

COTTON DAILY

13th AUGUST, 2007

SPOT MARKETS:

Cotton prices remained steady on Saturday in North Indian markets amidst good progress in summer cotton plantings across the country and poor demand from local millers and exporters. But it was up in Gujarat due to floods. Millers and exporters are waiting for new crop arrivals therefore they are staying away from the market. The growers are also liquidating remaining stocks at higher rate. The new cotton crop is likely to hit the market in early September in Punjab. But, the various international companies are now very much eager to buy cotton from the grower, which means that local cotton demand is growing in markets like U.S. and Europe. Indian millers have already contracted to export around 300,000 tons of cotton from the new crop.

Acreage has reached at 8.51 million hectares as of May 1-August 3, up from 7.98 mln ha over last year same period. BT cotton was sown on around 4.67 mln ha. Sowing is likely to go up to 9.5 mln ha from 9.1 mln ha last marketing year. In Gujarat, cotton has been sown in around 81 lakh hectares of land till July end this Kharif season over 75 lakh hectares during the corresponding period last year. In addition, cotton acreage increased 2% to 2.71 million hectares in Maharashtra.

Cotton production in the country is expected to surge by 10% to about 310 lakh bales in 2007-08 as compared to 280 lakh bales in 2006-07. Acreage has increased due to the continued firmness of cotton prices.

On Saturday, Shankar-6 (28mm) traded up at Rs.20600-20800/candy in Gujarat. J-34 prices offered steady in the range of Rs.2040-2075/maund in Haryana. In Punjab, it offered flat between Rs.2070-2120/maund in different markets. Cotton market is likely to be remaining strong in the medium term on expectation of higher international markets and shrinking domestic supplies.

INTERNATIONAL MARKET:

NYBOT cotton futures tumbled on Friday. Most-active December cotton slipped 118 points at 61.24 cents/pound and traded within the range of 60.82-62 cents/pound. Cotlook Cotton Indexes slipped on Friday. North Europe A Index (2007-08 Crop) slid 95 points at 68.85 cents/pound. Far Eastern A Index (2007-08 Crop) lost 85 points at 67.70 cents/pound. The Karachi Cotton Association (KCA) official spot rate remained flat at Rs 3150/maund.

FUTURES MARKETS:

NCDEX Kapas fell down on Saturday amidst fresh selling interest on higher production estimates and weak spot market. Market tumbled after weak opening and settled down. March-2008 contract slid Rs.5.70 at Rs.433.50. Most active April 2008 contract opened weak at Rs.436.50 over the last close of Rs.439.30 and lost Rs.5.80 at Rs.435.50 with traded within Rs.433.50-437.

PRICE DRIVERS:

1. Higher production estimates; Moderate supplies
2. Feeble demand from exporters & mills; Higher acreage

WEATHER:

Thunderstorms reached into northwest India during the past few weeks. This is an early rain event for this region and should allow for early planting. Increasing rainfall in central India will help recharge soil moisture and replenish irrigation through major cotton areas.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting bearish market for the next trading day. Prices settled far below short term EMAs, indicating short term weak market. MACD is moving down in the negative zone, hinting downward market as medium term. Stochastic and RSI leaving some scope of technical correction. Volume declined but Open interest increased. Kapas is likely to trade soft after weak opening with possibility of some upward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to weak on weak global markets and weak domestic demand.

Medium Term (1 Month): Steady likely on average demand and expectation of higher output.

Long Term (3 Months): Up likely on strong export demand and expectation of higher international markets.

NCDEX Kapas APRIL Contract-2008



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	430	427	433.50	437	440

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.436 with target towards Rs.431 and then Rs.428. Put stop loss strictly above Rs.440. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	11.08.07	10.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2055	2055	-
Muktsar-Punjab	J-34	Rs./Maund	2120	2120	-
Abohar- Punjab	J-34	Rs./Maund	2100	2100	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2000	2000	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20400-20600	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16300-17100	16100-17000	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20500-20800	20500-20800	-
Maharashtra	Y-1	Rs./Candy	18800-19200	18800-19200	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20600-20800	-
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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