

### Domestic Fundamentals:

**Market Outlook:** Cotton spot prices noticed range –bound to weak tone on Saturday.

**In The News:** According to preliminary report by the government, cotton sowing as on 26th August, 2016 has been covered under 102.78 lakh hectares compared to 112.68 lakh hectares during the same period previous year.

Cotton production is likely to decline by 10 to 15 per cent in Maharashtra this season according to agriculture ministry. Farmers postponed the sowing of cotton following delayed monsoon and shifted to other crops like pulses and oilseeds. However, the overall shortfall in output is likely to ensure higher returns for the farmers. In the open market prices of cotton is likely to above the minimum support price at around Rs.5500 per quintal levels.

With a view to promote Cotton farming, during cotton season 2016-17, Ministry of Agriculture, Cooperation & Farmer Welfare has fixed minimum support price for medium staple length cotton at Rs. 3860/- per quintal and for long staple at Rs. 4160/- per quintal.

The Cotton Advisory Board has lowered cotton output in 2015-16 season on lower acreage. Cotton production estimates are 12 per cent lower at 338 lakh bales in 2015 -16 season compared to 386 lakh bales during the previous season. India's cotton imports have already touched 15 lb (14 lb) and may hit 18 lakh bales in next three months. The total cotton supply is estimated lower by three per cent to 419 lb (433 lb). Exports are seen higher at 68 lb (58 lb) even as domestic mill consumption dropping to 274 lb (278 lb) leading to higher demand of 376 lb (367 lb). The closing stock is expected to be lower at 43 lb (66 lb).

India exported 0.146 lakh bales of cotton last week (15 -21 August 2016), which was 0.132 lakh bales previous to last week (01 -06 August 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (15 -21 August, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.124 lakh bales of cotton from India in the past week (15 -21 August, 2016). Other major importers were Bahrain, Indonesia and Thailand and their imported volumes were 0.011 lakh bales, 0.010 lakh bales and 0.001 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 International Cotton Advisory reduced world cotton stock estimates and International cotton prices jumped to over 80 cents/lb in the second half of July 2016 from an average of 70 cents/lb for the rest of the season. Significantly lower crops in the five largest producing countries and higher than expected demand led to tighter stocks at the end of 2015/16, at which time world ending stocks were estimated to have fallen by 12% to 19.7 million tons. Stocks outside of China decreased by 9%, to 8.4 million tons, which is the lowest level since 2010/11, when they reached 8.3 million tons. Furthermore, strong demand in China has reduced its national stocks by 12%, to 11.3 million tons.

In 2016, China's cotton yarn import declined by 30 per cent y-o-y to 960 mkg worth US\$2430 million. According to report released by [www.yarnsandfibers.com](http://www.yarnsandfibers.com) (YarnsandFibers), imports from India declined by 49 per cent to US\$560 million for 231 mkg. Price-wise, Pakistan was the cheapest supplier of cotton yarn for China, followed by India and then by Vietnam.

According to USDA latest report, global 2015/16 cotton ending stocks are revised down this month. World 2015-16 cotton production is projected at 97.92 million bales, 18 per cent below last season. World ending stocks are now projected lower at 100.27 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    | -   | -    | -    | -   | -     | -      | -      | -  | -      |
| Con_2    | -   | -    | -    | -   | -     | -      | -      | -  | -      |

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

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

\*Updated at 4:57 pm on 26 August -2016

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Oct-16   | -   | -    | -    | -   | -     | -      | -      | -  | -      |
| Nov-16   | -   | -    | -    | -   | -     | -      | -      | -  | -      |

| Spread | Oct-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
|--------|--------|--------|--------|--------|----|----|
| Spot   | —      |        |        | -      | -  | -  |
| Oct-16 |        | -      |        | -      | -  | -  |
| Nov-16 |        |        | -      | -      | -  | -  |
|        | —      |        |        | -      | -  | -  |

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

\* Updated at 4:57 pm on 26 August- 2016

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

| Commodity      | Kapas         |                       | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|-----------------------|----------------------|-----------|--------|
| State          | Centre        | Variety               | 27-Aug-16            | 26-Aug-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6             | NA                   | NA        | -      |
|                | Gondal        | Shankar-6             | Closed               | Closed    | -      |
|                | Rajkot        | B.T. Cotton           | Closed               | Closed    | -      |
|                | Patan         | B.T. Cotton           | NA                   | NA        | -      |
|                | Kadi          | B.T. Cotton           | NA                   | NA        | -      |
|                | Deesa         | B.T. Cotton           | NA                   | NA        | -      |
|                | Dhrol         | B.T. Cotton           | NA                   | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton           | NA                   | NA        | -      |
|                | Muktsar       | B.T. Cotton           | NA                   | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton(New Crop) | 5500                 | 5500      | Unch   |
|                | Bhiwani       | Desi                  | NA                   | NA        | -      |
|                | Adampur       | B.T. Cotton           | 6150                 | 6075      | 75     |
|                | Fatehabad     | B.T. Cotton(New Crop) | 5700                 | 5600      | 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           | 3950                 | 3950      | Unch   |
|                | Hathras       | Desi                  | NA                   | NA        | -      |
| Telangana      | Adilabad      | Un-Ginned             | 4300                 | 4600      | -300   |
| Andhra Pradesh | Guntur        | Un-Ginned             | NA                   | NA        | -      |
|                | Kurnool       | Un-Ginned             | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned             | NA                   | NA        | -      |
|                | East Godavari | Un-Ginned             | 4150                 | 4150      | Unch   |
| Karnataka      | Bijapur       | Bunny                 | 5610                 | 5669      | -59    |
|                | Hubli         | D.C.H.                | NA                   | NA        | -      |
|                | Hubli         | B.T. Cotton           | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton           | NA                   | NA        | -      |
| Commodity      | Lint          |                       | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety               | 27-Aug-16            | 26-Aug-16 |        |
| Punjab         | Bhatinda      | J-34                  | 4850                 | 4880      | -30    |

|                  |                |      |      |      |     |
|------------------|----------------|------|------|------|-----|
|                  | Abohar         | J-34 | 4850 | 4880 | -30 |
|                  | Mansa          | J-34 | NA   | NA   | -   |
|                  | Muktsar        | J-34 | NA   | NA   | -   |
|                  | Fazilika       | J-34 | NA   | NA   | -   |
| <b>Haryana</b>   | Sirsa          | J-34 | 4800 | 4830 | -30 |
| <b>Rajasthan</b> | Sri-Ganganagar | J-34 | NA   | NA   | -   |

**Cotton Arrivals in Key Centers:**

| Commodity             | Kapas         |               | Arrivals (Quintal) |           | Change |
|-----------------------|---------------|---------------|--------------------|-----------|--------|
| State                 | Centre        | Variety       | 27-Aug-16          | 26-Aug-16 |        |
| <b>Gujarat</b>        | Ahmedabad     | Shankar-6     | NA                 | NA        | -      |
|                       | Gondal        | Shankar-6     | Closed             | Closed    | -      |
|                       | Rajkot        | B.T. Cotton   | Closed             | Closed    | -      |
|                       | Patan         | B.T. Cotton   | NA                 | NA        | -      |
|                       | Kadi          | B.T. Cotton   | NA                 | NA        | -      |
|                       | Deesa         | B.T. Cotton   | NA                 | NA        | -      |
|                       | Dhrol         | B.T. Cotton   | NA                 | NA        | -      |
| <b>Punjab</b>         | Fazilika      | B.T. Cotton   | NA                 | NA        | -      |
|                       | Muktsar       | B.T. Cotton   | NA                 | NA        | -      |
| <b>Haryana</b>        | Bhiwani       | B.T. Cotton   | 700                | 600       | 100    |
|                       | Bhiwani       | Desi          | NA                 | NA        | -      |
|                       | Adampur       | B.T. Cotton   | NA                 | NA        | -      |
|                       | Fatehabad     | B.T. Cotton   | 20                 | 12        | 8      |
|                       | Jind          | B.T. Cotton   | NA                 | NA        | -      |
|                       | Uchana        | B.T. Cotton   | NA                 | NA        | -      |
|                       | Dabwali       | B.T. Cotton   | NA                 | NA        | -      |
| <b>Rajasthan</b>      | Hanumangarh   | B.T. Cotton   | NA                 | NA        | -      |
|                       | Rawatsar      | B.T. Cotton   | NA                 | NA        | -      |
| <b>Madhya Pradesh</b> | Khandwa       | Mech-1        | NA                 | NA        | -      |
|                       | Khargaon      | Mech-1        | NA                 | NA        | -      |
| <b>Maharashtra</b>    | Amravati      | Mech-1        | NA                 | NA        | -      |
|                       | Jamner        | Medium Staple | NA                 | NA        | -      |
| <b>Uttar Pradesh</b>  | Hathras       | B.T. Cotton   | 60                 | 200       | -140   |
|                       | Hathras       | Desi          | NA                 | NA        | -      |
| <b>Telangana</b>      | Adilabad      | Un-Ginned     | NA                 | NA        | -      |
| <b>Andhra Pradesh</b> | Guntur        | Un-Ginned     | NA                 | NA        | -      |
|                       | Kurnool       | Un-Ginned     | NA                 | NA        | -      |
|                       | Krishna       | Un-Ginned     | NA                 | NA        | -      |
|                       | East Godavari | Un-Ginned     | NA                 | NA        | -      |
| <b>Karnataka</b>      | Bijapur       | Bunny         | NA                 | 10        | -      |
|                       | Hubli         | D.C.H.        | NA                 | NA        | -      |

|           | Hubli          | B.T. Cotton | NA                 | NA        | -      |
|-----------|----------------|-------------|--------------------|-----------|--------|
|           | Raichur        | H-44 Cotton | NA                 | NA        | -      |
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 27-Aug-16          | 26-Aug-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 |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 27-Aug-16     | 26-Aug-16     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 32700         | 32700         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 33200         | 33200         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 45200         | 45200         | Unch   |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 44100         | 44800         | -700   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 44800         | 45500         | -700   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 47000         | 47500         | -500   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 47900         | 47900         | Unch   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 55800         | 56800         | -1000  |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 27-Aug-16 | 26-Aug-16 |        |
| Rajkot    | Rs. /10 Kg. | Closed    | Closed    | -      |
| New Delhi | Rs. /10 Kg. | 690       | 690       | Unch   |
| Hyderabad | Rs. /10 Kg. | 695       | 695       | Unch   |
| Mumbai    | Rs. /10 Kg. | 720       | 720       | Unch   |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 27-Aug-16 | 26-Aug-16 |        |
| Mahesana (Kadi) | Rs./Qtl | 2556      | 2546      | 10     |

|       |         |      |      |    |
|-------|---------|------|------|----|
| Akola | Rs./Qtl | 2624 | 2608 | 16 |
|-------|---------|------|------|----|

### INTERNATIONAL PRICES AND INDICES

| China Cotton Index: As on 26-August-2016 |         |        |
|--|---------|--------|
| Index                                    | RMB/Ton | Change |
| CCIndex(328)                             | 14401   | -36    |
| CCIndex(527)                             | 13637   | -16    |
| CCIndex(229)                             | 14592   | -85    |
| RMB -Renminbi, 1RMB =0.16 \$U.S.         |         |        |

| China Foreign Cotton (FCE) Index : As on 26-August-2016 |          |        |
|---|----------|--------|
| Index   | Cents/lb | Change |
| FC Index (S)  | 81.59    | 0.12   |
| FC Index (M)  | 79.10    | 0.10   |
| FC Index (L)  | 75.85    | 0.24   |

| Cotlook Index: As on 26-August-2016 |             |        |
|-------------------------------------|-------------|--------|
| Cotlook Indices                     | Cents/Pound | Change |
| A-Index                             | 77.30       | 0.15   |

| USDA Cotton Spot Rates: As on 27-July-2016 |                     |                     |          |
|--|---------------------|---------------------|----------|
| Growth Area                                | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|  | cents/lb.           |                     | bales    |
| Southeast                                  | 68.71               | 70.96               | NIL      |
| North Delta                                | 67.21               | 69.96               | NIL      |
| South Delta                                | 67.21               | 69.96               | NIL      |
| East TX-OK                                 | 65.00               | 67.00               | 153      |
| West Texas                                 | 64.25               | 66.00               | NIL      |
| Desert SW                                  | 64.96               | 70.96               | NIL      |
| SJ Valley                                  | 66.21               | 76.11               | 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 26-August-2016**

| Contract | Open  | High  | Low   | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Oct-16   | 67.87 | 68.45 | 67.71 | 67.71 | -0.04  |
| Dec-16   | 68.12 | 68.77 | 67.55 | 68.03 | -0.01  |
| Mar-17   | 68.16 | 68.96 | 67.93 | 68.36 | 0.05   |
| May-17   | 68.22 | 68.89 | 68.06 | 68.52 | 0.14   |
| Jul-17   | 68.2  | 68.89 | 68.1  | 68.57 | 0.19   |
| Oct-17   | 68.16 | 68.16 | 68.16 | 68.16 | 0.21   |

**Pakistan Cotton Spot rates: As on 26-August-2016**

(in Pakistan Rupees)

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 6650         | 135              | 6785              |
| Equivalent | 40 Kgs    | 7127         | 145              | 7272              |

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