

## COTTON

19<sup>th</sup> July 2005

### MAJOR HIGHLIGHTS

- Domestic Cotton Prices Remained Steady
- NYBOT Cotton Lower on Speculative Selling
- China Cotton Prices Down, Turnover Up
- Cotton Trading Activities Remained Dull in Pakistan

### NEWS ANALYSIS

#### Cotton: Sowing Till Date Less than Last Year

According to the latest data from the Agricultural ministry the sowing of cotton crop is going on in a slow progress. To the date cotton crop has been sown on an area of 51.58 lakh hectares, down by 13.7 per cent. A major shortfall was reported in Marathwada region of Maharashtra. The reason behind this was the late onset of south-west monsoon. 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. In MP also a major part of the cotton belts is still in need of rain for growing better cotton crop. Overall, this year cotton crop is likely to surpass the last year's figure.

### FUNDAMENTAL ANALYSIS

#### DOMESTIC MARKET

##### NORTH INDIAN MARKETS

The North Indian states witnessed firmness in cotton prices overall today. The prices of both the varieties viz. J-34 and Bengal deshi improved in Sirsa mandi in Haryana. In Sri Ganganagar mandi of Rajasthan both the varieties maintained the firm undertone. The Cotton Corporation of India (CCI) continues its operation in North India. The prices are likely to improve further on renewed demand.

##### GUJARAT MARKET

Cotton prices in Gujarat remained firm today also. Buyers are however showing reluctance for buying aggressively as they are well covered at present. Local demand is still there. There is a rumour that one of the major companies in Mumbai booked the November delivery of Shankar cotton. This provided some support to the market sentiments. The crop condition at present also is restricting the decline in the prices.

##### MAHARASHTRA AND MP MARKET

Delayed sowing of crops and deficient rain in some parts of cotton belts in MP remain as the supportive factors for the cotton prices. In Maharashtra also the sowing is going behind slow against the last year's figure. The prices are

likely to remain stable. In Maharashtra Bunny (31 mm) fetched a price of Rs 18000-18500 per candy. Price of H-4 (27 and 28 mm) cotton in MP was quoted between 15200-16500 per candy, while Y1 fetched Rs 13800 to 14200 per candy. 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 300.20 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 deshi	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	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4850	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	950	775

#### VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened lower today. Though the August contract remained in the negative territory it improved throughout the day. The contract however, could not cross the previous closing level. The contract closed near the day's high. Tomorrow also there may be some further improvement.

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

Contract	Prev. Set	High	Low	LTP*	Change
August	4543.00	4550.00	4512.00	4540.00	-3.00

## INTERNATIONAL MARKET

### USA

The cotton futures at the New York Board of Trade (NYBOT) settled lower on speculative selling. The most active December cotton settled 65 points lower at 50.80 cents and October ended 45 points lower at 49.09 cents. However, the market uncovered trade support near the 50.15 low and commercial buying kicked in the last 20 minutes of the session to lift prices off their lows. The market participants also were looking for the crop condition. Last week, the crop rated 58% good to excellent, 32% fair and 10% poor to very poor. The crops are expected to continue improving as needed rains fell over key Delta and Southeastern growing areas over the weekend. Scattered to widely scattered showers and thundershowers are expected in the Delta region through Wednesday, while mostly dry conditions are seen Thursday and Friday according to DTN Meteorlogix. In the Southeast, scattered to widely scattered showers and thunderstorms are expected through much of this week, with near- to below-normal temperatures. Southern Texas will likely receive heavy rains from Hurricane Emily, which weakened substantially Monday afternoon. Emily's top sustained winds were just 75 miles per hour and the storm was moving west-northwest and was 510 miles east-southeast of Brownsville, Texas. However, Emily is expected to regain strength over the Gulf before making landfall once again around northeastern Mexico or the southern tip of Texas. Lower crude oil prices also pressurised the market sentiments. The weather condition suggests that there may be some recovery in the coming days.

#### Cotton Futures at the NYBOT as on 18/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	51.11	51.35	50.15	50.80	-0.65

### CHINA

The cotton prices at the China cotton forward trading fell today. However, the China Cotton Index (CCI) continued to improve marginally. The turnover went up heavily today. Turnover on CNCE e-market totalled 12110 tonnes, up by 1940 tonnes than the previous session. Domestic Type 428 reached 350 tonnes and the balance was Type 229. The open interests totalled 83590 tonnes, down by 490 tonnes. The open interests of MD contracts totalled 1260 tonnes, down by 400 tonnes. The average prices of each contract had fell by 34-89 Yuan. MA0507 was settled on 13620 Yuan (-67) and MA0509 was 14100 Yuan (-76). The turnover continually went up, and the volume of MA0508 occupied 1/4. It was the first day for the increase of the total open interests since July 7. The prices are expected to recover soon.

### PAKISTAN

Cotton trading continued to remain with dullness at the Karachi cotton market in Pakistan. The spot rate remained

unchanged at Rs 2375 per maund. Yesterday the Trading Corporation of Pakistan (TCP) has received 72 bids for export and local sale of 86700 bales. Three foreign parties submitted bids for 15,000 bales and 69 local parties for 138,900 bales. Highest bid of Rs 2,457 per maund was received for 14,000 bales of Dera Ghazi Khan warehouse and 10,400 bales of Multan warehouse, respectively. The 95,500 bales of Karachi warehouses put on sale managed to attract bids of Rs 2,432 per maund while offer of Rs 2,360 per maund was made for 19,000 bales. Foreign buyers offered prices ranging from 42.07 US cent per pound to 45.06 US cents per pound. Apart from TCP's activity little trade was noticed in the local market and about 400 bales of various qualities changed hands at Rs 2,400 per maund to Rs 2,425 per maund. At present there is very little scope for the prices to go down.

### WEATHER WATCH (IMD)

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

**East:** Rain/thundershowers likely at many places over northeastern states and sub-himalayan West Bengal & Sikkim and at a few places in Bihar and isolated in the rest of the region.

**South:** Rain/thundershowers likely at a few places in Karnataka and Kerala and isolated in the rest region.

**West:** Rain/thundershowers likely at a few places over Konkan & Goa, madhya Maharashtra and isolated in the rest region.

#### Outlook for subsequent two days

Ongoing rainfall activity over northeastern states, sub-himalayan West Bengal & Sikkim, coastal Karnataka and Kerala likely to continue

Subdued rainfall activity over remaining parts of the country likely to continue.

#### Warning

Heavy to very heavy rainfall likely at isolated places over sub-himalayan West Bengal & Sikkim and northeastern states. Isolated heavy rainfall is also likely over coastal Karnataka and Kerala.

**EXCHANGE RATE:** 1 USD = Rs 43.56;  
1 Euro = Rs 52.34

#### 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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