

COTTON DAILY

29th JUNE, 2007

SPOT MARKETS:

Cotton prices were improved on Thursday at most of the spot markets as lower supplies and steady export demand kept the prices buoyant. Farmers are holding on to their stocks in anticipation of increasing prices. Mahafed and CCI have increased its selling price by Rs 300 and Rs 200 per candy on select varieties. Firmness in overseas markets on concerns of fall in US cotton acreage also gave supportive hand to the domestic prices. Sowing of cotton is in a full swing in Gujarat, where acreage of cotton in 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 steady at Rs.19100-19300/candy in Gujarat on steady arrivals of 3,000 bales. J-34 prices were also calm in the range of Rs.1955-2000/maund in Haryana. In Punjab, it traded slight higher at Rs.1990-2055/maund in the absence of any fresh arrivals. The total arrivals in the country dipped to 3000 bales from 3,500 bales on Wednesday. The prices are likely to remain firm in short term supported by firmness in overseas markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures climbed further Wednesday on speculative buying supported by technicals, however trade selling at higher levels capped the gains. Most-active December cotton climbed 24 points to close at 61.69 cents/pound. Cotlook Cotton Indexes inched higher Wednesday. North Europe A Index (2006-07 Crop) rose 60 points to 65.60 cents/pound. Far Eastern A Index (2006-07 Crop) also climbed 60 points to 63.70 cents/pound. Far Eastern E Index (Forward Quotation) was up by 55 points at 66.30 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 retreated most of the earlier gains of the session to close with modest gains on Thursday. The prices opened firm at Rs 427.7 and then saw the highs of Rs 432. Late session profit booking pushed the prices to close at Rs 428.5 level. Volumes increased, whereas open interest dipped during the day.

PRICE DRIVERS:

1. Shrinking arrivals against the average demand
2. Depleting stocks
3. Higher acreage expected
4. 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 supports bulls. However, long upper shadow of candlestick shows tentativeness at higher levels. Kapas is likely to trade firm after steady to firm opening with possibility of some downwards movement at the later session.

NCDEX Kapas March Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas MARCH Contract 2008

Month	S1	S2	PCP	R1	R2
MARCH	425	422	428.5	432	435

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-MARCH-Kapas above Rs.427 with target towards Rs.430 and then Rs.432. Put stop loss strictly below Rs.425.5. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	28.06.07	27.06.07	Change
Sirsa- Haryana	J-34	Rs./Maund	1985	1980	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2055	2045	+10.00
Abohar- Punjab	J-34	Rs./Maund	2040	2025	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1945	1945	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	19100-300	19100-19300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15500-16200	15500-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	19500-19700	19300-19500	+200
Maharashtra	Y-1	Rs./Candy	17700-18000	17600-17800	+200
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19700-2000	19600-19900	+100

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