

## Domestic Fundamentals:

**Market Outlook:** Cotton spot prices noticed steady to firm tone on Friday.

**In The News:** In the current crop year, the acreage under desi cotton has increased in North India. In the previous year, crop was affected by whitefly in Punjab, Haryana and Rajasthan. The acreage under desi cotton is at a decade high. Desi cotton has been planted in about 72,280 hectares this season compared to 2000 hectares in the previous year. Desi cotton accounts for less than 2 per cent of the total cotton acreage in India.

According to preliminary report by the government, cotton sowing as on 1<sup>st</sup> July, 2016 has been covered under 30.59 lakh hectares compared to 60.16 lakh hectares during the same period previous year.

Cotton acreage has declined in north Indian states in the current season 2016-17 especially in Punjab, Haryana and Uttar Pradesh. Sowing is almost complete in these states according to sources. In Haryana, cotton acreage has declined 14 per cent to 5 lakh hectares in 2016-17 crop year compared to 5.8 lakh hectares previous year and in Punjab, area planted under cotton is lower by 43.11 per cent at 2.56 lakh hectares this year compared to 4.5 lakh hectare in 2015-16. In Uttar Pradesh, area under cotton cultivation has declined 19 per cent to 0.17 lakh hectares compared to 0.21 hectares in the corresponding period of previous year.

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 0.237 lakh bales of cotton last week (20 -26 June 2016), which was 0.379 lakh bales previous to last week (13 -19 June 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (20 -26 June, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.166 lakh bales of cotton from India in the past week (20 -26 June, 2016). Other major importers were Vietnam, Pakistan, China and Taiwan and their imported volumes were 0.036 lakh bales, 0.012 lakh bales, 0.011 lakh bales and 0.007 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:

The recent auction of cotton reserves by China is likely to support its domestic mill demand and likely to affect India's spun yarn production. According to the latest report by ICRA, the offtake by Chinese mills under ongoing reserve cotton auctions in China has put India's cotton and cotton yarn exports in a cautious mode. As per the report, India's spun yarn production grew at the slowest pace of about 3.2 per cent in the last four years. This slow pace of growth in spun yarn production has been driven by factors like lower domestic consumption and limited growth in exports.

Pakistan's imports of cotton are likely to hold near record highs in the current year to July 2017 following lower domestic output. The country's output of cotton declined by around one-third to 9.7 million bales in 2015 -16 following lack of rainfall in the growing regions. According to All Pakistan Textile Mills Association (APTMA), cotton imports have touched 4 million bales in the current year compared to 1.2 million bales previous year.

According to USDA latest report, global 2015/16 cotton ending stocks are revised down this month. World 2015-16 cotton production is projected at 98.15 million bales, 16 per cent below last season. World ending stocks are now projected at 102.08 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	-11.00	922	922.5	912	913	3355	-1324	364704	0
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	282		-
May-17	-	-	-

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

\*Updated at 5.31 pm on 01 July- 2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
July-16	-140	20200	20390	20160	20180	2501	1240	1266703	-631786
Nov-16	-140	19760	19780	19600	19630	435	481	193183	-255736

Spread	Jul-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
July-16		550		-	-	-
Nov-16			-	-	-	-
	—			-	-	-

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

\* Updated at 5.31 pm on 01 July 2016

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	1-Jul-16	30-Jun-16	
Gujarat	Ahmedabad	Shankar-6	6000	6000	Unch
	Gondal	Shankar-6	6000	5985	15
	Rajkot	B.T. Cotton	5975	5925	50
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5750	5390	360
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	6000	6000	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	6070	5975	95
	Fatehabad	B.T. Cotton	6100	6000	100
	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	NA	NA	-
	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	4100	4100	Unch
	East Godavari	Un-Ginned	4100	4100	Unch
Karnataka	Bijapur	Bunny	6240	6211	29
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6000	5900	100
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	1-Jul-16	30-Jun-16	
Punjab	Bhatinda	J-34	4500	4430	70

	Abohar	J-34	4500	4440	60
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NA	NA	-
	Fazilika	J-34	NA	NA	-
Haryana	Sirsa	J-34	4500	4425	75
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	1-Jul-16	30-Jun-16	
Gujarat	Ahmedabad	Shankar-6	1700	2550	-850
	Gondal	Shankar-6	92	184	-92
	Rajkot	B.T. Cotton	200	190	10
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	3	5	-2
Punjab	Fazilika	B.T. Cotton	NA	NA	-
	Muktsar	B.T. Cotton	NA	NA	-
Haryana	Bhiwani	B.T. Cotton	100	100	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	213	255	-43
	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	NA	NA	-
	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	130	400	-270
	Hubli	D.C.H.	NA	NA	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	15	30	-15
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	1-Jul-16	30-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
				30-Jun-16	29-Jun-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	34200	33700	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34700	34200	500
J-34(202)	26mm	3.5 - 4.9	23	41400	41000	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42400	42000	400
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42000	700
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44800	44400	400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45500	45100	400
DCH-32(107)	34mm	3.0 - 3.8	33	54100	54000	100

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

Centre	Unit	Price		Change
		1-Jul-16	30-Jun-16	
Rajkot	Rs. /10 Kg.	700	700	Unch
New Delhi	Rs. /10 Kg.	655	655	Unch
Hyderabad	Rs. /10 Kg.	650	650	Unch
Mumbai	Rs. /10 Kg.	690	685	5

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

Centre	Unit	Price		Change
		1-Jul-16	30-Jun-16	
Mahesana (Kadi)	Rs./Qtl	2622	2621	1
Akola	Rs./Qtl	2617	2621	-4

### INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 01-July-2016		
Index	RMB/Ton	Change
CCIndex(328)	13285	210
CCIndex(527)	12237	206
CCIndex(229)	13522	216
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 01-July-2016		
Index	Cents/lb	Change
FC Index (S)	76.54	-1.26
FC Index (M)	73.59	-1.41
FC Index (L)	71.07	-1.29

Cotlook Index: As on 30-June-2016		
Cotlook Indices	Cents/Pound	Change
A-Index	76.15	Unch

USDA Cotton Spot Rates: As on 30-June-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	64.62	66.87	NIL
North Delta	64.12	66.87	NIL
South Delta	64.12	66.87	NIL
East TX-OK	61.25	63.25	256
West Texas	61.25	63.00	134
Desert SW	61.87	67.87	NIL
SJ Valley	63.12	73.02	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 30-June-2016					
Contract	Open	High	Low	Close	Change
Jul-16	63.08	63.08	62.82	62.82	-1.68
Oct-16	66.25	67.10	64.62	64.62	-1.60
Dec-16	66.09	66.42	64.15	64.17	-1.68
Mar-16	66.34	66.68	64.54	64.57	-1.61
May-16	66.56	66.87	64.90	64.94	-1.48
Jul-16	66.90	67.15	65.40	65.40	-1.39

Pakistan Cotton Spot rates: As on 30-June-2016				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	5750	135	5885
Equivalent	40 Kgs	6162	145	6254

#### Disclaimer

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