

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets witnessed mostly firm tone on Wednesday.

**In The News:** There is decline in cotton supply in Gujarat State amid Rs.500 and Rs.1000 note ban by the Government. From around arrivals of 35,000 bales of cotton during Diwali, arrivals have declined to around 15000 bales. Ginners can pay in cheques only and farmers are not ready to accept cheques. There was no auction on Thursday. Around 20% of the farmers are ready for cheque payment.

According to farmers in the Adilabad district of Andhra Pradesh, the cotton crop has been affected by pink bollworm pest and yields have declined accordingly. The distressed farmers have been appealing to the government to assist them in this regard. The farmers want to replace cotton crop with wheat and chickpea crops and want the State government to supply them with seeds of two crops. The pink bollworm destroyed crops in Tamsi, Talamadugu, Vankidi, Indravelli, Kerameri and Kagaznagar.

Farmers in Karnataka are diversifying from cereals towards cash crops like cotton, sugarcane, maize etc. A recent analysis of the changes in cropping patterns from 2005-06 to 2014-15 by the Karnataka Agriculture Price Commission (KAPC) shows that farmers in the State were showing their preference for cash crops such as cotton and maize and shifting from oilseeds, cereals and millets towards these cash crops. During this period, cotton acreage in Karnataka has increased by 112% from 4.13 lakh hectares in 2005 -06 to 8.76 lakh hectares in 2014 -15.

India exported 1.333 lakh bales of cotton last week (07 -13 November 2016), which was 0.254 lakh bales previous to last week (31 October -06 November 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (07 -13 November, 2016) was Bangladesh. According to the data released by IBIS and compiled by Agriwatch, Bangladesh imported 0.389 lakh bales of cotton from India in the past week (07 -13 November, 2016). Other major importers were China, Vietnam, Indonesia and Pakistan and their imported volumes were 0.512, 0.273, 0.123 and 0.026 lakh bales respectively.

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:

The International Cotton Advisory Committee nudged higher forecast for cotton prices amid ideas that world stock will decrease further than had been thought, fuelled by China's stocks selldown. The committee raised by 1 cent to 74 cents a pound its estimate of average world cotton prices in 2-16-17, as measured by the Cotlook A index of physical values. Last year's price of cotton was 70 cents a pound, while it was 71 cents a pound in 2014-15. The revision came as the ICAC cut its estimate for world stocks at the close of 2016-17 below 18m tonnes, to the lowest in five years.

According to industry sources, India's cotton exports to Pakistan are expected to decline by around 50% in 2016 -17 amid ongoing rivalry between the two countries and expected improvement in Pakistan's cotton production. Pakistan is likely to import around 1 to 1.5 million bales in 2016 -17 which started on October 1 compared to 2.7 million bales during the previous year. India's cotton exports are expected to decline by around 28% this season to 5 million bales amid lower purchases from Pakistan. Lower exports to Pakistan will help other suppliers like Brazil, United States and some African countries.

According to USDA latest report, global 2016/17 cotton ending stocks are revised up this month. World 2016-17 cotton production is projected at 103.28 million bales, around 6.55 per cent above last season. World ending stocks are now projected higher at 88.31 million bales. For India, production is forecast at 27.00 million bales higher than previous month's estimates of 26.50 million bales and India's crop is estimated 2.27 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    | +7.50 | 930  | 938.5 | 929 | 938   | 1629   | -328   | 11511 | 138    |
| Con_2    | -     | -    | -     | -   | -     | -      | -      | -     | -      |

| Spread | April-17 |   |   |
|--------|----------|---|---|
| Spot   | 90       | - | - |
| May-17 | -        | - | - |

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

\*Updated at 8:16 pm as on 16 –Nov 2016

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

| Contract | +/- | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Nov-16   | 420 | 19100 | 19180 | 18900 | 19030 | 683    | -89    | 1514 | -232   |
| Dec-16   | 340 | 19010 | 19150 | 18890 | 19130 | 1342   | 3682   | 5024 | -22    |

| Spread | Oct-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
|--------|--------|--------|--------|--------|----|----|
| Spot   | —      |        |        | -      | -  | -  |
| Nov-16 |        | -100   |        | -      | -  | -  |
| Dec-16 |        |        | -      | -      | -  | -  |
|        | —      |        |        | -      | -  | -  |

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

\* Updated at 8:16 pm as on 16 –Nov 2016

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 16-Nov-16            | 15-Nov-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | Closed               | Closed    | -      |
|                | Gondal        | Shankar-6     | 5380                 | Closed    | -      |
|                | Rajkot        | B.T. Cotton   | Closed               | Closed    | -      |
|                | Patan         | B.T. Cotton   | Closed               | Closed    | -      |
|                | Kadi          | B.T. Cotton   | 5200                 | 5200      | Unch   |
|                | Deesa         | B.T. Cotton   | Closed               | Closed    | -      |
|                | Dhrol         | B.T. Cotton   | Closed               | Closed    | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NA                   | NA        | -      |
|                | Muktsar       | B.T. Cotton   | NA                   | NA        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5400                 | 5325      | 75     |
|                | Bhiwani       | Desi          | 4650                 | 4600      | 50     |
|                | Adampur       | B.T. Cotton   | 5150                 | 5100      | 50     |
|                | Fatehabad     | B.T. Cotton   | 5250                 | 5185      | 65     |
|                | Jind          | B.T. Cotton   | 5300                 | 5300      | Unch   |
|                | Uchana        | B.T. Cotton   | 5325                 | 5270      | 55     |
|                | Dabwali       | B.T. Cotton   | 5175                 | 5155      | 20     |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | 5325                 | 5250      | 75     |
|                | Rawatsar      | B.T. Cotton   | 5200                 | 5100      | 100    |
| Madhya Pradesh | Khandwa       | Mech-1        | Closed               | Closed    | -      |
|                | Khargaon      | Mech-1        | Closed               | Closed    | -      |
| Maharashtra    | Amravati      | Mech-1        | NA                   | NA        | -      |
|                | Jamner        | Medium Staple | 4900                 | 4855      | 45     |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 4800                 | 5000      | -200   |
|                | Hathras       | Desi          | 4800                 | 4700      | 100    |
| Telangana      | Adilabad      | Un-Ginned     | 4900                 | 4900      | Unch   |
| Andhra Pradesh | Guntur        | Un-Ginned     | NA                   | 4100      | -      |
|                | Kurnool       | Un-Ginned     | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                   | NA        | -      |
|                | East Godavari | Un-Ginned     | 4160                 | 4160      | Unch   |
| Karnataka      | Bijapur       | Bunny         | 5429                 | 5875      | -446   |
|                | Hubli         | D.C.H.        | 5561                 | 5539      | 22     |
|                | Hubli         | B.T. Cotton   | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton   | 5210                 | 5200      | 10     |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 16-Nov-16            | 15-Nov-16 |        |

|                  |                |      |      |      |           |
|------------------|----------------|------|------|------|-----------|
| <b>Punjab</b>    | Bhatinda       | J-34 | 4110 | 4065 | <b>45</b> |
|                  | Abohar         | J-34 | 4100 | 4080 | <b>20</b> |
|                  | Mansa          | J-34 | 4100 | 4050 | <b>50</b> |
|                  | Muktsar        | J-34 | NA   | NA   | -         |
|                  | Fazilika       | J-34 | NA   | NA   | -         |
| <b>Haryana</b>   | Sirsa          | J-34 | 4020 | 4000 | <b>20</b> |
| <b>Rajasthan</b> | Sri-Ganganagar | J-34 | 3737 | 3704 | <b>33</b> |

**Cotton Arrivals in Key Centers:**

| Commodity             | Kapas         |               | Arrivals (Quintal) |           | Change       |
|-----------------------|---------------|---------------|--------------------|-----------|--------------|
| State                 | Centre        | Variety       | 16-Nov-16          | 15-Nov-16 |              |
| <b>Gujarat</b>        | Ahmedabad     | Shankar-6     | Closed             | Closed    | -            |
|                       | Gondal        | Shankar-6     | 986                | Closed    | -            |
|                       | Rajkot        | B.T. Cotton   | Closed             | Closed    | -            |
|                       | Patan         | B.T. Cotton   | Closed             | Closed    | -            |
|                       | Kadi          | B.T. Cotton   | 20000              | 10000     | <b>10000</b> |
|                       | Deesa         | B.T. Cotton   | Closed             | Closed    | -            |
|                       | Dhrol         | B.T. Cotton   | Closed             | Closed    | -            |
| <b>Punjab</b>         | Fazilika      | B.T. Cotton   | NA                 | NA        | -            |
|                       | Muktsar       | B.T. Cotton   | NA                 | NA        | -            |
| <b>Haryana</b>        | Bhiwani       | B.T. Cotton   | 7000               | 6000      | <b>1000</b>  |
|                       | Bhiwani       | Desi          | 100                | 150       | <b>-50</b>   |
|                       | Adampur       | B.T. Cotton   | 850                | 340       | <b>510</b>   |
|                       | Fatehabad     | B.T. Cotton   | 900                | 1200      | <b>-300</b>  |
|                       | Jind          | B.T. Cotton   | 255                | 170       | <b>85</b>    |
|                       | Uchana        | B.T. Cotton   | 1895               | 1655      | <b>240</b>   |
|                       | Dabwali       | B.T. Cotton   | 1610               | 1100      | <b>510</b>   |
| <b>Rajasthan</b>      | Hanumangarh   | B.T. Cotton   | 2000               | 2000      | <b>Unch</b>  |
|                       | Rawatsar      | B.T. Cotton   | 500                | 1000      | <b>-500</b>  |
| <b>Madhya Pradesh</b> | Khandwa       | Mech-1        | Closed             | Closed    | -            |
|                       | Khargaon      | Mech-1        | Closed             | Closed    | -            |
| <b>Maharashtra</b>    | Amravati      | Mech-1        | NA                 | NA        | -            |
|                       | Jamner        | Medium Staple | 385                | 380       | <b>5</b>     |
| <b>Uttar Pradesh</b>  | Hathras       | B.T. Cotton   | NA                 | 200       | -            |
|                       | Hathras       | Desi          | NA                 | NA        | -            |
| <b>Telangana</b>      | Adilabad      | Un-Ginned     | 16242              | 13844     | <b>2398</b>  |
| <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         | 770                | 1010      | <b>-240</b>  |

|           | Hubli          | D.C.H.      | 222                | 36        | 186    |
|-----------|----------------|-------------|--------------------|-----------|--------|
|           | Hubli          | B.T. Cotton | NA                 | NA        | -      |
|           | Raichur        | H-44 Cotton | 1035               | 887       | 148    |
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 16-Nov-16          | 15-Nov-16 |        |
| Punjab    | Bhatinda       | J-34        | 5950               | 4250      | 1700   |
|           | Abohar         | J-34        | 850                | 850       | Unch   |
|           | Mansa          | J-34        | 510                | 510       | Unch   |
| Haryana   | Sirsa          | J-34        | 850                | 850       | Unch   |
| Rajasthan | Sri-Ganganagar | J-34        | 500                | 200       | 300    |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 15-Nov-16     | 14-Nov-16     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 27900         | 27900         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 28900         | 28900         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 37500         | 37200         | 300    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 38400         | 38100         | 300    |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 38900         | 38600         | 300    |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 39800         | 39500         | 300    |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 40500         | 40200         | 300    |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 52700         | 52500         | 200    |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 16-Nov-16 | 15-Nov-16 |        |
| Rajkot    | Rs. /10 Kg. | Closed    | Closed    | -      |
| New Delhi | Rs. /10 Kg. | 655       | 655       | Unch   |
| Hyderabad | Rs. /10 Kg. | 645       | 645       | Unch   |
| Mumbai    | Rs. /10 Kg. | 665       | 665       | Unch   |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 16-Nov-16 | 15-Nov-16 |        |
| Mahesana (Kadi) | Rs./Qtl | Closed    | Closed    | -      |
| Akola           | Rs./Qtl | 2100      | 2112      | -12    |

### INTERNATIONAL PRICES AND INDICES

| <u>China Cotton Index: As on 16-November-2016</u> |         |        |
|---|---------|--------|
| Index   | RMB/Ton | Change |
| CCIndex(328)                                      | 15698   | 72     |
| CCIndex(527)                                      | 14728   | 19     |
| CCIndex(229)                                      | 16060   | 29     |
| RMB -Renminbi, 1RMB =0.16 \$U.S.                  |         |        |

| <u>China Foreign Cotton (FCE) Index : As on 16-November-2016</u> |          |        |
|--|----------|--------|
| Index  | Cents/lb | Change |
| FC Index (S)   | 82.98    | 1.00   |
| FC Index (M)   | 79.72    | 1.03   |
| FC Index (L)   | 77.63    | 1.18   |

| <u>Cotlook Index: As on 15-November-2016</u> |             |        |
|--|-------------|--------|
| Cotlook Indices                              | Cents/Pound | Change |
| A-Index                                      | 77.85       | 0.35   |

| <u>USDA Cotton Spot Rates: As on 15-November-2016</u> |                     |                     |          |
|---|---------------------|---------------------|----------|
| Growth Area   | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|   | cents/lb.           |                     | Bales    |
| Southeast   | 72.19               | 74.94               | 1030     |
| North Delta   | 70.69               | 73.44               | 103      |
| South Delta   | 70.69               | 73.44               | 305      |
| East TX-OK  | 69.50               | 71.50               | 9552     |
| West Texas  | 69.00               | 70.75               | 15274    |
| Desert SW   | 67.94               | 73.94               | Nil      |
| SJ Valley   | 69.19               | 79.09               | 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 15-November-2016**

| Contract      | Open  | High  | Low   | Close | Change      |
|---------------|-------|-------|-------|-------|-------------|
| <b>Dec-16</b> | 69.10 | 71.34 | 69.09 | 70.69 | <b>1.79</b> |
| <b>Mar-17</b> | 69.73 | 70.52 | 69.41 | 70.48 | <b>1.17</b> |
| <b>May-17</b> | 70.38 | 71.16 | 70.09 | 71.10 | <b>1.14</b> |
| <b>Jul-17</b> | 70.78 | 71.46 | 70.54 | 71.46 | <b>1.07</b> |
| <b>Oct-17</b> | 71.01 | 71.01 | 71.01 | 71.01 | <b>1.08</b> |
| <b>Dec-17</b> | 69.45 | 70.10 | 69.27 | 70.09 | <b>1.01</b> |

**Pakistan Cotton Spot rates: As on 15-November-2016**
**(in Pakistan Rupees)**

| Product           | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| <b>Cotton</b>     | 37.32 Kgs | 6000         | 135              | 6135              |
| <b>Equivalent</b> | 40 Kgs    | 6430         | 145              | 6575              |

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