

Domestic Fundamentals:

Market Outlook: Cotton spot prices noticed range –bound movement on Wednesday

In The News: Cotton farmers in the state of Punjab and Haryana have decided to shift their crop to paddy and pulses due to extensive damage caused to their crops by whitefly pest. In Haryana, cotton has been sowed in 4.76 lakh hectares till now, as compared to 5 lakh hectares last year during the same period. Similarly, for Punjab, cotton has been sowed in 2.57 lakh hectares till now, as compared to over 3 lakh hectares last year during the same period.

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.

The Centre has withdrawn notification on Bt Cotton guidelines issued few days before.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

The Cotton Association of India (CAI) has estimated India's cotton output in 2015 -16 at 341.50 lakh bales (of 170 kg each), around 10.8 per cent lower compared to the previous year's production of 383 lakh bales. The projected balance sheet drawn by the CAI for 2015-16 pegs total supply at 429.10 lakh bales, while domestic consumption is seen at 305 lakh bales, thus leaving an available surplus of 124.10 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 April 2016 are estimated at 302.40 lakh bales, lower compared to previous year. This reduction in the arrivals of cotton is an indication of a lower crop this season.

International Fundamentals:

Cotton production in Pakistan has fallen from an estimated 15.5 million bales to 10.9 million bales this year. This fall in production is mainly due to irregular rainfall and poor seed quality. Weather has not only affected the quantity but the quality as well. All this has led to a fall in ginning yield and increase in production cost.

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 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.

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
Feb-17	0	898.5	898.5	898.5	898.5	0	0	1	0
Apr-17	-8.5	898	902	890	890	1343	-103	2642	108

Spread	Feb-17	Apr-17
Spot	181.5	--
Feb-17	--	8.5

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

*Updated at 4:45 pm on 30 May 2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
<u>May-16</u>	-50	18140	18150	17970	18040	275	-8	800	4
<u>June-16</u>	-150	18150	18210	18040	18050	1281	446	6716	35
<u>July-16</u>	-160	18320	18370	18210	18210	312	419	3441	-62

Spread	<u>May-16</u>	<u>June-16</u>	<u>July-16</u>
Spot	--		
<u>May-16</u>		-10	
<u>June-16</u>			-160
<u>july-16</u>			

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

* Updated at 4:45 pm on 30 May 2016

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	1-Jun-16	31-May-16	
Gujarat	Ahmedabad	Shankar-6	5500	5400	100
	Gondal	Shankar-6	5380	5425	-45
	Rajkot	B.T. Cotton	5400	5390	10
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5500	5400	100
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5105	4835	270
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	5350	5350	Unch
	Bhiwani	Desi	5000	5000	Unch
	Adampur	B.T. Cotton	5350	5410	-60
	Fatehabad	B.T. Cotton	5300	5350	-50
	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	5000	Unch
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	5250	5300	-50
	Jamner	Medium Staple	NA	NA	-
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	NA	-
	East Godavari	Un-Ginned	4100	4100	Unch
Karnataka	Bijapur	Bunny	5629	5559	70
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	4930	5350	-420
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	1-Jun-16	31-May-16	
Punjab	Bhatinda	J-34	4020	4040	-20
	Abohar	J-34	4015	4030	-15

	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NA	NA	-
	Fazilika	J-34	NA	NA	-
Haryana	Sirsa	J-34	3940	3950	-10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	1-Jun-16	31-May-16	
Gujarat	Ahmedabad	Shankar-6	10200	11900	-1700
	Gondal	Shankar-6	342	232	110
	Rajkot	B.T. Cotton	1050	701	349
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	2500	5000	-2500
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	25	6	19
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	200	200	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	340	255	85
	Fatehabad	B.T. Cotton	NA	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	1700	1500	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	210	900	-690
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	120	120	Unch
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	1-Jun-16	31-May-16	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	17	17	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
				31-May-16	30-May-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32800	32800	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33300	33300	Unch
J-34(202)	26mm	3.5 - 4.9	23	36700	36700	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	36300	36300	Unch
Shankar-6(105)	29mm	3.5 – 4.9	28	36800	36800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	38700	38700	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	39200	39200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	52200	52200	Unch

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

Centre	Unit	Price		Change
		1-Jun-16	31-May-16	
Rajkot	Rs. /10 Kg.	655	655	Unch
New Delhi	Rs. /10 Kg.	635	635	Unch
Hyderabad	Rs. /10 Kg.	630	630	Unch
Mumbai	Rs. /10 Kg.	650	650	Unch

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

Centre	Unit	Price		Change
		1-Jun-16	31-May-16	
Mahesana (Kadi)	Rs./Qtl	2391	2407	-16
Akola	Rs./Qtl	2377	2356	21

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 01-June-2016		
Index	RMB/Ton	Change
CCIndex(328)	12615	2
CCIndex(527)	11616	-2
CCIndex(229)	12921	3
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 01-June-2016		
Index	Cents/lb	Change
FC Index (S)	75.64	-0.35
FC Index (M)	72.99	-0.21
FC Index (L)	70.27	-0.38

Cotlook Index: As on 31-May-2016		
Cotlook Indices	Cents/Pound	Change
A-Index	72.95	Unch

USDA Cotton Spot Rates: As on 31-May-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	64.44	67.69	NIL
North Delta	64.19	66.94	NIL
South Delta	64.19	66.94	NIL
East TX-OK	60.00	62.00	834
West Texas	60.00	61.75	80
Desert SW	60.69	66.69	NIL
SJ Valley	61.94	71.84	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 31-May-2016					
Contract	Open	High	Low	Close	Change
Jul-16	64.28	64.46	62.90	63.94	-0.34
Oct-16	63.31	64.01	63.31	63.99	-0.38
Dec-16	64.00	64.00	62.54	63.55	-0.30
Mar-16	63.95	64.25	62.84	63.88	-0.25
May-16	63.67	64.13	63.07	64.13	-0.25
Jul-16	63.85	64.38	63.30	64.35	-0.22

Pakistan Cotton Spot rates: As on 31-May-2016				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5500	135	5635
Equivalent	40 Kgs	5894	145	6039

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