of 67 lakh bales.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Firmness of the cotton prices in the North Indian states remained today also. Rain is yet to hit the major markets of Haryana and Rajasthan. Bengal deshi variety has been showing some improvement. According to the market sources the rain would not have much effect on the cotton prices here as, the prices are already low and the stock position is also not good.

GUJARAT MARKET

Gujarat is receiving plenty of rainfall and according to the market sources 100 per cent rain is over for sowing of

cotton. The prices of cotton are still in strong position. Buyers are reluctant to purchase at these prices. Sellers are coming slowly to the market. The trading remains dull. The arrival of Kalyan (V-797) is almost over and it is fetching good prices on improved demand from South India. For the next few days the cotton prices are expected to maintain the present undertone.

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

MARKET	Bengal deshi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3150	4037	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3450	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1050	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3514
2. Raw Cotton	-	-	-	1160
3. Cottonseed	-	-	900	700

MAHARASHTRA AND MP MARKET

Sowing started in some parts of Maharashtra however, no rainfall occurred in the cotton belts of Madhya Pradesh. There is almost no private stock of cotton in Maharashtra. The federation is the only seller of cotton in the state with poor quality of cotton. In MP today the prices improved over monsoon concern. Till the rain hits the prices would continue with the present tone. 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 250.50 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 maintained the weakness throughout the day. The August contract opened marginally higher today however, after that went down smoothly. The monsoon concern supported the selling intentions and put pressure on the prices. The contract closed at the day's low.

INTERNATIONAL MARKET

USA

The NYBOT remains closed on Saturday and Sunday.

Cotton Futures at the NYBOT as on 24/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	49.10	50.30	48.90	50.13	+0.48
December	53.65	54.80	53.64	54.79	+1.33

CHINA

The cotton futures in China settled higher smoothly amid strong buying interests. The volume however, remained low. The China Cotton Index (CCI) also settled significantly higher. Turnover on CNCE e-market totalled 3800 tonnes, down by 1580 tonnes than the previous session. Domestic Type 428 reached 130 tonnes and the balance was Type 229. The open interests totalled 94700 tonnes, down by 300 tonnes. The open interests of MD contracts totalled 940 tonnes, up by 100 tonnes. Today's turnover decreased to the lowest point during the recent three months. The average prices of each contract had rose 30-40 Yuan. MA509 was settled on 14344 Yuan. MA507's open interest declined sharply in the last period of today's session. The strength in the China cotton futures is likely to continue.

PAKISTAN

Cotton prices tended firm owing to primarily world trend and ginner's holding back stocks waiting for the end of operation by the Trading Corporation of Pakistan (TCP). However, the TCP indicated that it had enough time for its operation. The spot rate was unchanged at Rs 2275. In some late cotton areas, sowing has not been completed as yet while in some early cotton areas harvesting has already started. One Sahiwal-based ginner, June 25, is reported to have ginned and pressed one lot of lint cotton from new (2005-06 season) crop seed-cotton, received from Jhudo, Digri, Kunri

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

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4555.00	4560.00	4522.00	4522.00	-33.00

and Noakot areas of lower Sindh. The lint is reported to have been sold at Rs 2,500 per maund (37.324 kg), and cottonseed at Rs 490 per 40 kg. The seed-cotton (kapas) cost the ginner around Rs 1,125 per 40 kg ex-gin. Last week, the TCP had sold 5,000 bales each to two foreign merchants at 44.0 cents per lb fob Karachi, and some 18,000 bales in local sales at around Rs 2385 per maund. Today's auction by the TCP is expected to direct the cotton prices in near future.

WEATHER WATCH (IMD)

Rain/thundershowers are likely at many places over Uttaranchal, Punjab, Himachal Pradesh, west Uttar Pradesh, Haryana including Chandigarh and Delhi and at a few places in the rest region. Rain/thundershowers are likely at many places over coastal Karnataka, coastal Andhra Pradesh, Telangana and Kerala and at a few places in the rest of the region outside Tamil Nadu & Pondicherry, where it may be isolated. Rain/thundershowers are likely at most places in north Konkan, at many places in the rest region outside west Rajasthan, where it may be at a few places.

Rainfall activity over Eastcentral parts of the country is likely to increase and extends westwards into central and adjoining western parts of the country.

Warning: Heavy to very heavy rainfall is likely at a few places over coastal Orissa, north Konkan & south Gujarat region. Isolated heavy rainfall is also likely over west Uttar Pradesh, Himachal Pradesh, Uttaranchal, south Konkan & Goa, Madhya Maharashtra and north coastal Andhra Pradesh.

EXCHANGE RATE: 1 USD = Rs 43.49;
1 Euro = Rs 52.82

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