

COTTON DAILY

11th AUGUST, 2007

SPOT MARKETS:

Cotton prices remained moderately down on Friday in North Indian markets amidst good progress in summer cotton plantings across the country and poor demand from local millers and exporters. 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. Some weakness in international cotton prices is also added to bearish tone. 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 Friday, Shankar-6 (28mm) traded flat at Rs.20400-20600/candy in Gujarat. J-34 prices offered down in the range of Rs.2040-2075/maund in Haryana. In Punjab, it offered weak 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 backpedaled on Thursday however settled near session highs. Most-active December cotton lost 109 points at 62.42 cents/pound. Cotlook Cotton Indexes increased on Thursday. Therefore North Europe A Index (2007-08 Crop) gained 15 points at 69.80 cents/pound. Far Eastern A Index (2007-08 Crop) added 40 points at 68.55 cents/pound. In Karachi, KCA official spot rate has further increased by Rs 50 at Rs 3150/maund.

FUTURES MARKETS:

NCDEX Kapas traded up on Friday amidst buying interest on lower level. Market traded up following a weak opening. March-2008 contract slid Rs.3.30 at Rs.435.50. Most active April 2008 contract settled up by 0.83% at Rs.439.20 over the last close of Rs.435.40 and traded within Rs.434.5-439.80.

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 bullish market for the next trading day. Prices settled 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 buying. Volume as well as Open Interest has declined. Kapas is likely to trade higher following a higher opening.

OUTLOOK:

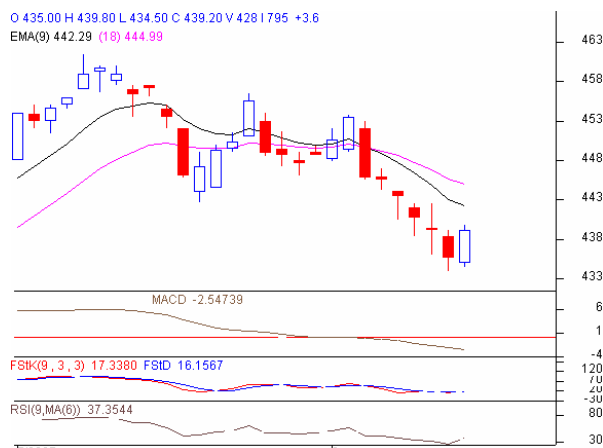
Short Term (1 Week): Steady to weak on weak global markets and weak domestic demand.

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

O 435.00 H 439.80 L 434.50 C 439.20 V 4281795 +3.6
EMA(9) 442.29 (18) 444.99



SUPPORT / RESISTANCES:

NCDEX Kapas APRIL Contract 2008

Month	S1	S2	PCP	R1	R2
APRIL	432	435	435.60	445	448

TRADE RECOMMENDATION (INTRADAY)

BUY NCDEX-APRIL-Kapas above Rs.438 with target towards Rs.443 and then Rs.445. Put stop loss strictly above Rs.435. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	10.08.07	09.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2055	2060	-5.00
Muktsar-Punjab	J-34	Rs./Maund	2120	2130	-10.00
Abohar- Punjab	J-34	Rs./Maund	2100	2105	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	2000	2010	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20400-20600	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16100-17000	16100-17000	-
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	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.