

Domestic Fundamentals:

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

In The News: Government has increased MSP of kapas by Rs 60. After this increase, support price of medium staple kapas and long staple kapas has reached Rs 3860 per quintal and Rs 4160 per quintal respectively. Farmers may get better returns this year as yield may increase due to better monsoon

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.

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 have 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	890	890	890	890	0	0	1	0
Apr-17	3.5	891	897	891	893.5	1445	-102	2543	99

Spread	Feb-17	Apr-17
Spot	134	--
Feb-17	--	3.5

(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>June-16</u>	40	18090	18150	18070	18110	893	388	6827	-111
<u>July-16</u>	20	18280	18330	18260	18270	234	78	3526	-85

Spread	<u>June-16</u>	<u>July-16</u>
Spot	--	
<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	2-Jun-16	1-Jun-16	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	5450	5380	70
	Rajkot	B.T. Cotton	5420	5400	20
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5500	5500	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5270	5105	165
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	5370	5350	20
	Fatehabad	B.T. Cotton	5300	5300	Unch
	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	5000	-
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	5200	5250	-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	5709	5629	80
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5300	4930	370
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	2-Jun-16	1-Jun-16	

Punjab	Bhatinda	J-34	4000	4020	-20
	Abohar	J-34	4000	4015	-15
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NA	NA	-
	Fazilika	J-34	NA	NA	-
Haryana	Sirsa	J-34	3930	3940	-10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	2-Jun-16	1-Jun-16	
Gujarat	Ahmedabad	Shankar-6	10200	10200	Unch
	Gondal	Shankar-6	184	342	-158
	Rajkot	B.T. Cotton	1070	1050	20
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	2500	2500	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	20	25	-5
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	340	Unch
	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	2000	1700	300
	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	770	210	560

	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	60	120	-60
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	2-Jun-16	1-Jun-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
				1-Jun-16	31-May-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32700	32800	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33200	33300	-100
J-34(202)	26mm	3.5 - 4.9	23	36600	36700	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	36300	36300	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	36700	36800	-100
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
		2-Jun-16	1-Jun-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
		2-Jun-16	1-Jun-16	
Mahesana (Kadi)	Rs./Qtl	2397	2391	6
Akola	Rs./Qtl	2380	2377	3

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 02-June-2016		
Index	RMB/Ton	Change
CCIndex(328)	12616	1
CCIndex(527)	11622	6
CCIndex(229)	12926	5
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 02-June-2016		
Index	Cents/lb	Change
FC Index (S)	75.16	-0.48
FC Index (M)	72.59	-0.40
FC Index (L)	69.91	-0.36

Cotlook Index: As on 01-June-2016		
Cotlook Indices	Cents/Pound	Change
A-Index	72.75	-0.20

USDA Cotton Spot Rates: As on 01-June-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	63.67	66.92	NIL
North Delta	63.42	66.17	NIL
South Delta	63.42	66.17	NIL
East TX-OK	58.75	60.75	391
West Texas	58.75	60.50	1795
Desert SW	59.92	65.92	98
SJ Valley	61.17	71.07	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 01-June-2016					
Contract	Open	High	Low	Close	Change
Jul-16	64.08	64.08	62.94	63.17	-0.77
Oct-16	63.99	63.99	63.35	63.50	-0.49
Dec-16	63.55	63.59	62.67	63.00	-0.55
Mar-16	63.33	63.42	62.96	63.37	-0.51
May-16	63.61	63.7	63.25	63.65	-0.48
Jul-16	63.88	63.9	63.52	63.90	-0.45

Pakistan Cotton Spot rates: As on 01-June-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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