

COTTON DAILY

21st AUGUST, 2007

SPOT MARKETS:

Cotton prices hovered up on Monday in North Indian and Maharashtra market on crop loss worries. A large portion of cotton crop in Punjab has been severely damaged by the whitefly insect caused by excessive irrigation and overdose of fertilizers. Besides, the Pakistan government is likely to allow subsidised import of middle staple cotton from India by land if the mealy bug attack is not controlled in two to three weeks. Therefore, exporters and buyers remained active to buy cotton, traders said. Indian millers have already contracted to export around 3-lakh tons of cotton from the new crop. On the other hand, APTMA has already decided to import cotton on immediate basis from India through all ports of entry. Heavy spells of rain in the Saurashtra region of Gujarat, which are believed to have damaged this year's cotton crop. Many farms in Saurashtra and Junagadh, two major cotton hubs in Gujarat, have reportedly been flooded due to the massive downpour.

Total area under cotton is estimated at 8.62 mln ha, as of Aug. 8 up from 8.17 mln ha a year earlier and plantings are still in progress. Sowing of Bt varieties reached at around 5.33 mln ha. Therefore, 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.

Indian Ministry of Textiles has declared the minimum support prices (MSP) for cotton for the crop year 2007-08. The basic support prices were Rs.1,800/quintal for medium-staple cotton and Rs.2,030/quintal for longer-staple cotton.

On Monday, Shankar-6 (28mm) traded flat at Rs.20000-20300/candy in Gujarat. J-34 prices offered up in the range of Rs.2030-2065/maund in Haryana. In Punjab, it quoted firm between Rs.2050-2120/maund in different markets. Cotton market is likely to be remaining strong in the long term on expectation of higher international markets and strong export demand.

INTERNATIONAL MARKET:

NYBOT remained closed on Saturday and Sunday on weekend holiday. In Pakistan, bullish trend was observed on Saturday in the Karachi cotton market on miller's active buying in anticipation of further rise in the prices. The Karachi Cotton Association (KCA) official spot rate remained unchanged at Rs 2900/maund.

FUTURES MARKETS:

NCDEX Kapas futures rebounded to up on Monday amidst profit taking coupled with buying support on crop loss worries. Market went slight down after mostly firm opening but bounced back to up on strong buying pressure. March-2008 contract climbed Rs.6.30 at Rs.436.20. Most active April 2008 contract opened mostly firm at Rs.432.50 over the last close of Rs.429.20 and gained Rs.6.30 at Rs.435.50 and hovered within Rs.431.10-435.50.

PRICE DRIVERS:

1. Higher production estimates; Weak supplies; Crop loss worries
2. Improved demand from exporters & mills; Higher acreage

WEATHER:

Heavy storms and possibly flooding through key cotton areas of west-central India are forecasted. Some crop damage can not be ruled out.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts are hinting bullish market for the next trading day. Prices closed in between short term EMAs, hinting short term steady to up market. MACD remains in the negative zone, hinting some recovery in medium term. Stochastic and RSI are hinting strong market. Volume increased while Open interest decreased. Kapas is likely to trade up after firm opening with possibility of some downward movement at the later session.

OUTLOOK:

Short Term (1 Week): Steady to up on improved domestic demand and depleting stocks.

Medium Term (1 Month): Steady to down likely on arrivals of new crop and 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	433	430	435.50	439	442

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.434 with target towards Rs.438 and then Rs.440. Put stop loss strictly below Rs.431. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	20.08.07	18.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2030	2020	+10.00
Muktsar-Punjab	J-34	Rs./Maund	2105	2090	+15.00
Abohar- Punjab	J-34	Rs./Maund	2075	2060	+15.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1960	+20.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20000-20300	20000-20300	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16000-16800	16000-16800	-
Maharashtra	Mech-I-29mm	Rs./Candy	20600-20800	20500-20800	+100.00
Maharashtra	Y-1	Rs./Candy	18700-19000	18600-19000	+100.00
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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