

## Domestic Fundamentals:

**Market Outlook:** Cotton spot prices noticed steady to weak tone on Wednesday.

**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.

The pink bollworm pest has started developing resistance to the Bt cottonseed across various parts of the country and is affecting the farmers. A pheromone trap with a chemical formulation, consisting of gossypure and some other natural ingredients has been developed by the Nagpur-based Central Institute for Cotton Research (CICR) under the aegis of the Indian Council for Agricultural Research (ICAR) with Innovative Biosciences Pvt. Ltd.

Cotton prices have firmed up in the domestic market amid expectation of lower output this season. This has affected exports mainly to Pakistan and about 37 per cent of the exports have been to Pakistan. After prices have touched Rs.50000 per candy, exports are declining. Till date, India has exported about 2.5 million bales to Pakistan only out of the total exports of 6.8 million bales. Pakistan is looking for other cheaper options like to import from US as per sources. China is also reducing imports from India amid high price.

In its first estimate, Cotton Association of India (CAI) has estimated output for the year starting October 2016 at 336 lakh bales of 170 kg each. In the current year, production has been estimated at 337.5 lakh bales as on July end. Though acreage till date is around 10% lower compared to previous year, productivity will help to support output.

India exported 0.121 lakh bales of cotton last week (22 -28 August 2016), which was 0.146 lakh bales previous to last week (15 -21 August 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (22 -28 August, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.087 lakh bales of cotton from India in the past week (22 -28 August, 2016). Other major importers were Indonesia, Pakistan, Thailand and Japan and their imported volumes were 0.019 lakh bales, 0.011 lakh bales, 0.003 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 the current season, cotton acreage in Pakistan is estimated to be 25 per cent lower compared to previous year. According to Pakistan Cotton Ginners Association, country's annual demand is around 14 million bales and production is estimated around 11 million bales. It has to import around 2.5 million bales to meet country's demand.

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	-3.00	883.5	887	876.5	880	3980	594	364704	0
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	345	-	-
May-17	-	-	-

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

\*Updated at 5:19 pm on 31 August -2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Oct-16	-150	19760	19840	19540	19610	1631	-253	794541	128999
Nov-16	-140	18600	18600	18400	18420	397	35	183489	-9672

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Oct-16		1190		-	-	-
Nov-16			-	-	-	-
	—			-	-	-

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

\* Updated at 5:19 pm on 31 August- 2016

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	31-Aug-16	30-Aug-16	
Gujarat	Ahmedabad	Shankar-6	NA	NA	-
	Gondal	Shankar-6	NA	5655	-
	Rajkot	B.T. Cotton	6000	6125	-125
	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	6000	6200	-200
	Fatehabad	B.T. Cotton(New Crop)	5300	5500	-200
	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	5000	NR	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	4600	4600	Unch
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	NA	4609	-
	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	31-Aug-16	30-Aug-16	
Punjab	Bhatinda	J-34	4750	4800	-50

	Abohar	J-34	4740	4800	<b>-60</b>
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NA	NA	-
	Fazilika	J-34	NA	NA	-
<b>Haryana</b>	Sirsa	J-34	4675	4720	<b>-45</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	31-Aug-16	30-Aug-16	
<b>Gujarat</b>	Ahmedabad	Shankar-6	NA	NA	-
	Gondal	Shankar-6	NA	12	-
	Rajkot	B.T. Cotton	120	110	<b>10</b>
	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	1500	1500	<b>Unch</b>
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	NA	NA	-
	Fatehabad	B.T. Cotton	30	12	<b>18</b>
	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	150	NR	-
	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	NA	-
	Hubli	D.C.H.	NA	NA	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
<b>Commodity</b>	<b>Lint</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>31-Aug-16</b>	<b>30-Aug-16</b>	
<b>Punjab</b>	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
<b>Haryana</b>	Sirsa	J-34	NA	NA	-
<b>Rajasthan</b>	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-Aug-16	29-Aug-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32000	32300	-300
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32500	32800	-300
J-34(202)	26mm	3.5 - 4.9	23	44400	44900	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	43200	43600	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	43900	44200	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	46000	46200	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	47300	47500	-200
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55300	-300

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

Centre	Unit	Price		Change
		31-Aug-16	30-Aug-16	
Rajkot	Rs. /10 Kg.	695	705	-10
New Delhi	Rs. /10 Kg.	680	685	-5
Hyderabad	Rs. /10 Kg.	695	695	Unch
Mumbai	Rs. /10 Kg.	708	715	-7

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

Centre	Unit	Price		Change
		31-Aug-16	30-Aug-16	
Mahesana (Kadi)	Rs./Qtl	2588	2524	64
Akola	Rs./Qtl	2643	2590	53

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 31-August-2016		
Index	RMB/Ton	Change
CCIndex(328)	14226	-46
CCIndex(527)	13503	-18
CCIndex(229)	14472	-57
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 31-August-2016		
Index	Cents/lb	Change
FC Index (S)	79.68	-0.71
FC Index (M)	77.32	-0.62
FC Index (L)	74.32	-0.56

Cotlook Index: As on 30-August-2016		
Cotlook Indices	Cents/Pound	Change
A-Index	76.30	-1.00

USDA Cotton Spot Rates: As on 30-July-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	66.97	69.22	NIL
North Delta	66.97	69.22	NIL
South Delta	66.97	69.22	NIL
East TX-OK	66.97	69.22	NIL
West Texas	66.97	69.22	NIL
Desert SW	66.97	69.22	NIL
SJ Valley	66.97	69.22	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-August-2016**

Contract	Open	High	Low	Close	Change
<b>Oct-16</b>	66.27	66.27	65.72	65.97	<b>-0.72</b>
<b>Dec-16</b>	66.82	66.93	65.46	66.29	<b>-0.66</b>
<b>Mar-17</b>	67.30	67.36	65.98	66.67	<b>-0.76</b>
<b>May-17</b>	67.53	67.53	66.16	66.78	<b>-0.87</b>
<b>Jul-17</b>	67.68	67.68	66.15	66.72	<b>-0.96</b>
<b>Oct-17</b>	66.38	66.38	66.38	66.38	<b>-0.98</b>

**Pakistan Cotton Spot rates: As on 30-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

**Disclaimer**

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