

COTTON

9th July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain almost Unchanged
- NYBOT Cotton Lower on Technical Selling
- Pak Trading Thin, Price Unchanged

NEWS ANALYSIS

Pak Takes Step for Contamination Free Cotton

The federal minister for textile industry in Pakistan informed that the government has launched a programme to procure the contamination free cotton to remain competitive in the international markets by meeting the quality standards. This Programme will be carried out by the cooperation of Ministry of Agriculture, Food and Livestock. The minister said that first cotton testing laboratory had been set up in Rahim Yrakhan by private sector and it had started working and five fiber-testing laboratories would be established by Pakistan Cotton Standard Institute in districts Sanghar, Ghotki in Sindh province and Multan, Rahimyarkhan and Vehari in Punjab province. A task force formed to ensure contamination free cotton also recommended ban of plastic bags for packing and supply of cotton. Task Force also recommended that farmers and owners of ginning factories should be given money in term of premium in case of better performance regarding procurement of contamination free cotton. Standard weight of bales was fixed as 170 Kg per bale.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices in the North Indian markets maintained the stable trend today also. The fundamentals have been same for last few days. Stocks are lower supporting the prices. This time may be seen as the lean period for cotton. Kapaskhali and cottonseeds maintained the same prices today. There is very little chance of the prices to change.

GUJARAT MARKET

Today though the prices did not change in Gujarat maintained a firm undertone that is prevailing for last few days. Forward trading for the Shankar kapas for the October delivery is also going on. Presence of exporters remains as the supportive factor for the cotton prices in Gujarat. If there is no change in the present fundamentals the cotton prices would remain strong.

MAHARASHTRA AND MP MARKET

The prices of cotton in the markets of Maharashtra and Madhya Pradesh did not witness any significant change. In both the states the sowing activities are going on. However, in MP some cotton areas still require more rains for better sowing activities. The prices are likely to not change in the coming days also. 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 15200-16300 per candy, while Y1 fetched Rs 14000 to 14100 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 284.50 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 376 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	3150	4087	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3462	3950	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1040	940	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4900	3233-3514
2. Raw Cotton	-	-	2200	-
3. Cottonseed	-	-	-	810

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today remained almost unmoved amid sluggish trading activities. The August contract opened on the lower side and remained in the negative territory throughout the day. The contract closed the day at the day's open price, which was also the day's low. Cotton futures in the domestic markets may improve in the next week.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4495.00	4481.00	4480.00	4480.00	-15.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade settled lower yesterday amid technical activities and subdued market sentiments. The most-active December cotton futures settled 41 points lower at 55.47 cents a pound. For the week, December cotton futures lost 68 cents a pound. However, with Dennis now a major Category 4 hurricane - and nearly a Category 5 at one point Friday with maximum sustained winds at 150 miles per hour - many traders stood on the sidelines of the cotton market. According to the U.S. National Hurricane Center, Dennis made a western turn over Cuba on Friday morning, which means it may strengthen again. Hurricane warnings are in effect for much of Cuba and the Florida Keys. Dennis is expected to make landfall anywhere from the Alabama or Mississippi coasts to the Florida Panhandle on Sunday. While some expect Dennis will bring much-needed rains to Southeast and Delta cotton areas, others say the possible flooding could be damaging to the crops. Meanwhile, the U.S. Department of Agriculture said Friday that 2004-05 upland cotton export sales for the week ended June 30 were a net 318,400 running bales, up 4% from last week and 63% higher than the previous four-week average. Net sales for the 2005-06 marketing year were 29,200 bales. Total shipments of upland and pima cotton were 261,400 bales. The USDA is scheduled to issue 2005-06 cotton production and supply/demand data on Tuesday. The expectation is about 19.7 million bales, compared to the USDA's 19.5 million June projection. The higher estimate is based on the USDA's June acreage estimate of 14.03 million, from 13.8 million in March. Ending stocks for the 2005-06 crop year are expected to be raised to 6.5 million, from the USDA's 6.2 million estimate.

Cotton Futures at the NYBOT as on 08/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	55.45	55.80	54.60	55.47	-0.41

CHINA

The cotton futures in China remain closed on Saturday and Sunday.

PAKISTAN

Trading activities remained dull at the Karachi cotton markets as the buyers remained almost reluctant to cover their future positions. The spot rate remained intact at Rs

2,325 per maund without upcountry expenses. Leading mills purchased quality lint at prices between Rs 2,450 per maund and Rs 2,500 per maund. Leading spinners bought some stocks of new crop from southern Punjab. They offered slightly higher prices for these lots. Flood situation in some of the cotton growing areas in Punjab province is likely to provide support to the lint prices. The stocks lying with Trading Corporation of Pakistan (TCP) have shrunk to around 800,000 bales. This coupled with the large increase in the demand for cotton by the mills is indicating towards the strength in the prices in near future.

WEATHER WATCH (IMD)

North: Rain/thundershowers likely at a few places over east Uttar Pradesh, Uttaranchal, Himachal Pradesh and Jammu & Kashmir and isolated in the rest region.

East: Rain/thundershowers likely at many places over northeastern states, Sub-himalayan West Bengal & Sikkim, Orissa and Chhattisgarh at a few places in the rest region. Increase in rainfall activity over Bihar and northeastern states on 11th and 12th July.

South: Rain/thundershowers likely at many places over coastal & north interior Karnataka, coastal Andhra Pradesh, Telangana and Kerala and at a few places in the rest region outside Tamil Nadu & Pondicherry where it may be isolated.

West: Rain/thundershowers are likely at many places over Konkan & Goa and Vidarbha and at a few places over the region outside Gujarat state and Rajasthan where it may be isolated.

Outlook for subsequent two days

Increase in rainfall activity over Uttar Pradesh, Bihar, Northeastern states and along the west coast. Rainfall activity over plains of northwest India is likely to remain subdued.

Warning: Isolated heavy rainfall likely over northeastern states, north coastal Andhra Pradesh, Telangana, coastal Karnataka and Kerala.

EXCHANGE RATE: 1 USD = Rs 43.63;
1 Euro = Rs 52.02

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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