

COTTON DAILY

10th SEPTEMBER, 2007

SPOT MARKETS:

Cotton prices remained firm in North Indian markets while it was steady in Western markets on Saturday on trickle arrivals of old cotton and some millers demand as fresh cotton has been arriving in North India. Traders said around 1200-1300 bales of cotton is arriving daily in Northern provinces of Punjab, Haryana and Rajasthan. But exporters and big buyers remained inactive and waiting for the new crop from the main growing states of Gujarat, Maharashtra and Andhra Pradesh to arrive in the markets by the middle of September. In addition, the quality and quantity of the new crop will determine further market condition. Maharashtra State cabinet approved the proposal to buy cotton from farmers at M.S.P of Rs 2070/quintal. The board will procure cotton from 2nd October and it is estimated that they will purchase about Rs 50 lakh quintals of cotton from the farmers.

Area under cotton is estimated at 9.05 Mln Ha on May 1- September 7, increased from the 8.64 Mln Ha on the same date last year. Out of the total area, Bt cotton sowing reached more than 5.33 Mln Ha. Area has risen by 7% in Punjab and by 25% in Rajasthan and 5-8% in Gujarat, Maharashtra and Madhya Pradesh.

Indian cotton export would rise to about 4.6 million bales in 2007-08 crops. Cotton output is estimated at 31 Mln bales in the country in 2007-08 over 27-28 Mln bales of 2006-07.

On Saturday, Shankar-6 (28mm) forward quoted up at Rs.19600-700/candy in Gujarat. In Haryana, the forward bargains for Full September quoted up at Rs.1975-85/maund and Full Oct at Rs.1915-25/maund. In Punjab, it offered up between Rs.1985-2005/maund and Rs.1930-55/maund. Cotton prices are likely to remain steady to up in the near future.

INTERNATIONAL MARKET:

ICE cotton futures settled in the negative territory on Friday. Most active December cotton slipped 17 points at 60.25 cents/pound and traded in the range of 59.80-60.35 cents. Cotlook Cotton Indexes was unchanged on Friday. Therefore North Europe A Index (2007-08 Crop) remained steady at 67.20 cents/pound. Far Eastern A Index (2007-08 Crop) was stable at 66.25 cents/pound. In Karachi, KCA official spot rate remained flat at Rs 2775/maund.

FUTURES MARKETS:

NCDEX Kapas futures traded sluggish after firm bullish starts on Saturday amidst late selling pressure. Market moved up after firm opening but slid thereafter. March-2008 contract lost Rs.1 at Rs.421.70. Most active April 2008 contract opened strong at Rs.422.50 over the last close of Rs.421.60 and slid Rs.0.80 at Rs.420.80 and traded within Rs.420.50-422.90.

PRICE DRIVERS:

1. Higher production estimates; Fresh arrivals in North India & Gujarat
2. Improving international cotton markets
3. Mahafed reduced cotton spot rates; Higher acreage

WEATHER:

Areas of the North India cotton belts have seen only isolated thunderstorms recently. This will help improve the condition of this crop after earlier heavy storms.

TECHNICALS: NCDEX Kapas APRIL Contract-2008

Candlesticks chart exhibits weak market for the next trading day. Prices closed below short term EMAs, indicates short term bearish market. MACD prevails in the negative zone and moving upwards. Stochastic and RSI shows bearish market. Volume improved but open interest declined. 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 down on weak domestic demand and expectation of higher output.

Medium Term (1 Month): Slight up likely on good domestic demand despite arrivals of new crop.

Long Term (3 Months): Bullish likely on higher 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	417	414	420.80	423	427

TRADE RECOMMENDATION (INTRADAY)

Risk lovers can Sell NCDEX-APRIL-Kapas below Rs.422 with target towards Rs.418 and then Rs.416. Put stop loss strictly above Rs.425. Do not carry forward the position for the next trading day.

VARIETY WISE SPOT PRICES IN MAJOR DOMESTIC MARKETS

Markets	Variety	Units	08.09.07	07.09.07	Change
Sirsa- Haryana	J-34	Rs./Maund	-	-	-
Muktsar-Punjab	J-34	Rs./Maund	-	-	-
Abohar- Punjab	J-34	Rs./Maund	-	-	-
Sri Ganganagar- Rajasthan	J-34	Rs./Maund	-	-	-
Ahmedabad/Kadi - Gujarat	S-6 28 mm	Rs./Candy	20600-20800	20600-20800	-
Ahmedabad/Kadi - Gujarat	V-797 Kapas	Rs./Candy	15700-16500	15700-16500	-
Maharashtra	Mech-I-29mm	Rs./Candy	20700-20900	20700-20900	-
Maharashtra	Y-1	Rs./Candy	-	-	-
Madhya Pradesh	Mech-I-29mm	Rs./Candy	20600-20800	20600-20800	-
Madhya Pradesh	Y-1	Rs./Candy	-	-	-

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