

WEEK IN BRIEF

Upland **offering rates** have moved higher this week, under the influence of firmer settlements in ICE futures. The New York December contract ended higher in three of the last four sessions. On July 19, volume was the lightest since late December. Certificated stocks have declined sharply from their recent high in late June... China's electronic markets have advanced sharply. Cumulative sales at the State Reserve sales auctions are approaching two million tonnes. Polyester values have increased... The Cotton Corporation of India has expressed intentions to purchase cotton in a commercial capacity during the new season... In Brazil, local prices have fallen as the new crop harvest has begun. The annual gathering of ANEA has taken place in Mato Grosso for the first time.

In the United States, USDA's latest **crop** progress report shows squaring nationwide is slightly behind the pace of last year. Plant development is moderately ahead of the average in Texas. Fields are in various stages of development owing to weather events earlier in the growing season... In Turkey, farmers are watching crops closely. Expectations of bumper outturn in 2017/18 persist... A five-year programme has been introduced in Azerbaijan, with the aim of increasing output significantly by 2022... The Kazakh crop is threatened by a bollworm infestation... Very heavy rain has been in evidence over parts of the Indian cotton belt. On balance, the moisture is considered beneficial. Sowing is approaching 80 percent of the prospective total area... Final planted area in Pakistan is around 14 percent higher than last year. Rain has fallen in the active harvest area... The weather in China's Xinjiang region has generally been favourable. A higher incidence of pest infestations has been in evidence but good yields are still anticipated... In Brazil, field reports convey a very optimistic impression of yield potential. Harvesting is under way. A considerably higher planted area is expected next season, owing to poor remuneration from competing crops... Clear skies have facilitated the final stages of the harvest in Argentina... Seed cotton purchases in Zimbabwe are almost ten times the volume recorded last season.

Mill demand has remained fairly routine and focused mainly on Southern Hemisphere growths. Spinners in need of coverage have bought cotton nearby or afloat when price ideas have converged. Some forward demand also remains in evidence from Bangladesh and the Far East. A South Korean mill group has purchased Brazilian for shipments in Vietnam extending into 2019... During the week ended July 13, US upland export sales registrations for shipment next season rose by a net 166,200 running bales. Shipments were 280,500 bales... Over 80 percent of Egyptian raw cotton export commitments have been shipped.

China's cotton **yarn** futures contract is to be launched in August. Spinners expect the introduction of the contract to assist in reducing operating risks... In Pakistan, cotton yarn demand has remained sluggish. Downstream manufacturers have tended to buy against nearby requirements... Brazil's textile association foresees higher raw cotton consumption next season.



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INTERNATIONAL COTTON PRICES

Firm nearby prices

Upland offering rates for both nearby and forward shipment have this week tended firmer, under the lead of a recovery in futures. The December contract has ended the period within the fairly narrow trading range established over the past month or so, following the market's sharp downward movement that took place in mid-June.

The marked strength of prompt shipment asking prices is of course influenced by the limited quantities still uncommitted – either from trade holdings or at origin – from the 2016/17 crops. The supply available from the African Franc Zone and the United States has for some time been confined to remnants.

Southern Hemisphere supply

What had a few months ago appeared a dauntingly large Australian crop is now also well sold from origin. The resultant tightness of supply has been accentuated by the recent downward revision of production estimates. Our own figure was last week trimmed to the equivalent of four million bales (270 kgs), but some private observers believe that the final outturn will fall short of that level. Trade holdings of Australian are already much depleted, and basis levels for unsold positions are understandably very strong.

In contrast to the recent shift in Australian estimates, the prevailing bias of Brazilian crop forecasts is to the upside, as was readily apparent to those who participated in last week's well-supported meeting of ANEA – the national cotton exporters' association. The appearance of the crop attracted superlatives from those who had recently returned from field visits, an impression confirmed by producers in attendance. If yields live up to the more optimistic expectations, the official crop estimate, just shy of 1.5 million tonnes, may comfortably be exceeded.

However, whereas new crop shipments from Australia are in full swing, those from Brazil have barely begun. A small volume is customarily shipped in July, but the crop does not begin to move in volume until August. Export commitments for that month and September are known already to be heavy. As a result, and in anticipation of considerable strain on logistical capacity over the next several weeks, few merchants are inclined to offer Brazilian for nearby shipment, a period for which there remain regular enquiries from consuming markets.

For a second, consecutive season, it may prove a challenge to assure spinners' continuity of supply from one marketing year to the next. At least for the time being, the difficulties associated with the transition are dictating firm prices, as the balance of advantage clearly rests with the trade seller, rather than the mill buyer.

Forward outlook

Despite the unanticipated strength of demand during the first half of this year, the statistical position, on the face of it, continues to signal a bearish outlook. Our current estimates indicate an addition to world supply outside China by the end of the 2017/18 campaign of close to two million tonnes.

Crop reports from most of the key producing countries have remained broadly encouraging. This month's USDA statistical report featured a reduction in the forecast of domestic production that proved more modest than some had anticipated. The latest crop condition report showed little change on the week, and attention will shift to the Department's next assessment of output – the first of the season based on state-by-state filed surveys, due for release on August 10.

The main development in India during the past week has been the receipt of torrential rainfall in the major producing state of Gujarat. Some local replanting may as a result be required, but the moisture is presumed to have been beneficial on balance. Optimism with regard to the prospects for the crop is thus intact. Selling pressure as the crop comes to market remains the expectation of many, but the timing at which it might materialise, and the level to which new crop prices might fall, remain imponderables.

Observers are not unaware of the relative tightness of good quality supplies available to local spinners from the domestic 2016/17 crop, to

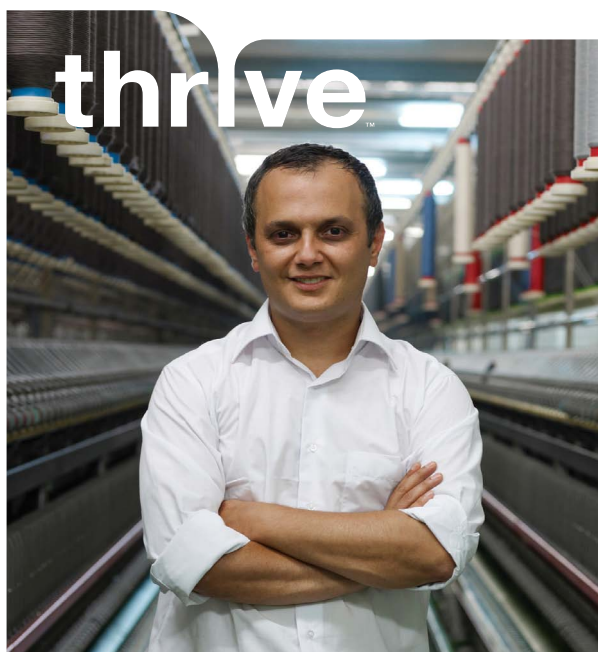
the extent that a fresh round of import buying by Southern Indian mills, prior to the movement of the new crop, is not discounted. Intimations from the Cotton Corporation of India that it may, independently of any Minimum Support Price operations, be an active buyer of the new crop on a commercial basis, have doubtless compounded these uncertainties.

In the international market, trade offering rates for Indian new crop, typically pitched at around 800/900 cent points 'on' December futures, appear for the time being well supported. Little downward pressure is evident on basis levels quoted for competing growths, as evidence of regular forward demand for a range of origins continues to temper the bearish interpretation of new crop supply and demand fundamentals. Not only has the strength of mill demand since the turn of the year exceeded expectations; the willingness of some mill groups to depart from the previous hand-to-mouth buying policy has also proved a significant and unanticipated market feature.

That shift is attested by US export registrations. This week's report disclosed no more than a moderate addition to sales commitments for the next marketing year, but the cumulative total is equivalent to nearly 38 percent of USDA's latest forecast for the 2017/18 season. Next season's sales will shortly be boosted by the substantial volume of cotton registered for export this season, but which will not be shipped by July 31.

Any discussion of price discovery must of necessity take stock of developments in China. Although the pattern of mill buying at this year's state reserve auction has become largely a matter of routine, the steady disposal of old crop stocks is nonetheless impressive. Cumulative sales will before long have passed the threshold of two million tonnes, and a reduction of state reserves by the end of the series to around the six million tonne mark would seem in prospect.

The return of Chinese import buying on a more substantial scale thus continues steadily to move closer, even if its timing remains uncertain. The recent broadening of forward mill demand may not directly be related to developments in China. Should it persist, it may nonetheless provide a potential challenge to the bearish narrative that has until recently held sway.



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CFR FAR EASTERN QUOTATIONS FOR PRINCIPAL GROWTHS

Quotations as at July 20, 2017

Description	Price		Change on week	Shipment	Price	Change on week	Shipment
American-Type cottons:							
Higher grades							
Australian SM 1-5/32"	90.25		1.00	8/9	85.00	1.25	5/6
Benin Kaba/s 1-1/8"	86.50		1.00	8/9	80.25	1.00	1/2
Burkina Faso BOLA/s 1-1/8"	86.50		1.00	8/9	79.75	1.00	1/2
Cameroon IRMA/s 1-1/8"	87.00		1.00	8/9	80.25	1.00	1/2
Cameroon PLEBE 1-5/32"	88.75		1.00	8/9	81.75	1.00	1/2
Chad Kero A51 1-5/32"	88.75		1.00	8/9	81.75	1.00	1/2
Indian Shankar-6, 1-1/8"	85.50		1.00	8/9	77.00	1.00	1/2
Ivory Coast MANBO/s 1-1/8"	86.50		1.00	8/9	79.75	1.00	1/2
Mali JULI/s 1-1/8"	87.00		1.00	8/9	80.50	1.00	1/2
Spanish SM 1-1/8"	NQ				80.75	1.00	10/11
Tanzanian RG1 1-1/8"	NQ						
Texas SM 1-1/8"	85.25		1.00	8/9	80.75	1.25	12/1
Uzbekistan SM 1-1/8"	88.75	N	1.00	8/9	84.50	1.00	10/11
Zambian SM 1-1/8"	NQ						
Zimbabwe SM 1-1/8"	NQ						
Medium grades							
1-1/8" staple unless stated							
Australian Midd	88.75		1.00	8/9			
Benin BELA *	85.50		1.00	8/9	79.25	1.00	1/2
Brazilian Midd	82.50		1.00	8/9	81.50	1.00	10/11
Burkina Faso RUDY *	85.50		1.00	8/9	78.75	1.00	1/2
California/Arizona Midd	NQ						
Greek Midd	NQ				81.00	1.00	10/11
Indian medium grades **	84.00		1.00	8/9	76.00	1.00	1/2
Iv. Coast BEMA *	85.50		1.00	8/9	78.75	1.00	1/2
Mali ROKY/KATI *	86.00		1.00	8/9	79.50	1.00	1/2
Memphis/Eastern Midd	85.00		1.00	8/9	80.75	1.25	12/1
Memphis/Orleans/Texas Midd	84.00		1.00	8/9	79.50	1.25	12/1
Mexican Midd	NQ						
Tanzanian Type 1SG 1-3/32"	NQ				81.50	1.00	8/9
Uzbekistan Midd	85.75	N	1.00	8/9	81.50	1.00	10/11
Lower grades							
Argentine SLM, 1-1/16"	NQ						
Brazilian SLM 1-3/32"	80.50		1.00	8/9			
Greek SLM 1-3/32"	NQ						
Indian J-34 SG **	NQ						
Memphis/Eastern SLM 1-3/32"	82.25		1.00	8/9	78.75	1.25	12/1
Memphis/Orleans/Texas SLM 1-3/32"	81.75		1.00	8/9	77.50	1.25	12/1
Pakistan AFZAL 1-1/16"	NQ						
Pakistan Type 1467 1-3/32"	NQ						
Long Staple cottons:							
US Pima Grade 2 1-7/16" #	172.00	N	Unch	8/9	153.00	Unch	12/1
Egyptian Giza 86 Good+3/8	157.00		Unch	8/9			
Egyptian Giza 94 Good+3/8	161.00		Unch	8/9			
Israeli Pima H1, 1-7/16" #	171.00		Unch	8/9			
Israeli Acalpi	131.00		Unch	8/9			

* A maximum of two African Franc Zone growths are permitted in the Index calculation.

** Applicable ICS standards, as adopted by the ICA are as follows: Higher grade - ICS 105 Superfine; Medium grade ICS 105 Fine

Qualities used in US Pima competitiveness programme.

THE COTLOOK INDICES

The Cotlook A Index was first calculated in 1966. The basis of the calculation has changed over the years with regard to quality and location. Since March, 2003 the Index has represented CFR Far East Eastern values. Between 1981/82 and 2014/15, the quality description of the Index was Middling 1-3/32". However, with effect from the 2015/16 Index, the staple length has been adjusted to Middling 1-1/8".

The quotations are compiled and published daily.

The Index is the average of the cheapest five of the eligible growths listed in the category 'medium grades' on page 2, taking the nearer shipment when prices are quoted on the same level. However, only two African Franc Zone quotations (*) are permissible Index constituents on any day. Four growths are currently listed, namely Ivory Coast, Burkina Faso, Benin and Mali cottons, which together account for roughly 80 percent of production in the region. Southern Belt new crop (as identified in Cotlook's Production Estimate) in any season only becomes eligible for the Index from January 1 onwards.

The Cotlook Dual Index system is intended to suggest prevailing levels of offering prices for cotton to be shipped both nearby and forward, by provision of two sets of Indices at the appropriate times of year. The nearby or CURRENT season's Index is for shipment no later than August/September and the other or FORWARD season's Index is for cotton to be shipped no earlier than October/November. Each Index expires at the end of its respective season, the last business day of July. On the subsequent business day, the previous FORWARD Index assumes the CURRENT role; it alone is then quoted until early in the new calendar year, when it is joined by a new FORWARD Index as soon as October/November shipment offers of the various growths are available in sufficient number to permit the establishment of appropriate values.

The 2015/16 Index expired on July 31, 2016.

Prices as at July 20, 2017

2016/2017 A Index			2017/2018 A Index		
Description	Price	Shpt	Description	Price	Shpt
Brazilian	82.50	8/9	Indian medium grade	76.00	1/2
Memphis/Orleans/Texas	84.00	8/9	Ivory Coast BEMA	78.75	1/2
Indian medium grade	84.00	8/9	Burkina Faso RUDY	78.75	1/2
Memphis/Eastern	85.00	8/9	Memphis/Orleans/Texas	79.50	12/1
Benin BELA	85.50	8/9	Memphis/Eastern	80.75	12/1

Seasons Averages

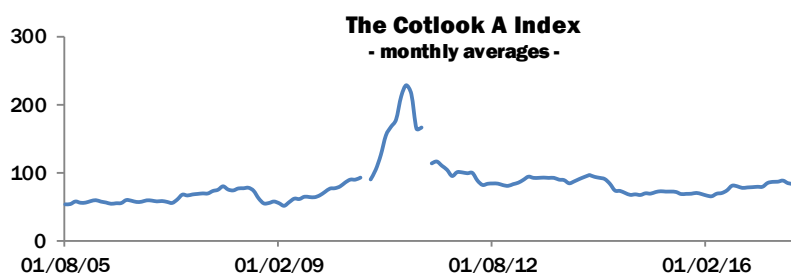
	The Cotlook A Index
2011/12	100.00
2012/13	87.90
2013/14	90.57
2014/15	70.78
2015/16	70.39
2016/17	82.71

Monthly Averages

January 2017	79.55
February 2017	85.15
March 2017	86.78
April 2017	87.04
May 2017	88.64
June 2017	84.86
July 2017	83.73

Daily Values

	2016/17	2017/18
July 14	82.20	76.85
July 17	82.45	77.00
July 18	83.70	78.25
July 19	84.20	78.75
July 20	84.20	78.75
Average for week	83.35	77.92



YARN INDEX

2005 = 100

This week	125.78	Last month	126.37
Last week	125.84	Last year	122.62

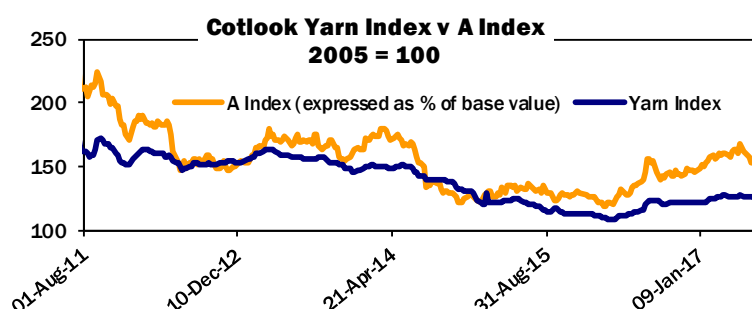
Export prices (in US dollars per kilo FOB)-

		This Week	Change on week	Change on year
Pakistan	20s	2.33	Unch	0.06
India	20s	2.50	Unch	0.40
Turkey	20s	2.95	Unch	0.30
Indonesia	20s	2.56	Unch	0.06
China	21s	3.19	-0.01	0.68
Uzbekistan	20s	2.75	Unch	0.65
Pakistan	30s	2.71	Unch	0.06
India	30s	2.80	Unch	0.45
Turkey	30s	3.15	Unch	0.30
Indonesia	30s	2.85	Unch	0.05
China	32s	3.35	-0.01	0.30
Uzbekistan	30s	2.90	Unch	0.60

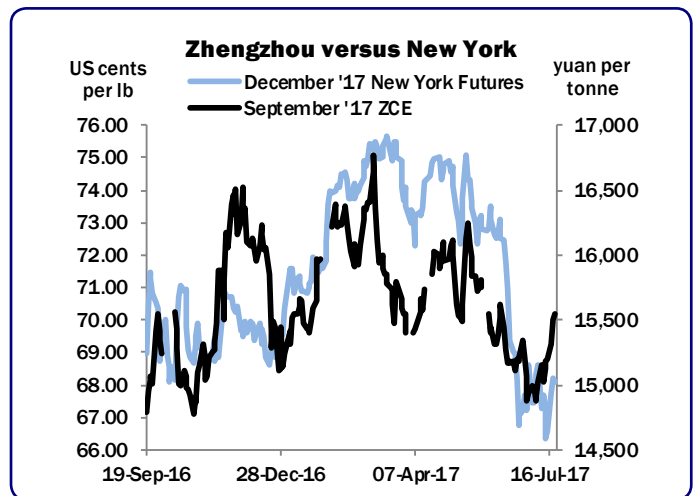
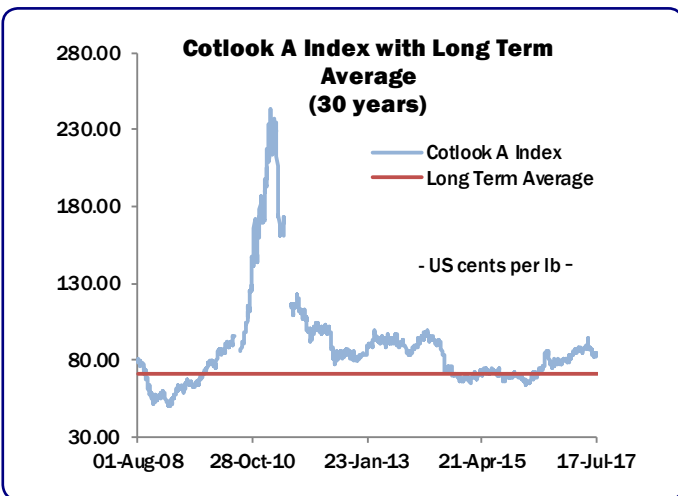
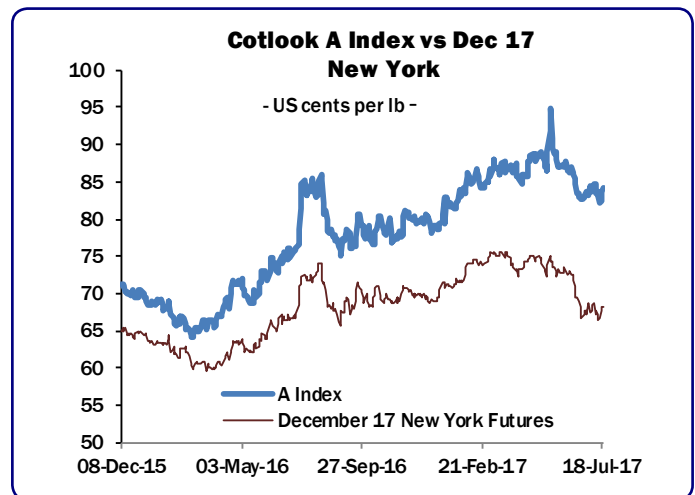
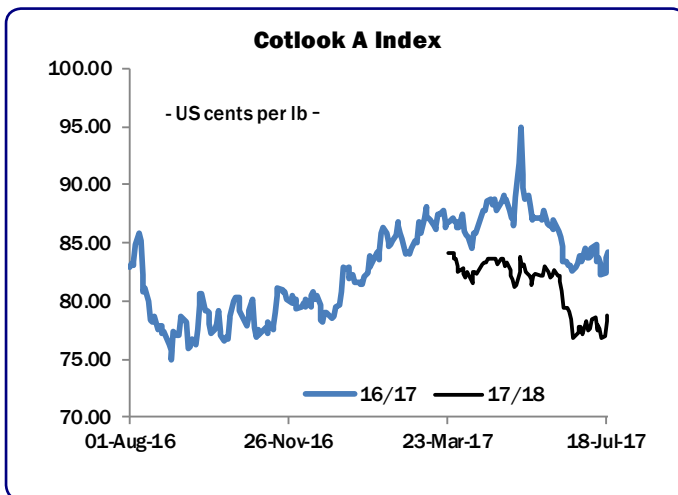
The Yarn Index is derived from our published FOB prices for 20s and 30s counts from India, Pakistan, Indonesia, China and Turkey, each weighted to reflect exports of cotton yarn from the individual country concerned, and expressing that as a percentage of the comparable average values for 2005. In determining the weightings, we have used an average of the exports in

the two most recent calendar years for which complete data are available. The prices shown for Uzbek yarn are not currently part of the Index, and are quoted on an FCA basis.

The current quotations are shown in the accompanying table, in US cents per kilo. They are for 'average quality' ring spin carded weaving single yarn.

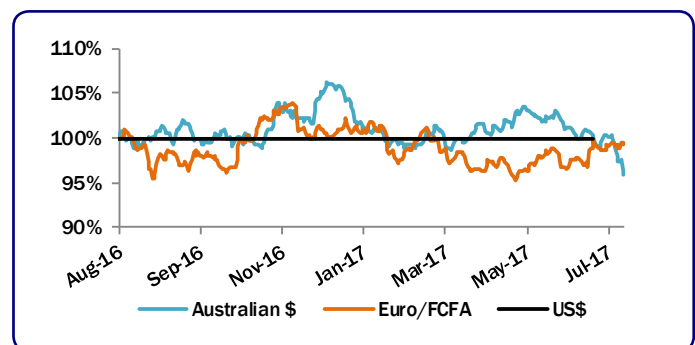
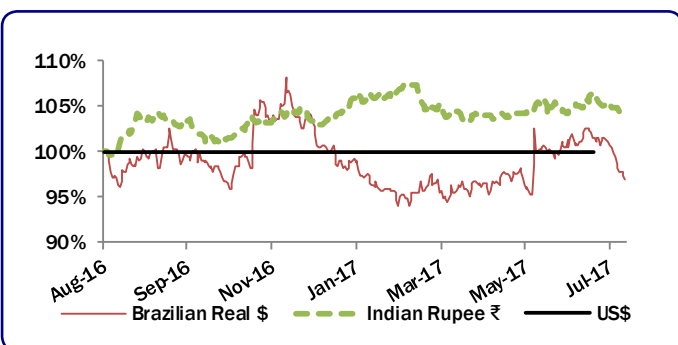


WORLD PRICE TRENDS

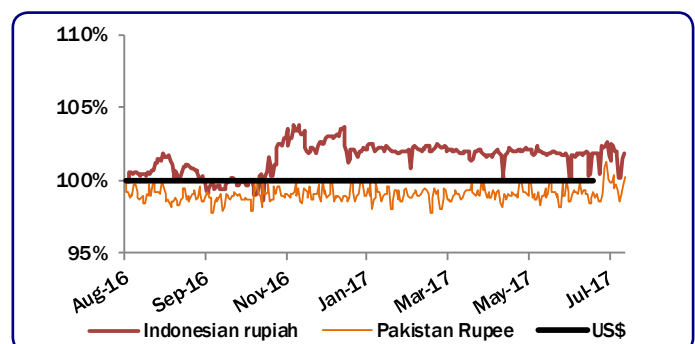
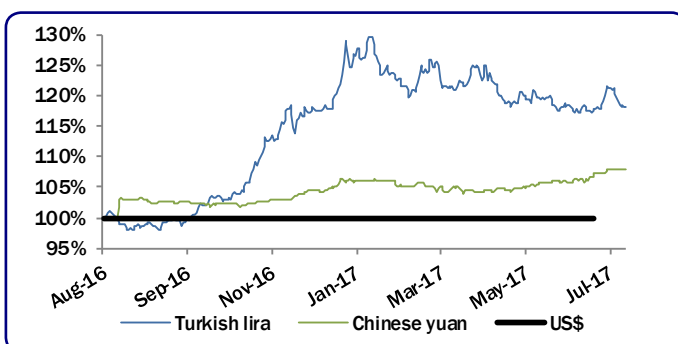


CURRENCY TRENDS

EXPORTERS' CURRENCIES VS. US\$ (AUG 1, 2016 = 100%)



IMPORTERS' CURRENCIES VS. US\$ (AUG 1, 2016 = 100%)



COTLOOK PRODUCTION ESTIMATE

(thousands of
tonnes)

16/17 17/18

Argentina	180	230
Australia	908	975
Azerbaijan	32	65
Benin	150	158
Brazil	1,550	1,650
Burkina Faso	290	295
Cameroon	102	105
Chad	69	60
China	4,750	5,100
Colombia	20	25
Côte d'Ivoire	130	135
Egypt	37	75
Greece	220	270
India	5,780	6,290
Iran	65	60
Israel	14	15
Kazakhstan	66	71
Kyrgyzstan	12	14
Malawi	6	10
Mali	270	280
Mexico	165	200
Mozambique	25	25
Nigeria	50	50
Pakistan	1,665	2,000
Paraguay	5	5
Peru	27	25
Spain	50	65
Sudan	48	55
Syria	43	35
Tajikistan	85	90
Tanzania	43	60
Togo	43	50
Turkey	700	850
Turkmenistan	297	305
Uganda	26	28
USA	3,738	4,072
Uzbekistan	800	800
Zambia	40	45
Zimbabwe	50	50
World Total	22,807	24,955
World excl China	18,057	19,855
N Hemisphere	19,908	21,808
S Hemisphere	2,899	3,147
African Fr. Zne	1,061	1,093
Central Asia	1,260	1,280
EU	270	335

WORLD STOCK

The accompanying table shows our production and consumption estimates and the resultant adjustments in world stock levels during 2015/16 and 2016/17, together with our prediction for 2017/18. Where available, comparable data produced by the United States Department of Agriculture and by the International Cotton Advisory Committee are also shown. Cotlook does not attempt to estimate actual stock levels.

World Cotton Balance Sheet									
Unit = 1,000 tonnes	World (excl. China)			China			World		
	15/16	16/17	17/18	15/16	16/17	17/18	15/16	16/17	17/18
Cotlook									
Production	16,052	18,057	19,855	4,530	4,750	5,100	20,582	22,807	24,955
China net trade	-944	-1,040	-1,090	+944	+1,040	+1,090			
New Supply	15,109	17,017	18,765	5,474	5,790	6,190	20,582	22,807	24,955
Consumption	16,128	16,274	16,721	7,550	7,840	8,000	23,678	24,114	24,721
Net change in stock	-1,019	+743	+2,044	-2,076	-2,050	-1,810	-3,095	-1,307	+234
USDA									
Opening stock	9,756	8,485	9,117	14,570	12,671	10,538	24,331	21,156	19,655
Production	16,277	18,244	19,893	4,790	4,953	5,225	21,067	23,197	25,118
China net trade	-931	-1,078	-1,078	+931	+1,078	+1,078			
New Supply	15,346	17,166	18,815	5,721	6,031	6,303	21,067	23,197	25,118
Consumption	16,597	16,605	17,206	7,620	8,165	8,274	24,217	24,770	25,480
Other	-20	+71	+25	+0	+1	+0	-25	+72	+25
Ending Stock	8,485	9,117	10,751	12,671	10,538	8,567	21,156	19,655	19,318
Net change in stock	-1,271	+632	+1,634	-1,899	-2,133	-1,971	-3,175	-1,501	-337
ICAC									
Opening stock	9,407	7,792	8,310	12,707	11,046	9,230	21,728	18,838	17,540
Production	16,316	18,070	19,570	4,988	4,870	5,020	21,304	22,940	24,590
China net trade	-931	-1,024	-1,034	+931	+1,024	+1,034			
New Supply	15,385	17,046	18,536	5,919	5,894	6,054	21,304	22,940	24,590
Consumption	16,603	16,510	+17,030	7,580	7,730	7,710	24,183	24,240	24,740
Other	-397	-18	-26	+0	+20	+26	-11	+2	+0
Ending Stock	7,792	8,310	9,790	11,046	9,230	7,600	18,838	17,540	17,390
Net change in stock	-1,615	+518	+1,480	-1,661	-1,816	-1,630	-2,890	-1,298	-150



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CHINA

Cotton yarn futures to be launched in August

A cotton yarn futures meeting, sponsored by the Zhengzhou Commodity Exchange (ZCE) and Yong'an Futures, was held in Zhengzhou this week. Yuan Jianlong, Director of the Henan Cotton Textile Association, gave an outline of China's cotton yarn supply and demand situation. As the world's biggest cotton yarn producer and consumer, China's yarn capacity now accounts for 40 percent of the global total. Domestic production in 2016 was estimated at around 6.25 million tonnes and consumption at nearly eight million tonnes, with the gap filled by imported cotton yarn (1.785 million tonnes), sourced mainly from India, Vietnam and Pakistan. Count-wise, 32s and 40s represent one third each of total output, and are produced mainly in Shandong, Henan and Jiangsu. Currently, around 8,400 spinning mills are established in China, of which 90 percent are private companies.

As for highlights of the impending cotton yarn futures contract, a speaker from the Zhengzhou Commodity Exchange indicated that it will provide a new tool and control measure in spinners' risk avoidance strategy. Good participation is foreseen, given that the new contract will have a close relationship with cotton futures. The contract will also provide a new channel for access to capital. In the beginning, imported yarn and supplies from certain warehouses will be excluded from trading and delivery, so as to guarantee quality, but such restrictions will be eased gradually after operational experience has been accumulated. ZCE will also strengthen the supervision of cotton yarn resources.

The reasons for choosing carded cotton 32s yarn as the benchmark for delivery include its dominant market position, which should help to stabilise the futures market and facilitate hedging and arbitrage. The trading unit, at five tonnes, is the same as raw cotton futures, so as to allow investors to operate between the different contracts. At an average price for carded 32s yarn (say, 20,000 yuan per tonne), the total value of cotton yarn futures will be 100,000 yuan per contract, a security deposit will be required of 5,000 yuan (five percent). The delivery unit is 20 tonnes (conditioned weight). Also, given the relatively small price fluctuation in the spot market, a daily price movement limit of $\pm 4\%$ (the same as cotton futures) is deemed more than sufficient to meet investors' need for risk control. A major difference from futures for cotton, which is of course a seasonal crop, is that delivery months for cotton yarn futures will be every month of the year.

According to recent surveys, the cotton yarn futures concept is well-received and popular among spinners, who foresee that it will help them to reduce operating risks. Most conjecture is that the starting price on the board will be between 23,000 and 25,000 yuan per tonne.

State Reserve auctions

From the total quantity of 149,800 tonnes offered for sale last week (July 10 through 14), 100,645 tonnes were sold, or 68 percent, which was 11 percentage points more than in the previous week. The total consisted of 51,500 tonnes of Xinjiang cotton, and 50,050 tonnes from other provinces. A total of 752 buyers had participated the auction since March, of which 425 were spinners.

The base price for sales during the current week (July 17 through 21) is 14,964 yuan per tonne, down by 64 yuan from the previous week.

Cumulative sales concluded at this year's auction series are approaching two million tonnes.

Road transport of Xinjiang cotton continues to decline

The aggregate volume moved eastwards by road from September 1 through July 14 totalled 1,794,500 tonnes, down by 116,100 tonnes, or minus 6.1 percent, year-on-year.

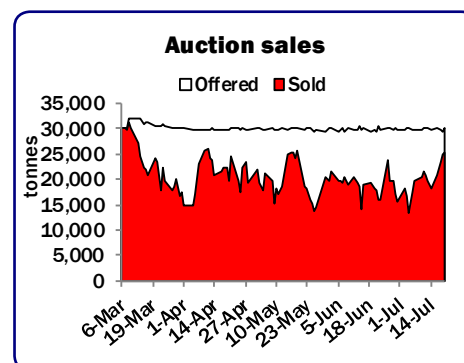
Crop development

According to the China Cotton Association's (CCA's) June crop report, weather conditions in the month were favourable for crop development nationwide and in general plants were in a better condition than last year. The incidence of diseases and pests was lighter.

In **Xinjiang**, the area affected by hail was described as 'small', and conditions improved as the month passed. Pest infestations in some areas were identified as being greater than a year earlier but the view expressed in the report was that, barring an adverse spell of weather, yields promise to be high.

More recently, by contrast, greater emphasis has been placed on the threat from pest infestations. The local agricultural bureau in Aksu Prefecture has warned that insect damage (mainly from cotton bollworm) would be more serious than last year. According to the Agricultural Technology Extension Station of the PCC (army group), cotton bollworm will enter its second generation this month, spider mite infestations are moderate, while aphid may prove troublesome in northern Xinjiang. High temperatures have tended to constrain the incidence of verticillium wilt.

Comparison of cotton and cotton yarn futures contracts		
Term	Cotton	Cotton yarn
trading unit	five tonnes per share	five tonnes per share
quote unit	yuan per tonne	yuan per tonne
minimum price change	five yuan per tonne	five yuan per tonne
daily change limits	previous settlement price $\pm 4\%$	previous settlement price $\pm 4\%$
minimum security deposit	5% of the contract value	5% of the contract value
delivery month	singular months	every month
trading time	9:00-11:30 and 1:30-3:00 Mon-Fri	9:00-11:30 and 1:30-3:00 Mon-Fri
last trading day	10th trading day of delivery month	10th trading day of delivery month
last delivery day	12th trading day of delivery month	12th trading day of delivery month
delivery location	ZCE specified location	ZCE specified location
delivery method	physical delivery	physical delivery
trading code	CF	CY



In Aksu and Kashgar Prefectures, long staple crops are now generally 90/100 cm in height with six to nine branches. Cotton topping is expected to finish by this weekend.

In the Bortala Mongol Autonomous Prefecture, the local agricultural department indicates that lint yield is expected at 131 kg per mu, 1.55 percent higher than a year ago, while total cultivation costs should decrease by 14.4 percent, to 1,436 yuan per mu, owing to the general adoption of machine picking.

Planted area in the Shihezi region of the Eighth Division of the PCC (army group) this year is 2,600,000 mu (173,333 ha) and all crops are of an early-maturing variety. Supported by favourable weather conditions in the early stages, plants have been growing well with no serious insect damage.

Elsewhere, scattered rainstorms have been reported in the **Yangtze River Valley** region, while drought-like conditions have been severe in the **Yellow River Valley** region, owing to sustained high temperatures. Plants in the latter region have nevertheless been growing well of late. Those in Shandong have reached 80/110 cm in height with eight to twelve branches, and are carrying flowers.

Rains will rule across the region during the rest of this week. Cultivated area in Xiajin County, the main producing area in Shandong, is estimated at 250,000 mu (16,667 ha), which is 30 percent more than in 2016.

In Cangzhou, the main producing area in Hebei, heat has affected plants and promoted insect damage (mainly cotton bollworm and aphid). The high temperatures are not expected to abate during the next two or three weeks. In southern regions, temperatures have been milder and conditions have been generally favourable.

Heavy rain is forecast in eastern and southern provinces during this week. Precipitation is generally considered conducive to plant health and reservoir levels. Farmers with low-lying fields have been advised to improve drainage facilities, in order to minimise waterlogging.

The CCA's June report gave a calculated weighted average area under cotton this year of 44,132,000 mu (2,942,000 hectares) and predicted an output of 5,385,000 tonnes, 94,000 more than the Association's previous figure. A comparison of estimates by various bodies is shown in the accompanying table.

China - 2017/18 production estimates					
	China Cotton Association	Ministry of Ag	USDA	ICAC	Cotlook
Area (thou hectares)	2,942	3,200	3,050	3,230	2,925
Production (thou tonnes)	5,385	5,100	5,225	5,017	5,100
Avge yld (kg/ha)	1,830	1,594	1,713	1,553	1,744

Market prices

Supported by active buying from spinning mills in the spot market this week (mainly for high grades), and the high number of transactions for locally-produced lint in State Reserve sales, spot prices have increased markedly. Handpicked Type 2128/3128 lint is now quoted in Aksu at 15,800/15,850 yuan per tonne.

The **China Cotton Index** (basis Type 3128B) has edged higher by 27 yuan, virtually reversing the decline registered last week, to be placed at 15,899 yuan per tonne.

ZCE cotton futures have continued the strong upward trajectory seen last week, to close with triple-digit gains in all but the September delivery, which has declined. Prices settled higher in the last four consecutive sessions. January is now showing a discount of 415 yuan per tonne on the September contract. Certificated stocks have continued to decline. On July 20, stock amounted to 2,485 lots (each of 185 bales, ± 5), 215 fewer than a week earlier.

Zhengzhou Cotton Futures					
	Settlement			Volume*	Open Interest
	yuan per tonne			number of contracts	
	13-Jul	20-Jul	Chng	Past Week	20-Jul
Sep	15,185	15,550	+365	709,986	157,070
Nov	14,850	15,090	+240	750	904
Jan	14,880	15,135	+255	225,506	98,346
Mar	14,915	15,235	+320	8	14
May	14,820	15,065	+245	16,830	22,084
Jly	-	15,000	-	-	-
				953,080	-

*Counting both the sale and the purchase.

Prices on the **China National Cotton Exchange's** e-platform have also moved higher across the board. With the exception of the September delivery, comparable months all show lower values than the corresponding settlements in Zhengzhou.

International Prices

Data as at 20 July, 2017

	Yuan per tonne equiv. + insurance	Approximate delivered mill value Including one percent tariff + 11 percent VAT	including 40 percent duty & 11 percent VAT
Cotlook A Index	13,122	14,663	19,770
Texas SM	13,281	14,840	20,016
Uzbek SM	13,809	15,433	20,838
Australia SM	14,036	15,687	21,190
Burkina Faso BOLA/s	13,469	15,052	20,310
India Shankar-6	13,318	14,883	20,075
Benin KABA/s	13,469	15,052	20,310
Cameroon IRMA/s	13,545	15,137	20,427
Cameroon PLEBE 1-5/32"	13,809	15,433	20,838
Ivory Coast MANBO/s	13,469	15,052	20,310
Mali JULI/s	13,545	15,137	20,427

China domestic prices	yuan/tonne	chg on last published	cents/lb
CC Index	15,899	27	105.75
CNCE July	15,182	227	100.98
ZCE Sept	15,550	365	103.43
Xinjiang Type 137	22,200	-100	147.67
Xinjiang Type 237	21,200	-100	141.01

State Reserve calculation	yuan/tonne	cents/lb
Base Price week ending 21 Jul	14,964	99.53
Running average week to date	14,981	99.65

	yuan/tonne	chg on week	cents/kilo
polyester	8,350	110	122.45
viscose	15,850	200	232.43
	Yuan/kilo		cents/lb
32s carded yarn	22,860	-50	338.85
40s combed yarn	24,580	-50	364.34
Monthly yuan/dollar customs exchange rate			6.8193
Actual Rate (Jul 20)			6.7464

CNCE
20 July 2017

Delivery	Turnover in tonnes	Average price in yuan per tonne	Change on week	US cents per lb equiv.
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Type 328 (domestic 'MA')

Jul	250	15,182	+227	100.98
Aug	2,650	15,197	+105	101.08
Sep	2,860	15,311	+217	101.84
Oct	1,970	15,178	+128	100.96
Nov	10,110	15,107	+83	100.49
Dec	9,620	15,101	+78	100.45
Total	27,460			

In the **man-made fibres**, the typical rate quoted for polyester staple has ended the period 110 yuan per tonne higher, at 8,350 (equivalent to 52.5 percent of the CC Index, which is the highest proportion since early March), while that for viscose has increased by 200 yuan, to 15,850 (99.7 per-cent).

[Polyester staple v cotton](#)

Xinjiang long staples

Prices of Xinjiang long staple cotton have continued to increase at origin during the past week. In the spot market, Types 137 and 237 are quoted in Xinjiang at 21,700 and 20,700 yuan per tonne (gross weight, including taxes), respectively, but with sporadic transactions. Prices in the 'mainland' have been lowered this week by 100/200 yuan per tonne in the Yellow River Valley region, to around 22,500 and 21,400 yuan per tonne, respectively, influenced by stockholders clearing their inventories prior to the movement of the new crop. Nonetheless, given the 2017/18 season's reduced area under cultivation, and questionable yield potential, together with steady demand from spinners, market observers foresee that Xinjiang long staple prices will maintain a strong tendency, at least until the arrival of the new crop.

Spinners' operations during June

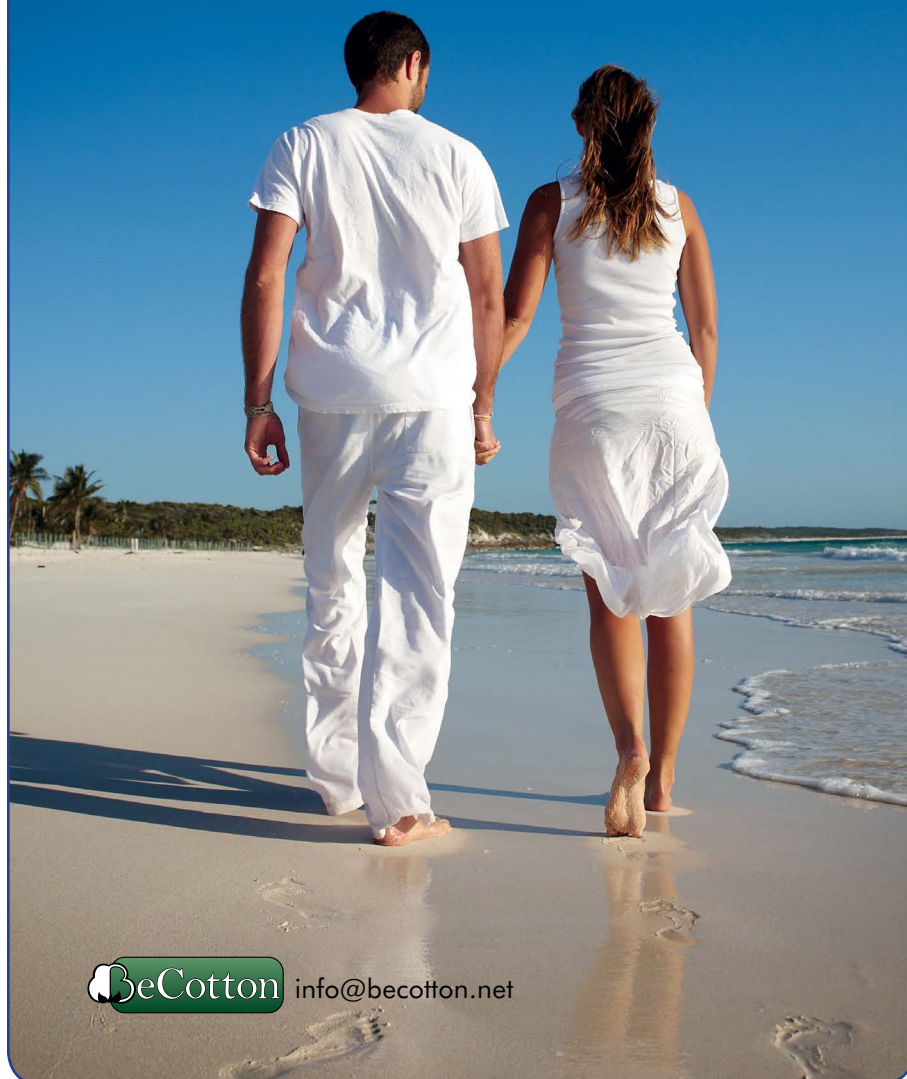
A *Beijing Cotton Outlook* (BCO) survey as regards spinners' operations during June shows that new orders and profits continued to decrease in the month; only four to five percent of the respondents reported an increase, while over one third reported a decrease. The overall operating situation reflects poor conditions in June due to the 'off season'.

As for spinners' raw cotton replenishment intentions, most respondents expressed their willingness to maintain a stable inventory for production. Around two thirds have inventories sufficient for over one month. In addition, 21 percent of spinners foresaw that cotton prices in July would be lower than in June, owing to the slack trend in the downstream market and a weak futures market, while eight percent expected an increase.

GDP expands

Gross Domestic Product rose by 6.9 percent year-on-year in the second quarter of 2017, flat from the first quarter, NBS official data show. The pace is higher than market expectations, and well above the government's annual target of 'around 6.5 percent'. NBS said: 'the national economy performed within an appropriate range with more visible good momentum,'. China's value-added industrial output, an important economic indicator, also expanded by 6.9 percent year-on-year, compared with an increase of 6.8 percent in the first quarter. The figure for the textile industry during the first half of the year was 4.5 percent, which is 2.2 percentage points less than during the same period in 2016.

Be in cotton, BeCotton



info@becotton.net


KAZAKHSTAN

New crop under threat from infestation

Good crop development was reported from Kazakhstan's cotton-producing areas only a few weeks ago, when a period of hot and dry conditions was assisting the progress of new plants. However, more recently, cooler temperatures of around 35 degrees during the day and 15/18 degrees at night have been reported. Some observers are of the opinion that the long, hot spell that typically marks the summer season has been delayed, and hopes are that this will bring about a warmer and drier autumn, when picking commences. (Kazakhstan customarily begins its mass picking operation somewhat later than neighbouring Uzbekistan.)

Most areas are currently at the flowering stage, and cotton bolls have begun to form in some advanced fields. However, farmers are worried about a mass bollworm infestation that is threatening the crop in the largest producing district of Makhtaara. An estimated 94,000 hectares were planted to cotton this season in this district, and the infestation is said to have spread to over 50 percent of that area so far. Since farming systems in this part of the world are very fragmented, and there is no systematic, centralised effort to combat issues such as these, individual farmers have to resort to what means are available to them. It is understood that around 20,000 hectares will be treated using biological methods (for example natural predator insects). If this proves unsuccessful, a proportion of new crop could be lost.

Initial projections of new crop, based on an increased planted area this year, had indicated a potential outcome of around 75,000 tonnes of lint compared with 66,000 tonnes obtained from the 2016/17 crop. Now, however, some private observers already anticipate losses equivalent to at least 10 percent due to the pest infestation.

AZERBAIJAN

According to various press reports, including the Presidential website, a five-year programme has been approved by President I. Aliyev for the development of the country's cotton production sector. The programme sets out quite an ambitious plan to increase the production of seed cotton to 500,000 tonnes (several times the current level) by 2022, and by so doing, provide employment and improve living standards in rural areas of the country, increase exports, provide sufficient supply for the growing processing sector and increase the flow of revenue into the state treasury. The programme envisages government financial support and the attraction of investment into the sector. Several ministries, including the Ministry of Finance, the Ministry of Economics and the Ministry of Agriculture, will be responsible for the successful implementation of the programme.

A decline in cotton production was a feature of the past decade. However, this season, the country's output jumped 2.5 times, thanks to the renewed interest of government in this previously almost forgotten sector. The upward trend is expected to continue and officials state that the area under cotton this year (for the 2017/18 crop) has increased again, by nearly 2.5 fold to 136,000 hectares (from 51,000 in 2016 and under 20,000 hectares in 2015). Over 20 districts are involved in the production of cotton at present and, by 2022, the number is expected to go up to 27.

INDIA

Production outlook

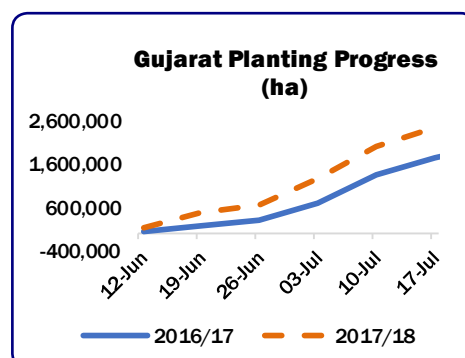
This week has seen a return of rain to Gujarat, in quantities that are unusually heavy even for the Monsoon season: at the weekend, certain regions received over 100 mm of rain in a single day (seven or eight times above the norm). Some initial concerns were voiced about the possibility that such a large excess of rainfall might damage young plants or wash away newly-planted seed. However, no damage has so far been confirmed and the rainfall is viewed as helpful on balance to the progress of planting.

Good levels of rain have also been recorded in the central states of Madhya Pradesh, Andhra Pradesh and Telangana. In Maharashtra, though, the picture is more complicated. While areas such as Nagpur, Chandrapur and Yavatmal have received good rain since the start of the Monsoon, drier conditions prevail in other areas, including Khandesh, Marathawada and Akola. Here, rainfall levels are lower than is required to support smooth planting progress, and output may be affected as a result.

In the Northern Zone, helpful rainfall is reported for Haryana, but recent levels are much lower for Punjab and Rajasthan. Here, a spell of moderate rain would be very helpful for growing plants and, indeed, is forecast for the coming week.

The latest data released by the Department of Agriculture on July 13 put planting in the Northern Zone at 1,531,000 hectares for Haryana, Punjab and Rajasthan combined. The total national figure reported by July 13 was 9,088,100 hectares sown, an increase of 1,906,400 hectares over seven days. It includes 3,136,000 hectares in Maharashtra, 1,278,000 in Telangana, and 488,000 in Madhya Pradesh, and represents 78 percent of the 11.7 million hectares forecast by Cotton Outlook to make up the total area for 2017/18. Assuming average yields, this would indicate a total crop somewhere in the region of 37 million bales, which is broadly in line with anecdotal reports and estimates made by some observers on the ground this week.

Data relating specifically to Gujarat were published on July 17 and place the total area planted in the state at 2,446,800 hectares. This figure is up 456,100 from last week, and represents almost 90 percent of the average total area for the state over the past three years. 73.6 percent of Gujarat's total planted area so far this year is, as usual, located in the Saurashtra region.



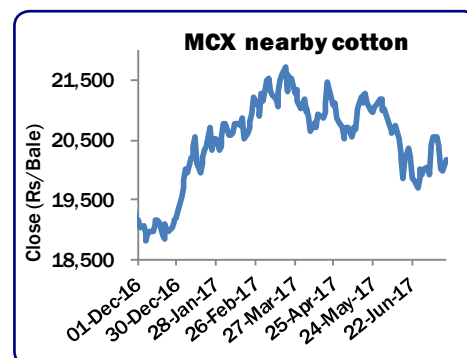
CCI signals intention to enter market on commercial basis

The Cotton Corporation of India has announced plans to begin procuring cotton at the start of the 2017/18 season as part of its commercial operations. This would see the statutory body functioning in a similar way to commercial traders, acquiring cotton lint with the intention of selling it on at a profit, albeit with the additional objective of supporting prices in the market. This process is entirely separate from CCI's statutory function of intervening when seed cotton prices reach a Minimum Support Price (MSP). While the operation to acquire cotton at the MSP is funded by central government, CCI's commercial activities are undertaken at the organisation's own risk and are financed by its own funds.

Prices

Interior asking prices for current crop cotton have fallen slightly this week. The typical asking price for better quality Shankar-6 was quoted on July 19 at ₹42,750 per candy, ex-gin, which represents a modest decrease of ₹250 over the previous seven days. The equivalent at the exchange rate on that date was approximately 84.75 US cents per lb.

Meanwhile, MCX futures have also lost some ground during the period. The leading July contract closed on July 19 at ₹20,170 per bale (₹42,193 per candy), a fall of ₹190 per bale on the week. The equivalent dollar value was 83.53 cents per lb, a decline of 77 cent points on the week.



PAKISTAN

Planted area 14 percent higher

Final planted area figures from the Crop Reporting Departments are tabulated on the right. The overall total is nearly fourteen percent higher than the area sown last year. Punjab shows a gain of more than 20 percent, whereas in Sindh a shortfall of 4.4 percent is recorded. While Punjab planting had reached nearly 89 percent of the targeted area by July 10, sowing in Sindh was at 94 percent of the goal.

[Pakistan sown area since 1990](#)



Sowing Position of Cotton Crop as at July 10, 2017

Province	Target Area	Area Sown (Hectares)		% Change Over	
		2017-18	2016-17	Target	Last Year
Punjab	2.42	2.145	1.78	88.60%	+20.50
Sindh	0.65	0.608	0.636	94.00%	- 4.40
Pakistan	3.11	2.753	2.416	88.52%	+13.95

Sources: The Provincial Agriculture Extension and Crop Reporting Departments

Local prices weaker

Local market conditions have been described as weak, since mill buying interest has been affected by the recent monsoon showers in the lower Sindh cotton belt, the area from which the bulk of new crop cotton is currently being sourced: higher moisture content has undermined buying interest and has attracted a discount from ginners. Although a few dozen ginning factories are now operating on a partial basis, arrivals are only building slowly, and surpluses are modest.

On July 19, retail business in new crop cotton from Sindh attracted prices in a tight range between Rs. 6,300 and Rs. 6,350 per maund (at the prevailing exchange rate, roughly 72.50/73.15 US cents per lb), ex-gin, down by around Rs. 50 compared with last week. Early Punjab lots have commanded around Rs. 6,500 per maund.

On the same day, the Karachi Cotton Association's official spot rate for 2017/18 (introduced on July 1), Grade III (Staple: 1-1/16" & Micronaire: 3.8/4.9 NCL) was quoted at Rs. 6,300 per maund, ex-gin, (up Rs.100).

Import enquiry subdued

Mill enquiry for foreign growths has remained subdued. The high premium asked for import supplies available for nearby shipment has continued to deter buying interest, as domestic cotton prices remain well below international values. New crop import business has also remained very modest, as most buyers have resisted paying the higher basis now asked by shippers for most pertinent growths. Fine count spinners have remained on the sidelines.

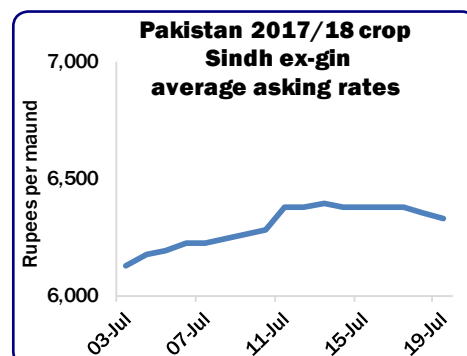
Yarn and textiles

Weak conditions have prevailed in the local yarn and textiles market over the last few days. Yarn demand has failed to improve and spinners have witnessed sluggish off take from weavers and knitters, who themselves have continued to complain of tough conditions in downstream markets. Mention is made of increased competition from regional competitors. Thus, they have continued to buy mainly against nearby requirements. The All Pakistan Textile Mills Association (APTMA) has recently stepped up lobbying efforts for the implementation of the earlier announced textile package and overall government relief measures to provide some support to the ailing textile sector.

Export yarn demand has also failed to pick up over the last few days. Spinners have lamented the government's decision not to devalue the rupee, as they have complained of their lack of competitiveness pegged against regional competitors. Yarn demand from the key Chinese market remains slack.

Nonetheless, asking prices for 20/21s carded yarn have been held unchanged at around US\$410.00/435.00 per 400 lb bale, FOB, while those for 30/32s carded yarn are also maintained at US\$480.00/505.00.

Polyester staple fibre prices have been increased to Rs. 125/127 per kilo.



BANGLADESH

During the past week, demand for raw cotton has focused on Brazilian, which continues to attract a bigger pool of buyers' interest, African Franc Zone remnants 'afloat', US new crop and Central Asian new crop for shipment October/December.

It seems that the past season's volatility in ICE futures has tended to deter some spinners from buying 'on-call' New York. A preference amongst those mills for 'fixed price' purchases is thus discernible. Also, certain mills have suffered shipment delays, which have hindered spinning production plans.

Recent confirmed business has included Australian staple 1-1/4" to 1-9/32", Micronaire 3.8/4.9 NCL, 32 GPT, booked at 93.75 cents per lb, for prompt shipment and Chad, Middling Spotted, 1-5/32", Micronaire 3.7/4.9 NCL, 29 GPT minimum at 84.25 cents for shipment August.

Further forward, purchases have comprised US California/Arizona Better Cotton Initiative (BCI), SM 1-1/8", Micronaire 4.0/4.9 NCL, 29 GPT minimum at 82.00 cents, for shipment January and Mali/Benin/Burkina Faso at seller's option, 2017/18 crop, Top Grade, 1-1/8", Micronaire 3.7/4.9 NCL, 28 GPT Minimum at 1,225 cent points 'on' ICE futures, for shipment January/June 2018.

Offering rates for Uzbek higher grades 1-1/8" from stocks held in local warehouses have increased to between 95.00 and 96.00 cents per lb, ex-warehouse, while those for Indian Shankar-6 1-1/8" have also risen to around 90.00 cents per lb. MCU-5 30 mm has been offered at 150/200 points above the Shankar-6 price. Additionally, some consigned stocks of African Franc Zone 's' grades, staple 1-1/8", have been available at around 93.50/94.00 cents per lb.

Yarn and textiles

Carded 30s prices have been held to around US\$2.95/3.05 per kilo – unchanged compared with last week.

TURKEY

A few spinners have recently been testing trade offering rates for US and other new crops, but actual business over the past week or two appears to have been relatively limited, with the exception of the purchase by one mill group of 7,000/8,000 tonnes US Eastern/MOT styles. The progress of what promises to be a bumper domestic 2017/18 crop is being closely monitored, and has tended to instil caution amongst prospective mill buyers.

EGYPT

Export sales registrations

During the week ended July 15, new sales registered by *Alcotexa* amounted to 175 tonnes, comprising 25 tonnes of Giza 86 at 150.00 US cents per lb FOB and 50 tonnes at 160.00 cents, together with 100 tonnes of Giza 94 at 149.00 cents.

Cumulative registrations for shipment during the current season increased to 36,956 tonnes, of which slightly over 80 per cent had actually been shipped.

Prices of lint from 'fundamental' seed

The Ministry of Agriculture has announced that the prices at which lint from 'fundamental' seed will be sold this year to public sector companies will be E£2,300 per cantar for Delta varieties and E£2,100 for those grown in Upper Egypt, or roughly equivalent to 116.00 and 106.00 US cents per lb, respectively. The growers of such supplies are said not to be content with these price levels. The private sector may, of course, offer to pay more. Since 2015, the Ministry has enjoyed the exclusive right to sell the output from 'fundamental' seed.

ZIMBABWE

Seed cotton buying

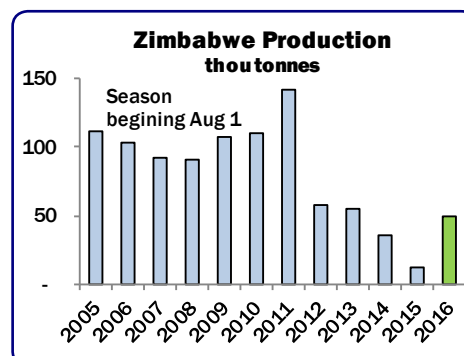
According to the Agricultural Marketing Authority (AMA), as at July 14, national seed cotton purchases amounted to just under 36,425 tonnes, versus 3,655 tonnes on July 15, 2016, almost a ten-fold increase on last season's poor results. Cottco (the State-owned ginning company) has procured the lion's share, with around 72 percent.

Six gineries have been buying seed cotton, compared with eight last season. It is understood that all participants have been making the same advance payment of 47.00 US cents per kilo, with a quality differential to be settled after grading.

With the harvest in full swing, the central bank has been discouraging growers from selling to third parties, reiterating that, under the current cotton seed marketing regulations, side marketing is a criminal offence.

So far, seed cotton intake by district has been principally from Gokwe North (at 29 percent), Gokwe South (20), Mbire (14), Kadoma (8), Chiredzi (6) and Chipinge (5). Other areas have contributed 3 percent, or less.

During the 2016/17 growing season, the government has supplied US\$36 million of free cotton inputs to growers, in order to engineer a recovery of cotton production, following last season's collapse. Assisted also by timely rains, the country is expecting output above 110,000 tonnes of seed cotton.



FAR EASTERN MARKETS

A moderate volume of business was discernible early in the reporting period, but as asking prices have moved higher, many spinners have reverted to a more cautious approach. Nevertheless, some sporadic business for third quarter, 2018 and even 2019 shipment has been mentioned. The later shipments have principally concerned a significant 'on-call' purchase of Brazilian (Mato Grosso) for a South Korean-owned mill in Vietnam.

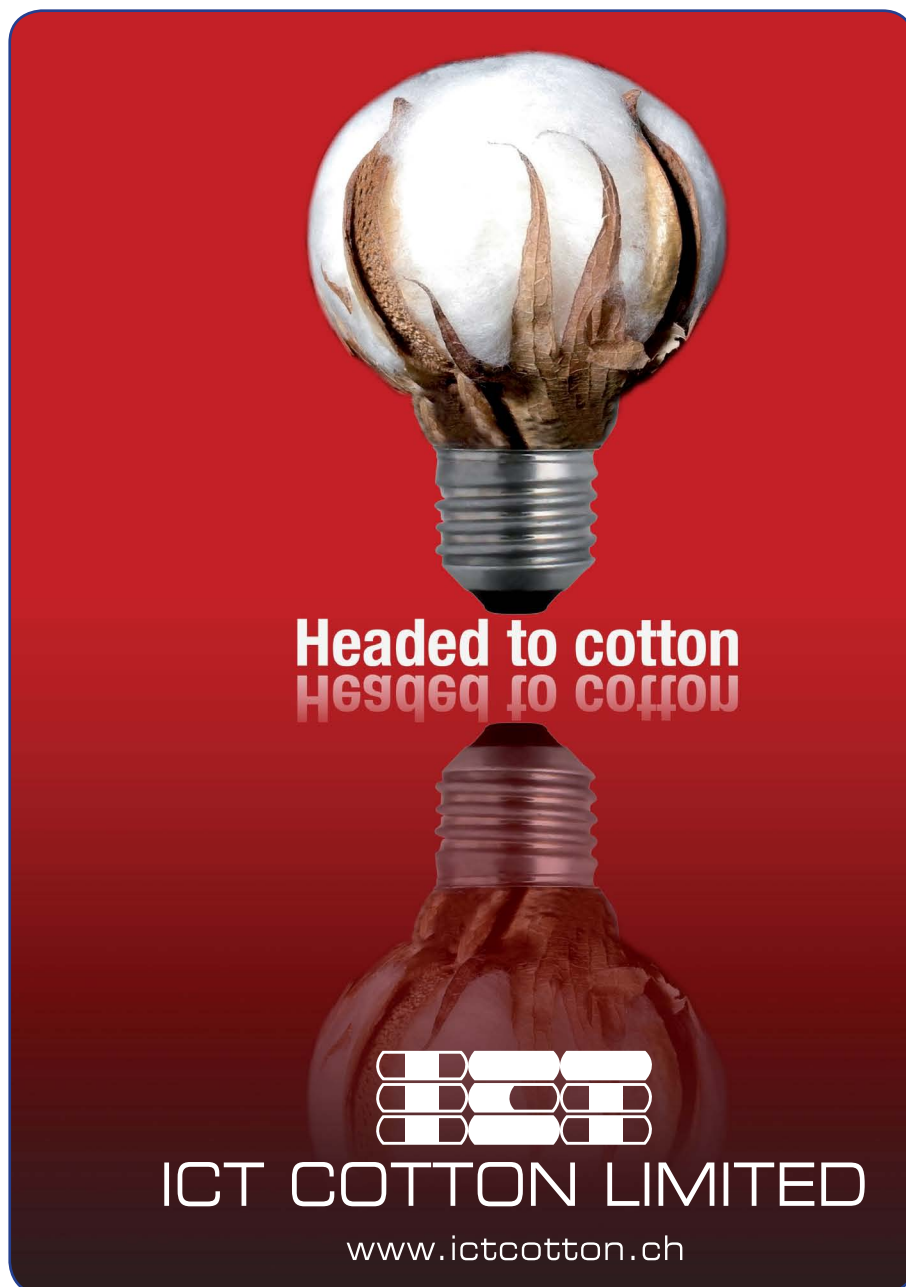
During the past week, purchases in **Taiwan** have included a quantity of US Eastern/M/O/T 'recap' bought at 76.00/77.50 cents per lb, for August shipment, CFR Taiwan. In addition, 500 tonnes of the same origin 'green cards' 31-3-36 G-5 have moved off at 77.25 cents, for shipment January/March equally, CFR Taiwan or Vietnam.

In **Indonesia**, spinners have recently covered some nearby requirements. Purchases have included Australian SLM 1-5/32" G-5, bought at around 85.25 cents per lb, Mozambique SM 1-1/8" G-5, taken up at 83.00 cents and Brazilian Middling 1-1/8" G-5, concluded at below 80.00.

A couple of mills in **South Korea** have bought around 600 tonnes of US, for their overseas operations. However, of greater significance was the purchase of a significant quantity of Brazilian, comprising 2017 crop for shipment during the first quarter of next year, and 2018 crop for shipment during the third quarter of 2018 through to the first quarter of 2019. The cotton is destined for a spinning operation located in Vietnam.

In **Thailand**, prior to the recent rise in ICE futures, there had been some purchases of West African remnants and US for shipment nearby. Further out, some Brazilian had moved off for shipment fourth quarter and US cotton for nearby shipment. Since futures began to increase, there have been few reports of additional business.

During the week ended July 14 the cotton market in **Japan** was relatively active. A few spinners needed to fill some gaps in their nearby coverage, while many mills were covering some of their fourth quarter shipment needs. Due to problems with availability as well as firm shippers' prices for current crop, the focus was on purchases of Australian and US Eastern/M/O/T. Total estimated volume was around 5,000 bales.



Headed to cotton
Headed to cotton

ICT COTTON LIMITED
www.ictcotton.ch

UNITED STATES

Cotton futures have edged higher this week. The December contract climbed by 84 points over the five sessions ended July 19, posting gains in three out of five sessions.

Few decisive influences could be identified as affecting the market's behavior. Amongst the outside factors in evidence, the US dollar fell to a near one-year low on July 18, while corn, soybeans and wheat prices presented a weak appearance.

Little fundamental US cotton news is foreseen ahead of USDA's August 10 supply and demand estimates, which will include the season's first state-by-state projection of output.

Dec '17 futures move higher

Cotton trading started the week in a downward trend before advances returned over the next three sessions with slight losses reported on the last trading day of the period. Business slowed as December '17 futures moved back toward the upper end of its month-long trading range. The nearby December contract traded between 66.28 and 68.47 points, and settled at 68.11 cents/lb on July 19.

Traders are now looking for the December contract to move back above the 69.00-cent level, which analysts believe could start a move to the upside. However, strong resistance at that level has been witnessed. Nearby support remains in the 66.00 to 67.00 cent area.

Trading has slowed this week, with an estimated 84,300 contracts traded, compared with 99,758 during the previous reporting period. The lowest turnover of the year (11,500 contracts) was reported on July 19 and third lowest of 2017 (15,321) on July 14.

Certificated stocks have been on the decline for a while. More than 440,000 bales have been taken out of the stocks since cert stocks peaked on June 22 at 490,897. ICE last reported certificated stocks at 49,814 bales on July 19, their lowest level since January 4, 2017.

The latest CFTC spec/hedge report showed a speculative net long margin of 13.9 percent of the total open interest (210,783 on the July 11 report date), down from 15.9 percent in the previous week. Specs reduced longs by 2,019 during the week and increased short holdings by 1,488. Commercial traders added 6,992 longs and 4,106 shorts in the same period.

Total open interest has been relatively stable this week and was last reported at 216,102 contracts on July 18. December '17 interest on that date amounted to 162,429 contracts and March '18 at 35,681 contracts.

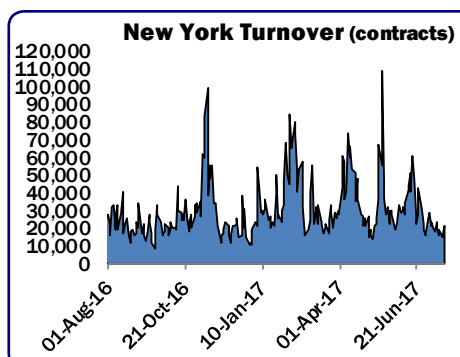
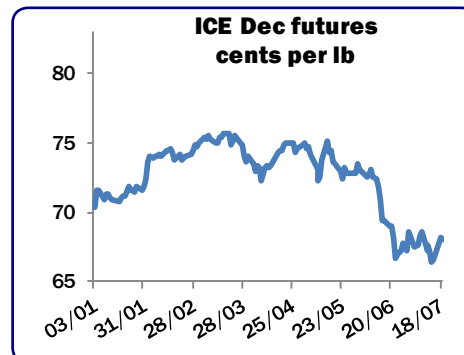
Current crop upland loan repayments from the Commodity Credit Corporation amounted to 119,915 bales during the period ended July 10. There were no redemptions or forfeitures from the 2015/16 crop. The outstanding stock for both marketing years, therefore, fell to 726,740 bales. Independent growers accounted for 77,718 bales, and cooperatives and loan servicing agents held 649,022.

Spot market sales for the week ended July 19 totaled just 333 bales (298 from the Southeast, 34 from East Texas/Oklahoma and 1 bale from West Texas). The season's running total therefore increased to 1,564,397 bales, with just eight trading days left in the marketing year. Basis levels were unchanged.

Business sales on *The Seam* totaled 883 bales with an average price of 58.54 cents per pound. There were only 3 bales traded on the grower exchange which sold for an average price of 68.44 cents per pound.

Crop progress

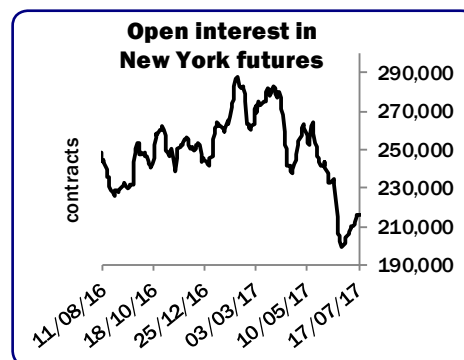
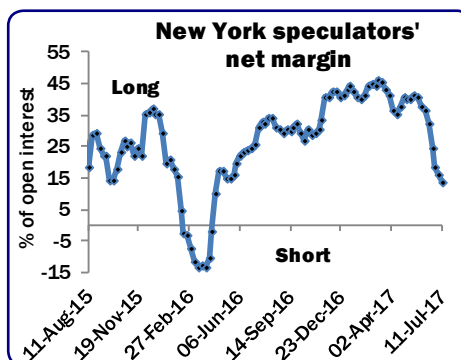
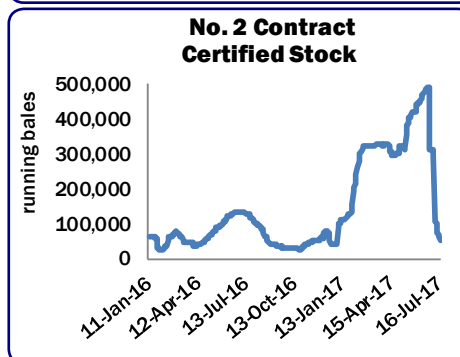
According to the USDA's latest crop progress report for the week ended July 16, squaring was at 70 percent, compared with the 75 percent five-year average. Twenty-six percent of stands were setting bolls, 2 percentage points below the average and 1 point less than this time last year. Plant health varied beltwide as of July 16. Overall, 60 percent of stands were categorized 'good to excellent', 30 percent were 'fair', and 10 percent were 'poor to very poor'. Improvements were reported



ICE No. 2 Cotton Futures			
(in cents per lb)			
No. 2	19-Jul	12-Jul	Change
Oct-17	68.76	68.13	0.63
Dec-17	68.11	67.27	0.84
Mar-18	67.80	66.94	0.86
May-18	68.36	67.41	0.95
July-18	68.87	67.93	0.94
Oct-18	67.51	66.46	1.05
Dec-18	67.88	67.32	0.56
Mar-19	68.50	67.93	0.57
May-19	69.03	68.46	0.57
July-19	69.07	68.50	0.57

Certificated stock as of July 18 totaled 49,814 bales.

Chicago Futures			
(in cents per bushel)			
	19-Jul	12-Jul	Change
Soybeans			
Sep-17	1004.00	1025.25	-21.25
Nov-17	1012.50	1034.00	-21.50
Jan-18	1021.00	1042.00	-21.00
Wheat			
Sep-17	503.00	537.00	-34.00
Dec-17	526.75	560.50	-33.75
Mar-18	546.50	578.75	-32.25
Corn			
Sep-17	382.50	385.50	-3.00
Dec-17	396.25	398.75	-2.50
Mar-18	407.00	408.50	-1.50



American Pima

PIMA SPOT QUOTATIONS

Selected markets to July 19 compared with July 12 in parenthesis, were as follows:

AMERICAN PIMA

GRADE	1-3/8" (44)	1-7/16" (46)
2	138.00 (138.00)	146.00 (146.00)
3	124.25 (124.25)	131.25 (131.25)
4	103.50 (103.50)	110.50 (110.50)

MICRONAIRE DISCOUNTS (cent points per lb):

2.6 and below	-1900
2.7 to 2.9	-1400
3.0 to 3.2	-900
3.3 to 3.4	-400
3.5 and above	Base

Note: Official quotations reflect cotton equal to the Official Standards, net weight, in mixed lots, uncompressed, FOB Warehouse.

Pima CCC Loan Activity

running bales to July 10, 2017

	Total	Repayments	Forfeitures	Outstanding
	Entries			Stock
2016/17	284,963	255,330	-	29,633
2015/16	266,785	266,785	-	-
	551,748	522,115	-	29,633
Previous Total Outstanding (Jun 30):				30,574
	2016/17			2015/16
Arizona	1,857	-	-	-
California	25,107	-	-	-
New Mexico	1,090	-	-	-
Texas	1,579	-	-	-
Pima Total	29,633	-	-	0

across most of the Southeast and Memphis Territory during the period, while slight declines were witnessed in Texas and the Far West.

In **Texas**, plant development was slightly ahead of the normal pace at 20 percent setting bolls, which is 1 percentage point more than the five-year average and 3 points better than this time last year. Crop health slipped slightly on the week to 49 percent 'good to excellent' (down 2 percentage points), 37 percent 'fair' (up 5 points), and 14 percent 'poor to very poor' (down 3 points on the week).

The **South Texas** crop is maturing rapidly under clear, mostly hot weather. Merchants are expected to offer additional new crop cotton as the harvest expands and clearer ideas emerge on crop size and quality. Buyers have covered most of their nearby needs with enquiries continuing for various quarters.

The harvest season is under way in the Rio Grande Valley, where picking of dryland fields is expanding and harvesting of irrigated land is expected to commence soon. The transportation of modules from fields to gins is proceeding at a steady pace, and seed cotton supplies are lining many gin yards. Four out of 11 processing plants are operating, and a total of 9,243 bales of cotton were ginned to July 17.

Although most of the cotton pressed so far has been from non-irrigated fields, growers have been pleased with early output. Harvest-aid chemicals are being applied to some dryland fields in the Coastal Bend, and bolls are popping open. Work, therefore, is expected to gain momentum in the next week.

According to local analysts, above-average yields are projected in the Upper Coastal Bend, and if good weather holds, picking of more mature fields will likely start in about a month.

Elsewhere in the state, some stands in East Texas that have not received timely precipitation have already reached cutout, while in other areas, plants are just entering the flowering stage. Fruit set appears good in fields that have received beneficial rains.

Hot, sunny weather has returned to **West Texas**, and no rain is in the near-term forecast, allowing outside activities to proceed at a steady pace. Daytime highs have been recorded in the 90°s (F), and lows have fallen into the 70°s, giving plants a break from the triple-digit heat that was recorded earlier this month.

US Upland Statistics

LOAN STATISTICS

CCC Data as of July 10, 2017 (running bales):

Crop	Total Entries	Repossession	Forfeitures	Outstanding Stock
16/17	9,372,917	8,646,608	0	726,309
15/16	6,757,528	6,757,097	0	431
Totals	16,130,445	15,403,705	0	726,740
Last period's total (Jun 26)				846,655

*Including 77,718 bales held by individuals and 649,022 by cooperatives

Details by state for 2015/16 crop and 2016/17 crop upland cotton remaining under loan are as follows (the figures include cotton from both individual growers and the cooperatives):

	2016/17	2015/16
N. Carolina	24,535	-
S. Carolina	8,897	-
Georgia	154,918	-
Alabama	34,969	-
Florida	15,868	-
Virginia	2,113	-
Southeast	241,300	0
Tennessee	76,914	-
Missouri	79,032	-
Mississippi	122,353	-
Arkansas	111,670	-
Louisiana	6,485	-
Memphis Terr	396,454	0
Texas	61,889	-
Oklahoma	1,171	-
Kansas	459	-
South West	63,519	0
New Mexico	4,544	-
Arizona	4,838	431
California	15,654	-
Far West	25,036	431
Upland Total	726,309	431

- OUTSTANDING -

2016/17 2015/16

SPOT MARKETS

OFFICIAL QUOTATIONS FOR SLM 1-1/16" (41/4/34):

	Prices (cents per lb)	Turnover
	19-Jul 12-Jul	
Southeast	68.01 (67.38)	298
N. Delta	67.26 (66.63)	0
S. Delta	67.26 (66.63)	0
E. Tx/Okla	66.50 (65.75)	34
West Texas	66.50 (65.75)	1
Desert Southwest	63.26 (62.63)	0
San Joaquin Valley	64.26 (63.63)	0
7 MARKET AVERAGE	66.15 (65.49)	

Turnover for the period ending July 19 333

Total turnover for season to July 19 1,564,397

Selected markets to July 19 (July 12 values in parenthesis)

NORTH DELTA

	Middling (31)	SLM (41)
1-1/16" (34)	68.01 (67.38)	67.26 (66.63)
1-3/32" (35)	68.51 (67.88)	67.76 (67.13)

Basis for SLM 1-1/16" (41/34):

NY No.2 Oct '17 -150

SAN JOAQUIN VALLEY

1-3/32" (35)	73.16 (72.53)	66.26 (65.63)
1-1/8" (36)	76.66 (76.03)	67.06 (66.43)

Basis for Midd.1-3/32" (31/35):

NY No.2 Oct '17 +440

WEST TEXAS

15/16" (32)	64.00 (63.25)	62.50 (61.75)
1" (33)	65.75 (65.00)	63.25 (62.50)
1-1/32" (34)	66.50 (65.75)	66.50 (65.75)

W. Texas Micronaire (cent points per lb):

	19-Jul	12-Jul
24 & Below	-1100	-1100
25-26	-1000	-1000
27-29	-750	-750
30-32	-500	-500
33-34	-350	-350
35-36	0	0
37-42	0	0
43-49	0	0
50-52	-225	-225
53 & Above	-400	-400

Strength grams/tex (cent points per lb):

	Mfs Terr	W Texas	SJV
19.0-19.9	* -250	*	*
20.0-20.9	* -250	*	*
21.0-21.9	-300	-225	*
22.0-22.9	-250	-200	*
23.0-23.9	-200	-175	*
24.0-24.9	-175	-175	-500
25.0-25.9	-150	-150	-400
26.0-26.9	-25	-100	-300
27.0-28.9	0	0	0
29.0-29.9	0	0	0
30.0-30.9	25	25	75
31.0-32.9	50	25	125
33.0 & Above	50	25	250

* Strengths have no history of being produced.

Note: Official quotations for cotton of 3.5-3.6 & 4.3-4.9

Micronaire, strengths 23.5-25.4 g/tex, compressed in Mixed lots, FOB car/truck.

Grower To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Southwest	68.44	0	3	3
Total	68.44	0	3	3
Business To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Southeast	67.15	85	213	298
Southwest	54.15	378	207	585
Total	58.54	463	420	883

Basis Levels		2016/17
		Option-to-Purchase
	2016/17	Prices**
	cents per lb	cents per lb
Southeast	SLM 1- 3/32" even to 100 "off"	-
Memphis Territory	SLM 1-3/32" 125 to 250 "off"	-
Texas/Oklahoma	SLM 1-3/32" 300 to 350 "off"	-
Far West - SJV	Midd 1-3/32" 450 to 650 "on"	-
DSW - Arizona	Midd 1-3/32" even to 150 "off"	-
Oct '17 New York Futures FOB railcar/truck - Southeast and Memphis Territory. FOB whse - Arizona uncompressed, California compressed.		
** Premium required by growers to enter commitment to sell cotton held in the CCC Loan		

Storms formed earlier in the reporting period in parts of the region, and welcome precipitation was received in a few locales. Coverage, though, was spotty, leaving many fields dry. Weed pressure has intensified, and farmers are spraying herbicides and cultivating fields. According to the US Drought Monitor data for the week ended July 11, soil moisture levels deteriorated slightly in parts of the region, with some cotton growing areas ranging from 'abnormally dry' to 'moderate drought' while others were considered drought-free.

The crop remains in various stages of development, owing to hail damage and sand blasting from strong winds that wiped out a considerable amount of acreage on the Rolling Plains in late June. In some fields, growers opted to replant, and those stands are up and doing well, while some of the recently damaged fields may be switched to an alternative crop or left fallow. On the High Plains, many stands are beginning to bloom, and insect pressure remains light and under control.

Hot, muggy conditions have been reported in the **Memphis Territory** of late, and as temperatures have climbed into the mid 90's (F), heat index readings have ranged from 100° to 110°. Fruiting is increasing throughout the Delta, and retention levels remain relatively good.

To July 16, boll set was ahead of the normal pace in all states, except Mississippi. The greatest advance on the week was reported in Arkansas, where boll set jumped by 24 percentage points on the week to 74 percent. Crop health improved across most of the region, with the proportion of cotton categorized 'good to excellent' ranging from 54 percent in Missouri to 95 percent in Tennessee. Scattered storms developed earlier, and spotty, light precipitation was received. Many stands have shallow root systems, owing to abundant rains this past spring and early summer. Plants, therefore, have been wilting during the heat of the day, and timely precipitation would be welcomed during the heavy fruiting stage to ensure healthy stands. Insect pressure is building, and pesticides are being sprayed.

Fair conditions have ruled across the **Southeast** late in the period, following scattered thunderstorms. Slightly cooler temperatures were reported earlier, giving fruiting plants a brief respite from the summer-time heat. Many of the later-planted stands are catching up with the older crop, and growth regulators are being applied in fields with excessive vegetative growth. Some fruit loss has been reported on the lower crop, but overall, retention levels appear good.

Mostly sunny skies and humid weather are in the near-term forecast, and farmers are beginning to irrigate fields to help reduce fruit shed. Insect counts are above threshold levels in many areas, and treatment measures are being taken. The health of the crop ranged from 54 percent 'good to excellent' in Alabama to 92 percent as such in South Carolina. The proportion of plants setting bolls varied from 19 percent in Virginia to 34 in Alabama.

Meanwhile, unseasonably high temperatures in the low 100's (F) have ruled across most of the **Far West**, taking a toll on the crop. Dry conditions remain in the near-term forecast for California's San Joaquin Valley, and irrigation water continues to flow in fields where stands are exhibiting signs of heat stress. Sixty percent of the state's plants were rated 'excellent' as of July 16, which is 10 percentage points less than the previous week. Forty percent of the crop was categorized 'good', up 10 points on the week. Fruiting is slowly increasing, with 60 percent of stands squaring and 10 percent setting bolls. This compares with the 91 percent average in the former category and 51 percent in the latter. More reasonable readings are needed to ensure healthy plants and to help sustain fruit loads. Pest pressure has increased, and insecticides are being applied.

In Arizona, 83 percent of stands were ranked 'good to excellent' (down 4 percentage points on the week) and 15 percent were 'fair', leaving 2 percent 'poor'.

The monsoon season has begun, and thunderstorms have formed over central and southeastern parts of the state. Most cotton growing areas, though, have remained relatively dry, with only scattered showers falling. Producers, therefore, continue to irrigate fields to help ease water demands. Bolls are rapidly developing in Yuma County under the high heat, and some bolls at the bottom of plants are cracking open.

Cotton Ginning Cost Share Program

On July 18, the National Cotton Council sent out a news release, stating that a bipartisan block of 135 Representatives and Senators had sent letters to President Trump, urging the Administration's support to continue to operate the Cotton Ginning Cost Share Program. They would like the measures remain in place for the 2016 crop year and thereafter on an ongoing basis.

The Senators' letter said that *"In the past decade, the US cotton industry has endured a World Trade Organization (WTO) challenge, increasing foreign subsidies, tariff and non-tariff barriers to trade, and a weakened US safety net"*.

The House letter's focus was expressed in the following terms: *"In recent years, these factors have resulted in the United States experiencing a 30-year low in cotton planted area: global cotton prices approaching \$2.00 per pound before plummeting to as low as 57 cents per pound; and record production costs far outpacing market returns for the last three years. As a consequence, America's cotton farming families are struggling to compete on a lopsided global playing field heavily weighted to our competitors"*.

Similar letters were sent to President Trump by the National Cotton Council and many other cotton organizations, arguing that *"The cost share program will provide policy stability in the absence of a comprehensive policy for cotton in the existing farm bill"*.

Additional information and the text of the four letters referenced by the NCC in their release can be found at:

<http://www.cotton.org/news/releases/2017/costsha.cfm>

16/07/2017					
-percentages-					
	VP	P	F	G	EX
Southeast					
North Carolina	0	5	22	60	13
South Carolina	0	0	8	36	56
Georgia	1	4	23	57	15
Alabama	2	9	36	49	4
Virginia	0	0	10	89	1
Memphis Terr.					
Tennessee	0	0	5	62	33
Missouri	0	12	34	45	9
Mississippi	0	10	22	43	25
Arkansas	0	0	10	56	34
Louisiana	0	3	15	72	10
Southwest					
Texas	1	13	37	39	10
Oklahoma	0	0	8	91	1
Kansas	1	4	20	65	10
Far West					
Arizona	0	2	15	64	19
California	0	0	0	40	60
Summary	1	9	30	46	14

Boll Set			
16/07/2017			
-percentages-			
	Jul 16	Previous Year	5-Year Average
Southeast			
North Carolina	25	22	28
South Carolina	33	22	26
Georgia	31	49	45
Alabama	34	49	38
Virginia	19	19	14
Memphis Territory			
Tennessee	29	31	23
Missouri	16	7	15
Mississippi	38	48	46
Arkansas	74	83	69
Louisiana	69	62	64
Southwest			
Texas	20	17	19
Oklahoma	17	10	13
Kansas	0	5	6
Far West			
Arizona	55	49	51
California	10	13	51
Summary	26	27	28
*These 15 states planted 99 percent of last year's cotton			

US EXPORT SALES

During the week ended July 13, US export shipments of 280,500 running bales were primarily for Vietnam (63,100), Turkey (38,300), Mexico (29,900), China (29,600) and Indonesia (26,200).

For 2017/18, net upland sales of 166,200 running bales chiefly for Bangladesh (44,000), China (33,600), Mexico (27,400) and Vietnam (13,700), were partially offset by a reduction for Taiwan (100).

Net Pima sales of 5,500 running bales for 2017/18 were reported for Peru (2,000), Thailand (1,300) and Austria (900).

Net sales registrations of upland cotton during the current 2016/17 season amounted to 27,200 running bales. Increases were reported for Vietnam (10,900, including 900 switched from South Korea and 900 switched from Taiwan), Turkey (8,900), China (5,800), Taiwan (1,900), India (1,300) and Indonesia (1,200). Reductions were reported for Mexico (2,500), South Korea (1,000) and Japan (800).

Net sales of Pima for the 2016/17 season totalling 2,500 running bales for China (2,100), Japan (200), Mexico (100) and El Salvador (100).

EXPORT STATISTICS

Official return, week ended, Jul 13.	UPLAND	PIMA
-in running bales-		
2016/2017 season		
Previous Outstanding Commitment	1,734,700	60,700
New Sales	32,300	2,500
Cancellations	5,100	1,000
Net Change in Sales Commitment	27,200	2,500
Shipped during the period	280,500	2,700
Cumulative Shipments to, Jul 13.	13,118,800	572,900
Total Outstanding Commitment	1,481,400	60,500
Theoretical Disappearance	14,600,200	633,400
2017/2018 season		
Previous Outstanding Commitment	4,596,500	124,900
Net change in Sales Commitment	166,200	5,500
Total Outstanding Commitment	4,762,700	130,400

US PRICE MECHANISM

US PRICE MECHANISM

- 2016/2017 season -

- value if applied today, July 20, 2017 -

Take 5-day average of:-

A) Five Far Eastern Midd.1-3/32" CFRs	82.30
B) Three Far Eastern 'fine count' CFRs	84.90
C) Three Far Eastern 'coarse count' CFRs	80.65
D) Cheapest US Midd. 1-3/32" CFR	82.15

ADJUSTED WORLD PRICE CALCULATION

Deduct from A

Average cost to market 14.53

Loan Quality Differential

(at average location) between:

Middling 1-3/32" 54.90

SLM 1-1/16" 52.00 2.90

E) Total Adjustment Factor 17.43

F) Adjusted World Price (A - E) 64.87

G) Fine Count' Adjustment Factor must be above zero

2016 crop (current values 2.00-(B-A)) -0.60

H) Coarse Count' Adjustment Factor must be above zero

(current values A-C-5.55) -3.90

I) Loan Deficiency Payment, Basic Loan (52.00) - F -12.87

The Adjusted World Price is calculated from CFR Far East quotations, adjusted to reflect quality differentials and an 'average cost to market'. The quality adjustment is derived from the loan difference between Middling 1-3/32" and SLM 1-1/16". The 'average cost to market' is determined by using values provided to USDA by cotton shippers. USDA has fixed the cost at 14.53 cents until further notice. Further adjustments to the AWP are applied by reference to differences between World Quality and Loan Quality values in the form of a Fine Count and a Coarse Count Adjustment.

The AWP may be further amended if, at the Secretary of Agriculture's discretion, such an amendment is necessary to 1) minimise potential loan forfeitures, 2) minimise accumulation of Government stocks, 3) ensure free and competitive marketing of upland cotton, both domestically and internationally and 4) ensure an appropriate transition between current and forward quotations.

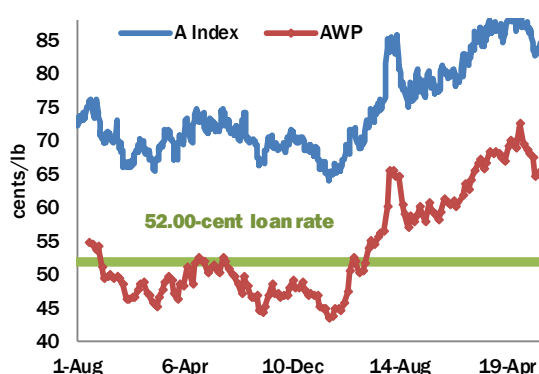
Cotton entered into the Loan may be redeemed with cash at the Basic Loan value or at an AWP lower than the Basic Loan plus storage and interest charges (thus avoiding such charges either entirely or in part).

AMERICAN PIMA COMPETITIVENESS PAYMENT

Basic Loan Trigger

P1) Cheapest competing foreign quote CFR Far East: (week to date average)	171.00
P2) P1 adjusted for quality and transportation ((P1+2.04)-16.88)	156.16
P3) Basic ELS Loan Rate (79.77) adjusted for quality 2-2-46	81.10
P4) Basic Loan Trigger = 134% of P3. P2 must be lower than P4 for four weeks for payments to be triggered <i>The Basic Loan Trigger criterion must be met for any payment to be calculated</i>	108.67
Payment Calculation	
P5) Friday/Thursday US Pima CFR Far Eastern Average	172.00
P6) Weekly average cheapest competing foreign quote CFR Far East (adjusted for quality) (P1+2.04)	173.04
P7) Theoretical value (P5-P6)	N/A
P8) No. of completed wks. P5 must exceed P6 for four consecutive weeks.	0
P9) Official current rate payable through Thursday July 20	N/A


A Index vs. AWP



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ARGENTINA

Dry conditions during the past week have allowed the final stages of the harvest to proceed without difficulty. Temperatures have fallen from around 30° Celsius at the start of the period, to the low 20s, but are forecast to rise once again. Little cotton remains to be picked, but ginning will continue through August and in some cases into September. Production forecasts are about maintained, as more evidence comes to light of the favourable yields obtained from most producing areas.

On the trading front, a persisting feature remains the firmness of prices paid by local mill buyers in comparison to those obtainable on the export market. Export activity has recently been confined to sporadic business in lower quality lots. Over a thousand tonnes have been registered for export during the past week, but it is understood that the bulk of that volume was in fact sold earlier.

Little selling pressure is in evidence, as those holding cotton are mindful of the possibility of a further depreciation of the peso over the coming months, and of the impact of domestic inflation, currently running at an annual rate above 20 percent.

BRAZIL

The 16th annual gathering of ANEA, the national cotton exporters' association, took place between July 14 and 16. The event attracted a record attendance, close to 500, and for the first time was held in the country's largest cotton-producing state, Mato Grosso.

ANEA was created in 2000, as Brazil was poised to move from net importer to net exporter with the expansion of farming in the centre-west of the country, and in Bahia.

[Brazilian exports since 2000](#)



The meeting marked the end of Mr. Marco Antonio Aluisio's four-year term as ANEA president. He is succeeded by Mr. Henrique Snitcovsky.

The mood of the meeting was dominated by the very optimistic outlook for the 2016/17 cotton crop, picking of which is under way. Both producers in attendance and those returning from farm visits, were enthused by the excellent appearance of the crop. Yield expectations are high, and a lint outturn somewhat in excess of the latest official forecast (just below 1.5 million tonnes) seems a distinct possibility. Several private estimates place the prospective lint outturn at 1.55 million tonnes or more, and some even suggest that a figure of 1.6 million may be within reach.

The crop, sown on a slightly smaller area than the previous season, promises to be one of the most successful in recent years in terms of both yield and quality. Ideal conditions accompanied the entire growing period, and sunny, dry weather is permitting harvesting to advance at full speed. Picking in Bahia is perhaps 30/40 percent complete, but in parts of Mato Grosso the harvest is only now getting under way.

[CONAB Yield data](#)



Domestic market

Local prices have remained under pressure recently, as harvesting advances and crop estimates increase. The *Esa/q* Index of spot values has reflected the downward trend. The value published on July 19 was R\$250.38 (equivalent to about 79.25 US cents) per lb, marking a decline approaching ten percent over the past month or so.

Farmers are mostly concentrating on the harvest and complying with contracts made earlier. As a result, most of the recent spot mill business has been arranged by local merchants. The pattern of recent registrations with the *Bolsa Brasileira de Mercadorias* suggests that business in 2016 crop is the least active, whereas 2018 crop has been the most traded. The bulk of recent business has been recorded for export or 'flex' (contemplating delivery either to the local market or for export).

A successful buyers' mission organised by ABRAPA (the national cotton producers' association), has this month brought mill buyers from several major consuming countries to visit farms, associations and laboratories across Mato Grosso, Bahia and Goiás.

Forward outlook

Forecasts for 2017/18 point to a substantial increase in cotton area; a rise of 17 percent was indicated at the aforementioned *Câmara Setorial* meeting. Some commentators are talking of a crop of 1.75 to 1.80 million tonnes.

Corn prices have been very poor this season, therefore there is a good chance that farmers will devote more area to a cotton *safrinha* next season, than to a second corn crop.

Mr. Fernando Pimentel, President of ABIT (the textile association) indicated that the association expects cotton consumption to grow by 10 percent next season.

Firmer real

The real has recently recovered ground against the US dollar. Two months ago, a sharp depreciation (to over R\$3.40) was triggered by a political scandal that appeared to threaten the continuation of President Temer's period in office. Since then, the president weathered the storm and pushed through a series of measures that are viewed by the market as friendly to the economy. Thus, the real has regained ground, and is currently trading at around R\$ 3.16 against the US dollar.

