

Domestic Fundamentals:

Market Outlook: Cotton spot prices noticed range –bound to weak tone on Wednesday.

In The News: The Telangana government has asked the farmers in the state to plant alternative crops for cotton in the coming kharif season and reduce the area under cotton amid likely decline in cotton prices this year. Telangana is among the top cotton growing States in the country. But farmers have been under tremendous financial pressure in the last three to four years, with monsoon and cottonseed having failed them. Farmers have been investing and they are not getting good returns.

According to the government, the decision taken at the World Trade Organisation's 2015 Nairobi Ministerial to eliminate export subsidies on cotton will benefit Indian shipments. This will provide a level playing field for the farmers in India. The Nairobi Ministerial decision on cotton and export competition resulted in a commitment by developed countries to immediately eliminate their export subsidies, while developing countries were required to do so by January 1, 2017.

The Andhra Pradesh government has decided to reduce the Bt Cotton area in the state from 6.7 lakh hectares to 4.5 lakh hectares after the crop developed pink bollworm pest. The state agriculture department will take up a massive campaign to create awareness among farmers against sowing Bt cotton in red and light soil regions.

According to Cotton Association of India (CAI), output of cotton in India for 2015 -16 season is estimated to be around 341 lakh bales compared to 382.75 lakh bales in 2014 -15. The projected balance sheet drawn by the CAI estimated total cotton supply for the season 2015-16 at 428.60 lakh bales while the domestic consumption is estimated at 305 lakh bales.

India exported 0.658 lakh bales of cotton last week (25 Apr -01 May 2016), which was 0.739 lakh bales previous to last week (18 -24 Apr 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (25 Apr -01 May, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.358 lakh bales of cotton from India in the past week (25 Apr -01 May 2016). Other major importers were Pakistan, China, Vietnam and Indonesia and their imported volumes were 0.097 lakh bales, 0.084 lakh bales, 0.078 lakh bales and 0.007 lakh bales respectively.

Department of Agriculture, Ministry of Agriculture (MoA) in its second advance estimates, has revised the cotton production estimates downwardly for the season 2015-16 at 306.92 lakh bales (of 170 kg each). For the season 2014-15, the estimate was 346.23 lakh bales according to the first advance estimates for the season.

The Foreign Agriculture Services (FAS), division of USDA has lowered the production forecast for India in its latest report to 356 lakh bales. The reason for the downfall in the revision is lower yield expectation in Punjab and Haryana due to the attack of white fly and impact of pink bollworm in Gujarat.

According to Cotton Association of India (CAI), the arrivals during 2015-16 season up to the end of March 2016 are estimated at 280.15 lakh bales compared to 318.45 lakh bales arrived up to the same period last year. This reduction in the arrivals of cotton is an indication of a lower crop this season.

International Fundamentals:

The Chinese government has started the auction of its huge reserves of cotton this month. Stocks of cotton are expected to decline amid decline in Chinese imports and falling domestic production. The ICAC forecast that a policy of government auctions, and import limitations, will lower Chinese cotton stocks by 7% in 2015-16, and a further 10% in 2016-17. The US Department of Agriculture has forecast China's cotton stocks to fall by 6% in 2015-16, to 13.9m tons.

The China National Development and Reform Commission (NRCD) has announced that they would begin selling a portion of China's estimated 58 million bales of reserve stocks beginning in early May. According to the NRCD, 2 million metric tons (the equivalent of about 9 million 480-pound bales) will be offered for sale in 2016.

According to USDA latest report, global 2015/16 cotton ending stocks are revised down this month. World 2015-16 cotton production is projected at 99.8 million bales, 16 per cent below last season. World ending stocks are now projected at 102.2 million bales.

Outlook

We expect domestic prices to remain range bound to firm in the near -term.

NCDEX Kapas Futures*: (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-------|------|------|-----|-------|--------|--------|-------|--------|
| Con_1 | -8.00 | 905 | 908 | 902 | 906 | 663 | 0 | 15826 | 0 |
| Con_2 | - | - | - | - | - | - | - | - | - |

| Spread | May-16 | May-17 | |
|--------|--------|--------|---|
| Spot | 109 | | - |
| May-17 | | 906 | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5.42 pm on 04 May- 2016

MCX Cotton Futures*: (Prices in Rs/170 kgs)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|---------|-------|-------|-------|-------|--------|--------|--------|--------|
| May-16 | -170.00 | 17460 | 17470 | 17400 | 17460 | 1237 | 124 | 536390 | -42570 |
| July-16 | -200.00 | 17810 | 17850 | 17810 | 17850 | 304 | 76 | 135571 | -13359 |
| Sep-16 | -170.00 | 17280 | 17280 | 17150 | 17180 | 7 | -11 | 3145 | -5009 |

| Spread | Feb-16 | Mar-16 | Apr-16 | May-16 | -- | -- |
|---------|--------|--------|--------|--------|----|----|
| Spot | — | | | - | - | - |
| May-16 | | -390 | | - | - | - |
| July-16 | | | 670 | - | - | - |
| Sep-16 | — | | | - | - | - |

(NB: Spread Basis = Spot- Near Month Future)

* Updated at 5.42 pm on 04 May 2016

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|----------------|---------------|---------------|----------------------|----------|--------|
| State | Centre | Variety | 4-May-16 | 3-May-16 | |
| Gujarat | Ahmedabad | Shankar-6 | 5000 | 5100 | -100 |
| | Gondal | Shankar-6 | 5060 | 5000 | 60 |
| | Rajkot | B.T. Cotton | 5075 | 5110 | -35 |
| | Patan | B.T. Cotton | 5090 | 5180 | -90 |
| | Kadi | B.T. Cotton | 5000 | 5125 | -125 |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 5080 | 5175 | -95 |
| Punjab | Fazilika | B.T. Cotton | NR | NR | - |
| | Muktsar | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 5200 | 5200 | Unch |
| | Bhiwani | Desi | NA | 4800 | - |
| | Adampur | B.T. Cotton | 5070 | 5070 | Unch |
| | Fatehabad | B.T. Cotton | 5050 | 5060 | -10 |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | NA | NA | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | 4950 | 5000 | -50 |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | 5125 | 5055 | 70 |
| Maharashtra | Amravati | Mech-1 | 4900 | 4950 | -50 |
| | Jamner | Medium Staple | 4842 | 4850 | -8 |
| Uttar Pradesh | Hathras | B.T. Cotton | NA | NA | - |
| | Hathras | Desi | NA | NA | - |
| Telangana | Adilabad | Un-Ginned | 4300 | 4300 | Unch |
| Andhra Pradesh | Guntur | Un-Ginned | NA | NA | - |
| | Kurnool | Un-Ginned | NA | NA | - |
| | Krishna | Un-Ginned | NA | 4600 | - |
| | East Godavari | Un-Ginned | 4100 | 4100 | Unch |
| Karnataka | Bijapur | Bunny | NA | 5279 | - |
| | Hubli | D.C.H. | 4277 | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | 5200 | - |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |

| State | Centre | Variety | 4-May-16 | 3-May-16 | |
|-----------|----------------|---------|----------|----------|----|
| Punjab | Bhatinda | J-34 | 3810 | 3800 | 10 |
| | Abohar | J-34 | 3810 | 3800 | 10 |
| | Mansa | J-34 | NA | NA | - |
| | Muktsar | J-34 | NR | NR | - |
| | Fazilika | J-34 | NR | NR | - |
| Haryana | Sirsa | J-34 | 3720 | 3700 | 20 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|----------------|---------------|---------------|--------------------|----------|--------|
| State | Centre | Variety | 4-May-16 | 3-May-16 | |
| Gujarat | Ahmedabad | Shankar-6 | 25500 | 25500 | Unch |
| | Gondal | Shankar-6 | 1122 | 1350 | -228 |
| | Rajkot | B.T. Cotton | 1380 | 1415 | -35 |
| | Patan | B.T. Cotton | 2040 | 2060 | -20 |
| | Kadi | B.T. Cotton | 20000 | 20000 | Unch |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 55 | 71 | -16 |
| Punjab | Fazilika | B.T. Cotton | NR | NR | - |
| | Muktsar | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 500 | 400 | 100 |
| | Bhiwani | Desi | NA | NA | - |
| | Adampur | B.T. Cotton | 170 | 213 | -43 |
| | Fatehabad | B.T. Cotton | NA | 20 | - |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | NA | NA | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | NA | NA | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | 920 | 1070 | -150 |
| Maharashtra | Amravati | Mech-1 | 8000 | 13000 | -5000 |
| | Jamner | Medium Staple | 31 | 45 | -14 |
| Uttar Pradesh | Hathras | B.T. Cotton | NA | NA | - |
| | Hathras | Desi | NA | NA | - |
| Telangana | Adilabad | Un-Ginned | NA | NA | - |
| Andhra Pradesh | Guntur | Un-Ginned | NA | NA | - |
| | Kurnool | Un-Ginned | NA | NA | - |
| | Krishna | Un-Ginned | NA | NA | - |
| | East Godavari | Un-Ginned | NA | NA | - |

| | | | | | |
|------------------|----------------|----------------|---------------------------|-----------------|---------------|
| Karnataka | Bijapur | Bunny | NA | 890 | - |
| | Hubli | D.C.H. | 2 | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | 562 | - |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 4-May-16 | 3-May-16 | |
| Punjab | Bhatinda | J-34 | 255 | 255 | Unch |
| | Abohar | J-34 | 85 | 68 | 17 |
| | Mansa | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | 102 | 85 | 17 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
| | | | | 3-May-16 | 2-May-16 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 32000 | 32000 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 32500 | 32500 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 34300 | 34300 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 34200 | 34000 | 200 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 34900 | 34700 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 37200 | 37000 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 38100 | 37900 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 49500 | 49500 | Unch |

Cotton Seed Oil Prices
Refined Cotton Seed Oil at Key Centers:

| Centre | Unit | Price | | Change |
|-----------|-------------|----------|----------|--------|
| | | 4-May-16 | 3-May-16 | |
| Rajkot | Rs. /10 Kg. | 650 | 660 | -10 |
| New Delhi | Rs. /10 Kg. | 650 | 650 | Unch |
| Hyderabad | Rs. /10 Kg. | 630 | 640 | -10 |
| Mumbai | Rs. /10 Kg. | 655 | 655 | Unch |

Cotton Seed Oil Seed Cake Prices
Cotton Seed Oil Cake Prices at Key Centers:

| Centre | Unit | Price | Change |
|--------|------|-------|--------|
|--------|------|-------|--------|

| | | 4-May-16 | 3-May-16 | |
|-----------------|---------|----------|----------|-----|
| Mahesana (Kadi) | Rs./Qtl | 2310 | 2326 | -16 |
| Akola | Rs./Qtl | 2320 | 2328 | -8 |

INTERNATIONAL PRICES AND INDICES

| China Cotton Index: As on 4-May-2016 | | | |
|--------------------------------------|--|---------|--------|
| Index | | RMB/Ton | Change |
| CCIndex(328) | | 12391 | 16 |
| CCIndex(527) | | 11312 | 39 |
| CCIndex(229) | | 12728 | 27 |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | | |

| China Foreign Cotton (FCE) Index : As on 4-May-2016 | | | |
|---|--|----------|--------|
| Index | | Cents/lb | Change |
| FC Index (S) | | 74.76 | -0.98 |
| FC Index (M) | | 71.91 | -1.22 |
| FC Index (L) | | 68.70 | -1.64 |

| Cotlook Index: As on 3-May-2016 | | | |
|---------------------------------|--|-------------|--------|
| Cotlook Indices | | Cents/Pound | Change |
| A-Index | | 72.00 | 0.75 |

| USDA Cotton Spot Rates: As on 3-May-2016 | | | |
|---|---------------------|---------------------|----------|
| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
| | cents/lb. | | bales |
| Southeast | 63.56 | 66.81 | Nil |
| North Delta | 63.31 | 66.06 | Nil |
| South Delta | 63.31 | 66.06 | Nil |
| East TX-OK | 57.25 | 59.25 | Nil |
| West Texas | 57.25 | 59.00 | 1111 |
| Desert SW | 59.81 | 65.81 | Nil |
| SJ Valley | 61.06 | 70.96 | Nil |
| <p>Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per Tex and uniformity 80.5 to 81.4</p> | | | |

| ICE Cotton Futures (Prices in cents/lb.): As on 3-May-2016 | | | | | |
|--|-------|-------|-------|-------|--------|
| Contract | Open | High | Low | Close | Change |
| 16-May | 62.62 | 63.05 | 62.50 | 63.05 | -1.31 |
| 16-Jul | 64.44 | 64.65 | 62.16 | 63.06 | -1.31 |
| 16-Oct | 62.88 | 63.30 | 62.73 | 63.30 | -1.41 |
| 16-Dec | 63.48 | 63.69 | 61.52 | 62.35 | -1.07 |
| 17-Mar | 63.63 | 63.68 | 61.62 | 62.57 | -0.94 |
| 17-May | 63.27 | 63.27 | 62.20 | 62.93 | -0.80 |

| Pakistan Cotton Spot rates: As on 3-May-2016 | | | | (in Pakistan Rupees) |
|--|-----------|--------------|------------------|----------------------|
| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
| Cotton | 37.32 Kgs | 5600 | 135 | 5735 |
| Equivalent | 40 Kgs | 6002 | 145 | 6147 |

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