

COTTON

11th July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Prices Maintain the Firmness
- China Cotton Futures Settled Firm Today
- Pak Cotton Prices Continue to Remain Strong

NEWS ANALYSIS

Flood may Damage Cotton Crop in Pakistan

The area under cotton in Pakistan for 2005-06 season has been reported marginally up by 2.1 per cent at 3.2 million bales against the last year's figure. Many prominent cotton producing countries, including China (29.0 million bales), USA (23.0 million bales), India (16.6 million bales), Pakistan (11.25 million bales of 480 lb each) and also the world (116.0 million bales) set ever high production records in 2004-05 mostly because of very cotton-friendly weather conditions. The per hectare productivity also improved with China at 1109 kg, USA 917 kg, India 440 kg and Pakistan at 740 kg. Pakistan's ever high production record was set in 1991-92 at 10.0 million bales of 480 lb or 12.8 million local weight bales, but in the following two years--in 1992-93 and 1993-94--Pakistan produced less than 9.0 and 8.0 million local bales, respectively. The new season (2005-06) has taken start from heavy rains and floods caused by melting of snow on mountains and release of excessive water, around 400,000 cusecs, in Rivers Chenab and Sutlej by India. The market players fear on possible damage of cotton crop due to flood. Earlier, TCP wanted to hold up some 600,000 bales as buffer stock as also to avail the chance of even better price in coming months. The local spinners, under the impression of late and damaged crop, are showing great interest in buying cotton from TCP and have increased the price even beyond Rs 2,400 per maund for some good quality stocks.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

The prices of cotton in North India remained unchanged today also. Prices of both J-34 and Bengal deshi cotton continue with the range-bound movement. The weather is almost clear in these states. Unless there is any significant change in the fundamentals the cotton prices are not likely to change in near future.

GUJARAT MARKET

In Gujarat also the cotton prices maintained the same undertone as it prevails for last few days. The lint prices are

strong for both the varieties- Shankar and Kalyan. Due to severe rain the sowing activities are still going on and according to the market sources almost 40 per cent sowing has completed. The delay in crop is providing support to the market sentiments.

MAHARASHTRA AND MP MARKET

Cotton prices in Madhya Pradesh remained tight today. Some rain is pouring over the cotton belts supporting the sowing activities. In Maharashtra also sowing is going on. The market sources said around 60 per cent sowing has been completed in both the states. Presently in Maharashtra there is no private seller. In Maharashtra MCU-5 (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 15000-16500 per candy, while Y1 fetched Rs 14000 to 14200 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 282.0 per 50 kg. Prices of cotton oil in Mumbai remained at Rs 376 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	3150	4087	-	-
2. Raw Cotton	-	-	-	-
Sri Ganganagar				
1. Cotton Lint	3462	3950	-	-
2. Raw Cotton	-	-	-	-
3. Cottonseed	1050	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4900	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	-	810

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX today opened higher amid support from the spot markets. The price movement however, remained very less. The August contract maintained the strength throughout the day. The contract closed the day at the day's high. It is expected that the cotton futures at the NCDEX would maintain the strength tomorrow also.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4480.00	4495.00	4490.00	4495.00	+15.00

INTERNATIONAL MARKET

USA

The NYBOT cotton futures remain closed on Saturday and Sunday.

Cotton Futures at the NYBOT as on 08/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	55.45	55.80	54.60	55.47	-0.41

CHINA

The cotton futures in China settled firm today. The futures got support from the strong buying supports. The volume increased today. The China Cotton Index (CCI) also improved significantly today. The volume in all the contracts totalled 5950 mt taking the cumulative volume to 537580 mt. The open interest however, declined by 630 to remain at 93330 mt. The prices of MA contract rose substantially today. The over all strength is likely to continue in near future.

PAKISTAN

Steadier trend was seen on the cotton market in Pakistan, as prices maintained a firm look due to heavy rains in the cotton growing areas. The Karachi Cotton Association (KCA) official spot rate was unchanged at Rs 2325, without upcountry expenses. The overall activities got charged due to auction by the Trading Corporation of Pakistan (TCP). Spinners and miller remained busy in making deals. The present scenario suggests that the prices may continue to remain firmness, as floods and heavy rains in some cotton growing areas have damaged the crop to a certain extent.

WEATHER WATCH (IMD)

North: Rain/thundershowers likely at many places over Uttaranchal and west Uttar Pradesh at a few places in the rest region. Rainfall activity likely to decrease over Punjab and Haryana and increase over east Uttar Pradesh on 13th & 14th.

East: Rain/thundershowers likely at many places over northeastern states, sub-himalayan West Bengal & Sikkim; and at a few places in the rest region. Increase in rainfall activity likely over Bihar, sub-himalayan West Bengal & Sikkim and northeastern states on 13th & 14th.

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

West: Rain/thundershowers likely at many places over Konkan & Goa and at a few places over west Madhya Pradesh, Maharashtra, east Rajasthan and isolated over the rest region.

Outlook for subsequent two days

Rainfall activity over interior peninsula, east-central India and plains of northwest India is likely to decrease further. Rainfall activity may enhance over northeastern states, sub-himalayan West Bengal & Sikkim, Bihar, east Uttar Pradesh and central himalayas.

Warning: Heavy to very heavy rainfall likely over northeastern states, sub-himalayan West Bengal & Sikkim, Uttaranchal and Himachal Pradesh. Isolated heavy rainfall also is likely over Lakshadweep, Kerala and coastal Karnataka till 14th July. Isolated heavy rainfall is also likely over west Uttar Pradesh during next 48 hours.

EXCHANGE RATE: 1 USD = Rs 43.56;
1 Euro = Rs 52.35

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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