

## COTTON

1<sup>st</sup> July 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Quiet
- NYBOT Cotton Sharply Higher on Export Sales Report
- China Cotton Futures Rebounds Today
- Cotton Trading Maintains Dullness in Pakistan

### NEWS ANALYSIS

#### Cotton: USDA Reported Strong Export Sales

The USDA reported the export sales for the period June 17 to June 23 that showed strong export sales. The higher payments would be applied only upto 31<sup>st</sup> July and this prompted the shippers to take the benefit. Net Upland sales of 305,700 running bales (RB) were two and one-tenth times the prior week and the previous 4-week average. China (248,200 RB) was the major buyer, followed by Turkey (34,100 RB), and Mexico (21,400 RB). Net sales of 49,900 RB for delivery in 2005/06 were primarily for South Korea (17,400 RB) and Guatemala (9,900 RB). Exports of 301,900 RB were 12 percent above the previous week and 10 percent over the prior 4-week average. The primary destinations were China (116,100 RB), Turkey (54,700 RB), Mexico (26,300 RB), Indonesia (20,600 RB), Thailand (17,700 RB), South Korea (9,700 RB), and Taiwan (9,500 RB). The strong exports sales helped the cotton futures to rally.

#### Cotton: Weather Watch for US and India

Weather conditions are mostly favourable for U.S. cotton, and even dry areas of the Mississippi Delta are expected to get much-needed rain. The Meteorlogix weather service said there are chances for scattered afternoon and evening thunderstorms Friday and Saturday, with mostly dry conditions or a few isolated late-day showers Sunday and Monday. In the Southeast, scattered to widely scattered showers and thunderstorms are expected Friday through Sunday, with near to above-normal temperatures. Dry conditions and above-normal temperatures are expected to persist into the weekend in Texas cotton areas. California's central valley is expected to remain dry and temperatures are seen rising to near or a bit above normal Friday through Sunday, according to Meteorlogix.

Meanwhile, cotton planting is progressing in India's major growing states of Gujarat and Maharashtra after delayed monsoon rains arrived a few days ago. Plantings are reportedly around 50% complete in Gujarat and one-third complete in Maharashtra. However, torrential rain may force the farmers for re-sowing the cotton crop in Gujarat. The sowing has been completed in North Indian states. Another cotton producing state of Madhya Pradesh is still waiting for good rain after which sowing is likely to start.

#### Latest US Cotton Planting Progress Report

The U.S. planted area for all cotton in 2005 is estimated at 14.0 million acres, up 3% from 2004, according to the USDA seeded area estimates for 2005. Upland cotton acreage totalled 13.8 million acres, also up 3%. Growers intend to increase American-Pima cotton planted area 7% from 2004, to 266,000 acres. Upland growers in the Southeastern States (Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia) planted 2.99 million acres of upland cotton, an increase of 1% from the previous year and 2% more than they had originally intended in March. After a cool, wet early spring, an extended period of dry weather moved across most of the Southeast. By early-June, all States were the same as or slightly ahead of the normal planting pace. In the Delta States (Arkansas, Louisiana, Mississippi, Missouri, and Tennessee), producers planted 3.88 million acres, an increase of 13% and 1% more than they had originally intended in March. Nearly all planting was complete by the end of the May. All States, except Louisiana, reported at least 65% of the crop in good or excellent condition. In Louisiana, only 46% of the crop was rated good or excellent, due to thrips infestations migrating from mature wheat fields. Pesticide applications increased the condition of the crop the following week to 67% good to excellent.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### NORTH INDIAN MARKETS

Cotton prices at the markets of North India remained almost mixed. The North Indian markets started getting good rain from yesterday. Prices eased marginally in Haryana. The prices of Bengal deshi cotton improved today also in Sri Ganganagar market amid support from the exporters. There is some export demand from the Asian countries for the Bengal deshi cotton. Thus, the firmness is likely to continue for more days.

##### GUJARAT MARKET

Heavy rainfall in Gujarat is continuing. The cotton belts have received excess rainfall already. The sowing activities in some parts have been stopped. According to the markets sources it may cause re-sowing of the crop in the state.

Thus, the crop may be delayed for 1-2 months. However, the soil may become more fertile. The present strength in the prices may continue for few more days.

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

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3162	4050	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3487	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1035	935	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4724	3233-3430
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	975	775

#### MAHARASHTRA AND MP MARKET

Cotton belts in MP are waiting for rain unlike Maharashtra, where the heavy rainfall is causing a flood situation. Very little rainfall was recorded two days back, which helped some sowing at a few places. However, the major portions of the state are still waiting for rain. The stockists do not

#### INTERNATIONAL MARKET

##### USA

Cotton futures at the New York Board of Trade (NYBOT) went up smoothly to reach more than eight weeks high amid strong technical support and solid export sales and shipments report. The most-active December cotton settled 124 points higher at 56.39 cents a pound and July ended 120 points higher at 52.00 cents. A bullish tone was set in the market when the U.S. Department of Agriculture issued strong export sales and shipments data, sources said. Net 2004-05 upland cotton sales for the week ended June 23 were 305,700 running bales. Total shipments of 301,900 bales were up 12% from the previous week and 10% higher than the previous four-week average. The shippers are going to do everything in their power to get every bale offshore before July 31" to take advantage of the higher Step 2 government payments. The higher payments will only be applied to the 2004-05 crop year, which ends July 31. However, the USDA in its June acreage report that 2005-06 cotton acres totalled 14.026 million, up from its March estimate of 13.82 million but within most trade expectations. This news had little effect on the market. The market tone in the short-term is strong enough and is likely to continue for more days.

##### Cotton Futures at the NYBOT as on 30/06/05 (cents/pound)

Contract	Open	High	Low	Close	Change
July	50.50	52.20	50.50	52.00	+1.20
December	55.30	56.75	55.20	56.39	+1.24

##### CHINA

The cotton futures in China rebounded today amid support from the rally in NYBOT futures yesterday. The China

want to sell their cotton at lower prices and are holding in anticipation of rain. Therefore, here cotton prices are maintaining slight strength. 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 256.50 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 today remained almost unchanged. The trading remains dull throughout the day. The contract opened on the lower side today and maintained the weakness till the closing of the day. The August contract failed to get any support from the NYBOT futures.

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

Contract	Prev.	Set High	Low	LTP*	Change
August	4470.00	4451.00	4451.00	4451.00	-19.00

Cotton Index (CCI) also improved today. Turnover on CNCE e-market totalled 6770 tonnes, down by 870 tonnes than the previous session. Domestic Type 428 reached 200 tonnes and the balance was Type 229. The open interests totalled 94010 tonnes, up by 490 tonnes. The open interests of MD contracts totalled 1340 tonnes, up by 170 tonnes. As the increase of New York cotton future, the prices of CNCE e-trading increased 4-70 Yuan in today's session. The open interests went up while the turnover continually went down. MA's turnover was more than 50% in the total turnover of MA, and MD was rather active today.

##### PAKISTAN

Dull trading activity continued at the Karachi cotton market. Leading mills and spinners made deals with ginners of Sindh for August delivery. Private sector exporters remained on the sidelines during the session. The KCA spot rate remained unchanged at Rs 2,300 per maund. The stocks of the ginners are almost finished and the high prices demanded by private sector exporters for their stocks added to the dull sentiment of the market. The growers have accelerated picking operations in most parts of Sindh and Punjab. The traders said that some deals were made for August delivery at Rs 2,300 per maund to Rs 2,325 per maund. He said increase in demand for lint would push the prices up in the coming sessions. The decline in prices on forward dealings by around 1.39 cents to 51.32 per pound at the New York cotton exchange would discourage the exporters and they would like to sell their stocks in the domestic market. He said the spinners made a few forward deals with exporters. The auction of around 93,000 bales by TCP on Monday is expected to determine the price outlook of the market. The leading ginners also

made future deals of about 500 bales with the mills at around Rs 2,400 per maund. The strong undertone of the prices is likely to continue in near future.

#### WEATHER WATCH (IMD)

Rain/thundershowers are likely at most places in east Madhya Pradesh and Chhattisgarh.

Rain/thundershowers are likely at many places over coastal & south interior Karnataka and Kerala 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 and Gujarat state and west Madhya Pradesh and at many places over rest region outside west Rajasthan where it may be at a few places.

Ongoing rainfall activity over central parts of the country is likely to continue and shift westwards to western parts of the country. Enhanced rainfall activity likely to continue over Gujarat state and along the west coast.

**Warning:** Heavy to very heavy rain is likely at a few places over Madhya Pradesh, Chattisgarh, Konkan and Gujarat state. Isolated heavy rainfall also likely over sub-Himalayan West Bengal & Sikkim, east Rajasthan, Madhya Maharashtra, Vidarbha, coastal Karnataka and Kerala

**EXCHANGE RATE:** 1 USD = Rs 43.53;  
1 Euro = Rs 52.38

#### 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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