

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mixed tone on Friday.

In The News: The recent ban on high –currency notes has affected cotton exports from India. Export of around 1 million bales of cotton crop from India has been delayed following demonetisation. Prices have increased in the domestic market amid lack of availability and buyers could shift to other countries like the United States, Brazil and Africa. India's total exports in the 2016 -17 marketing year that started on October 01, 2016 is likely to be affected. Farmers are not interested in selling as payment in cash is not available currently.

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.

India exported 1.842 lakh bales of cotton last week (21 -26 November 2016), which was 1.812 lakh bales previous to last week (14 -20 November 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (21 -26 November, 2016) was China. According to the data released by IBIS and compiled by Agriwatch, China imported 1.201 lakh bales of cotton from India in the past week (21 -26 November, 2016). Other major importers were Bangladesh, Vietnam, Indonesia and Pakistan and their imported volumes were 0.416, 0.098, 0.091 and 0.015 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:

Kenya is planning for cotton revival which was a major foreign-exchange earner until the 1980's. There is good demand for lint from the domestic mills and there is also a potential to supply manufacturers exporting clothing and textiles to the U.S. under a preferential trade deal. The government is planning training and credit facilities for farmers in order to increase production which touched 38,000 metric tonnes in 1984 -85. Currently Kenya produces around 15,700 metric tonnes and there is demand for around 37,000 tonnes. It imports from neighbouring countries to meet its requirement.

Government in Ivory Coast has increased mandated-price for farmers by 6 per cent for the 2016 -17 season in order to motivate the farmers to grow more cotton. Ivorian farmers will be paid 265 CFA francs/kg (\$0.44) compared to 250 CFA francs/kg during the previous season.

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	-1.50	921	923.5	918	921.50	720	-445	11164	-114
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	126.50	-	-
May-17	-	-	-

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

*Updated at 7:53 pm as on 02 –Dec 2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-16	-200	19060	19140	19050	19090	161	641	58	0
Jan-17	20	19200	19260	19160	19190	540	0	5472	-32

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

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

* Updated at 7:53 pm as on 02 –Dec 2016

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	2-Dec-16	1-Dec-16	
Gujarat	Ahmedabad	Shankar-6	5300	5250	50
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5240	5250	-10
	Patan	B.T. Cotton	NA	5180	-
	Kadi	B.T. Cotton	5350	5250	100
	Deesa	B.T. Cotton	4755	4825	-70
	Dhrol	B.T. Cotton	5245	5275	-30
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5300	5300	Unch
	Bhiwani	Desi	4350	4400	-50
	Adampur	B.T. Cotton	5185	5250	-65
	Fatehabad	B.T. Cotton	5260	5300	-40
	Jind	B.T. Cotton	5310	5270	40
	Uchana	B.T. Cotton	5235	5250	-15
	Dabwali	B.T. Cotton	5115	5125	-10
Rajasthan	Hanumangarh	B.T. Cotton	5250	5225	25
	Rawatsar	B.T. Cotton	5200	5220	-20
Madhya Pradesh	Khandwa	Mech-1	5200	5180	20
	Khargaon	Mech-1	5185	5200	-15
Maharashtra	Amravati	Mech-1	5100	5050	50
	Jamner	Medium Staple	NA	4820	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	4930	4930	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	5340	5300	40
	Hubli	D.C.H.	NA	5459	-
	Hubli	B.T. Cotton	NA	6661	-
	Raichur	H-44 Cotton	5300	5300	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	2-Dec-16	1-Dec-16	
Punjab	Bhatinda	J-34	4170	4125	45

	Abohar	J-34	4170	4160	10
	Mansa	J-34	4170	4150	20
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4080	4060	20
Rajasthan	Sri-Ganganagar	J-34	3798	3807	-9

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	2-Dec-16	1-Dec-16	
Gujarat	Ahmedabad	Shankar-6	42500	34000	8500
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	4950	5000	-50
	Patan	B.T. Cotton	NA	41146	-
	Kadi	B.T. Cotton	35000	50000	-15000
	Deesa	B.T. Cotton	900	1500	-600
	Dhrol	B.T. Cotton	741	727	14
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	800	1500	-700
	Bhiwani	Desi	400	500	-100
	Adampur	B.T. Cotton	1190	1360	-170
	Fatehabad	B.T. Cotton	1100	800	300
	Jind	B.T. Cotton	130	85	45
	Uchana	B.T. Cotton	1785	1915	-130
	Dabwali	B.T. Cotton	1750	1950	-200
Rajasthan	Hanumangarh	B.T. Cotton	5000	3000	2000
	Rawatsar	B.T. Cotton	1300	1700	-400
Madhya Pradesh	Khandwa	Mech-1	3000	2500	500
	Khargaon	Mech-1	7050	8310	-1260
Maharashtra	Amravati	Mech-1	1475	1125	350
	Jamner	Medium Staple	NA	220	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	13701	12588	1113
Andhra Pradesh	Guntur	Un-Ginned	NA	40	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1420	890	530
	Hubli	D.C.H.	NA	60	-

	Hubli	B.T. Cotton	NA	138	-
	Raichur	H-44 Cotton	2182	1612	570
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	2-Dec-16	1-Dec-16	
Punjab	Bhatinda	J-34	5100	4250	850
	Abohar	J-34	850	850	Unch
	Mansa	J-34	680	1020	-340
Haryana	Sirsa	J-34	1700	1700	Unch
Rajasthan	Sri-Ganganagar	J-34	1000	1500	-500

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				1-Dec-16	30-Nov-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	27100	26900	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	28100	27900	200
J-34(202)	26mm	3.5 - 4.9	23	38400	38400	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38500	38400	100
Shankar-6(105)	29mm	3.5 - 4.9	28	39100	39000	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39800	39700	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40600	40500	100
DCH-32(107)	34mm	3.0 - 3.8	33	54500	54500	Unch

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

Centre	Unit	Price		Change
		2-Dec-16	1-Dec-16	
Rajkot	Rs. /10 Kg.	710	700	10
New Delhi	Rs. /10 Kg.	690	680	10
Hyderabad	Rs. /10 Kg.	690	675	15
Mumbai	Rs. /10 Kg.	695	690	5

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

Centre	Unit	Price		Change
		2-Dec-16	1-Dec-16	
Mahesana (Kadi)	Rs./Qtl	1955	1957	-2
Akola	Rs./Qtl	1950	1950	Unch

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 02-December-2016</u>		
Index	RMB/Ton	Change
CCIndex(328)	15949	-20
CCIndex(527)	14900	Unch
CCIndex(229)	16279	-12
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 02-December-2016</u>		
Index	Cents/lb	Change
FC Index (S)	83.33	-0.62
FC Index (M)	80.11	-0.82
FC Index (L)	78.39	-0.57

<u>Cotlook Index: As on 01-December-2016</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	80.05	0.25

<u>USDA Cotton Spot Rates: As on 01-December-2016</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	72.40	74.65	2812
North Delta	71.40	73.65	NIL
South Delta	71.40	73.65	993
East TX-OK	69.00	70.75	4417
West Texas	69.00	70.75	7589
Desert SW	67.65	73.65	100
SJ Valley	68.90	78.80	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.): Ason 01-December-2016

Contract	Open	High	Low	Close	Change
Dec-16	72.50	73.00	71.80	71.80	-0.66
Mar-17	71.65	72.13	70.75	70.90	-0.68
May-17	72.06	72.55	71.22	71.34	-0.72
Jul-17	71.50	72.42	71.20	71.29	-0.69
Oct-17	70.65	70.65	70.65	70.65	-0.27
Dec-17	69.90	70.51	69.45	69.50	-0.40

Pakistan Cotton Spot rates: As on 01-December-2016
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6300	135	6435
Equivalent	40 Kgs	6752	145	6897

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 © 2016 Indian Agribusiness Systems Pvt. Ltd.