

COTTON

23rd July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Unchanged
- NYBOT Cotton Higher on fund Buying and Technical Support
- Pak Trading Maintains the Dullness

NEWS ANALYSIS

Cotton: US weather Watch

Weather in the Mississippi Delta is expected to be mostly dry with chances for isolated showers and thundershowers through next Tuesday according to the DTN Meteorlogix. The Southeast is also expected to see chances of scattered to widely scattered showers and thunderstorms through next Tuesday. Dry conditions and above-normal temperatures are forecast for Texas this weekend. Two South Texas counties sustained heavy crop damage from Hurricane Emily, according to a press repor. Farmers had harvested about 35% of the cotton in Cameron County before Emily hit, and about half of the remaining 65% in the fields was lost, a report said. Similar losses were seen in Willacy County. But due to a U.S. crop that is doing well overall -- currently rated 60% good to excellent and 28% fair -- the market didn't seem to trade the news.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices remained firm without any significant change in the markets of major cotton producing states of North India. The market tone remained strong however. Prices of Kapaskhali remained at the same level. The CCI continues its operation in these markets. For the short-term the prices are likely to remain strong.

GUJARAT MARKET

Cotton prices at the markets of Gujarat remained unchanged. The weather remains clear and the sellers are waiting for the rains to come to the market with their produce. Some sellers were there in the market yesterday according to the market sources. But today they remained on the sideline. Prices are not likely to change unless there is rain.

MAHARASHTRA AND MP MARKET

Prices remained in the same level in the markets of Maharashtra and MP. Fundamentals also remained unchanged. There are very little chances of a significant change in the prices. 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 305.20 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	1050	960	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4825	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	950	775

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened unchanged today and tried to improve however, could not. The August contract remained almost unmoved throughout the trading session. The contract closed at the day's low. The price was also the yesterday's closing price. Thus, on the day the contract remained unchanged.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4530.00	4540.00	4491.00	4530.00	0.00

INTERNATIONAL MARKET

USA

Cotton futures at the New York Board of Trade posted strong gains, as trade, fund buying and positive technicals provided a bullish backdrop for the market. The most-active December cotton settled 116 points higher at 51.76 cents while October ended 130 points higher at 50.20 cents. China announced Thursday it was scrapping the yuan's peg to the U.S. dollar and tied it instead to a basket of currencies, effectively raising the yuan's value about 2% to the dollar. The news was viewed as mostly bullish for the cotton market as the new currency relationship will make U.S. cotton and other dollar-denominated commodities cheaper for Beijing to purchase. Friday's move higher also confirmed Thursday's hammer formation on the chart using Japanese candlestick analysis. The hammer, a bottoming candlestick line, is bullish when it appears in a downtrend. Overall, the prices are likely to remain strong for now.

Cotton Futures at the NYBOT as on 22/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	50.15	51.80	50.15	51.76	+1.16

CHINA

The China forward trading remains closed on Saturday and Sunday.

PAKISTAN

Trading activities continued to remain weak in Pakistan. The spot prices remained intact at Rs 2375 per maund. Leading mills made few deals for August and September delivery. They offered slightly higher price for fine stocks. New crop has already started reaching ginneries in lower Sindh. The ginneries in southern Punjab also have started getting new crop 2005-06. However, the growers are still reluctant to continue supply under weather situations. The mills made deals for few lots at Rs 2,450 per maund to Rs 2,475 per maund for yarn production to complete orders from the international buyers. Unless the Trading Corporation of Pakistan (TCP) quits the local market the firm tone of the market would continue.

WEATHER WATCH (IMD)

FORECAST VALID FOR NEXT 72 HOURS

NORTH : Rain/thundershowers likely at many places over Uttaranchal, Himachal Pradesh and at a few places in the rest region.

EAST : Rain/thundershowers likely at many places over West Bengal & Sikkim, Orissa, Bihar, Jharkhand and Chhattisgarh and at a few places in the rest region./

SOUTH : Rain/thundershowers likely at most places over North Coastal Andhra Pradesh, Telangana and at many places in the rest region outside Tamil Nadu where it may be at a few places.

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

WARNING

Heavy rainfall likely over Gangetic West Bengal, Orissa, Coastal Andhra Pradesh, Telangana, Konkan & Goa, Coastal Karnataka, Himachal Pradesh and Uttaranchal.

OUTLOOK for subsequent two days based on NCMRWF and other numerical weather products

i) Rainfall activity likely to increase over central and adjoining peninsular India.

Ongoing rainfall activity along West coast is likely to continue.

EXCHANGE RATE: 1 USD = Rs 43.39;
1 Euro = Rs 52.85

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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