

COTTON

21st July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Spot Prices Unchanged, Futures Up
- NYBOT Cotton Mixed as Selling Offsets Some Buying
- Cotton Prices Continue to Decline in China
- Cotton Trading Remains Dull in Pakistan

NEWS ANALYSIS

Cotton: USDA Released Bullish Weekly Export Sales

The US Department of Agriculture (USDA) released the weekly export sales data for the period July 8 to 14. This week the exports figures came at higher levels after a bearish weekly data for the previous week. Net Upland sales of 271,700 running bales (RB) were 90 percent above the prior week and 19 percent over the previous 4-week average. China (218,700 RB) was the major buyer, with smaller quantities to Mexico (22,900 RB), Turkey (8,600 RB), and Indonesia (7,300 RB). Net sales of 129,300 RB for delivery in 2005/06 (which begins Aug. 1) were primarily for China (68,900 RB), Mexico (15,800 RB), South Korea (11,900 RB), and Turkey (10,400 RB). Optional origin sales of 88,000 RB for delivery to China were declared U.S. origin. Of the total, 50,000 RB were reported for delivery in 2004/05 and 38,000 RB for delivery in 2005/06. Exports of 365,600 RB were 7 percent above the previous week and 26 percent over the prior 4-week average. The primary destinations were China (140,600 RB), Mexico (75,700 RB), Turkey (65,700 RB), Indonesia (17,600 RB), and South Korea (9,400 RB). The export data may support the NYBOT futures tomorrow.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices in North Indian Markets remained firm today also. Demand from the local mills kept the prices at the higher side. In Sri Ganganagar mandi of Rajasthan prices of cotton remained stable. In Sirsa mandi of Haryana also, the prices maintained the firmness. The Cotton Corporation of India (CCI) remains active in these states offering their stocks at the higher prices. The spot prices are likely to remain unchanged in the coming days.

GUJARAT MARKET

Though the prices of the cotton in the markets of Gujarat remained at the higher level today the market tone became easy. The sowing of Shankar has completed. Small portion of sowing of Kalyan is remaining still. The crop is likely to hit the market in September last week to October 1st week.

The sellers are becoming active seeing the crop development. Buyers kept themselves out of the market. There may some weakness in cotton prices in Gujarat.

MAHARASHTRA AND MP MARKET

Prices of cotton in Maharashtra and MP remained at the same level. The federation remains as the only seller in Maharashtra with the same prices. In MP the sellers are still waiting to take their stocks into the market. 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	1035	955	-	-
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 after that moved up smoothly. Throughout the day the contract remained at the higher side. The August contract closed the day at the day's high.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4540.00	4560.00	4543.00	4560.00	+20.00

INTERNATIONAL MARKET

USA

Cotton futures at the New York Board of Trade settled mixed amid lack of clear direction. Speculative selling coupled with trade buying kept the market tone subdued. The most-active December cotton settled 10 points higher at 49.89 cents and October ended 20 points lower at 48.25 cents a pound. Trade buying on the open took December cotton to its 50.45 session high, but spec selling eroded those gains. Meanwhile, Hurricane Emily came ashore in north-eastern Mexico on Wednesday about 80 miles south of the Texas-Mexico border with 125-mile-per-hour winds. Heavy rains are falling in Brownsville, Texas, and flooding is possible in the lower Rio Grande River Valley. It is not yet known whether major crop damage has been sustained. The cotton harvest in the Rio Grande Valley had just gotten underway in the past week. Major cotton-growing areas in western Texas are not expected to see beneficial rains from Emily, however. Moisture levels continue to improve in the Mississippi Delta and the Southeast as scattered showers and thundershowers move through this week. Thus, weather conditions could not have any significant effects in either direction. The US-China trade relation is also turning towards a new route. All these things and technical factors are indicating towards slight uncertainties in the market. However, the prices may rise slowly.

Cotton Futures at the NYBOT as on 20/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	49.86	50.45	49.36	49.89	+0.10

CHINA

Cotton prices dipped further at CNCE forward trading in China. The sluggish scenario at present fails to give a strong and clear direction. The China Cotton Index (CCI) also went down by 3 points. The turnover on CNCE e-market totaled 9710 tonnes, down by 5740 tonnes than the previous session. Domestic Type 428 reached 50 tonnes and the balance was Type 229. The open interests totalled 79130 tonnes, down by 720 tonnes. The open interests of MD contracts totalled 1240 tonnes, up by 20 tonnes. The volume also declined today and recorded at 9710 mt for the day. The cumulative volume reached to 607980 mt. The open interest slipped 720 to reach 79130. The US government's acceptance of a petition by US manufacturers seeking limits on imports of curtains from China was criticized by China. Last week, U.S. manufacturers petitioned the government to impose quotas on additional imports of Chinese textiles and clothing. China said this the acceptance of the petition was against the WTO rule. In this scenario there may be some uncertainties. However, the technical indicators are indicating a trend reversal soon.

PAKISTAN

The spot rate of cotton at the Karachi cotton market remained unchanged at Rs 2375 per maund. The trading activities however, remained thin. The ginneries in upper

Sindh sold cotton in limited quantity for September delivery to mills and spinners on slightly better prices. The mills are still eager for quality lint being auctioned by Trading Corporation of Pakistan (TCP) every week. However, the private sector exporters were still reluctant to come forward to buy stocks offered by TCP. Anyway the TCP's strategy of auctioning cotton at regular intervals is strengthening the position of textile industry. The quantity and quality of yarn production is improving because of uninterrupted supply of lint. According to the Karachi Cotton Association some mills and spinners made few deals of poor grade cotton to consolidate their respective positions. The cotton prices therefore are not likely to remain weak in the near term.

WEATHER WATCH (IMD)

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

East: Rain/thundershowers likely at many places over Northeastern States, Bihar, Orissa and West Bengal & Sikkim, at a few places in the rest of the region outside East Madhya Pradesh and Chattisgarh where it may be isolated.

South: Rain/thundershowers likely at many places in Andaman and Nicobar Islands, Lakshadweep, Coastal Karnataka and Kerala; at a few places over Interior Karnataka and isolated in the rest region.

West: Rain/thundershowers likely at many places over Konkan & Goa and Madhya Maharashtra; at a few places over 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, Bihar, Sub-Himalayan West Bengal & Sikkim is likely to decrease. It may enhance along West coast of India.

Ongoing rainfall activity over is likely to increase along West coast of India.

Rainfall activity is likely to increase over Gangetic West Bengal, Orissa and north coastal Andhra Pradesh.

Warning

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

EXCHANGE RATE: 1 USD = Rs 43.51;
1 Euro = Rs 52.84

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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