

## COTTON

18<sup>th</sup> July 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Spot Prices Stable, Futures Up
- China Cotton Prices Declined Slightly
- TCP Auction Dominates the Trading in Pakistan

### NEWS ANALYSIS

#### Hurricane Dennis Damages US Cotton Crop Partly

Hurricane Dennis destroyed up to 50 percent of the cotton crop in some parts of the United States. Last year also farmers had to struggle to earn profit due to damage done by the Hurricane Ivan. According to the USDA Hurricane Dennis affected around 4700 county farms and 56000 acres of cropland. The latest available data shows the cotton crop of this county alone worth \$14 million in 2003. Many of the cotton plants are snapped by the latest storm. Some plants were even stripped off. Moreover, the growth of the crop is also hampered. If the hurricanes continue the damage the market could get support in the future.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### NORTH INDIAN MARKETS

Cotton prices at the North Indian markets today remained with a firm undertone. The prices of J-34 at the Sirsa mandi improved slightly. Bengal deshi variety on the other and maintained the strength in both Sirsa and Sri Ganganagar markets. There are some demands for now. The Cotton Corporation of India (CCI) also remained active in selling its stocks. The present tone of the market is likely to continue.

##### GUJARAT MARKET

In Gujarat the prices of both the varieties remained strong today also. However, there was very little movement. The market sources reported about the easy tone of the market. The sellers are preparing to bring their stocks to the market. This may pull down the prices also. Still some rain is reported in Rajkot region today. There may be slight weakness within a couple of days.

##### MAHARASHTRA AND MP MARKET

There was no significant change in the cotton prices in Maharashtra and MP. The fundamentals remained unchanged. However, in MP the market tone remained with the easy undertone. Prices may decline slightly 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 15200-16500 per candy, while Y1 fetched Rs 14000 to 14200 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 290.20 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 378 per 10 kg.

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

MARKET	Bengal deshi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3275	4075	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3487	3900	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1035	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4864	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	950	775

#### VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened unchanged and then went down for a while. However, after that started improving smoothly. No frequent movement was seen in the intra-day trading. The August contract closed at the day's high. The contract witnessed a sharp gain. Tomorrow also the contract is likely to remain strong.

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

Contract	Prev.	Set	High	Low	LTP*	Change
August	4515.00	4558.00	4480.00	4558.00	4558.00	+43.00

### INTERNATIONAL MARKET

#### USA

The NYBOT cotton futures remains closed on Saturday and Sunday.

**Cotton Futures at the NYBOT as on 15/07/05 (cents/pound)**

Contract	Open	High	Low	Close	Change
December	51.70	52.05	51.05	51.45	-0.39

**CHINA**

The cotton forward trading in China witnessed heavy volume today. The prices however slipped slightly. Turnover on CNCE e-market totalled 10170 tonnes, down by 4610 tonnes than the previous session. Domestic Type 428 reached 370 tonnes and the balance was Type 229. The open interests totalled 84080 tonnes, down by 2510 tonnes. The open interests of MD contracts totalled 1660 tonnes. The market opened weak and went on lower. The main features in today's session were: 1. The turnover enlarged a lot, which was almost 1.8 times than last Friday. The MA0509 was quite active, and its turnover had taken up 44% of the total. 2. The open interests continued to go down. 3. The average prices of each contracts declined 10-110 Yuan, and MA0509s average price lost 10. Some improvement is likely tomorrow.

**PAKISTAN**

Cotton spot prices remained strong in an otherwise dull trading session at the Karachi cotton market in Pakistan. The auction by the Trading Corporation of Pakistan (TCP) today also got good response from the mills and spinners. The stocks with the ginneries have come to an end. The prices ranged from Rs 2,475 per maund to Rs 2,535 per maund. The flood situation in some parts along with the rainfall is indicating towards a possible crop damage. The consumption on the other hand is rising and likely to improve further. The mills are therefore, busy in covering their positions. Thus, the cotton prices are likely to maintain the strength tomorrow also.

**WEATHER WATCH (IMD)**

**North:** Rain/thundershowers likely at many places over Uttaranchal and west Uttar Pradesh; at a few places in the east Uttar Pradesh and isolated in the rest region.

**East:** Rain/thundershowers likely at many places over northeastern states and sub-himalayan West Bengal & Sikkim and at a few places in the rest of the region outside Chhattisgarh, Jharkhand, gangetic West Bengal and Orissa where it may be at isolated places.

**South:** Rain/thundershowers likely at many places in coastal Karnataka and Kerala; at a few places in interior Karnataka and isolated in the rest region.

**West:** Rain/thundershowers likely at many places over Konkan & Goa, east Rajasthan and west Madhya Pradesh; at a few places in the rest region outside west Rajasthan, Gujarat state, Vidarbha and Marathwada where it may be isolated. Further decrease in rainfall over west Madhya Pradesh and east Rajasthan by 20th July.

**Outlook for subsequent two days**

Ongoing rainfall activity over northeastern states and sub-himalayan West Bengal & Sikkim is likely to continue. Ongoing rainfall activity over peninsula India is likely to **continue and extends further to central India.**

**Warning**

Heavy to very heavy rainfall is likely at a few places over sub-himalayan West Bengal & Sikkim and northeastern states. Isolated heavy rainfall is also likely over Uttaranchal, west Uttar Pradesh and coastal Karnataka.

**EXCHANGE RATE:** 1 USD = Rs 43.54;  
1 Euro = Rs 52.56

**Latest ICAC Estimates on Global Cotton Scenario (As on 1<sup>st</sup> 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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