

## Domestic Fundamentals:

**Market Outlook:** Cotton spot prices noticed mixed tone on Wednesday.

**In The News:** Farmers in North India are shifting to other crops mainly pulses amid huge loss made by the farmers in the previous year due to white fly pest attack and leaf curl virus. Sowing of cotton has begun in North India. In Punjab the total acreage under cotton is likely to be around 320,000 hectares compared to 540,000 hectares in the previous season. In Haryana, acreage is likely to decline by 20 per cent compared to 583,000 hectares in the previous season according to officials.

The Centre has withdrawn notification on Bt Cotton guidelines issued few days before. It has put the notification in public domain and has invited comments and suggestions from the stakeholders in the industry.

Cotton farmers in Raichur, Karnataka have suffered a loss of Rs.278.72 crore due to failure of Bt Cotton. Bt Cotton was sown in 1.5 lakh acres and the crop has failed in 80% of the area in the previous season.

India exported 0.574 lakh bales of cotton last week (16 -22 May 2016), which was 0.718 lakh bales previous to last week (09 -15 May 2016), according to the data released by IBIS and compiled by Agriwatch.

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.

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Major importer of Indian cotton during the week (16 -22 May, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.259 lakh bales of cotton from India in the past week (16 -22, May 2016). Other major importers were China, Vietnam, Pakistan and Indonesia and their imported volumes were 0.119 lakh bales, 0.070 lakh bales, 0.057 lakh bales and 0.023 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 US Department of Agriculture has forecast China's cotton stocks to fall by 6% in 2015-16, to 13.9m tons. As expected, prices have started declining recently with the unloading of stocks.

Cotton output in Benin has declined to 260,000 tonnes during the 2015-16 season compared to 394,000 tonnes in the previous season.

Cotton gins are declining as Arkansas farmers abandon cotton for more profitable crops. The number of gins in the state has declined from 86 to 26 in the past 15 years according to the Arkansas Democrat-Gazette.

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 102.84 million bales. For India, production is forecast at 26.8 million bales, same as previous month's estimates and India's crop is estimated 9 per cent below 2014/15 and the lowest since 2009/10.

### 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 | 899.5 | 900  | 894 | 899   | 1159   | 162    | 364704 | 0      |
| Con_2    | -     | -     | -    | -   | -     | -      | -      | -      | -      |

| Spread | May-16 | May-17 |   |
|--------|--------|--------|---|
| Spot   | 127    |        | - |
| May-17 |        | 899    | - |

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

\*Updated at 5.04 pm on 25 May- 2016

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

| Contract | +/-  | Open  | High  | Low   | Close | Volume | Change | OI     | Change  |
|----------|------|-------|-------|-------|-------|--------|--------|--------|---------|
| May-16   | +230 | 17590 | 17700 | 17570 | 17700 | 1453   | 254    | 618569 | -125397 |
| July-16  | +220 | 17990 | 18110 | 17990 | 18110 | 854    | -492   | 364740 | 214847  |
| Sep-16   | +60  | 17280 | 17280 | 17150 | 17180 | 160    | 158    | 61749  | 60858   |

| Spread  | Feb-16 | Mar-16 | Apr-16 | May-16 | -- | -- |
|---------|--------|--------|--------|--------|----|----|
| Spot    | —      |        |        | -      | -  | -  |
| May-16  |        | -410   |        | -      | -  | -  |
| July-16 |        |        | 930    | -      | -  | -  |
| Sep-16  | —      |        |        | -      | -  | -  |

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

\* Updated at 5.04 pm on 25 May 2016

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 25-May-16            | 24-May-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 5150                 | 5150      | Unch   |
|                | Gondal        | Shankar-6     | 5125                 | 5350      | -225   |
|                | Rajkot        | B.T. Cotton   | 5130                 | 5165      | -35    |
|                | Patan         | B.T. Cotton   | NA                   | 5125      | -      |
|                | Kadi          | B.T. Cotton   | 5200                 | 5250      | -50    |
|                | Deesa         | B.T. Cotton   | NA                   | NA        | -      |
|                | Dhrol         | B.T. Cotton   | NA                   | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                   | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NA                   | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5125                 | 5100      | 25     |
|                | Bhiwani       | Desi          | 5000                 | 5000      | Unch   |
|                | Adampur       | B.T. Cotton   | NR                   | NR        | -      |
|                | Fatehabad     | B.T. Cotton   | 5125                 | 5070      | 55     |
|                | 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   | 5200                 | 5200      | Unch   |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                   | NA        | -      |
|                | Khargaon      | Mech-1        | NA                   | NA        | -      |
| Maharashtra    | Amravati      | Mech-1        | 5200                 | 5150      | 50     |
|                | Jamner        | Medium Staple | NA                   | NA        | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | NR                   | NR        | -      |
|                | Hathras       | Desi          | NR                   | NR        | -      |
| Telangana      | Adilabad      | Un-Ginned     | 4200                 | 4300      | -100   |
| Andhra Pradesh | Guntur        | Un-Ginned     | NA                   | NA        | -      |
|                | Kurnool       | Un-Ginned     | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                   | 4100      | -      |
|                | East Godavari | Un-Ginned     | 4100                 | 4100      | Unch   |
| Karnataka      | Bijapur       | Bunny         | NA                   | NA        | -      |
|                | Hubli         | D.C.H.        | NA                   | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton   | NA                   | 5300      | -      |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 25-May-16            | 24-May-16 |        |

|                  |                |      |      |      |           |
|------------------|----------------|------|------|------|-----------|
| <b>Punjab</b>    | Bhatinda       | J-34 | 3900 | 3870 | <b>30</b> |
|                  | Abohar         | J-34 | 3900 | 3870 | <b>30</b> |
|                  | Mansa          | J-34 | NA   | NA   | -         |
|                  | Muktsar        | J-34 | NR   | NR   | -         |
|                  | Fazilika       | J-34 | NR   | NR   | -         |
| <b>Haryana</b>   | Sirsa          | J-34 | 3830 | 3770 | <b>60</b> |
| <b>Rajasthan</b> | Sri-Ganganagar | J-34 | NA   | NA   | -         |

**Cotton Arrivals in Key Centers:**

| Commodity      | Kapas         |               | Arrivals (Quintal) |           | Change |
|----------------|---------------|---------------|--------------------|-----------|--------|
| State          | Centre        | Variety       | 25-May-16          | 24-May-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 13600              | 17000     | -3400  |
|                | Gondal        | Shankar-6     | 1158               | 942       | 216    |
|                | Rajkot        | B.T. Cotton   | 1410               | 1100      | 310    |
|                | Patan         | B.T. Cotton   | NA                 | 730       | -      |
|                | Kadi          | B.T. Cotton   | 8000               | 6000      | 2000   |
|                | Deesa         | B.T. Cotton   | NA                 | NA        | -      |
|                | Dhrol         | B.T. Cotton   | NA                 | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                 | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NA                 | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 400                | 300       | 100    |
|                | Bhiwani       | Desi          | NA                 | NA        | -      |
|                | Adampur       | B.T. Cotton   | NR                 | NR        | -      |
|                | Fatehabad     | B.T. Cotton   | 50                 | NA        | -      |
|                | 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        | NA                 | NA        | -      |
| Maharashtra    | Amravati      | Mech-1        | 1000               | 1200      | -200   |
|                | Jamner        | Medium Staple | NA                 | NA        | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | NR                 | NR        | -      |
|                | Hathras       | Desi          | NR                 | NR        | -      |
| 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                 | NA        | -      |

|           | Hubli          | D.C.H.      | NA                 | NA        | -      |
|-----------|----------------|-------------|--------------------|-----------|--------|
|           | Hubli          | B.T. Cotton | NA                 | NA        | -      |
|           | Raichur        | H-44 Cotton | NA                 | 225       | -      |
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 25-May-16          | 24-May-16 |        |
| Punjab    | Bhatinda       | J-34        | NA                 | NA        | -      |
|           | Abohar         | J-34        | NA                 | NA        | -      |
|           | Mansa          | J-34        | NA                 | NA        | -      |
| Haryana   | Sirsa          | J-34        | 85                 | 85        | Unch   |
| Rajasthan | Sri-Ganganagar | J-34        | NA                 | NA        | -      |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 24-May-16     | 23-May-16     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 32600         | 32300         | 300    |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 33100         | 32800         | 300    |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 35300         | 35000         | 300    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 35400         | 35200         | 200    |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 35800         | 35600         | 200    |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 37700         | 37600         | 100    |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 38100         | 38000         | 100    |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 50000         | 50000         | Unch   |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 25-May-16 | 24-May-16 |        |
| Rajkot    | Rs. /10 Kg. | 645       | 650       | -5     |
| New Delhi | Rs. /10 Kg. | 630       | 640       | -10    |
| Hyderabad | Rs. /10 Kg. | 630       | 630       | Unch   |
| Mumbai    | Rs. /10 Kg. | 645       | 648       | -3     |

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

| Centre | Unit | Price     |           | Change |
|--------|------|-----------|-----------|--------|
|        |      | 25-May-16 | 24-May-16 |        |

|                 |         |      |      |     |
|-----------------|---------|------|------|-----|
| Mahesana (Kadi) | Rs./Qtl | 2278 | 2271 | 7   |
| Akola           | Rs./Qtl | 2305 | 2315 | -10 |

### INTERNATIONAL PRICES AND INDICES

| China Cotton Index: As on 25-May-2016 |         |        |
|---------------------------------------|---------|--------|
| Index                                 | RMB/Ton | Change |
| CCIndex(328)                          | 12561   | 5      |
| CCIndex(527)                          | 11591   | 18     |
| CCIndex(229)                          | 12889   | 9      |
| RMB -Renminbi, 1RMB =0.16 \$U.S.      |         |        |

| China Foreign Cotton (FCE) Index : As on 25-May-2016 |          |        |
|--|----------|--------|
| Index  | Cents/lb | Change |
| FC Index (S)   | 74.47    | 1.23   |
| FC Index (M)   | 71.59    | 1.19   |
| FC Index (L)   | 69.40    | 1.39   |

| Cotlook Index: As on 24-May-2016 |             |        |
|----------------------------------|-------------|--------|
| Cotlook Indices                  | Cents/Pound | Change |
| A-Index                          | 69.95       | -0.10  |

| USDA Cotton Spot Rates: As on 24-May-2016 |                     |                     |          |
|---|---------------------|---------------------|----------|
| Growth Area                               | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|   | cents/lb.           |                     | bales    |
| Southeast                                 | 63.51               | 66.76               | NIL      |
| North Delta                               | 63.26               | 66.01               | NIL      |
| South Delta                               | 63.26               | 66.01               | NIL      |
| East TX-OK                                | 58.50               | 60.50               | 183      |
| West Texas                                | 58.50               | 60.25               | 458      |
| Desert SW                                 | 59.76               | 65.76               | NIL      |
| SJ Valley                                 | 61.01               | 70.91               | NIL      |

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

| ICE Cotton Futures (Prices in cents/lb.): As on 24-May-2016 |       |       |       |       |        |
|---|-------|-------|-------|-------|--------|
| Contract  | Open  | High  | Low   | Close | Change |
| Jul-16  | 61.38 | 63.20 | 61.15 | 63.01 | 1.56   |
| Oct-16  | 61.60 | 63.23 | 61.60 | 63.23 | 1.12   |
| Dec-16  | 61.24 | 62.53 | 60.86 | 62.45 | 1.11   |
| Mar-16  | 61.40 | 62.81 | 61.19 | 62.75 | 1.09   |
| May-16  | 61.69 | 63.27 | 61.69 | 63.22 | 1.16   |
| Jul-16  | 62.96 | 63.70 | 62.96 | 63.64 | 1.19   |

| Pakistan Cotton Spot rates: As on 24-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                 |

### Disclaimer

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