

Domestic Fundamentals:

Market Outlook: Cotton spot prices noticed mixed tone on Thursday.

In The News: According to government and trade sources, Indian cotton acreage is likely to decline by 5 -7 per cent this season compared to 118 lakh hectares during the previous year. According to early estimates acreage is likely to decline by around 10 lakh hectares. Delay in monsoon, fear of pest attack which crop production previous year and advise by State Governments to decline acreage under cotton are the factors behind likely decline in acreage.

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

The Union Government is planning to develop alternatives to Bt Cotton. The project will be led by the Council of Scientific and Industrial Research (CSIR) and the department of Biotechnology (DBT).

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 than 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 0.618 lakh bales of cotton last week (30 May -05 June 2016), which was 0.523 lakh bales previous to last week (23 -29 May 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (30 May -05 June, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.257 lakh bales of cotton from India in the past week (30 May -05 June, 2016). Other major importers were Pakistan, Vietnam, China and Taiwan and their imported volumes were 0.112 lakh bales, 0.097 lakh bales, 0.072 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:

According to USDA's economic research reserve, world cotton consumption is expected to reach 110.8 million bales for marketing year 2016-17 which is slightly higher as compared to last year. World cotton production is expected to be 104.4 million bales. Humble growth in global economy and comparatively low cotton prices are expected to support mill use in most countries.

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 |
|----------|-------|------|------|-------|--------|--------|--------|--------|--------|
| Con_1 | -7.50 | 922 | 922 | 909.5 | 913.50 | 974 | -1701 | 364704 | 0 |
| Con_2 | -7.50 | 922 | 922 | 909.5 | 913.50 | 974 | -1701 | 364704 | 0 |

| | | | |
|--------|----------|---|---|
| Spread | April-17 | | |
| Spot | 245.50 | | - |
| May-17 | | - | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
 *Updated at 6.31 pm on 09 June- 2016

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|------|-------|-------|-------|-------|--------|--------|--------|--------|
| July-16 | -100 | 19130 | 19180 | 18960 | 19050 | 1770 | -80 | 837210 | 43660 |
| Nov-16 | -100 | 19010 | 19020 | 18830 | 18880 | 159 | -75 | 63794 | 42958 |

| | | | | | | |
|---------|--------|--------|--------|--------|----|----|
| Spread | Apr-16 | May-16 | Jul-16 | Nov-16 | -- | -- |
| Spot | — | | | - | - | - |
| July-16 | | - | | - | - | - |
| Nov-16 | | | 170 | - | - | - |
| | — | | | - | - | - |

(NB: Spread Basis = Spot- Near Month Future)
 * Updated at 6.31 pm on 09 June 2016

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|----------------|---------------|---------------|----------------------|----------|--------|
| State | Centre | Variety | 9-Jun-16 | 8-Jun-16 | |
| Gujarat | Ahmedabad | Shankar-6 | 5750 | 5625 | 125 |
| | Gondal | Shankar-6 | 5655 | 5630 | 25 |
| | Rajkot | B.T. Cotton | 5795 | 5800 | -5 |
| | Patan | B.T. Cotton | NA | NA | - |
| | Kadi | B.T. Cotton | 5750 | 5750 | Unch |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 5205 | 5400 | -195 |
| Punjab | Fazilika | B.T. Cotton | NA | NA | - |
| | Muktsar | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 5500 | 5500 | Unch |
| | Bhiwani | Desi | NA | NA | - |
| | Adampur | B.T. Cotton | 5550 | 5550 | Unch |
| | Fatehabad | B.T. Cotton | 5600 | 5600 | 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 | NA | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | 5450 | 5400 | 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 | 4100 | - |
| | East Godavari | Un-Ginned | 4100 | 4100 | Unch |
| Karnataka | Bijapur | Bunny | 5959 | 5840 | 119 |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 5780 | 5635 | 145 |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 9-Jun-16 | 8-Jun-16 | |
| Punjab | Bhatinda | J-34 | 4120 | 4100 | 20 |

| | | | | | |
|------------------|----------------|------|------|------|------|
| | Abohar | J-34 | 4110 | 4110 | Unch |
| | Mansa | J-34 | NA | NA | - |
| | Muktsar | J-34 | NA | NA | - |
| | Fazilika | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | 4070 | 4050 | 20 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|-----------------------|---------------|---------------|--------------------|----------|--------|
| State | Centre | Variety | 9-Jun-16 | 8-Jun-16 | |
| Gujarat | Ahmedabad | Shankar-6 | 10200 | 8500 | 1700 |
| | Gondal | Shankar-6 | 320 | 243 | 77 |
| | Rajkot | B.T. Cotton | 1025 | 1110 | -85 |
| | Patan | B.T. Cotton | NA | NA | - |
| | Kadi | B.T. Cotton | 1200 | 2000 | -800 |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 28 | 18 | 10 |
| Punjab | Fazilika | B.T. Cotton | NA | NA | - |
| | Muktsar | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 200 | 600 | -400 |
| | 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 | 1200 | 1800 | -600 |
| | 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 | 610 | 370 | 240 |
| | Hubli | D.C.H. | NA | NA | - |

| | Hubli | B.T. Cotton | NA | NA | - |
|-----------|----------------|-------------|--------------------|----------|--------|
| | Raichur | H-44 Cotton | 82 | 37 | 45 |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 9-Jun-16 | 8-Jun-16 | |
| Punjab | Bhatinda | J-34 | NA | NA | - |
| | Abohar | J-34 | NA | NA | - |
| | Mansa | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | NA | NA | - |
| 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 |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
| | | | | 8-Jun-16 | 7-Jun-16 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 32900 | 32900 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 33400 | 33400 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 37500 | 37600 | -100 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 37900 | 37600 | 300 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 38300 | 38000 | 300 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 40500 | 40200 | 300 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 41100 | 40800 | 300 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 52500 | 52500 | Unch |

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

| Centre | Unit | Price | | Change |
|-----------|-------------|----------|----------|--------|
| | | 9-Jun-16 | 8-Jun-16 | |
| Rajkot | Rs. /10 Kg. | 680 | 675 | 5 |
| New Delhi | Rs. /10 Kg. | 650 | 650 | Unch |
| Hyderabad | Rs. /10 Kg. | 630 | 630 | Unch |
| 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 |
|-----------------|---------|----------|----------|--------|
| | | 9-Jun-16 | 8-Jun-16 | |
| Mahesana (Kadi) | Rs./Qtl | 2542 | 2540 | 2 |
| Akola | Rs./Qtl | 2503 | 2477 | 26 |

INTERNATIONAL PRICES AND INDICES

| China Cotton Index: As on 08-June-2016 | | |
|---|----------------|---------------|
| Index | RMB/Ton | Change |
| CCIndex(328) | 12637 | 5 |
| CCIndex(527) | 11651 | 9 |
| CCIndex(229) | 12946 | 10 |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | |

| China Foreign Cotton (FCE) Index : As on 08-June-2016 | | |
|--|-----------------|---------------|
| Index | Cents/lb | Change |
| FC Index (S) | 77.25 | 0.26 |
| FC Index (M) | 74.55 | 0.22 |
| FC Index (L) | 72.48 | 0.26 |

| Cotlook Index: As on 08-June-2016 | | |
|--|--------------------|---------------|
| Cotlook Indices | Cents/Pound | Change |
| A-Index | 74.85 | 0.35 |

| USDA Cotton Spot Rates: As on 08-June-2016 | | | |
|---|----------------------------|----------------------------|-----------------|
| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
| | cents/lb. | | bales |
| Southeast | 66.28 | 69.53 | NIL |
| North Delta | 66.03 | 68.78 | NIL |
| South Delta | 66.03 | 68.78 | NIL |
| East TX-OK | 61.75 | 63.75 | 146 |
| West Texas | 61.75 | 63.50 | 474 |
| Desert SW | 62.53 | 68.53 | NIL |
| SJ Valley | 63.78 | 73.68 | 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 08-June-2016 | | | | | |
|--|-------|-------|-------|-------|--------|
| Contract | Open | High | Low | Close | Change |
| Jul-16 | 65.86 | 66.50 | 65.50 | 65.78 | -0.07 |
| Oct-16 | 66.84 | 67.49 | 66.58 | 66.83 | 0.25 |
| Dec-16 | 65.85 | 66.45 | 65.42 | 65.96 | 0.12 |
| Mar-16 | 66.15 | 66.75 | 65.79 | 66.34 | 0.09 |
| May-16 | 66.32 | 66.9 | 66.06 | 66.56 | 0.05 |
| Jul-16 | 66.58 | 67.19 | 66.4 | 66.86 | 0.05 |

| Pakistan Cotton Spot rates: As on 08-June-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 |

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2015 Indian Agribusiness Systems Pvt. Ltd.