

### Domestic Fundamentals:

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

**In The News:** In the current season, cotton acreage is likely to decline by 35% as farmers are shifting to other crops like paddy, sugarcane and pulses. The price of good quality extra-long staple cotton expected to be over around Rs 6,000 to Rs 6,200 per quintal in December and January next year and farmers have been asked to go for cotton sowing. In Tamil Nadu, cotton was grown in an area of 0.1 million ha with production of 0.53 million bales (170 kg a bale) during 2014-15.

According to preliminary report by the government, cotton sowing as on 8<sup>th</sup> July, 2016 has been covered under 67.89 lakh hectares compared to 87.83 lakh hectares during the same period previous year.

According to the data from Union agriculture ministry's department of economics and statistics (DES) shows that area under cotton crop this season has declined to 2.56 lakh hectares in the state, the lowest since 1955-56. In 2015-16, cotton acreage in Punjab was at 4.50 lakh hectares. Acreage has declined mainly due to fear of Whitefly pest attack.

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:

India is backing major cotton growing African countries in their demand for immediate elimination of cotton export subsidies and a timeline for reduction of domestic support by heavily subsidising members such as the US.

According to Karachi Cotton Association (KCA), lower output of cotton is expected in the 2016 -17 season compared to previous season. Due to lower production in the previous season and in the coming season, the local textile industry has to import raw cotton and ensure its contribution towards achieving the target of export fixed through exports of value added products as well as earning foreign exchange for the country.

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    | -2.00 | 946  | 952  | 936 | 942   | 4785   | 1705   | 364704 | 0      |
| Con_2    | -     | -    | -    | -   | -     | -      | -      | -      | -      |

|        |          |   |   |
|--------|----------|---|---|
| Spread | April-17 |   |   |
| Spot   | 337      |   | - |
| 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 12 July- 2016

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

| Contract | +/-  | Open  | High  | Low   | Close | Volume | Change | OI      | Change |
|----------|------|-------|-------|-------|-------|--------|--------|---------|--------|
| July-16  | 0.00 | 22100 | 22200 | 21620 | 21920 | 2543   | -1176  | 1392117 | 644870 |
| Nov-16   | +170 | 20640 | 20740 | 20270 | 20650 | 944    | -362   | 484386  | 205945 |

|         |        |        |        |        |    |    |
|---------|--------|--------|--------|--------|----|----|
| Spread  | Jul-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
| Spot    | —      |        |        | -      | -  | -  |
| July-16 |        | 1270   |        | -      | -  | -  |
| Nov-16  |        |        | -      | -      | -  | -  |
|         | —      |        |        | -      | -  | -  |

(NB: Spread Basis = Spot- Near Month Future)  
 \* Updated at 5.31 pm on 12 July 2016

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 12-Jul-16            | 11-Jul-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 6250                 | 6050      | 200    |
|                | Gondal        | Shankar-6     | 6255                 | 5605      | 650    |
|                | Rajkot        | B.T. Cotton   | 6395                 | 6355      | 40     |
|                | Patan         | B.T. Cotton   | NA                   | NA        | -      |
|                | Kadi          | B.T. Cotton   | NA                   | NA        | -      |
|                | Deesa         | B.T. Cotton   | NA                   | NA        | -      |
|                | Dhrol         | B.T. Cotton   | 5480                 | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NA                   | NA        | -      |
|                | Muktsar       | B.T. Cotton   | NA                   | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 6200                 | 6150      | 50     |
|                | Bhiwani       | Desi          | NA                   | NA        | -      |
|                | Adampur       | B.T. Cotton   | 6300                 | 6300      | Unch   |
|                | Fatehabad     | B.T. Cotton   | 6300                 | 6250      | 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   | NA                   | NA        | -      |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                   | NA        | -      |
|                | Khargaon      | Mech-1        | NA                   | NA        | -      |
| Maharashtra    | Amravati      | Mech-1        | 6500                 | 6500      | Unch   |
|                | Jamner        | Medium Staple | NA                   | NA        | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | NA                   | NA        | -      |
|                | Hathras       | Desi          | NA                   | NA        | -      |
| Telangana      | Adilabad      | Un-Ginned     | 4450                 | 4350      | 100    |
| Andhra Pradesh | Guntur        | Un-Ginned     | NA                   | NA        | -      |
|                | Kurnool       | Un-Ginned     | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                   | NA        | -      |
|                | East Godavari | Un-Ginned     | NA                   | 4150      | -      |
| Karnataka      | Bijapur       | Bunny         | NA                   | NA        | -      |
|                | Hubli         | D.C.H.        | NA                   | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton   | NA                   | 6089      | -      |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 12-Jul-16            | 11-Jul-16 |        |
| Punjab         | Bhatinda      | J-34          | 4730                 | 4700      | 30     |

|           |                |      |      |      |      |
|-----------|----------------|------|------|------|------|
|           | Abohar         | J-34 | 4715 | 4715 | Unch |
|           | Mansa          | J-34 | NA   | NA   | -    |
|           | Muktsar        | J-34 | NA   | NA   | -    |
|           | Fazilika       | J-34 | NA   | NA   | -    |
| Haryana   | Sirsa          | J-34 | 4725 | 4680 | 45   |
| Rajasthan | Sri-Ganganagar | J-34 | NA   | NA   | -    |

**Cotton Arrivals in Key Centers:**

| Commodity      | Kapas         |               | Arrivals (Quintal) |           | Change |
|----------------|---------------|---------------|--------------------|-----------|--------|
| State          | Centre        | Variety       | 12-Jul-16          | 11-Jul-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 850                | 1700      | -850   |
|                | Gondal        | Shankar-6     | 70                 | 1888      | -1818  |
|                | 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                  | NA        | -      |
| 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   | 170                | 170       | 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        | 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         | NA                 | NA        | -      |
|                | Hubli         | D.C.H.        | NA                 | NA        | -      |

|           | Hubli          | B.T. Cotton | NA                 | NA        | -      |
|-----------|----------------|-------------|--------------------|-----------|--------|
|           | Raichur        | H-44 Cotton | NA                 | 45        | -      |
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 12-Jul-16          | 11-Jul-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/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 11-Jul-16     | 9-Jul-16      |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 34200         | 34200         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 34700         | 34700         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 43800         | 43500         | 300    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 44500         | 44200         | 300    |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 44200         | 44500         | -300   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 47300         | 46800         | 500    |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 47800         | 47300         | 500    |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 56300         | 56000         | 300    |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 12-Jul-16 | 11-Jul-16 |        |
| Rajkot    | Rs. /10 Kg. | 710       | 710       | Unch   |
| New Delhi | Rs. /10 Kg. | 685       | 685       | Unch   |
| Hyderabad | Rs. /10 Kg. | 655       | 655       | Unch   |
| Mumbai    | Rs. /10 Kg. | 708       | 708       | Unch   |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 12-Jul-16 | 11-Jul-16 |        |
| Mahesana (Kadi) | Rs./Qtl | 2616      | 2616      | Unch   |
| Akola           | Rs./Qtl | 2619      | 2616      | Unch   |

INTERNATIONAL PRICES AND INDICES

| China Cotton Index: As on 12-July-2016 |         |        |
|--|---------|--------|
| Index                                  | RMB/Ton | Change |
| CCIndex(328)                           | 13666   | Unch   |
| CCIndex(527)                           | 12711   | 61     |
| CCIndex(229)                           | 13983   | 85     |
| RMB -Renminbi, 1RMB =0.16 \$U.S.       |         |        |

| China Foreign Cotton (FCE) Index : As on 12-July-2016 |          |        |
|---|----------|--------|
| Index   | Cents/lb | Change |
| FC Index (S)  | 80.71    | 2.08   |
| FC Index (M)  | 77.63    | 2.18   |
| FC Index (L)  | 75.19    | 2.38   |

| Cotlook Index: As on 11-July-2016 |             |        |
|-----------------------------------|-------------|--------|
| Cotlook Indices                   | Cents/Pound | Change |
| A-Index                           | 76.50       | 0.55   |

| USDA Cotton Spot Rates: As on 11-July-2016 |                     |                     |          |
|--|---------------------|---------------------|----------|
| Growth Area                                | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|  | cents/lb.           |                     | bales    |
| Southeast                                  | 68.14               | 70.39               | NIL      |
| North Delta                                | 67.64               | 70.39               | NIL      |
| South Delta                                | 67.64               | 70.39               | NIL      |
| East TX-OK                                 | 65.00               | 67.00               | 465.00   |
| West Texas                                 | 65.00               | 66.75               | 925.00   |
| Desert SW                                  | 65.39               | 71.39               | NIL      |
| SJ Valley                                  | 66.64               | 76.54               | NIL      |

**ICE Cotton Futures (Prices in cents/lb.): As on 11-July-2016**

| Contract | Open  | High  | Low   | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Oct-16   | 66.37 | 68.15 | 66.37 | 68.14 | 2.22   |
| Dec-16   | 65.94 | 67.85 | 65.88 | 67.78 | 1.97   |
| Mar-17   | 65.96 | 67.91 | 65.96 | 67.84 | 1.91   |
| May-17   | 66.43 | 68.05 | 66.43 | 67.99 | 1.85   |
| Jul-17   | 66.97 | 68.25 | 66.97 | 68.25 | 1.68   |
| Oct-17   | 68.31 | 68.31 | 68.31 | 68.31 | 1.47   |

**Pakistan Cotton Spot rates: As on 11-July-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    | 6216         | 145              | 6254              |

**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.