

Today's headlines have been dominated by the sharp fall in the Shanghai Composite Index, which fell by almost seven percent before trading was suspended.

### Xinjiang report

*Beijing Cotton Outlook* (BCO) reports that the PCC (army group) has started the allocation of subsidies, with a standard of 7.25 yuan per kilo for handpicked and 6.75 yuan per kilo for machine-harvested cotton, on the basis of net output.

By January 3, samples representing 3,168,770 tonnes of lint had been mechanically tested in Xinjiang, from a national total of 3,361,762 tonnes.

With the prospective allocation of 2016 cotton import quota (the 'TRQ'), arrivals of Indian, US and Brazilian cotton at ports are expected to increase during January and February. Transactions in Xinjiang cotton have cooled lately, as traders and spinners are generally lacking confidence with regard to the future market direction.

The Bazhou (the Bayingolin Mongol Autonomous Prefecture), of which Korla is the capital, is planning to reduce the size of cotton planting area by 403,500 mu (26,900 ha) to 2,884,100 mu (192,273 ha) in 2016.

### Long staples

The price for Type 137 during 2015 averaged 26,998 yuan per tonne, down by 3,600 yuan from the previous year, having declined from a high of 28,213 yuan per tonne in May. Much of the decline (2,867 yuan) occurred in the final two months of the year, reflecting quality deficiencies and increased supply. The recent range of transaction prices is reported as 23,500/23,800 yuan per tonne.

### CCA weekly report

The China Cotton Association's (CCA's) weekly report indicates that during the last week in 2015, buying of the final quantities of seed cotton was sporadic, both in Xinjiang and in the "mainland". Seed cotton giving an outturn of 30.51% was commanding a price of 4.36 yuan per kilo in southern Xinjiang, slightly lower than the previous week; the cottonseed price was steady, at 1.77 yuan per kilo.

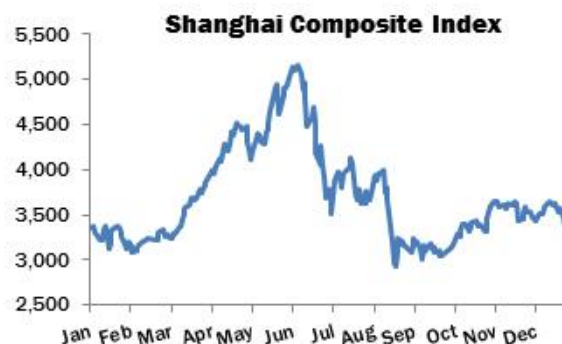
### Market prices

**Zhengzhou cotton futures** took a downward path across the board at today's settlement. All contracts lost ground by between 60 and 120 yuan per tonne, and the January/May spread widened by 35 yuan to 540 yuan.

Turnover was 234,740 contracts, 45,780 more than on December 31. Open interest increased by 14,956, to 616,344. At the close of business, the top 20 brokers were holding 215,769 long positions (8,442) and 222,272 short positions (3,240).

The certified stock increased by 50 to 667 lots, thus maintaining the upward trend that is customarily apparent following the harvest period.

On the **China National Cotton Exchange** (CNCE) today, the first three contracts settled with gains, whereas later months ended with modest losses. Turnover rose by 1,810 to 8,120 tonnes.



4 January 2015	yuan/tonne	change	cents/lb
CC Index	12,923	+1	90.70
CNCE Jan.	11,699	+40	82.11
ZCE Jan.	11,845	-60	83.14
polyester	6,250	+0	43.87
viscose	12,600	-80	88.44
	yuan/tonne	change	cents/kilo
32s carded yarn	19,300	+0	2.99
32s combed yarn	20,300	+0	3.14
40s carded yarn	20,300	+0	3.14
40s combed yarn	23,800	+0	3.68
<b>Shanghai Composite Index:</b>		<b>-6.86%</b>	<b>3,296.26</b>
<b>Monthly yuan/dollar customs exchange rate</b>			<b>6.4626</b>
<b>Today's actual rate</b>			<b>6.5032</b>

to 90.70 US cents per lb. Type 2227B declined by eight yuan to 11,861 yuan per tonne (83.25 US cents per lb), and Type 2129B was unchanged at 13,555 yuan per tonne (95.14 US cents per lb).

### Weak yarn market

BCO has undertaken an analysis of the movement in yarn prices during 2015 which shows that the greatest declines for domestic supplies were in lower-numbered counts of pure cotton yarn, such as OE 10s (-11 percent) and in spun polyester 32s (-10 percent). High count (80s) cotton yarns were only marginally lower, while spun viscose rayon 32s rose by no less than 13 percent. The decline for imported foreign cotton yarn, on average, was six percent.

As the New Year starts, the domestic cotton yarn market continues to face oversupply difficulties and few transactions. Most spinners are willing to offer price concessions.



<b>ZCE</b>									
<b>04 January 2016</b>									
	Prev Settle	Open	High	Low	Close	Settle-ment	Net change	Volume	Open Interest
<b>Jan</b>	11,905	11,850	11,890	11,805	11,805	11,845	-60	11,792	47,872
<b>Mar</b>	11,620	11,475	11,500	11,475	11,500	11,500	-120	132	822
<b>May</b>	11,400	11,410	11,445	11,125	11,280	11,305	-95	177,808	349,584
<b>July</b>	11,330	11,250	11,340	11,190	11,205	11,225	-105	44	668
<b>Sep</b>	11,305	11,305	11,335	11,055	11,185	11,225	-80	44,848	216,772
<b>Nov</b>	11,370	11,310	11,390	11,245	11,245	11,285	-85	116	626
Certified Stocks: 667 lots (185 bales each, ±5)								234,740	616,344

<b>CNCE</b>				
<b>04 January 2016</b>				
Delivery	Turnover in tonnes	Average price in yuan per tonne	Change versus previous day's average	US cents per lb equivalent
Type 328 (domestic 'MA')				
Jan	160	11,699	+40	82.11
Feb	10	11,700	+6	82.12
Mar	30	11,480	+44	80.58
Apr	3,650	11,314	-59	79.41
May	1,790	11,294	-65	79.27
June	2,480	11,253	-40	78.98

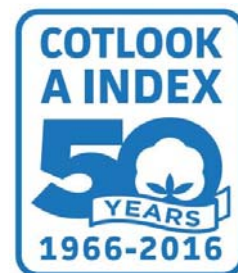


# Cotton Outlook

## Cotlook Daily

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Liverpool Report January 4, 2016



### Prices

Traders report the conclusion of small amounts of business on December 31 with the modest drop in ICE futures. Shippers' prices have moved downward in sympathy with the close from last Thursday. Traders infer that mills' price ideas remain around one cent lower than offering rates.

Mill demand can be perceived as fairly strong today with significant interest from China, South Asia and Bangladesh. Interest is referred to as mainly in US, Australian, Brazilian 2015 crop and West African cotton. Bangladesh is also looking at the availability of CIS growths. It is reasonable to suggest that a small downward shift in futures might aid in the close of further business.

COTLOOK INDICES		4-Jan
US cents per lb CFR main Far Eastern ports		
Cotlook 2015/2016 A Index:	69.95	-0.65
Indian medium grade	67.00	
Ivory Coast BEMA	69.25	
Benin BELA	69.25	
Brazilian	70.75	
Memphis/Orleans/Texas	73.50	

### India

#### CAI lowers crop forecast

In its latest crop estimate (based on conditions ruling at the end of November), the Cotton Association of India has lowered its production figure to 36,200,000 bales (170 kilos), compared with 37,050,000 in the previous monthly report. Details of the latest forecast by producing region, compared with data for the 2014/15 season, are shown in the accompanying table.

Domestic consumption has also been revised downward, to 31.8 million bales, from 32.5 during the previous month. An available surplus (prior to exports) is foreseen of 13,665,000 bales, or 2,323,000 tonnes. Mr Dhiren Sheth, CAI President, noted that decreasing consumption is expected to offset the anticipated fall in output, to some extent.

In the press release, Mr Sheth also commended the Cotton Corporation of India, which is reported to have sold all of the 2014/15 stock which was procured through MSP operations last season. By late December, the Corporation

had purchased seed cotton equivalent to up to 800,000 bales of new crop. This cotton is likely to be released for sale in the same manner as during 2015, from April onwards.

COTTON ASSOCIATION OF INDIA					
Crop estimates as at November 30, 2015					
(bales of 170 kgs each)				2015/16 arrivals	
2015/16		2014/15		by November 30	
(in lakh b/s)	(in '000 tonnes)	(in lakh b/s)	(in '000 tonnes)	(in lakh b/s)	(in '000 tonnes)
9.00	153.00	13.0	221.0	2.2	36.6
17.00	289.00	23.5	399.5	3.1	51.9
6.00	102.00	6.5	110.5	0.9	15.3
11.00	187.00	10.5	178.5	2.7	45.1
<b>43.00</b>	<b>731.00</b>	<b>53.5</b>	<b>909.5</b>	<b>8.8</b>	<b>148.8</b>
99.50	1,691.50	108.0	1,836.0	13.0	221.0
83.00	1,411.00	78.5	1,334.5	14.3	242.3
19.00	323.00	18.0	306.0	4.9	83.3
<b>201.50</b>	<b>3,425.50</b>	<b>204.5</b>	<b>3,476.5</b>	<b>32.2</b>	<b>546.6</b>
58.00	986.00	55.3	939.3	10.1	171.7
26.00	442.00	25.8	437.8	3.8	64.6
20.00	340.00	30.5	518.5	3.1	52.7
7.50	127.50	7.3	123.3	0.8	12.8
<b>111.50</b>	<b>1,895.50</b>	<b>118.8</b>	<b>2,018.8</b>	<b>17.8</b>	<b>301.8</b>
4.00	68.00	4.0	68.0	0.3	4.3
2.00	34.00	2.0	34.0	0.3	4.3
<b>362.00</b>	<b>6,154.00</b>	<b>382.8</b>	<b>6,506.8</b>	<b>59.2</b>	<b>1,005.6</b>

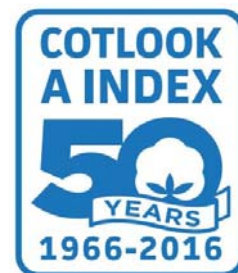


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### Prices firm

Interior asking rates for Shankar-6 have advanced by ₹300 since last week, to be placed at ₹34,200 per candy, ex-gin. At the prevailing exchange rate, today's equivalent value is approximately 66.00 US cents per lb. Punjab J-34 has also moved higher, to ₹3,620 per maund (66.60 cents per lb).

Nationwide, daily seed cotton arrivals are estimated at around 150,000 lint equivalent bales (of 170 kgs). Conditions have been predominantly clear over the cotton belt.

### MCX: Indian futures

Prices on the MCX futures platform have moved lower in early trading. At around 20.00 IST, the spot month was trading at ₹16,540 per bale (₹34,600 per candy).

Prices advanced across the board on [Friday](#).

### Pakistan

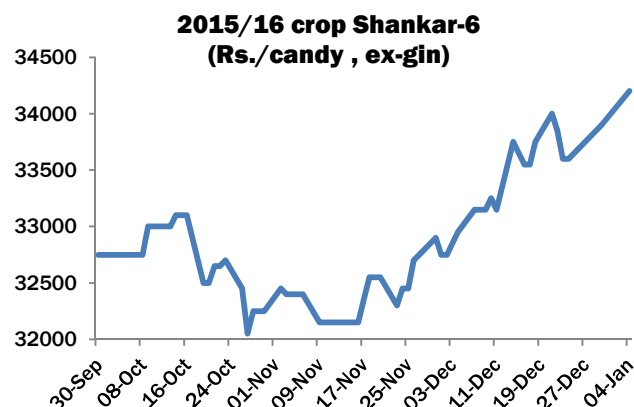
#### Seed cotton arrivals as at January 1

According to the Pakistan Cotton Ginners' Association (PCGA), arrivals of seed cotton during the second half of December amounted to the equivalent of 244,987 bales of lint, compared with a figure of 724,461 bales a year earlier. Total arrivals from the 2015/16 crop by January 1 amounted to the equivalent of 9,279,105 bales; the comparable figure on the same date in 2015 was 13,958,447 bales. This season's shortfall during the period in question is just under 34 percent.

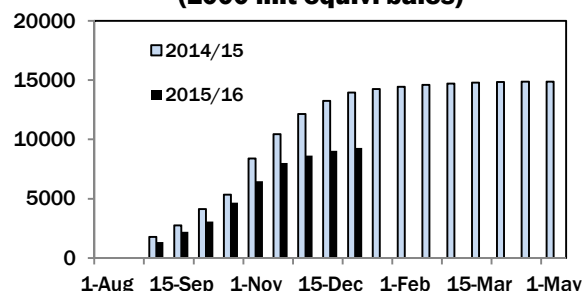
Of the total, 7,271,473 bales had been sold onward to textile mills (compared with 11,457,516 by the same date last year), 355,426 bales (391,465) to exporters and zero (92,700) to the Trading Corporation of Pakistan. The stock (both pressed and unpressed) in ginners' hands thus amounted to 1,652,206 bales, versus 2,016,766 a year earlier.

An estimated 416 ginning factories are in operation, 539 less than at the same time last year.

Cotton Association of India					
Indian Crop Balance Sheet for the Season 2014-15 and 2015-16					
Estimated as on November 30, 2015					
		2015/16		2014/15	
		(in lakh bales of 170 kg)	(in '000 tonnes)	(in lakh bales of 170 kg)	(in '000 tonnes)
<b>Supply</b>	Opening Stock	78.65	1,337	58.90	1,001
	Crop	362.00	6,154	382.75	6,507
	Imports	14.00	238	12.00	204
	<b>Total Supply</b>	<b>454.65</b>	<b>7,729</b>	<b>453.65</b>	<b>7,712</b>
<b>Demand</b>	Mill Consumption	278.00	4,726	278.00	4,726
	Consumption by SSI units	27.00	459	27.00	459
	Non-Mill Consumption	13.00	221	10.00	170
	Exports			60.00	1,020
	<b>Total Demand</b>	<b>318.00</b>	<b>5,406</b>	<b>375.00</b>	<b>6,375</b>
<b>Available Surplus</b>		<b>136.65</b>	<b>2,323</b>		
<b>Closing Stock</b>				<b>78.65</b>	<b>1,337</b>



**Pakistan seed cotton arrivals (1000 lint equiv. bales)**





### Production forecast lowered

Modest seed cotton arrivals have continued over the past few days, with the latest PCGA arrival figures having confirmed that the pace has remained meagre. Growers have been keen to get the maximum rate on their balance of seed cotton stocks and thus have released seed cotton gradually. Seed cotton prices have remained stable and are quoted between Rs. 2,450 and Rs. 3,050 per 40 kilos, depending on the quality. Most private crop estimates are now pitched well below 10 million bales of local weight. In consequence, Cotlook's production estimate has been revised down by a further 100,000 tonnes, to 1,525,000 tonnes, which would equate to just over 9.8 million bales.

Steady conditions have prevailed in the local cotton market. Although trading activity has been subdued lately, due to bank closing at year-end, followed by the weekend, local cotton rates have remained within the recent range. Ginners have remained tight sellers and have been reluctant to sell below their asking rates, particularly in view of the short crop. Spinners have continued to buy selectively, with some retail demand from hand-to-mouth mills. Business in better quality lots from upper Sindh and Punjab has been reported unchanged at between Rs. 5,200 and Rs. 5,600 per maund, ex-gin.

### Egyptian registrations

The quantity registered for export by *Alcotexa* (the exporters' association) during the week ended January 2 was 1,366 tonnes, comprising 1,316 tonnes of Giza 86 and 25 tonnes of Giza 90 in the long staple category, together with 25 tonnes of Giza 87 extra-long staples.

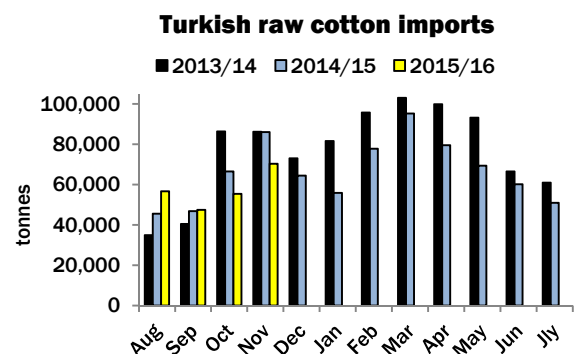
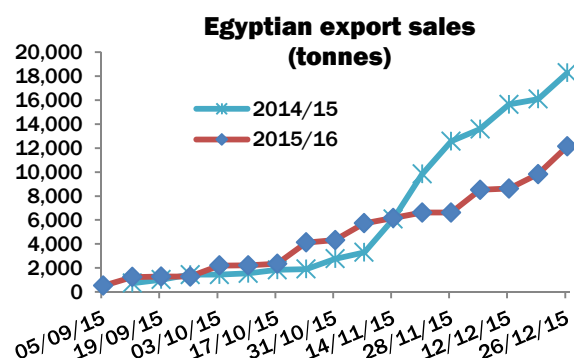
The average price at which Giza 86 was registered was given as 119.00 US cents per lb FOB. Cotlook's sources indicate, however, that 521 tonnes were registered at 121.50 cents, 375 tonnes at 115.00 cents, 200 tonnes at 117.00 cents, 115 tonnes at 123.00 cents and 105 tonnes at 120.50 cents.

Prices for Giza 90 and Giza 87 were 99.00 and 200.00 cents per lb, respectively.

The cumulative total registered for export now stands at 13,503.70 tonnes (plus 58 tonnes sold on shippers' type), of which 12,618.70 tonnes consist of Giza 86. The main destinations are named as India (4,702 tonnes), Egypt's 'free zone' (2,689) and Pakistan (1,320.5).

### Turkish imports in November

Raw cotton imports during November amounted to 70,358 tonnes, the highest monthly total of the 2015/16 season thus far, but still below the volume (in excess of 86,000 tonnes) recorded during the same month in each of the previous two years.



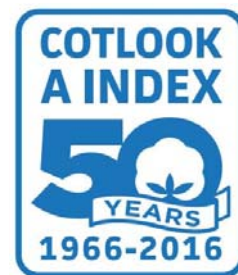


# Cotton Outlook

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Liverpool Report January 4, 2016



The major source of supply during November was Greece, accounting for 30,904 tonnes. More modest quantities were imported from West Africa (11,894 tonnes), Brazil (9,479) and Central Asia (9,290). Arrivals from the United States amounted to just 7,226 tonnes.

### ICE Futures

ICE cotton contracts moved lower today following the significant decrease (nearly 7 percent) in the Shanghai Composite Index. The nearby March contract moved to a low of 62.51 cents/lb, a level not seen since November 30, 2015. During early morning trading, the most active contract traded on positive ground, reaching a high of 63.55 cents/lb. Selling pressure picked up around 0700 GMT, dropping March lower. The March '16 contract traded on negative ground for the remainder of the session.

The nearby March contract tried to regain some ground around 1800 GMT, but selling pressure took over. March '16 ultimately settled at 62.61 cents/lb (-67).

	ICE No. 2 Cotton				
	Open	High	Low	Settle	Change
Mar '16	63.28	63.55	62.51	62.61	-67
May '16	64.17	64.30	63.35	63.47	-64
July '16	64.83	64.92	64.05	64.21	-58
Oct '16	-	-	-	63.93	-48
Dec '16	64.75	64.75	64.09	64.30	-42
Mar '17	-	-	-	64.90	-9
May '17	-	-	-	65.12	+7
July '17	-	-	-	65.33	+18
Oct '17	-	-	-	65.06	+15
Dec '17	-	-	-	64.35	-10

ICE estimated futures volume: 30,600

Trading was active for the first day of the New Year and ICE estimated volume at 30,600 contracts.

Total open interest increased by 242 contracts to 185,394. The March '16 contract decreased by 934 contracts to 123,846 while the May '16 contract increased by 975 contracts to 32,726.

### Crop Developments

Sunny, cool conditions return to West Texas today, following widespread wintry precipitation over the three-day holiday weekend. Below freezing temperatures were recorded, and ice formed on roads, making travel difficult. Slightly warmer temperatures were reported yesterday, which helped the snow and ice melt. Another cold front, though, is expected tomorrow, and a mixture of snow and rain is forecast.

Scattered showers were received in South Texas over the long weekend. Although topsoil moisture is adequate for planting, additional precipitation would be welcome over the next couple of months to recharge subsoil moisture levels.

A series of Pacific frontal systems is entering the Far West this week, bringing widespread, much needed rain and snow to the region. A 40 to 90 percent chance of precipitation is forecast from the California San Joaquin Valley to central Arizona this week, and accumulations of around an inch or more are possible, which will briefly ease droughty conditions. Beneficial rain also is expected in central and northern parts of the state, increasing water levels in reservoirs and streams.

Between 8.0" and 15.0" of snow is forecast for the Sierra Nevada Mountains, with heavier amounts expected in higher elevations. Gusty winds of as many as 80 mph is possible, and a winter weather advisory is in effect. As of January 1, the Sierra snowpack was 100 percent plus of average for the season, and considerably more than at the same point last year. Hence, the additional wintry precipitation will further increase snowpack levels.

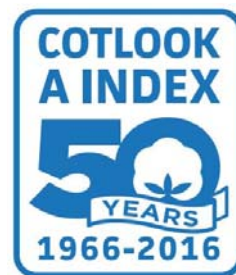
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**Cotlook Daily**

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**Memphis Report January 4, 2016**



### **Crop Developments**

An Artic front moved into the Memphis Territory overnight and is expected to enter the Southeast tomorrow. Daytime highs in the Delta will only reach the 30°s to the mid 40°s (F) today. Nighttime readings will drop into the 20°s. A prolonged period of below-freezing temperatures is needed to help kill overwintering insects. A warming trend, though, is expected around midweek, and unwanted rain is forecast for most of the South. Rivers and streams are rising throughout the Delta, and flood warnings are in effect along the Mississippi River.

The ginning season is winding down across most of the cotton belt. A total of 10,285,240 bales of upland and 337,622 of Pima were inspected by the USDA as of December 24. The proportion of upland cotton tenderable against ICE cotton futures amounted to 56.2 percent.

### **CCC Loan**

For the week ended December 28, total entries into the Commodity Credit Corporation loan program for the 2015/16 crop year amounted to 358,732 bales. An additional 22,740 bales of 15/16 crop were repaid during the week, increasing total payments to 1,577,552, while no bales were repaid from the 2014/15 crop year. The outstanding stock therefore rose to 3,678,719 bales, of which cooperatives and loan servicing agents accounted for the majority of the balance with 3,376,253 bales.