

## COTTON

25<sup>th</sup> July 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Prices Show Some Improvement
- China Cotton Prices Remain Mixed Today
- TCP Dominates the Pak Cotton Trading

### NEWS ANALYSIS

#### Cotton: CCI Remains Active in Tamil Nadu

This last cotton year (2004-2005) saw a huge output worldwide. In India also cotton crop set a record. For this the prices in the international markets and in India as well declined significantly. To protect the interest of the farmers and to stabilise the market prices the Cotton Corporation of India (CCI) started its operation in the domestic markets in different cotton producing states. The CCI has procured 2,400 quintals of seeded cotton from the growers in Tamil Nadu under its minimum support price (MSP) operation in the last one month. Bulk of this quantity came from its purchases from the Tamil Nadu's delta region as the CCI purchase centre operating at Kumbakonam alone has accounted for a quantity of 2,250 quintals of kapas cotton bought, according to the CCI sources here. Besides the Kumbakonam purchase centre, the CCI has also opened two other purchase centres in the State at Rajapalayam and Paramakudi. Among the varieties procured at these centres are Bunny, LRA, NHH and MCU-5. The sources said with the entry of CCI in the market, the kapas procurement price had improved across the State for the summer crop, with the average per quintal price crossing the Rs 2,000/2010-band at some primary cotton market centres such as Villupuram. The MSP quotes for the Bunny, LRA and NHH (equivalent grade to MCU-5) reported in these centres were Rs 1,884, Rs 1,683/Rs 1,734 and Rs 1,570 per quintal. The operation of the CCI has been effective to maintain the cotton prices at a standard level.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### NORTH INDIAN MARKETS

Firmness in cotton prices at the markets of North Indian states continued today also. The prices of both J-34 and Bengal deshi varieties in Sirsa mandi of Haryana and Sri Ganganagar mandi of Rajasthan indicated further recovery. While price of Bengal deshi variety improved in Sirsa prices of J-34 improved in Sri Ganganagar mandi. The market tone in North India remains on the higher level. Only rain at this time can pull prices down here.

#### GUJARAT MARKET

In Gujarat cotton prices remained unchanged today. The buyers are reluctant presently. The sellers are also not willing to come to the market spontaneously. It was expected earlier that the selling intention may put weight on the prices. However, no rain stopped the sellers to come to the markets. Meanwhile, forward trading for new Shankar kapas for delivery in November has started in a small scale. For few more days the cotton prices in Gujarat may continue.

#### MAHARASHTRA AND MP MARKET

Cotton prices in the states of Maharashtra and MP remained at the same level without any significant change. The federation remains the sole agency to sell cotton in Maharashtra. In MP the sellers are still waiting for the better 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 300.0 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 382 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	3362	4075	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3450	3950	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1050	960	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3514
2. Raw Cotton (New)	-	-	2175	-
3. Cottonseed	-	-	950	825

#### VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened lower today however, after that improved slightly. The

August contract however, remained with very less movements. Though the contract remained below the previous closing, the closing price was the day's high price.

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

Contract	Prev. Set	High	Low	LTP*	Change
August	4527.00	4515.00	4480.00	4515.00	-12.00

## INTERNATIONAL MARKET

### USA

The NYBOT remains closed on Saturday and Sunday.

#### 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 cotton prices at the China cotton forward trading remain firm for the front months. However, overall the prices fell today. The China Cotton Index (CCI) also closed lower today. 3860 tonnes were concluded on CNCE e-market, down by 3720 tonnes from the previous session. MD contracts totalled 20 tonnes, the balance was domestic Type 229. The cumulative volume went up to 401630 tonnes. The open interests totalled 66680 tonnes, up by 510 tonnes. The open interests of MD contracts totalled 60 tonnes. The market may remain under pressure tomorrow.

### PAKISTAN

Cotton prices at the Karachi cotton market in Pakistan remained unchanged at Rs 2375 per maund. Trading activities however, maintained the dullness today also. The auction by the Trading Corporation of Pakistan (TCP) dominated the cotton trading today. The mills bought aggressively the TCP's stocks. According to the KCA on Saturday, very little activity was noticed in local market and about 500 bales of all grades were traded at Rs 2,455 per maund to Rs 2,540 per maund. Some leading mills also made deals for poor quality lint in limited quantity with the ginneries of Sindh.

### WEATHER WATCH (IMD)

FORECAST VALID FOR NEXT 72 HOURS

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

**East:** Rain/thundershowers likely at most places over South Orissa, at many places over Jharkhand, Chhattisgarh, rest Orissa and at a few places in the rest region. Increase in rainfall over East Madhya Pradesh after 26th.

**South:** Rain/thundershowers likely at most places over Coastal Andhra Pradesh, Coastal Karnataka, at many places over interior Andhra Pradesh, interior Karnataka, Kerala and Andaman & Nicobar Islands and at a few places over Lakshadweep and Tamil Nadu & Pondicherry.

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

#### Outlook for subsequent two days

Increase in rainfall activity over west central India. Ongoing rainfall activity over east central India, Orissa and Andhra Pradesh is likely to continue. Ongoing rainfall activity along West coast is likely to continue. Subdued rainfall activity over Northeastern States of India and Sub- Himalayan West Bengal & Sikkim.

#### Warning

Heavy to very heavy rainfall is likely at a few over south Orissa, North Coastal Andhra Pradesh, Konkan & Goa and Coastal Karnataka. Isolated heavy rainfall also is likely over rest Orissa, Chhattisgarh, Madhya Maharashtra and south coastal Andhra Pradesh, Telangana.

**EXCHANGE RATE:** 1 USD = Rs 43.50;  
1 Euro = Rs 52.43

#### 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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