

COTTON

20th July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Unchanged
- NYBOT Futures Declined amid Selling Pressure
- China Cotton Prices Decline Today
- Pak Cotton Prices Continue the Firm Tone

NEWS ANALYSIS

Cotton: US Weather Watch

Weather plays a big role in Agriculture particularly in crops like cotton. This time is very crucial for cotton in the US. Several hurricanes affect the cotton crop in the US. Last year Hurricane Ivan made a great damage to the US cotton crop. This year so far Hurricanes did not cause any significant damage. Meanwhile, Hurricane Emily strengthened to a category two hurricane with maximum sustained winds near 100 miles per hour. Emily is expected to make landfall near Mexico's northeastern coast by Wednesday morning. The lower Rio Grande River Valley is expected to see significant rains and flooding, which will impact the cotton harvest according to the DTN Meteorlogix. Cotton areas in western Texas aren't expected to receive rains from Emily and conditions there are expected to remain dry this week into Saturday. Meanwhile according to the US Department of Agriculture cotton in good-to-excellent condition improved to 60% in the week ended July 17, from 58% the previous week. Twenty-eight percent of the crop was fair while 12% was poor to very poor.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

The North Indian markets did not see any significant change today, as the fundamentals remained same. Prices of both the varieties of cotton continue to remain firm. No significant change in the coming days is likely to occur.

GUJARAT MARKET

The firmness in the cotton prices in Gujarat continues today. There are still some demands from the local mills for Shankar and Kalyan varieties. Some forward contracts also are being traded and these are supporting the prices.

MAHARASHTRA AND MP MARKET

No significant change was seen in the cotton prices in Maharashtra and MP. The prices are strong at present and there is little chance for the prices to decline. In Maharashtra Bunny (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 15200-16500 per candy, while Y1 fetched Rs 13800 to 14200 per candy. In Maharashtra prices of Y1 were recorded at Rs 13500-13900 per candy. Prices of MCU-5 (30mm) were recorded at Rs 17500 to Rs 18000 per candy. Prices of cotton khal in Akola remains at Rs 301.20 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 385 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	3312	4095	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3487	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1035	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4850	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	950	775

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened unchanged today and remained at the same level. No movement was seen.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set	High	Low	LTP*	Change
August	4540.00	4540.00	4540.00	4540.00	4540.00	0.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) continued the downfall today and fell to five-month lows on fund selling of a strong US dollar. The most-active December cotton settled 101 points lower at 49.79 cents and October ended 64 points lower at 48.45 cents. December cotton fell to 49.40, its weakest price since Feb. 10 when it hit 49.20 cents. Technically, Tuesday's close represents an 86.5% move from the 69.50 contract high to the 46.25 contract low, which leaves prices only about 3.5 cents from contract lows. Speculative accounts decreased their net long position to 14.6% of open interest in the week ended July 15, from 21.2% the previous week, NYBOT said in its latest spec/hedge report. Open interest decreased to 90,734, from 92,091 positions the previous week. Meanwhile, August crude oil futures settled 14 cents higher at \$57.46 a barrel at the New York Mercantile Exchange. This remains as only supportive factor for the prices. The crop condition also improved putting pressure on the prices. Thus, for the near-term the cotton futures are likely to maintain the weakness.

Cotton Futures at the NYBOT as on 19/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	50.10	50.30	49.40	49.79	-1.01

CHINA

The cotton prices in China Cotton forward trading went down today. The China Cotton Index (CCI) remains unchanged. The turnover was stable. The volume increased significantly today. Today the volume totalled at 15450 mt. The cumulative volume reached to 598270 mt. The open interest however, declined by 3740 to take the total open interest to 79850. The MA contracts witnessed steep fall. The sharply lower NYBOT futures pressurised the cotton prices in china. The weakness is likely to remain in near terms however, there should be some improvement after that.

PAKISTAN

Cotton prices at the Karachi cotton market in Pakistan maintained the firmness despite low business activities. The spot rate at the Karachi Cotton Association (KCA) remained at Rs 2375 per maund without upcountry expenses. According to the market sources, after getting positive response by the buyers the Trading Corporation of Pakistan (TCP) was quoting the selling price for the 1-1/32 at Rs 2380 and for 1-1/16 at Rs 2457. The TCP was asking the interested buyers to match with their quoted prices for

the new purchases. The new cotton crop from Sindh has started reaching the market and fetching lucrative rates at Rs 2525 according to the dealers. It is likely that the prices would remain firm in near future.

WEATHER WATCH (IMD)

Forecast valid for next 72 hours

North: Rain/thundershowers likely at many places over Uttar Pradesh, Uttaranchal and Himachal Pradesh and isolated in the rest region.

East: Rain/thundershowers likely at many places over Northeastern States, Bihar and Sub-Himalayan West Bengal & Sikkim, at a few places Gangetic West Bengal, East Madhya Pradesh and Chhattisgarh and isolated in the rest of the region.

South: Rain/thundershowers likely at many places in Lakshadweep, Karnataka and Kerala and isolated in the rest region.

West: Rain/thundershowers likely at many places over Konkan & Goa, Madhya Maharashtra, Marathwada and isolated in the rest region.

Warning

Heavy to very heavy rainfall likely at isolated places over Sub-Himalayan West Bengal & Sikkim, Northeastern States. Isolated heavy rainfall also likely over Konkan and Goa, Coastal Karnataka and Kerala.

Outlook for subsequent two days

Ongoing rainfall activity over Northeastern States, Sub-Himalayan West Bengal & Sikkim and along West coast of India likely to continue

Subdued rainfall activity over remaining parts of the country likely to continue.

EXCHANGE RATE: 1 USD = Rs 43.54;
1 Euro = Rs 52.53

Latest ICAC Estimates on Global Cotton Scenario (As on 1st July)

Particulars	2004-05	2005-06	2006-07
Production	120.6	110	114
Consumption	106.8	109	113
Exports	33.4	37	38
Ending stocks	49.2	50	51
Cotlook A index*	52*	65*	65*

(Figures in million bales)

*- US cents per pound

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