

COTTON DAILY

12th JULY, 2007

SPOT MARKETS:

Cotton prices skyrocketed on Wednesday in most of the domestic centre due to negligible arrivals against the healthy domestic demand, rekindling export demand and holding back stocks by the farmers. In addition, the exports which stopped for about three months due to rising rupee started again. The tight international markets are also supporting the Indian markets.

The robust nature of the 2007 monsoon is allowing planting of the cotton crop to accelerate. As of July 6, 5.96 million hectares of cotton has been planted, up from 3.7 million hectares on the same date last season. Some replanting might be necessary in areas hit by the heaviest floods. Total cotton acreage remains on track to increase 5 to 10% this season, driven by the strong returns of 2006 and the yield success of BT cotton.

Owing to pest attack, around 2000 acres of cotton crop has been destroyed in Punjab, Therefore the farmers are now in front of the huge losses. According to the Agriculture Officer at Muktsar, around 2,374 acres of cotton crop has affected by the Mealy bug. Out of this, 174 acre was almost wasted crop that farmers rooted out. The farmers now want the State Government to do some damage control and compensate them for their losses.

On Wednesday, Shankar-6 (28mm) climbed and traded at Rs.20300-20500/candy in Gujarat on negligible arrivals. J-34 prices quoted up in the range of Rs.2045-2080/maund in Haryana. In Punjab, it offered mostly up between Rs.2155-2180/maund in different markets. The total arrivals in the country were reported to be nil. Cotton market is likely to remain hot in the near term on tight international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures traded bullish on Tuesday. Most-active December cotton added 45 points at 67.08 cents/pound. In Pakistan, the bullish trend was observed in the Karachi market due to active buying by the mills to cover their forward needs. KCA official spot rate has increased by Rs.50 to Rs 2775/maund.

FUTURES MARKETS:

NCDEX Kapas futures slipped from contract highs on Wednesday amidst profit taking on technical selling. Futures market soared after strong opening and hit new contract high but fell thereafter. Most active April 2008 contract opened bullish at Rs.453.90 against the last close of Rs.453 and thereafter traded strong in the range of Rs.452-455. The contract settled at Rs.453.

PRICE DRIVERS:

1. No arrivals against healthy domestic demand
2. Farmers holding back remaining stocks
3. Increasing demand from Textile mills
4. Export demand rebirthing; Improving international cotton market

WEATHER:

Early season rain and thunderstorms has provided generous soil moisture for early cotton planting in North and Central India. The south India cotton belt has been drier and hotter recently, reducing moisture for this part of the crop.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are indicating indecisive market for the next trading day. Prices closed above short term EMAs, hinting short term bullish market. MACD is remaining steady in the positive zone, hinting steady market as medium term. Stochastic indicating strong market but RSI favours for the bears. Volume of trade decreased but Open Interest was steady. Kapas is expected to trade down after steady to weak opening with possibility of some upward movement at later session.

OUTLOOK:

Short Term (1 Week): Bullish on depleting stocks against the healthy demand.

Medium Term (1 Month): Strong likely on mostly weak arrivals and improving international market.

Long Term (3 Months): Steady to down possible on new crop arrivals in last week of September and higher production estimates.

NCDEX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	450	446	453	457	462

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.451 with target towards Rs.456 and then 460, Put stop loss strictly below Rs.447. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	11.07.07	10.07.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2055	2050	+5.00
Muktsar-Punjab	J-34	Rs./Maund	2170	2145	+25.00
Abohar- Punjab	J-34	Rs./Maund	2155	2140	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2040	2015	+25.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20300-20500	20000-20300	+300.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16400-17000	16000-16800	+400.00
Maharashtra	Mech-I-29mm	Rs./Candy	19800-20100	19800-20100	-
Maharashtra	Y-1	Rs./Candy	18400-18600	18200-18500	+200.00
Madhya Pradesh	Mech-I-29mm	Rs./Candy	19900-20200	20100-20500	-200.00
Madhya Pradesh	Y-1	Rs./Candy	18500-18800	18500-18800	-

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