

COTTON

23rd June 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Markets Remain Quiet
- NYBOT Cotton Sharply Lower on Trade Selling
- China Cotton Futures Settled Sharply Lower
- Pak Cotton Trading Remains Dull; Prices Unchanged

NEWS ANALYSIS

Cotton: Contaminated Seed Seized in Uganda

Cotton Development Organisation (CDO) in Uganda has seized 200 tonnes of cotton seeds suspected to have been treated with chemicals that were not recommended by the research organisation. Investigations indicate that Uganda Cotton Klub Limited was registered with the Uganda Investment Authority (UIA) on March 17, 2005 for cotton ginning with a capital investment of \$0.250m (sh420m). The illegally bought cotton has not been ginned up to date. This would affect the quality in terms of length, strength and colour. The Uganda cottonseed has about 10 percent of a deadly disease called Bacterial Blight. It has no pesticides to treat it that is why every year CDO must seek guidance from Serere Animal Agricultural Research Institute to get the recommended chemicals. Bronotak 12 percent is the chemical recommended by CDO this season. In 2000, cotton farmers in Pallisa earned between sh11b to sh14b. Last year, they produced 40,000 bales and earned sh13.4b. This year, because the prices collapsed on the international market, they produced 45,000 bales of lint but earned only sh8.8b. The contaminated seed could destroy the cotton production in the country.

*1 Uganda Shilling (UGX) = 0.025 Indian Rupees (INR)

Cotton: USDA Reported Bearish Weekly Export Sales

USDA reported weekly cotton export sales for the period June 10-16. The report shows a decline in the cotton exports for the period. Last week the USDA reported a strong export sales report. Net Upland sales of 143,200 RB were two-fifths below the prior week and 30 percent under the previous 4-week average. China (97,600 RB) was the major buyer, followed by Taiwan (9,400 RB), Colombia (8,800 RB), Turkey (8,600 RB), and Mexico (4,500 RB). Net sales of 94,700 RB for delivery in 2005/06 were primarily for Mexico (25,100 RB), South Korea (21,900 RB), China (14,300 RB), and Pakistan (11,300 RB). Exports of 268,500 RB were 11 percent below the previous week and 3 percent under the prior 4-week average. The primary destinations were China (121,100 RB), Turkey (24,800 RB), Mexico (22,300 RB), Indonesia

(17,300 RB), Colombia (11,100 RB), and Thailand (9,700 RB). The bearish export data is expected to put further pressure on the NYBOT cotton futures.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices in Sirsa mandi of Haryana remained almost unchanged. In Sri Ganganagar market also, prices did not see any significant change. The market participants are expecting the prices to remain unchanged at this level till the monsoon comes. After that it is likely that the prices would go down.

GUJARAT MARKET

Cotton prices in Gujarat remained with a strong undertone. The prices however, maintained the same tone as were on yesterday. The cottonseed prices and kapas prices eased a little bit. The arrival of Shankar kapas has finished, whereas, Kalyan kapas is likely to end within the coming few days. Today around 1.5-2000 bales of cotton arrival was recorded. Until the monsoon hits the markets the prices are likely to remain almost unchanged.

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

MARKET	Bengal desi	J-34	Shankar V-797
Sirsa			
1. Cotton Lint	3137	4025	-
2. Raw Cotton	-	-	-
Sri Ganganagar			
1. Cotton Lint	3437	3900	-
2. Raw Cotton	-	-	-
3. Cottonseed	1050	950	-
Ahmedabad/Kadi			
1. Cotton Lint	-	-	4274-4780 3149-3430
2. Raw Cotton	-	-	2250 1125
3. Cottonseed	-	-	900 725

MAHARASHTRA AND MP MARKET

The spot prices in the markets of Maharashtra and MP remained almost unchanged. No significant activities were seen in these markets. The sowing activities started with a slow pace. In Maharashtra MCU-5 (31 mm) fetched a price of Rs 18500-18700 per candy. Price of H-4 (27 and 28 mm) cotton in MP was quoted between 15200-16100 per candy, while Y1 fetched Rs 14000 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 257.50 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 378 per 10 kg.

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX remained weak today also. The volume remains too low. The contract

opened on the lower side today and remained quiet. There was almost no movement in the prices. The August contract closed the day at the day's low. The sharply lower NYBOT futures put some pressure on the domestic futures also. Tomorrow also the futures are expected to remain under pressure.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
August	4571.00	4550.00	4545.00	4545.00	-26.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) settled sharply lower amid trade selling. The most active December contract settled 74 points lower at 52.29 cents a pound, while July, which enters its delivery period on Friday, was down 122 points to 47.51 cents. As prices neared unchanged levels, from earlier highs, sell stops were touched off that attracted more selling to the market and prices gathered bearish momentum according to the market sources. Technical factors also pressurised the prices. Traders are waiting for the U.S. Department of Agriculture's weekly export sales to see whether last week's strong pace of a net 239,500 running bales can be maintained. In weather, the Mississippi Delta is expected to see dry weather and above-normal temperatures through the week, the Meteorogix weather service said. Mostly dry conditions with the chance for a few light showers are seen through the Southeast this week, and temperatures will warm to near to above normal. Texas cotton areas are expected to remain dry this week with above-normal temperatures. A few light showers are possible in the north on Friday and Saturday, with dry conditions set to return on Sunday. Meanwhile, the U.S. dollar traded higher against the euro, the British pound and the Japanese yen, which likely pressured the market as it makes U.S. cotton less attractive to foreign buyers.

Cotton Futures at the NYBOT as on 22/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	49.10	49.25	47.50	47.51	-1.22
December	53.50	53.63	52.25	52.29	-0.74

CHINA

The cotton futures in China settled sharply lower with much lower volume today. The futures were under pressure due to continuous decline in the NYBOT futures. However, the China Cotton Index (CCI) closed today unchanged at 10352. Turnover on CNCE e-market totalled 5510 tonnes, down by 2750 tonnes than the previous session. All those were domestic Type 229. The open interests totalled 95190 tonnes, up by 180 tonnes. The open interests of MD contracts totalled 650 tonnes. The market opened lower. And in the mid-session the price declined sharply, but it rebounded a little in the end. The total turnover today was the 1/3 of last session. The average price has fell more than 100 Yuan. The MD has no volume again. It reflected

the shortage of low-grade cotton. It is expected that the Chinese cotton futures would remain quiet tomorrow.

PAKISTAN

Thin trading activity was witnessed at the Karachi cotton market with around 200 bales changed hands during the session. The mills mostly purchased cotton of southern Punjab and upper Sindh. The spot rate remained unchanged at Rs 2,275 per maund. Traders attributed the thin trading to the high rates asked by ginneries. The spinners, in particular, were not inclined to buy lint on high rates ahead of the next auction of 87,200 bales by Trading Corporation of Pakistan (TCP) on the coming Monday. The TCP is likely to offer its stocks to local mills and avoid selling to foreign buyers, as they are offering very little prices. The mills and exporters have again suggested TCP to offer its stocks in open sale on weekly basis at fixed prices. The ginneries are still having some stocks and may wait for the termination of the TCP's operation. However, the mills remained active in making deals for better quality cotton, as they have to meet foreign demand for their products. The participants expect that the lint prices might rise further in the coming days, as consumption by mills is expected to exceed supplies.

WEATHER WATCH (IMD)

Rain/thundershowers are likely at many places over east of Uttar Pradesh and at a few places over Himachal Pradesh and Uttaranchal. Isolated dust storm/thunder-storm is likely over Punjab, Haryana, Chandigarh & Delhi and west Uttar Pradesh. Mainly dry weather in the rest region. rain/thundershowers are likely at most places in Konkan & Goa; at many places over Saurashtra and south Gujarat region and at a few places over Madhya Maharashtra and isolated in the rest region. Isolated dust storm is likely over Rajasthan. Rain/thundershower activity over Chhattisgarh, west Uttar Pradesh, Himachal Pradesh, Uttaranchal, east Madhya Pradesh and Vidarbha is likely to increase.

Warning: Heavy to very heavy rainfall is likely at a few places over sub Himalayan West Bengal & Sikkim, Konkan & Goa, and coastal Karnataka. Isolated heavy rainfall also likely over northeastern states, north Bihar and Saurashtra & Kutch.

EXCHANGE RATE: 1 USD = Rs 43.53;
1 Euro = Rs 52.74

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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. 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). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.