

COTTON

22nd July 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Futures Prices Decline
- NYBOT Cotton Higher on Short Covering, Strong Exports
- China Cotton Prices Continue to Decline
- Pak Prices Maintained the Firmness

NEWS ANALYSIS

Cotton: USDA Released Bullish Weekly Export Sales

The US Department of Agriculture (USDA) released the weekly export sales data for the period July 8 to 14. This week the exports figures came at higher levels after a bearish weekly data for the previous week. Net Upland sales of 271,700 running bales (RB) were 90 percent above the prior week and 19 percent over the previous 4-week average. China (218,700 RB) was the major buyer, with smaller quantities to Mexico (22,900 RB), Turkey (8,600 RB), and Indonesia (7,300 RB). Net sales of 129,300 RB for delivery in 2005/06 (which begins Aug. 1) were primarily for China (68,900 RB), Mexico (15,800 RB), South Korea (11,900 RB), and Turkey (10,400 RB). Optional origin sales of 88,000 RB for delivery to China were declared U.S. origin. Of the total, 50,000 RB were reported for delivery in 2004/05 and 38,000 RB for delivery in 2005/06. Exports of 365,600 RB were 7 percent above the previous week and 26 percent over the prior 4-week average. The primary destinations were China (140,600 RB), Mexico (75,700 RB), Turkey (65,700 RB), Indonesia (17,600 RB), and South Korea (9,400 RB). The export data may support the NYBOT futures tomorrow.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Prices of cotton in North Indian cotton markets maintained the firmness today amid continued strong sentiments. There was significant increase in prices of cottonseed in Sri Ganganagar mandi of Rajasthan. Prices of Kapaskhali remained at the same level. The CCI continues its operation in these markets. For the short-term the prices are likely to remain strong.

GUJARAT MARKET

In Gujarat the cotton prices remained unchanged today with a strong undertone. The weather remains clear and the sellers are waiting for the rains to come to the market with their produce. After that there may be some selling activities that may take the prices downwards. Exporters are reluctant due to the lower international prices. The

trading activities remained dull at the state. The trend is likely to continue for more days.

MAHARASHTRA AND MP MARKET

No significant activities were reported by the market sources in the state of Maharashtra and MP. The cotton prices in these states are likely to remain flat for some days. 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 305.20 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 desi	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	1050	960	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4825	3233-3514
2. Raw Cotton	-	-	-	-
3. Cottonseed	-	-	950	775

VAYDA BAZAAR

The medium staple cotton futures at the NCDEX opened lower today and after remained weak for the rest of the day. There was very sharp movement and the contract declined significantly. At the lower side the contract remained almost sticky throughout the trading time. The August contract closed at the day's low.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4560.00	4551.00	4491.00	4491.00	-69.00

INTERNATIONAL MARKET

USA

Cotton futures at the New York Board of Trade (NYBOT) went up yesterday amid short-covering and bullish export sales. The most-active December cotton settled 71 points higher at 50.60 cents per pound. October ended 65 points higher at 48.90 cents. The market got off to a firm start on news of stronger-than-expected weekly export sales and reports that China had revalued its currency, the yuan. Net upland sales of 2004-05 cotton were 271,700 running bales, up 90% from the previous week and 19% stronger than the previous four-week average. China was the largest buyer at 218,700 RB, the U.S. Department of Agriculture reported Thursday. Net 2005-06 sales were 129,300 RB, of which 68,900 went to China. Total shipments were strong at 365,600 RB, up 7% from the previous week and 26% over the previous four-week average. News that China scrapped its peg to the U.S. dollar and tied it to a basket of currencies was also supportive for early trades, sources said. The news was considered bullish for cotton, as it should make U.S. exports cheaper for China to purchase, some analysts said. However, Cruel believes the market is undecided. Meanwhile, any wind damage from Hurricane Emily was thought to be minimal although the rains may have caused some quality loss to the Rio Grande Valley cotton crop. The harvest had just begun when rains from Emily appeared Wednesday. The technicals also are indicating towards bullish outlook also.

Cotton Futures at the NYBOT as on 21/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	50.32	50.65	49.40	50.60	+0.71

CHINA

Cotton prices at the forward trading in China declined today also amid lack of buying interests. Turnover also was lower. The revaluation of yuan by China affected the market. The yuan was unpegged by China against the dollar by 2.1 per cent. It would make the Chinese currency more expensive against dollar. Thus, the imports by China would be cheaper. This sentiment pressurised the Cotton prices in china. The volume was also low and recorded at 7580 mt today that took the cumulative volume to 397770 mt. The open interest declined little by 170 to reach 66170. All the MA contracts declined significantly. However, the candlesticks pattern showed that a bottom may have formed and that may boost the prices up for the short-term.

PAKISTAN

Trading activities at the Karachi cotton market remained dull with the spot rate remain unchanged at Rs 2375 per maund without upcountry expenses. Acceleration in picking cotton is witnessed in cotton growing areas of southern

Punjab and lower Sindh. The market players said Trading Corporation of Pakistan (TCP) has already sped up selling of stocks before new crop was ready to hit the market. The mills are largely benefited from the TCP's weekly auctions the TCP is more interested to sale cotton to them because of better rates. The market tone is firm and the prices are likely to maintain the present trend. The operation by the TCP is boosting the market sentiments up. Around 400 bales of all qualities changed hands on Karachi basis at Rs 2,450 per maund to Rs 2,525 per maund. The textile mills remained on front foot for making deals in fine lots as well as poor quality as they have to meet enhanced export orders of yarn and textile made ups. The strength in the prices are likely to continue tomorrow also.

WEATHER WATCH (IMD)

North: Rain/thundershowers likely at many places over Uttaranchal, Himachal Pradesh and East Uttar Pradesh, at a few places in West Uttar Pradesh and isolated in the rest region.

East: Rain/thundershowers likely at many places West Bengal & Sikkim and Orissa and at a few places in the rest region outside East Madhya Pradesh where it may be isolated.

South: Rain/thundershowers likely at many places in Andaman & Nicobar Islands, Coastal Andhra Pradesh and Coastal Karnataka; at a few places over Interior Karnataka, Interior Andhra Pradesh, Kerala and Lakshadweep and isolated in Tamil Nadu.

West: Rain/thundershowers likely at many places over Konkan & Goa and Madhya Maharashtra and isolated in the rest region.

Outlook for subsequent two days

Ongoing rainfall activity along West coast is likely to continue.

Rainfall activity is likely to increase over eastcentral and adjoining Peninsular India.

Warning

Heavy rainfall likely at isolated places over Konkan & Goa, Coastal Karnataka, Coastal Orissa, North Coastal Andhra Pradesh and Andaman & Nicobar Islands.

EXCHANGE RATE: 1 USD = Rs 43.39;
1 Euro = Rs 52.85

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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.