

COTTON DAILY

23rd AUGUST, 2007

SPOT MARKETS:

Cotton prices remained mixed on Wednesday in the domestic market. 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 2-3 weeks. 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. Besides, China's cotton import from India has slipped by 72.9% on year to 7,615 metric tonnes.

Total area under cotton is estimated at 9.9 mln ha, as of Aug. 15. In Gujarat also, the area has increased from 2.39 mln ha to 2.6 mln ha there by an increase in area by 10% as reported by the agriculture department of Gujarat. The size of the crop in Gujarat is expected to be around 120 lacs in the coming season. However, all India crop size is projected at about 325 lacs bales approx.

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 Wednesday, Shankar-6 (28mm) traded up at Rs.20400-20600/candy in Gujarat. J-34 prices offered slight down in the range of Rs.2035-2065/maund in Haryana. In Punjab, it quoted down between Rs.2025-2125/maund in different markets on fresh arrivals of new crop. Cotton prices are likely to remain steady to up in the near future and the current trend in cotton export and consumption is expected to continue. Enquiries and some commitments for cotton exports have already started.

INTERNATIONAL MARKET:

NYBOT cotton futures slipped on Tuesday amidst technical oriented speculative selling and some sell stop orders. December cotton slid 33 points at 58.35 cents/pound. Cotlook Cotton Indexes rose on Tuesday. North Europe A Index (2007-08 Crop) gained 85 points at 66.35 cents/pound. Far Eastern A Index (2007-08 Crop) added 100 points at 65.35 cents/pound. In Karachi, the KCA official spot rate remained flat at Rs 2950/maund.

FUTURES MARKETS:

NCDEX Kapas futures backpedaled on Wednesday amidst strong selling interest. Market plummeted after mostly weak opening and settled nearer the session low. March-2008 contract lost Rs.4 at Rs.431. Most active April 2008 contract opened mostly weak at Rs.432.50 over the last close of Rs.435.50 and slid Rs.5.50 at Rs.430 and traded within Rs.429.50-433.

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 hinting bearish market for the next trading day. Prices closed below short term EMAs, hinting short term weak market. MACD remains in the negative zone, hinting some recovery in medium term. Stochastic and RSI are hinting slight bearish market. Volume as well as open interest significantly increased. Kapas is likely to trade down after weak opening with possibility of some upward 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	427	422	430	433	438

TRADE RECOMMENDATION (INTRADAY)

Sell NCDEX-APRIL-Kapas below Rs.432 with target towards Rs.427 and then Rs.424. Put stop loss strictly above Rs.436. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	22.08.07	21.08.07	Change
Sirsa- Haryana	J-34	Rs./Maund	2050	2050	-
Muktsar-Punjab	J-34	Rs./Maund	2120	2120	-
Abohar- Punjab	J-34	Rs./Maund	2095	2095	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	1990	1990	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20400-20600	20200-20500	+200.00
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15800-16500	16000-16800	-200.00
Maharashtra	Mech-I-29mm	Rs./Candy	20300-20500	20200-20600	-100.00
Maharashtra	Y-1	Rs./Candy	18700-19000	18700-19000	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20300-20500	20400-20600	-100.00
Madhya Pradesh	Y-1	Rs./Candy	19000-19300	19000-19300	-

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