

COTTON DAILY

27th JUNE, 2007

SPOT MARKETS:

Cotton prices were almost steady on Tuesday at most of the trading point due to stable demand supply scenario against the tight stocks. However the trading activity slight improved in Maharashtra and M.P. market. However, higher acreage than last year and expectation of higher output are negatively affecting on the market sentiment. Sowing of cotton so far this year has been higher than in the same period last year. Sowing is estimated at 1.52 million hectare as compared to 1.47 mln ha in the same period last year. In case of Bt cotton, the area has increased to 868,000 hectare during the same period. On the other hand, the stockists have only around 0.50 to 1 million bales of cotton, which will be sold in the short period of time. On Tuesday, Shankar-6 (28mm) quoted steady at Rs.19000-19300/candy in Gujarat on steady arrivals of 5,000 bales. J-34 prices were slight up at Rs.1950-1995/maund in Haryana. In Punjab, it traded stable at Rs.1975-2040/maund with total arrivals are reported to be at around 5,000 bales in the country. The Maharashtra State government and Maharashtra State Co-operative Cotton Growers Marketing Federation have announced that the new cotton policy for the 2007/08 season. Details of the new initiative include quicker payment for seed cotton and new ginning and warehouse facilities. In addition, Pakistan has allowed the import of long staple cotton through land route from India, said a commerce ministry notification. Pakistan's Commerce Ministry has permitted the import of 3 million bales of cotton from India via road. It would reduce the cost of import and help the local textile industry to enhance its production. In fact, cotton prices to be remain firm for short term on improving international market and dwindle of supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped on Monday. Most-active December cotton lost 18 points at 60.79 cents/pound. Cotlook Cotton Indexes slid. North Europe A Index (2006-07 Crop) lost 15 points at 65.10 cents/pound. Far Eastern A Index (2006-07 Crop) slid 10 points at 63.20 cents/pound. Far Eastern E Index (Forward Quotation) lost 45 points at 65.80 cents/pound. In Karachi, KCA official spot rate remained flat at Rs.2600/maund.

FUTURES MARKETS:

NCDEX Kapas futures settled up on Monday amidst strong early buying support. Market went up after mostly strong opening but fell thereafter though recovered early losses at late hour from day's low. Most active March contract settled Rs.3.00 up at Rs.425.50 after mostly strong opening at Rs.426 and traded within the range of Rs.423.50-427.

PRICE DRIVERS:

1. Average demand against the tight stocks
2. Increasing acreage over last year; Tight international market
3. Pakistan allows import of cotton by road from India

WEATHER:

Improvement in monsoon is enhancing the sowing and providing favourable soil moisture in the cotton growing regions.

TECHNICALS: NCDEX Kapas March Contract-2008

Candlestick is indicating slight weakness in the market for the next trading day. Prices closed above 9-day and 15-day EMA, hinting short term bullish market. Open interest as well as volume of trade improved. Stochastic as well as RSI hints slight bullish market. Kapas is likely to remain weak after steady to firm opening with possibility of some upwards movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to up on improving demand and reducing stocks.

Medium Term (1 Month): Bullish likely on dwindle supplies and improving international market.

Long Term (3 Months): Steady to down on higher acreage and expectation of higher production.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

| Month | S1 | S2 | PCP | R1 | R2 |
|-------|-----|-----|--------|-----|-----|
| MARCH | 423 | 420 | 425.50 | 427 | 430 |

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.424 with target towards Rs.427 and then Rs.429. Put stop loss strictly below Rs.422. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

| Markets | Variety | Units | 26.06.07 | 25.06.07 | Change |
|---------------------------|-------------|-----------|-------------|-------------|--------|
| Sirsa- Haryana | J-34 | Rs./Maund | 1975 | 1975 | - |
| Muktsar-Punjab | J-34 | Rs./Maund | 2040 | 2040 | - |
| Abohar- Punjab | J-34 | Rs./Maund | 2020 | 2020 | - |
| Sri Ganganagar- Rajasthan | J-34 | Rs./Maund | 1940 | 1935 | +5.00 |
| Ahmedabad/Kadi - Gujarat | S-6 28 mm | Rs./Candy | 19000-19300 | 19000-19300 | - |
| Ahmedabad/Kadi - Gujarat | V-797 Kapas | Rs./Candy | 15400-15600 | 15400-15600 | - |
| Maharashtra | Mech-I-29mm | Rs./Candy | 19300-19500 | 19300-19500 | - |
| Maharashtra | Y-1 | Rs./Candy | 17600-17800 | 17600-17800 | - |
| Madhya Pradesh | Mech-I-29mm | Rs./Candy | 19600-19900 | 19600-19800 | - |
| Madhya Pradesh | Y-1 | Rs./Candy | 17800-18000 | 17800-18000 | - |

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