

COTTON

1st August 2005

MAJOR HIGHLIGHTS

- Domestic Cotton Trading Remain Dull
- Cotton Prices in China Ended Slightly Up
- Pak Cotton Trading Dominated by the TCP's Auction

NEWS ANALYSIS

Cotton Scenario Looks Bullish in the Current Season

The demand for cotton is expected to grow in India in the next season due to improved demand for cotton textiles worldwide. It is expected that cotton prices may extend 2005's 15% gain as demand accelerates in India. Prices reached a 10-month high of 57.59 cents in April on signs of increased demand in China, the world's largest cotton buyer. The low labour cost advantage in India is giving the foreign market players opportunity for buying manufactured cotton products from India. The expiry of quota regime proved to be very beneficial for Indian textile sector. Adding to this the restrictions on textile imports from China by the US and the Europe has been providing further support to the Indian textile sector. The USDA in its last monthly supply-demand outlook on July 12 estimated that India is likely to consume 16 million bales (1 bale = 480 lb) in the season starting from today, August 1. This is up 6.7 per cent on the year. Global cotton supply will drop 9.4% in the season starting August 1 to 108.6 million bales, falling short of consumption by 3.16 million bales, the USDA said. Output exceeded use by 11.71 million bales in the current season. Meanwhile, the acreage in China has declined for the current season and this is indicating towards the improvement in demand for cotton from China, the world's largest cotton producer and consumer. The currency revaluation is also likely to support the purchasing capacity of the Chinese players. Thus, overall, the scenario looks bullish for cotton in the current season.

FUNDAMENTAL ANALYSIS

DOMESTIC MARKET

NORTH INDIAN MARKETS

Trading activities remained dull in the cotton markets of North India. Weather remains almost clear in these states. The tone of the market remained easy however. The higher level of the prices that was seen for the last few days, was absent today. The prices of Bengal deshi are likely to see some demand again, which may push the prices up.

GUJARAT MARKET

The cotton markets in Gujarat are receiving rainfalls these days. Both the varieties of cotton are the being traded at their lower levels. The market tone remains easy. However, the stock is decreasing and this is restricting the prices to

fall sharply. Thus, in the near-term the prices are likely to maintain the steady movement.

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

MARKET	Bengal deshi	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	1050	950	-	-
Ahmedabad/Kadi				
1. Cotton Lint	-	-	4274-4808	3233-3458
2. Raw Cotton (New)	-	-	2175	-
3. Cottonseed	-	-	-	775

MAHARASHTRA AND MP MARKET

Cotton prices in MP also remained with the weak undertone. The cotton belts of the state are getting good rainfall these days and this seems beneficial for the crop, which made the market tone easy. The prices in Maharashtra remained weak too. In Maharashtra prices of Y1 were recorded at Rs 13700-14000 per candy and 28 mm fetched Rs 16200-600 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 remained unchanged.

Medium Staple Cotton Futures At NCDEX (Rs/Quintal)

Contract	Prev. Set	High	Low	LTP*	Change
August	4427.00	0.00	0.00	4427.00	0.00

INTERNATIONAL MARKET

USA

The NYBOT remains closed on Saturday and Sunday.

Cotton Futures at the NYBOT as on 29/07/05 (cents/pound)

Contract	Open	High	Low	Close	Change
December	52.20	52.80	51.85	52.48	+0.72

CHINA

Cotton prices in China cotton forward trading gained slightly today amid improved market sentiments and buying activities. The China Cotton Index (CCI) however, declined today to close at 13519 yuan per mt. The turnover on CNCE e-market totalled 4040 tonnes, down by 8550 tonnes than the previous session. The cumulative volume reached to 439080 tonnes. All those were domestic Type 229. The open interests totalled 67320 tonnes. The open interests of MD contracts totalled 180 tonnes. The market opened at high level but went on weaker. The average prices of each contract up by 60-100 Yuan. The MA0508 was settled on 13420 and the MA0509 was 13690. The turnover was 0.32 times by last session. There may be some recovery ahead this week.

PAKISTAN

Trading activities maintained the dullness in the cotton markets of Pakistan. The spot rate at the KCA remained intact at Rs (Pak) 2350 per maund. The mills continue to ask for the cotton from the Trading Corporation of Pakistan (TCP). The ginners however, were reluctant to participate actively in the cotton trading. The average rates of different grades of cotton were recorded between Rs 2400 to Rs 2450 per maund. There is strong possibility of arrival of new crops within a couple of weeks. The sellers kept themselves on the sidelines following the auction by the TCP. Rains in some parts of the country are seen as beneficial for the crop. The prices are not likely to change in the near-term.

WEATHER WATCH (IMD)

Forecast Valid For Next 72 Hours

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

East: Rain/thundershowers likely at most places over East Madhya Pradesh; at many places over Orissa and Chhattisgarh and at isolated in the rest region. Increase in rainfall activity over Orissa after 3rd.

South: Rain/thundershowers likely at many places over Coastal Karnataka, Kerala and Andaman & Nicobar Islands; at a few places in the Telangana, interior Karnataka and at isolated in the rest region.

West: Rain/thundershowers likely at most places in Konkan & Goa, Madhya Maharashtra, Marathwada, Gujarat state and West Madhya Pradesh; at many places over Vidarbha and south Rajasthan and at a few places in the rest region.

Outlook for subsequent two days

Slight increase in rainfall activity over Northwest India. Subdued rainfall activity likely to continue over Bihar and Uttar Pradesh. Increase in rainfall over northeastern states.

Warning

Heavy to very heavy rainfall likely at a few places over Konkan & Goa, Madhya Maharashtra, Marathwada, Gujarat state and West Madhya Pradesh. Isolated heavy rainfall also likely over Coastal Karnataka, Vidarbha, South Rajasthan and East Madhya Pradesh.

EXCHANGE RATE: 1 USD = Rs 43.45;
1 Euro = Rs 52.87

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.