

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mixed tone on Saturday.

**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	3-Dec-16	2-Dec-16	
Gujarat	Ahmedabad	Shankar-6	5250	5300	-50
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5290	5240	50
	Patan	B.T. Cotton	NR	NA	-
	Kadi	B.T. Cotton	5250	5350	-100
	Deesa	B.T. Cotton	4790	4755	35
	Dhrol	B.T. Cotton	5255	5245	10
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5300	5300	Unch
	Bhiwani	Desi	4300	4350	-50
	Adampur	B.T. Cotton	5170	5185	-15
	Fatehabad	B.T. Cotton	5260	5260	Unch
	Jind	B.T. Cotton	5370	5310	60
	Uchana	B.T. Cotton	5257	5235	22
	Dabwali	B.T. Cotton	5100	5115	-15
Rajasthan	Hanumangarh	B.T. Cotton	5290	5250	40
	Rawatsar	B.T. Cotton	5180	5200	-20
Madhya Pradesh	Khandwa	Mech-1	5200	5200	Unch
	Khargaon	Mech-1	5185	5185	Unch
Maharashtra	Amravati	Mech-1	5100	5100	Unch
	Jamner	Medium Staple	4827	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NR	NA	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	4970	4930	40
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	4800	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5349	5340	9
	Hubli	D.C.H.	NA	5489	-
	Hubli	B.T. Cotton	NA	6670	-
	Raichur	H-44 Cotton	NA	5300	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	3-Dec-16	2-Dec-16	
Punjab	Bhatinda	J-34	4180	4170	10

	Abohar	J-34	4180	4170	10
	Mansa	J-34	4180	4170	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4090	4080	10
Rajasthan	Sri-Ganganagar	J-34	3798	3798	Unch

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	3-Dec-16	2-Dec-16	
Gujarat	Ahmedabad	Shankar-6	40800	42500	-1700
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5050	4950	100
	Patan	B.T. Cotton	NR	NA	-
	Kadi	B.T. Cotton	45000	35000	10000
	Deesa	B.T. Cotton	950	900	50
	Dhrol	B.T. Cotton	697	741	-44
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	800	200
	Bhiwani	Desi	400	400	Unch
	Adampur	B.T. Cotton	1360	1190	170
	Fatehabad	B.T. Cotton	800	1100	-300
	Jind	B.T. Cotton	230	130	99
	Uchana	B.T. Cotton	2040	1785	255
	Dabwali	B.T. Cotton	1700	1750	-50
Rajasthan	Hanumangarh	B.T. Cotton	6000	5000	1000
	Rawatsar	B.T. Cotton	1000	1300	-300
Madhya Pradesh	Khandwa	Mech-1	3000	3000	Unch
	Khargaon	Mech-1	7050	7050	Unch
Maharashtra	Amravati	Mech-1	1900	1475	425
	Jamner	Medium Staple	170	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NR	NA	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	17549	13701	3848
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1480	1420	60
	Hubli	D.C.H.	NA	226	-

	Hubli	B.T. Cotton	NA	88	-
	Raichur	H-44 Cotton	NA	2182	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	3-Dec-16	2-Dec-16	
Punjab	Bhatinda	J-34	5950	5100	850
	Abohar	J-34	850	850	Unch
	Mansa	J-34	850	680	170
Haryana	Sirsa	J-34	2550	1700	850
Rajasthan	Sri-Ganganagar	J-34	1500	1000	500

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				2-Dec-16	1-Dec-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	27100	27100	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	28100	28100	Unch
J-34(202)	26mm	3.5 - 4.9	23	38400	38400	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38600	38500	100
Shankar-6(105)	29mm	3.5 - 4.9	28	39200	39100	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39900	39800	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40700	40600	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
		3-Dec-16	2-Dec-16	
Rajkot	Rs. /10 Kg.	710	710	Unch
New Delhi	Rs. /10 Kg.	690	690	Unch
Hyderabad	Rs. /10 Kg.	705	690	15
Mumbai	Rs. /10 Kg.	695	695	Unch

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

Centre	Unit	Price		Change
		3-Dec-16	2-Dec-16	
Mahesana (Kadi)	Rs./Qtl	1953	1955	-2
Akola	Rs./Qtl	1950	1950	Unch

**INTERNATIONAL PRICES AND INDICES**

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

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

<u><b>Cotlook Index: As on 02-December-2016</b></u>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	79.30	<b>-0.75</b>

<u><b>USDA Cotton Spot Rates: As on 02-December-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>	72.54	74.79	<b>NIL</b>
<b>North Delta</b>	71.54	73.79	<b>NIL</b>
<b>South Delta</b>	71.54	73.79	<b>NIL</b>
<b>East TX-OK</b>	69.00	70.75	<b>433</b>
<b>West Texas</b>	69.00	70.75	<b>2072</b>
<b>Desert SW</b>	67.79	73.79	<b>38</b>
<b>SJ Valley</b>	69.04	78.94	<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.): Ason02-December-2016**

Contract	Open	High	Low	Close	Change
<b>Dec-16</b>	71.60	72.50	71.29	71.98	<b>0.18</b>
<b>Mar-17</b>	70.57	71.85	70.05	71.04	<b>0.14</b>
<b>May-17</b>	71.21	72.19	70.55	71.53	<b>0.19</b>
<b>Jul-17</b>	71.15	72.02	70.60	71.54	<b>0.25</b>
<b>Oct-17</b>	71.06	71.06	71.06	71.06	<b>0.41</b>
<b>Dec-17</b>	69.50	70.08	69.01	69.93	<b>0.43</b>

**Pakistan Cotton Spot rates: As on02-December-2016**
**(in Pakistan Rupees)**

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

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