

COTTON

29th July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remain Steady
- NYBOT Cotton Higher on Strong Shipments Data
- Cotton Prices Continue to Decline in China
- Pak Cotton Prices Remained Stable

NEWS ANALYSIS

Cotton: USDA Reported Bullish Weekly Exports Sales

The US Department of Agriculture (USDA) released the weekly exports sales for the period July 15 to July 21. The report shows significant increase in the sales as well as shipment numbers. The report remains bullish for the market and NYBOT settled higher yesterday. The net Upland sales of 38,700 running bales (RB) were 85 percent below the prior week and the previous 4-week average. Major increases for China (83,400 RB), unknown destinations (29,300 RB), Turkey (17,900 RB), and Thailand (6,400 RB) were partially offset by decreases for Pakistan (54,500 RB), Taiwan (30,200 RB), Bangladesh (7,500 RB), and Canada (7,300 RB). Net sales of 230,500 RB for delivery in 2005/06 (which begins Aug. 1) were primarily for unknown destinations (87,400 RB), Pakistan (25,700 RB), China (22,900 RB), Turkey (22,800 RB), South Korea (16,100 RB), and Indonesia (14,000 RB). Exports of 694,400 RB--a marketing-year high--were 90 percent above the previous week and two and one-fifth times the prior 4-week average. The primary destinations were China (460,600 RB, including late reporting of 286,400 RB), Turkey (67,600 RB), Mexico (66,200 RB), Indonesia (24,800 RB), and Thailand (11,100 RB).

In other news, U.S. textile mills used cotton at a seasonally adjusted annual rate of 6.2 million 480-pound bales in May, down from the year-ago figure of 6.3 million bales, according to the National Cotton Council.

Meanwhile, in India the kharif sowing progress shows that the cotton sowing is down 6 per cent on year for the same period to 63.52 lakh hectare. A shortfall has been reported in Maharashtra's Marathwada region due to delayed onset of monsoon this year. However, the state government still maintains that the cotton acreage target of 3 million hectares this year on hopes that monsoon current in the region is likely to strengthen. Of the total coverage under cotton, the Bt Cotton is likely to be around 3.75 lakh hectares, about 6 per cent.

Latest Cotton Acreage Scenario in China

Xinjiang: According to the Xinjiang Municipality Cotton Office, the producers had planted 17,217,200 mu in the field in this municipality by June 30. Which has increased

691,400 (+4.2%) mu than last year. The new crops develop well now.

Shangdong: The farmers had planted 13,159,000 mu cotton this year, down by 27.3 million mu (-17.2%) than last year. It is the blooming stage for most of the cotton now.

Henan: It is investigated by some researchers that the acreage in this province amount to 11,922,000 mu, which had declined by 17% than last season. It is the least in the recent three years.

Jiangsu: From the information from Jiangsu Agricultural Office, there is 5,450,000 mu (-11% than last year) new cotton has been planted in this area now. The plants grow in a rapid pace now. If the weather condition is ideal, the production would reach 0.4-0.45 million tonnes this season.

Shanxi: The total acreage was 1.41 million mu, compared to 1.7 million mu (-17.1%) last year. The main district Yuncheng's proportion occupied 89% of the whole province, which was around 1,255,000 mu. And the crop is better than last year.

Therefore, overall the cotton acreage declined in china this year. This may remain price supportive in the country.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Cotton prices in North Indian markets maintained the steadiness. The prices did not move significantly today. The market players remained cautious and reluctant on the market activities. There are some demands for the Bengal deshi variety however, the J-34 variety did not find significant demand. Presently the condition shows that there may be no significant change in the cotton prices in these states.

GUJARAT MARKET

The market tone remains easy in the cotton markets of Gujarat. The prices however, remained at the same level. The market sources reported lack of buyers in the markets. The sellers have started slowly moving into the market. The

exporters kept themselves out of the market. This pushed the selling intention in the market. There may be decline in the prices if the buyers bid at the lower levels at this time. The market tone is expected to maintain the easiness.

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

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3375	4062	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3475	3950	-	-
2. Raw Cotton	-	-		
3. Cottonseed	1025	955	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3458
2. Raw Cotton (New)	-	-	2175	-
3. Cottonseed	-	-	-	775

MAHARASHTRA AND MP MARKET

Cotton prices in Maharashtra and MP maintained the same undertone that is prevailing for last several days. No report of damage has come due to rainfall in Maharashtra. The crop is growing well here. The prices remained unchanged. In MP prices remained steady. No significant move is likely in near-term. In Maharashtra prices of Y1 were recorded at Rs 13700-14000 per candy and 28 mm fetched Rs 16400-800 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 320.4 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 382 per 10 kg.

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened lower today. The movement was very less. Prices were sticky to the lower level almost throughout the day. The August contract during the closing tried to recover marginally. The contract closed near the day's low. The weakness is likely to continue.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
August	4475.00	4471.00	4451.00	4455.00	-20.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) gained yesterday amid supportive export sales data released by the USDA. The most-active December cotton settled 30 points higher at 51.76 cents and October ended 6 points higher at 50.11 cents a pound. The shipments were a 2004-05 high 694,400 running bales for the week ended July 21, of which 460,600 RB went to China. However, 286,400 RB of China's total were reported late, the U.S. Department of Agriculture said. Total shipments for the 2004-05 marketing year climbed to

12.108 million bales. Sales of 2004-05 cotton were a net 38,700 running bales, down 85% from the previous week. According to the market sources activity could be volatile Friday as traders make end-of-month book adjustments. In addition, Friday also brings an end to the 2004-05 crop year, which may attract additional futures market activity. The US textile mill use came down on the year. Again the chart formation shows that technically the market may come under pressure. Therefore, today's action is expected to be crucial. Today also is the month-end day and also the last day of the 2004-05 crop year. Thus, the market activities are likely to be hectic today at the NYBOT.

Cotton Futures at the NYBOT as on 26/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	51.75	52.90	51.40	51.89	+0.09

CHINA

The cotton prices at the China cotton forward trading continued to decline amid selling pressure. However, the decline was not so sharp. The China Cotton Index (CCI) remained unchanged today also. The volume however, went up significantly high. Turnover on CNCE e-market totalled 12590 tonnes, up by 4310 tonnes than the previous session. The cumulative volume reached to 434050 tonnes. Domestic Type 428 reached 20 tonnes and the balance was Type 229. The open interests totalled 68040 tonnes, up by 650 tonnes. The open interests of MD contracts totalled 180 tonnes. The market was weak both in the open period and mid-session. But it rebounded a lot in the last half an hour. The average prices of each contract slightly slid down. And the price gap between MA0508 and MA0509 has reached 300 Yuan or so. The turnover of MA0508 took up 38% of the total.

PAKISTAN

Cotton trading activities at the Karachi cotton market in Pakistan continues to remain dull. The spot prices remained stable at Rs 2350 per maund. The high counter offer rates by Trading Corporation of Pakistan (TCP) pushed the buyers on back foot. TCP could only sell 17,500 bales against the target of 75,000 bales. The ginneries also remained on the sidelines and did not offer lint on low prices. Some mills, however, purchased cotton in modest quantity to meet their day-to-day requirements. Few deals were made at prices between Rs 2,425 per maund and Rs 2,475 per maund. The leading mills and spinners made deals for 200 bales of various qualities around Rs 2,425 per maund and Rs 2,450 per maund. According to the market information 200 bales of old stock from Sanghar station changed hands at Rs 2,425 per maund to Rs 2,450 per maund. 100 bales of Mirpurkhas also changed hands at Rs 2,350 per maund. Few lots of new crop were also traded between growers and ginneries around Rs 2,350 per maund. The market tone suggests that the prices would remain strong in the coming days.

WEATHER WATCH (IMD)

Forecast Valid For Next 72 Hours

North: Rain/thundershowers likely at many places over Himachal Pradesh and Uttarakhand and at a few places in the rest region.

East: Rain/thundershowers likely at most places over Orissa and Chhattisgarh; at many places over Gangetic

West Bengal and Jharkhand and at a few places in the rest region. Increase in rainfall activity over East Madhya Pradesh on 1st August.

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

West: Rain/thundershowers likely at most places over Saurashtra & Kutch; at many places in Gujarat region, South Rajasthan, Konkan & Goa and Madhya Maharashtra and at a few places in the rest region.

Outlook for subsequent two days

Rainfall activity over Central India is likely to increase considerably. Slight increase in rainfall activity over northwest India is also likely.

Warning

Heavy to very heavy rainfall is likely at a few places over Orissa, Chhattisgarh and Saurashtra & Kutch. Isolated

heavy rainfall also is likely over Gujarat region, Konkan & Goa, Madhya Maharashtra, Coastal Karnataka, Gangetic West Bengal, Jharkhand and Kerala.

EXCHANGE RATE: 1 USD = Rs 43.49;
1 Euro = Rs 52.73

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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