

Domestic Fundamentals:

Market Outlook: Cotton spot prices noticed range –bound to firm tone on Thursday.

In The News: The Telangana government has advised farmers to reduce the cultivation of cotton this season as the producers are not getting remunerative price for the crop. They have been advised to go other crops like pulses and soybean instead of cotton. According to government sources, the area under cotton in 2015 -16 was 17.73 lakh hectares.

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The Centre has withdrawn notification on Bt Cotton guidelines issued few days before.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.

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 0.574 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.

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.

Bangladesh is set to export textiles and jute products to Uganda with the two countries having almost finalised a trade deal.

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	+13.00	901.5	912	899.5	912	1965	806	364704	0
Con_2	-	-	-	-	-	-	-	-	-

Spread	May-16	May-17	
Spot	119		-
May-17		912	-

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

*Updated at 6.51 pm on 26 May- 2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-16	+140	17730	17860	17680	17840	975	478	433262	-185307
July-16	+150	18130	18260	18080	18260	372	482	150322	-214418
Sep-16	+190	17280	17280	17150	17180	21	-139	9478	-52271

Spread	Feb-16	Mar-16	Apr-16	May-16		
Spot	—				-	-
May-16		-420			-	-
July-16			1080		-	-
Sep-16	—				-	-

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

* Updated at 6.51 pm on 26 May 2016

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity		Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	26-May-16	25-May-16		
Gujarat	Ahmedabad	Shankar-6	5250	5150	100	
	Gondal	Shankar-6	5135	5125	10	
	Rajkot	B.T. Cotton	5155	5130	25	
	Patan	B.T. Cotton	NA	NA	-	
	Kadi	B.T. Cotton	5250	5200	50	
	Deesa	B.T. Cotton	NA	NA	-	
	Dhrol	B.T. Cotton	NA	5135	-	
Punjab	Fazilika	B.T. Cotton	NR	NR	-	
	Muktsar	B.T. Cotton	NA	NA	-	
Haryana	Bhiwani	B.T. Cotton	5100	5125	-25	
	Bhiwani	Desi	5000	5000	Unch	
	Adampur	B.T. Cotton	NR	NR	-	
	Fatehabad	B.T. Cotton	5150	5125	25	
	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	5000	5200	-200	
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-	
	Khargaon	Mech-1	5095	5050	45	
Maharashtra	Amravati	Mech-1	5200	5200	Unch	
	Jamner	Medium Staple	NA	NA	-	
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-	
	Hathras	Desi	NA	NA	-	
Telangana	Adilabad	Un-Ginned	4300	4200	100	
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-	
	Kurnool	Un-Ginned	NA	NA	-	
	Krishna	Un-Ginned	NA	NA	-	
	East Godavari	Un-Ginned	4100	4100	Unch	
Karnataka	Bijapur	Bunny	5369	5359	10	
	Hubli	D.C.H.	NA	NA	-	
	Hubli	B.T. Cotton	NA	NA	-	
	Raichur	H-44 Cotton	NA	5320	-	
Commodity		Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	26-May-16	25-May-16		

Punjab	Bhatinda	J-34	3900	3900	Unch
	Abohar	J-34	3915	3900	15
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	3840	3830	10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change	
	State	Centre	Variety	26-May-16		25-May-16
Gujarat	Ahmedabad	Shankar-6		13600	13600	Unch
	Gondal	Shankar-6		684	1158	-474
	Rajkot	B.T. Cotton		1810	1410	400
	Patan	B.T. Cotton		NA	NA	-
	Kadi	B.T. Cotton		10000	8000	2000
	Deesa	B.T. Cotton		NA	NA	-
	Dhrol	B.T. Cotton		NA	45	-
Punjab	Fazilika	B.T. Cotton		NR	NR	-
	Muktsar	B.T. Cotton		NA	NA	-
Haryana	Bhiwani	B.T. Cotton		400	400	Unch
	Bhiwani	Desi		NA	NA	-
	Adampur	B.T. Cotton		NR	NR	-
	Fatehabad	B.T. Cotton		40	50	-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		NA	NA	-
Madhya Pradesh	Khandwa	Mech-1		NA	NA	-
	Khargaon	Mech-1		70	60	10
Maharashtra	Amravati	Mech-1		1200	1000	200
	Jamner	Medium Staple		NA	NA	-
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		730	890	-160

	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	180	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	26-May-16	25-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/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-May-16	24-May-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	32600	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33100	100
J-34(202)	26mm	3.5 - 4.9	23	35600	35300	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	35500	35400	100
Shankar-6(105)	29mm	3.5 - 4.9	28	35900	35800	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	37800	37700	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	38200	38100	100
DCH-32(107)	34mm	3.0 - 3.8	33	51000	50000	1000

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

Centre	Unit	Price		Change
		26-May-16	25-May-16	
Rajkot	Rs. /10 Kg.	620	645	-25
New Delhi	Rs. /10 Kg.	630	630	Unch
Hyderabad	Rs. /10 Kg.	630	630	Unch
Mumbai	Rs. /10 Kg.	645	645	Unch

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

Centre	Unit	Price		Change
		26-May-16	25-May-16	

Mahesana (Kadi)	Rs./Qtl	2291	2278	13
Akola	Rs./Qtl	2300	2305	-5

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 26-May-2016			
Index		RMB/Ton	Change
CCIndex(328)		12567	6
CCIndex(527)		11591	Unch
CCIndex(229)		12891	2
RMB -Renminbi, 1RMB =0.16 \$U.S.			

China Foreign Cotton (FCE) Index : As on 26-May-2016			
Index		Cents/lb	Change
FC Index (S)		74.45	-0.02
FC Index (M)		71.61	0.02
FC Index (L)		69.40	Unch

Cotlook Index: As on 25-May-2016			
Cotlook Indices		Cents/Pound	Change
A-Index		71.45	1.50

USDA Cotton Spot Rates: As on 25-May-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.40	66.65	NIL
North Delta	63.15	65.90	NIL
South Delta	63.15	65.90	NIL
East TX-OK	59.00	61.00	1668
West Texas	59.00	60.75	496
Desert SW	59.65	65.65	NIL
SJ Valley	60.90	70.80	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 25-May-2016					
Contract	Open	High	Low	Close	Change
Jul-16	63.05	63.42	62.37	62.90	-0.11
Oct-16	63.27	63.51	62.75	63.11	-0.12
Dec-16	62.43	62.67	62.08	62.54	0.09
Mar-16	62.63	62.90	62.39	62.80	0.05
May-16	63.07	63.19	62.99	63.16	-0.06
Jul-16	63.44	63.45	63.35	63.45	-0.19

Pakistan Cotton Spot rates: As on 25-May-2016				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5550	135	5685
Equivalent	40 Kgs	5948	145	6093

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