

COTTON DAILY

16th AUGUST, 2007

SPOT MARKETS:

Cotton prices sharply declined further in North India and Gujarat market on Tuesday also, amidst dull demand from local millers and exporters and good progress in summer cotton plantings across the country. Millers and exporters are waiting for new crop arrivals therefore they are staying away from the market. Growers are also liquidating remaining stocks at present rate. 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 3-lakh tons of cotton from the new crop. APTMA has decided to import cotton on immediate basis from India through all ports of entry.

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. Over 60% of the total cotton acreage so far this year is of Bt varieties and reached at around 5.33 mln ha. Acreage in Punjab and Rajasthan were up by 7% and 25%, while Haryana had reported 9% crop area decline this time. In Central India, Gujarat and Maharashtra had reported 5% increase in cotton area while it is up by 8% in M.P.

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 Tuesday, Shankar-6 (28mm) traded weak at Rs.20200-20500/candy in Gujarat. J-34 prices offered bearish in the range of Rs.2025-2060/maund in Haryana. In Punjab, it offered weak between Rs.2050-2100/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 closed slightly down on Monday. Most active December cotton slipped 3 points at 61.21 cents/pound and traded within the range of 60.90-61.65 cents. Cotlook Cotton Indexes declined. North Europe A Index (2007-08 Crop) slid 80 points at 68.05 cents/pound. Far Eastern A Index (2007-08 Crop) lost 90 points at 66.80 cents/pound. In Karachi, KCA official spot rate remained unchanged at Rs 3150/maund.

FUTURES MARKETS:

NCDEX Kapas futures backpedaled on Tuesday amidst strong selling pressure on weak spot market. Market got down after weak opening and settled slight up from the day's low. March-2008 contract lost Rs.4.90 at Rs.433. Most active April 2008 contract opened weak at Rs.436.80 over the last close of Rs.437.90 and slid Rs.5.40 at Rs.432.50 and traded within Rs.431.20-437.40.

PRICE DRIVERS:

1. Higher production estimates; Moderate supplies
2. Dull 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 bearish market for the next trading day. Prices settled below short term EMAs, indicating short term bearish market. MACD remains in the negative zone, hinting bearish market for medium term. Stochastic and RSI are leaving scope for some technical correction. Volume and Open interest significantly 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	427	424	432.50	435	438

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.434 with target towards Rs.428 and then Rs.425. Put stop loss strictly above Rs.438. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	14.08.07	13.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2035	2045	-10.00
Muktsar-Punjab	J-34	Rs./Maund	2100	2110	-10.00
Abohar- Punjab	J-34	Rs./Maund	2075	2080	-5.00
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1980	1990	-10.00
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20200-20500	20400-20700	-200.00
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	-

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