

## Domestic Fundamentals:

**Market Outlook:** Cotton spot prices noticed mixed tone on Friday.

**In The News:** According to preliminary report by the government, cotton sowing as on 23rd September, 2016 has been covered under 102.55 lakh hectares compared to 115.98 lakh hectares during the same period previous year. Though acreage is lower, good monsoon is expected to help production in 2016 -17. According to industry sources, cotton output in 2016 -17 season is estimated to be 35.5 million bales compared to 33.7 million bales previous year. Government's first estimates of cotton output in 2016 -17 is at 32.12 million bales.

India's cotton yarn exports declined 4.4 percent in terms of volume and 11.58 per cent in value terms during April -June 2016. This is mainly due to decline in exports to China. China imported 149.66 mkg of cotton yarn during the first three months of last financial year (2015-2016) and it dropped to 99.09 mkg during the same period this year. Total cotton yarn exports from India used to be 140 mkg a month and it has dropped to about 100 mkg now.

The Indian government has restricted the sale of cotton stocks held by the Cotton Corporation of India (CCI) to micro, small and medium -sized mills following the recent increase in prices. This will help in offsetting higher input cost and applies to existing cotton stocks purchased under the Minimum Support Price. The CCI began an e-auction sale last month to those spinners registered with the Office of the Textile Commissioner and Government co-operative mills. At any point of time, the mills registered with CCI are allowed to purchase a maximum of 500 bales.

India exported 0.043 lakh bales of cotton last week (09 -16 October 2016), which was 0.054 lakh bales previous to last week (03 -08 October 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (09 -16 October, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.037 lakh bales of cotton from India in the past week (09 -16 October, 2016). Other major importer was Pakistan and it's imported volume was 0.006 lakh bales.

India the largest producer of cotton is likely to buy up to 2 million bales of cotton this year. Till date India has imported around 1.5 million bales of cotton and has already signed contracts to purchase an additional 400,00 bales according to government sources. Imports have increased amid lower domestic production and lower prices in the global markets.

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.

### International Fundamentals:

Bangladesh imported 6.2 million bales of cotton in 2015 -16. According to the USDA, Bangladesh imports are likely to increase to 6.3 million bales in 2016 -17. This will increase Bangladesh's share of global imports to 18 per cent which is more than double its share seen five years ago. Other major importers in 2015-16 were Vietnam, China and Turkey.

The arrival of cotton at ginneries in Pakistan till October 15, 2016 declined by 6.19 per cent year-on-year to 4.374 million bales according to the fortnightly report on cotton arrivals by the Pakistan Cotton Ginners Association (PCGA) in joint co-operation with All Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). According to the data released, the textile mills in Pakistan consumed 3.144 million bales, while another 95,490 bales of cotton were sold to exporters.

According to USDA latest report, global 2016/17 cotton ending stocks are revised down this month. World 2016-17 cotton production is projected at 102.69 million bales, around 6.6 per cent above last season. World ending stocks are now projected lower at 87.35 million bales. For India, production is forecast at 26.50 million bales, same as previous month's estimates and India's crop is estimated 0.38 per cent above 2015/16.

### Outlook

**We expect domestic prices to remain range bound to weak in the near -term.**

#### NCDEX Kapas Futures\*: (Prices in Rs/20kg)

| Contract | +/-   | Open | High | Low | Close | Volume | Change | OI    | Change |
|----------|-------|------|------|-----|-------|--------|--------|-------|--------|
| Con_1    | -9.00 | 902  | 918  | 895 | 897   | 10719  | 3255   | 13384 | 0      |
| Con_2    | -     | -    | -    | -   | -     | -      | -      | -     | -      |

|        |          |   |   |
|--------|----------|---|---|
| Spread | April-17 |   |   |
| Spot   | 199      | - | - |
| May-17 | -        | - | - |

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

\*Updated at 5:04 pm

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

| Contract | +/-  | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|------|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-16   | -130 | 19380 | 19400 | 19250 | 19300 | 699    | -15    | 1392 | -437   |
| Nov-16   | -200 | 18740 | 18830 | 18640 | 18660 | 1413   | -35    | 3738 | -32    |

|        |        |        |        |        |    |    |
|--------|--------|--------|--------|--------|----|----|
| Spread | Oct-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
| Spot   | —      |        |        | -      | -  | -  |
| Oct-16 |        | 640    |        | -      | -  | -  |
| Nov-16 |        |        | -      | -      | -  | -  |
|        | —      |        |        | -      | -  | -  |

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

\* Updated at 5:04 pm

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

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 21-Oct-16            | 20-Oct-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 5200                 | 5250      | -50    |
|                | Gondal        | Shankar-6     | 5355                 | 5555      | -200   |
|                | Rajkot        | B.T. Cotton   | 5480                 | 5400      | 80     |
|                | Patan         | B.T. Cotton   | 5325                 | 5400      | -75    |
|                | Kadi          | B.T. Cotton   | 5100                 | 5250      | -150   |
|                | Deesa         | B.T. Cotton   | NA                   | NA        | -      |
|                | Dhrol         | B.T. Cotton   | 5155                 | 5060      | 95     |
| Punjab         | Fazilika      | B.T. Cotton   | NA                   | NA        | -      |
|                | Muktsar       | B.T. Cotton   | NA                   | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5250                 | 5200      | 50     |
|                | Bhiwani       | Desi          | 4300                 | 4550      | -250   |
|                | Adampur       | B.T. Cotton   | Closed               | Closed    | -      |
|                | Fatehabad     | B.T. Cotton   | Closed               | Closed    | -      |
|                | Jind          | B.T. Cotton   | Closed               | Closed    | -      |
|                | Uchana        | B.T. Cotton   | Closed               | Closed    | -      |
|                | Dabwali       | B.T. Cotton   | Closed               | Closed    | -      |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | 5150                 | 5200      | -50    |
|                | Rawatsar      | B.T. Cotton   | 5075                 | 5055      | 20     |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                   | NA        | -      |
|                | Khargaon      | Mech-1        | 5600                 | 5530      | 70     |
| Maharashtra    | Amravati      | Mech-1        | NA                   | NA        | -      |
|                | Jamner        | Medium Staple | NA                   | 4150      | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 4100                 | 4100      | Unch   |
|                | Hathras       | Desi          | 4400                 | 4400      | Unch   |
| Telangana      | Adilabad      | Un-Ginned     | 4450                 | 4450      | Unch   |
| Andhra Pradesh | Guntur        | Un-Ginned     | 4100                 | 4100      | Unch   |
|                | Kurnool       | Un-Ginned     | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                   | NA        | -      |
|                | East Godavari | Un-Ginned     | 4160                 | 4150      | 10     |
| Karnataka      | Bijapur       | Bunny         | 5549                 | 5539      | 10     |
|                | Hubli         | D.C.H.        | NA                   | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton   | 5250                 | 5250      | Unch   |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 21-Oct-16            | 20-Oct-16 |        |
| Punjab         | Bhatinda      | J-34          | 4080                 | 4080      | Unch   |
|                | Abohar        | J-34          | 4070                 | 4090      | -20    |

|           |                |      |      |      |      |
|-----------|----------------|------|------|------|------|
|           | Mansa          | J-34 | 4070 | 4080 | -10  |
|           | Muktsar        | J-34 | NA   | NA   | -    |
|           | Fazilika       | J-34 | NA   | NA   | -    |
| Haryana   | Sirsa          | J-34 | 4040 | 4030 | 10   |
| Rajasthan | Sri-Ganganagar | J-34 | 3760 | 3760 | Unch |

**Cotton Arrivals in Key Centers:**

| Commodity      | Kapas         |               | Arrivals (Quintal) |           | Change |
|----------------|---------------|---------------|--------------------|-----------|--------|
| State          | Centre        | Variety       | 21-Oct-16          | 20-Oct-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 42500              | 42500     | Unch   |
|                | Gondal        | Shankar-6     | 1030               | 798       | 232    |
|                | Rajkot        | B.T. Cotton   | 3400               | 3200      | 200    |
|                | Patan         | B.T. Cotton   | 15335              | 15341     | -6     |
|                | Kadi          | B.T. Cotton   | 20000              | 25000     | -5000  |
|                | Deesa         | B.T. Cotton   | NA                 | NA        | -      |
|                | Dhrol         | B.T. Cotton   | 231                | 150       | 81     |
| Punjab         | Fazilika      | B.T. Cotton   | NA                 | NA        | -      |
|                | Muktsar       | B.T. Cotton   | NA                 | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | NA                 | NA        | -      |
|                | Bhiwani       | Desi          | NA                 | NA        | -      |
|                | Adampur       | B.T. Cotton   | Closed             | Closed    | -      |
|                | Fatehabad     | B.T. Cotton   | Closed             | Closed    | -      |
|                | Jind          | B.T. Cotton   | Closed             | Closed    | -      |
|                | Uchana        | B.T. Cotton   | Closed             | Closed    | -      |
|                | Dabwali       | B.T. Cotton   | Closed             | Closed    | -      |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | 2000               | 2500      | -500   |
|                | Rawatsar      | B.T. Cotton   | 1500               | 1000      | 500    |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                 | NA        | -      |
|                | Khargaon      | Mech-1        | 4575               | 5850      | -1275  |
| Maharashtra    | Amravati      | Mech-1        | NA                 | NA        | -      |
|                | Jamner        | Medium Staple | NA                 | 215       | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 1000               | 1000      | Unch   |
|                | Hathras       | Desi          | 150                | 150       | Unch   |
| Telangana      | Adilabad      | Un-Ginned     | NA                 | NA        | -      |
| Andhra Pradesh | Guntur        | Un-Ginned     | 100                | 220       | -120   |
|                | Kurnool       | Un-Ginned     | NA                 | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                 | NA        | -      |
|                | East Godavari | Un-Ginned     | NA                 | NA        | -      |
| Karnataka      | Bijapur       | Bunny         | 150                | 120       | 30     |
|                | Hubli         | D.C.H.        | NA                 | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                 | NA        | -      |

|           | Raichur        | H-44 Cotton | 1650               | 1462      | 188    |
|-----------|----------------|-------------|--------------------|-----------|--------|
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 21-Oct-16          | 20-Oct-16 |        |
| Punjab    | Bhatinda       | J-34        | 10200              | 11900     | -1700  |
|           | Abohar         | J-34        | 1700               | 2040      | -340   |
|           | Mansa          | J-34        | 1020               | 850       | 170    |
| Haryana   | Sirsa          | J-34        | NA                 | NA        | -      |
| Rajasthan | Sri-Ganganagar | J-34        | 2000               | 2000      | Unch   |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 20-Oct-16     | 19-Oct-16     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 28400         | 28400         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 29400         | 29400         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 37500         | 37800         | -300   |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 39800         | 40100         | -300   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 40700         | 41000         | -300   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 41700         | 41900         | -200   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 42700         | 42900         | -200   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 53800         | 54000         | -200   |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 21-Oct-16 | 20-Oct-16 |        |
| Rajkot    | Rs. /10 Kg. | 730       | 735       | -5     |
| New Delhi | Rs. /10 Kg. | 690       | 690       | Unch   |
| Hyderabad | Rs. /10 Kg. | 695       | 695       | Unch   |
| Mumbai    | Rs. /10 Kg. | 735       | 730       | 5      |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 21-Oct-16 | 20-Oct-16 |        |
| Mahesana (Kadi) | Rs./Qtl | 2525      | 2455      | 70     |
| Akola           | Rs./Qtl | 2459      | 2450      | 9      |

**INTERNATIONAL PRICES AND INDICES**

| <u><b>China Cotton Index: As on 21-October-2016</b></u> |                |               |
|---|----------------|---------------|
| <b>Index</b>  | <b>RMB/Ton</b> | <b>Change</b> |
| CCIndex(328)  | 15359          | <b>-2</b>     |
| CCIndex(527)  | 14571          | <b>-10</b>    |
| CCIndex(229)  | 15761          | <b>Unch</b>   |
| RMB -Renminbi, 1RMB =0.16 \$U.S.                        |                |               |

| <u><b>China Foreign Cotton (FCE) Index : As on 21-October-2016</b></u> |                 |               |
|--|-----------------|---------------|
| <b>Index</b>   | <b>Cents/lb</b> | <b>Change</b> |
| FC Index (S)   | 83.09           | <b>-1.07</b>  |
| FC Index (M)   | 80.30           | <b>-1.12</b>  |
| FC Index (L)   | 77.62           | <b>-1.20</b>  |

| <u><b>Cotlook Index: As on 20-October-2016</b></u> |                    |               |
|--|--------------------|---------------|
| <b>Cotlook Indices</b>                             | <b>Cents/Pound</b> | <b>Change</b> |
| A-Index  | 80.35              | <b>Unch</b>   |

| <u><b>USDA Cotton Spot Rates: As on 20-October-2016</b></u> |                            |                            |                 |
|---|----------------------------|----------------------------|-----------------|
| <b>Growth Area</b>  | <b>Leaf 4 to Staple 34</b> | <b>Leaf 3 to Staple 35</b> | <b>Arrivals</b> |
|   | <b>cents/lb.</b>           |                            | <b>Bales</b>    |
| <b>Southeast</b>  | 70.80                      | 73.05                      | <b>95</b>       |
| <b>North Delta</b>  | 69.30                      | 72.05                      | <b>NIL</b>      |
| <b>South Delta</b>  | 69.30                      | 72.05                      | <b>3136</b>     |
| <b>East TX-OK</b>   | 67.50                      | 69.50                      | <b>916</b>      |
| <b>West Texas</b>   | 67.50                      | 69.25                      | <b>914</b>      |
| <b>Desert SW</b>  | 67.05                      | 73.05                      | <b>NIL</b>      |
| <b>SJ Valley</b>  | 68.30                      | 78.20                      | <b>NIL</b>      |

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 20-October-2016**

| Contract      | Open  | High  | Low   | Close | Change       |
|---------------|-------|-------|-------|-------|--------------|
| <b>Dec-16</b> | 71.11 | 71.79 | 68.95 | 69.80 | <b>-1.30</b> |
| <b>Mar-17</b> | 71.50 | 72.00 | 69.25 | 70.08 | <b>-1.37</b> |
| <b>May-17</b> | 72.00 | 72.32 | 69.82 | 70.53 | <b>-1.29</b> |
| <b>Jul-17</b> | 72.07 | 72.35 | 70.08 | 70.63 | <b>-1.27</b> |
| <b>Oct-17</b> | 70.10 | 70.10 | 70.10 | 70.10 | <b>-1.03</b> |
| <b>Dec-17</b> | 71.08 | 71.21 | 69.30 | 69.77 | <b>-1.18</b> |

**Pakistan Cotton Spot rates: As on 20-October-2016**
**(in Pakistan Rupees)**

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 6050         | 135              | 6185              |
| Equivalent | 40 Kgs    | 6484         | 145              | 6629              |

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