

COTTON DAILY

22nd AUGUST, 2007

SPOT MARKETS:

Cotton prices increased further on Tuesday in North Indian and Gujarat 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. In addition, APTMA has placed orders to import of 10,000 bales of raw cotton from India and Dubai to meet local textile mills demand at the lowest prices as the domestic cotton prices are too high.

Total area under cotton is estimated at 8.62 mln ha, as of Aug. 8 up from 8.17 mln ha a year earlier. 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 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 Tuesday, Shankar-6 (28mm) traded up at Rs.20200-20500/candy in Gujarat. J-34 prices offered up in the range of Rs.2050-2085/maund in Haryana. In Punjab, it quoted firm between Rs.2070-2140/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 cotton futures started closed up and nearer the session high on Monday. December cotton climbed 118 points at 58.68 cents/pound. Cotlook Cotton Indexes slightly increased. North Europe A Index (2007-08 Crop) gained 10 points at 65.50 cents/pound. Far Eastern A Index (2007-08 Crop) added 15 points at 64.35 cents/pound. In Karachi, KCA official spot rate has increased by Rs 50/maund to Rs 2950/maund because the mills continued buying after the report about the damage to crop.

FUTURES MARKETS:

NCDEX Kapas futures settled with marginal changes on Tuesday amidst late buying support on firm spot market. Market tumbled after weak opening but recovered thereafter. March-2008 contract lost Rs.0.20 at Rs.436. Most active April 2008 contract opened weak at Rs.435 over the last close of Rs.435.50 and gained Rs.0.40 at Rs.435.90 and traded within Rs.432.30-437.20.

PRICE DRIVERS:

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

WEATHER:

Widespread rainfall with scattered heavy-to-very heavy fall is likely over West Madhya Pradesh and Gujarat region during next 48 hours and decrease thereafter.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks charts indicating bullish for the next trading day. Prices closed in between short term EMAs, hinting short term steady to strong market. MACD remains in the negative zone, hinting some recovery in medium term. Stochastic and RSI are hinting slight bullish market. Volume increased while Open interest decreased. Kapas is likely to trade bullish after weak 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	435.90	440	444

TRADE RECOMMENDATION (INTRADAY)

Buy NCDEX-APRIL-Kapas above Rs.434 with target towards Rs.439 and then Rs.441. Put stop loss strictly below Rs.430. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	21.08.07	20.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2050	2030	+20.00
Muktsar-Punjab	J-34	Rs./Maund	2120	2105	+15.00
Abohar- Punjab	J-34	Rs./Maund	2095	2075	+20.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1990	1980	+10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20200-20500	20000-20300	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	16200-16800	16000-16800	+200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20600-20800	20600-20800	-
Maharashtra	Y-1	Rs./Candy	18700-19000	18700-19000	-
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.