

COTTON DAILY

30th JUNE, 2007

SPOT MARKETS:

Cotton prices remained steady to slightly firm on Friday supported by healthy export demand for the Indian cotton and buoyant domestic demand. The exports which stopped for about three months on account of rising rupee has started again. As the global supply is down by 3% this year, the demand is likely to remain healthy in the coming time. Firmness in overseas markets on concerns of fall in US cotton acreage is giving supportive hand to the domestic prices. Sowing of cotton is in a full swing in Gujarat, where acreage of cotton is expected to increase as farmers are diverting towards cotton from groundnut. Industry estimates peg Indian cotton output in the year ending September 2007 at 25 million to 27 million bales (170 kilograms). As the area under cotton in US is expected to dip this year, higher cotton acreage in India is desired to cope with the global demand. According to analysts, acreage is likely to dip by 590,000-acre to 11.56 million in 2007-08 planting. The way the sowing is progressing, India might see higher acreage in 2007-08 and thus corresponding higher production, if weather remains favourable. Sowing of cotton as on 15th June has been higher at 1.52 million hectare as compared to 1.47 mln ha in the same period last year. On Thursday, Shankar-6 (28mm) quoted Rs 100 up at Rs.19200-19400/candy in Gujarat on steady arrivals of 3,000 bales. J-34 prices were steady in the range of Rs.1955-2000/maund in Haryana. In Punjab, it traded slight higher at Rs.2000-2060/maund. The total arrivals in the country remained steady at 3000 bales. The prices are likely to remain firm in short term supported by firmness in overseas markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT December cotton futures fell slightly Thursday as traders positioned themselves before the U.S. planted acreage report Friday. Most-active December cotton dipped 6 points to close at 61.63 cents/pound. Cotlook Cotton Indexes inched higher Wednesday. North Europe A Index (2006-07 Crop) rose 30 points to 65.90 cents/pound. Far Eastern A Index (2006-07 Crop) also climbed 40 points to 64.10 cents/pound. In Karachi, KCA official spot rate remained flat at Rs.2600/maund in a rain affected trade Wednesday.

FUTURES MARKETS:

NCDEX Kapas futures extended its recent gains on Friday. The March 2008 contract opened firm at Rs 428.9 and then it traded firm in the range of Rs 428.9-430 before finally closing the session at Rs 429.9. Volumes dipped whereas open interest remained stand still during the day.

PRICE DRIVERS:

1. Shrinking arrivals against healthy domestic demand
2. Depleting stocks
3. Higher acreage expected
4. Export demand rekindling
5. Tight international market on concerns of fall in acreage

WEATHER:

Some damage to cotton sowing in Karnataka, Andhra and Tamil Nadu is being reported. Re-sowing will have to be done in these areas. Whereas improvement in monsoon in other belts is enhancing the sowing and providing favourable soil moisture.

TECHNICALS: NCDEX Kapas March Contract-2008

Cotton charts continue to project bullish picture. Prices closed well above short term EMAs, indicating short-term firmness. Stochastic as well as RSI is supporting bulls. MACD is also showing increase in bullish momentum. Kapas is likely to trade firm after steady to firm opening.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	427	425	429.9	433	435

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.428 with target towards Rs.432, Put stop loss at.426. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	29.06.07	28.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1985	1985	0
Muktsar-Punjab	J-34	Rs./Maund	2060	2055	+5
Abohar- Punjab	J-34	Rs./Maund	2045	2040	+5
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1945	1945	0
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19200-400	19100-300	+100
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	15500-16200	0
Maharashtra	Mech-I-29mm	Rs./Candy	19500-800	19500-19700	+100
Maharashtra	Y-1	Rs./Candy	17500-18000	17700-18000	0
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19800-20000	19700-2000	0

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