

COTTON

27th July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Markets Ended with Easy Tone
- NYBOT Cotton Futures Settled Slightly Higher
- China Cotton Prices Remained Lower Today
- Pak Spot Prices Fell Slightly

NEWS ANALYSIS

Cotton: US Crop Highlights

US cotton conditions improved slightly to 61% good to excellent in the week ended July 24, from 60% the previous week, as beneficial rains fell over key Delta and South-eastern growing areas. Twenty-seven percent of the crop was fair, while 9% was poor and 3% very poor. Eighty-nine percent of the crop was squaring, compared to 82% the previous week, while 49% was setting bolls, up from 35% the previous week. The U.S. cotton crop continues to do well, although down a bit from last year's record yields, with no major weather problems in sight.

China: Cotton Cloth and Yarn Imports Up over the Year

China cotton yarn imports totalled 68,800 tonnes in June, which was slightly down by 2800 tonnes or 3.89 per cent from the previous month. It was up by 12,500 tonnes or 22.13 per cent compared with the same period of last year. For the same period, cotton yarn exports totalled 45,100 tonnes, which was down by 3400 tonnes or 7.06 per cent from May, but up by 18.51 per cent from year-ago levels. From September 2004 to now, cumulative cotton yarn imports reached 613,900 tonnes, down by 4.62 per cent (29,800 tonnes) from year-ago levels, cumulative exports totalled 380,600 tonnes, down by 9.44 per cent (39,700 tonnes) from year-ago levels.

Also according to Customs General Administration of China, China imported cotton cloth of 0.133 billion meter, up by 3.34 percent from May, but down by 1.87 percent compared with the same period of last year. For the same period, cotton cloth exports totalled 0.464 billion meter, up by 7.48 percent from May, also up by 19.64 percent from year-ago levels. From September 2004 to now, cumulative cotton cloth imports reached 1.35 billion meter, up by 4.06 percent on year-ago levels, cumulative exports totalled 4.426 billion meter, up by 11.59 percent on year-ago levels. The higher imports may pressurise the cotton prices in China.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

The cotton prices in the North Indian markets remained mixed with firm undertone today. In Sirsa mandi of Haryana prices of J-34 variety remained stable however, Bengal deshi variety continued the improvement. In Sri Ganganagar mandi of Rajasthan prices of J-34 improved and Bengal deshi maintained the strong trend. The weather remained cloudy in most parts. Prices for Bengal deshi are expected to improve further.

GUJARAT MARKET

Cotton prices in Gujarat remained almost unchanged however, the market tone remained easy today. There were scattered rains in some parts of the state. The sellers are preparing to come to the market. The main cotton growing belts also are likely to have rainfall within one or two days. This may pressurise the prices of cotton in the state. The rates for new crop started to come. New Shankar for November delivery is being traded at Rs 17000 per candy. The new Kapas is also fetching Rs 435 per 20 kg.

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

MARKET	Bengal desi	J-34	Shankar	V-797
Sirsa				
1. Cotton Lint	3375	4075	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3475	3950	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1040	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4780	3233-3458
2. Raw Cotton (New)	-	-	2175	-
3. Cottonseed	-	-	950	825

MAHARASHTRA AND MP MARKET

Prices of cotton in Madhya Pradesh maintained the firm undertone still with anticipation of a lower production in the state. Maharashtra is getting severe rainfall from yesterday. The trading activities in Mumbai remained almost standstill today. However, there is little chance of a significant crop damage in Maharashtra. Thus, the prices are not likely to change 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 322.7 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 marginally lower today. The cotton futures remained under pressure throughout the day. The movement was not so sharp. The August contract closed today at the day's low. The weakness is likely to continue tomorrow also.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev.	Set High	Low	LTP*	Change
August	4507.00	4490.00	4475.00	4475.00	-32.00

INTERNATIONAL MARKET

USA

The cotton futures at the New York Board of Trade (NYBOT) settled slightly higher as buying activities were partly offset by late speculative selling. The most-active December cotton settled 9 points higher at 51.89 cents and October ended 30 points higher at 50.50 cents a pound. Overall volume was on the light side once again but up from Monday's weak levels. Meanwhile, the crop condition in US improved. However, the People's Bank of China said Tuesday it won't revalue its currency, the yuan, again in the "foreseeable future," going against what many analysts and market experts had said last week about future revaluations further appreciating the yuan versus the dollar, thus making U.S. cotton exports more attractive to Beijing. Thus, the present condition may support the cotton futures however, the movement may not be significant.

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 cotton forward trading in China fell significantly today. The China Cotton Index (CCI) remained unchanged today. The volume improved today. Turnover on CNCE e-market totaled 9220 tonnes, up by 5900 tonnes than the previous session to take the cumulative volume to 414710 tonnes. All the varieties that transacted were Type 229. The open interests totalled 66610 tonnes, down by 490 tonnes. The open interests of MD contracts totalled 180 tonnes. The market open at low level and went on weaker. The average prices of each contract declined by 150 Yuan or so. The turnover was 2.8 higher times by last session. The main contract settled on its low point. Cotton prices in China are likely to remain weak for more days.

PAKISTAN

Cotton trading activities in Pakistan remained dull today also. Yesterday the spot price at Karachi fell by Rs 25 to close the day at Rs 2350 per maund. Today the spot rate remained unchanged. Dealers attributed the decline in prices of lint at local market to mills' buying of stocks held by the Trading Corporation of Pakistan (TCP). According to the market information three foreign buyers bid for 15,000 bales while 30 local parties bid for 54,500 bales. Three foreign buyers offered FOB price 44.75 USC/lb, 46.06 USC/lb and 42.65 USC/lb for 5,000 bales each. Few deals were made at prices between Rs 2,425 per maund and Rs 2,450 per maund. Leading mills and spinners purchased 600 bales of various qualities at prices ranging from Rs 2,450 per maund to Rs 2,525 per maund. The ginneries in upper Sindh have started getting new crop and few lots of new crop were also traded between growers and ginneries.

WEATHER WATCH (IMD)

Forecast Valid For Next 72 Hours

North: Rain/thundershowers likely at few places in the region.

East: Rain/thundershowers likely at many places over Orissa, Chhattisgarh and East Madhya Pradesh and at a few places in the rest region.

South: Rain/thundershowers likely at most places over Andaman & Nicobar Islands and north Karnataka; at many places over rest Karnataka, Telangana and at a few places in the rest region outside Tamil Nadu & Pondicherry where it may be isolated.

West: Rain/thundershowers are likely at most places over Maharashtra and Goa and West Madhya Pradesh; at many places over Gujarat state and South Rajasthan and at a few places in the rest region.

Outlook for subsequent two days

Increase in rainfall activity over west central & northwest India. Ongoing rainfall activity over Maharashtra and Goa is likely to continue.

Warning

Heavy to very heavy rainfall is likely at a few places over Maharashtra and Goa. Isolated heavy rainfall is also likely over West Madhya Pradesh, North Karnataka and Gujarat.

EXCHANGE RATE: 1 USD = Rs 43.39;
1 Euro = Rs 52.04

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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