

WEEK IN BRIEF

Upland **offering rates** have moved within a restricted range this week. The Cotlook A Index remains just below the 80.00 cent mark... New York has moved within very narrow margins. May's premium over March has fallen to its lowest since late October. The July/December spread has been reduced to 160 cent points. Open interest has declined modestly but remains heavy. Speculators' huge net long margin remained intact during the week ended November 29... China's electronic markets have moved erratically but ended lower on balance. Open interest and turnover have fallen. Xinjiang long staple prices have remained about steady... Lack of clarity has persisted regarding the issue by Pakistan of Import Permits for shipments of Indian cotton. Local prices have retreated further in India, but have remained firm in Pakistan... USDA's December supply and demand report will be released after this issue goes to press... Cotton gatherings have taken place in Turkmenistan and India.

In the United States, **picking** in West Texas is up to 70 percent complete. Unsettled conditions have disrupted field work this week. Growers are hopeful of some dry, sunny weather. Rainfall across other parts of the belt has been considered beneficial as farmers look forward to spring planting. However, more is required... Seed cotton arrivals have improved in India, almost to the level that was witnessed before central government's 'demonetisation' announcement... In Pakistan, deliveries have slowed but moved further ahead of last year. The harvest is approaching completion, under helpful weather... Planting of the 2017 crop in Brazil has continued unhindered, under helpful sunny spells, punctuated by rainfall. The latest official forecast has converged with those of other organisations... Sowing has advanced in Argentina, under benign conditions... Insufficient rains in Zambia have cast doubt on the outlook for the next cotton crop.

Mill demand has been selective this week, and directed predominantly at cotton available nearby. Generally, spinners have adhered to a hand-to-mouth buying policy. African Franc Zone cotton has remained the focus. US and Brazilian styles have also attracted demand... During the week ended December 1, US upland export sales registrations for shipment in the current season rose by an impressive net figure of 405,200 running bales, representing a marketing-year high. Shipments were also the highest of the season so far... India was again the major destination for export registrations of Egyptian cotton during the past week... Import purchasing in Turkey has embraced Turkmen and US... Indian raw cotton imports during September were over four times the volume recorded during the corresponding month in 2015.

The cotton **yarn** market has been fairly stable this week, in tandem with upland offering rates... In Pakistan, downstream demand has remained dull. Mills have complained of competition from Indian yarn... Cotton yarn exports from India during September were lower than in the same month a year earlier, mainly owing to reduced purchases from China... Local yarn asking rates in Bangladesh have shown some improvement.



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International Cotton Prices

Steady market

Upland prices have presented a steady appearance during the past week, in the absence of significant movement in New York futures, and the persistence of firm merchants' basis levels relative to that market. The March contract has settled within a range of just 43 cent points since we last went to press.

Speculators' net long holdings, which during the week ended November 22 had increased to over 40 percent of the open interest on that date, rose marginally further during the following week. The trade's aggregate short position in the futures market is also of very substantial proportions. The sheer size of the respective positions may, in the view of some commentators, and in contrast to the market's docility over the past week, herald considerable volatility in the No. 2 contract over the months to come.

Narrow focus of mill demand

Mill demand has been something of a mixed bag this week. Spinners have been generally divided between those who find current asking rates unviable, and those forced to cover immediate requirements. The pattern of mill buying has thus remained predominantly hand to mouth, with spinners unwilling to commit themselves to volume sales for the most part.

Spinners in Bangladesh, whose inventories have been considered low for some time, have again been amongst the more active to enquire for prompt shipment cotton. Much of that buying interest has continued to be directed to West African high grades, for which merchants' basis levels have in consequence remained firm. The amount of cotton still available from trade holdings for the earlier shipment months has become scarcer.

Franc Zone high grades have also benefited from a diversion of demand from Pakistan's erstwhile buyers of Indian Shankar styles (imported in large volume during the 2015/16 season), the supply of which has been disrupted by the actions of the importing country's Plant Protection authorities. Although it is maintained on the Pakistan side that no formal ban on Indian cotton is in place, shipments amounting to several thousand bales are reported to have been rejected during the past week, ostensibly on phytosanitary grounds, while the fate of other consignments appears uncertain. As well as stimulating import demand, the situation has served to underpin asking prices for cotton from Pakistan's domestic crop, despite further evidence of a strong recovery of output this season. Seed cotton arrivals by the beginning of this month had forged further ahead of those a year earlier.

Cotton from the United States has continued to be committed at a faster pace than last season. In November, the net increase in upland sales had exceeded 200,000 bales for three consecutive weeks, and this week's return disclosed registrations double that volume. Cumulative commitments of all cotton stand over 2.8 million bales ahead of the same point in 2015. Vietnam and China have featured strongly in recent reports. Washington's current estimate of exports during 2016/17 stands at 12 million statistical bales of 480 lbs, though it remains to be seen whether that number will be increased in the next supply and demand assessment, to be released immediately after this issue goes to press.

Price outlook

Whether the momentum of US export marketing can be sustained during the later months of the season will of course depend largely on the intensity of price competition offered by other origins. Some market observers have suggested that the likelihood of a significant further drop in Indian prices, at least in the near term, has been reduced, given last month's interruption to supply and related support in the local market. Domestic ex-gin offering rates have weakened late in the reporting period, but remain above the low point witnessed before New Delhi's 'demonetisation' announcement early last month reversed the direction of prices.

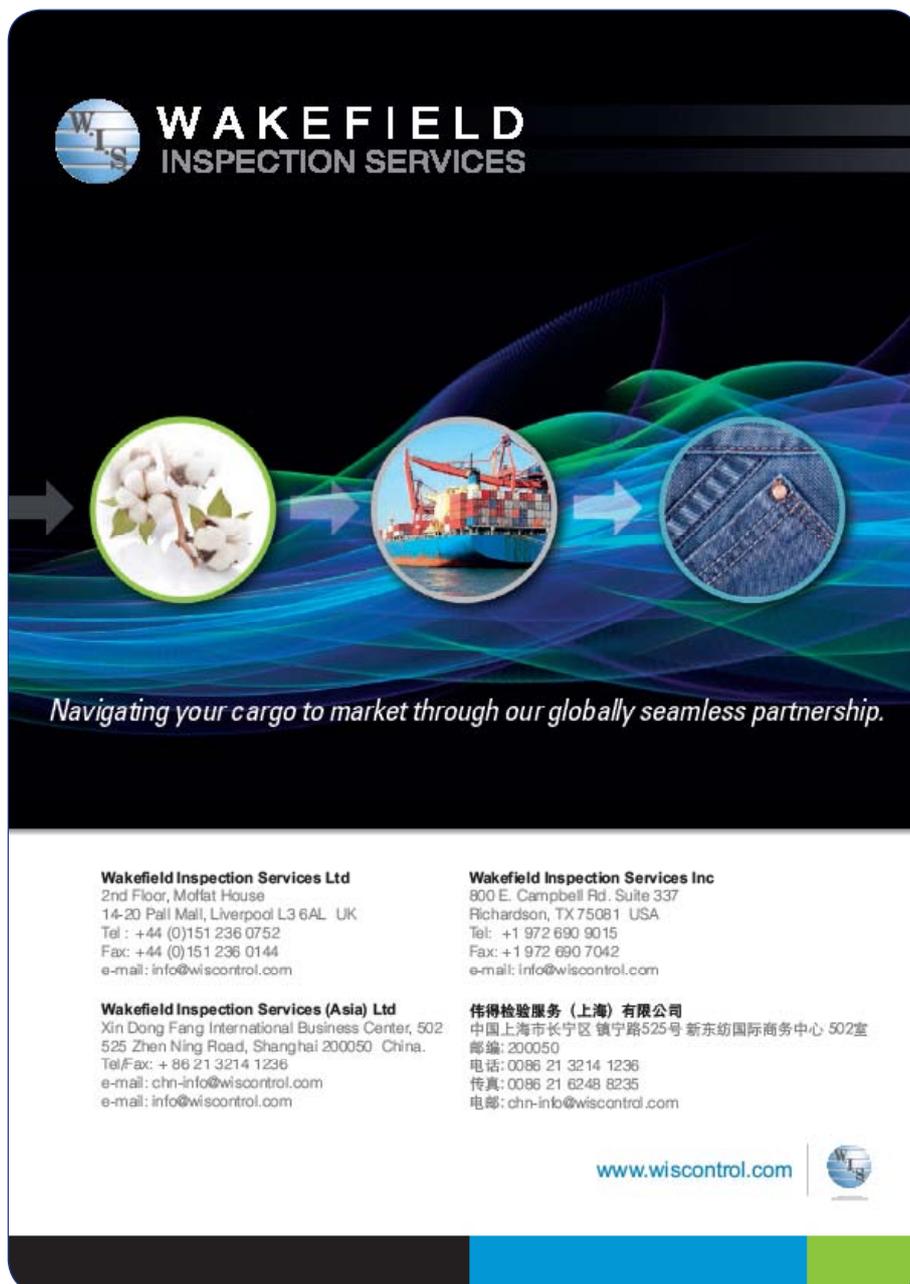
However, the ramifications of the currency measures for the various sectors of the cotton industry continue to unfold. Their most immediate effect was an interruption to the supply of cotton, since when the pace of seed cotton arrivals has gradually recovered, to the extent that daily deliveries are now close to the volume recorded immediately prior to demonetisation. The impact on consumption was at first thought likely to be more muted, and largely confined to the 'unorganised' sector.

However, more recent reports, as well as insights gained in the margins of this week's Cotton Association of India meeting, have suggested that the disruption to demand has been more far-reaching than initially supposed. Although the scale of any resultant reduction in mill consumption is difficult to gauge, Cotlook's number has this week been reduced by a full one million bales (170 kgs), to 30 million, implying a commensurate increase in the country's exportable surplus that may have bearish implications for both local and world prices. Some observers had already expressed the concern that, in the absence of heavy commitments to Pakistan (last season, the neighbouring country accounted for 37 percent of India's raw cotton exports), Indian cotton would need to be keenly priced in order to make the necessary headway in export markets.

Supply prospects

With harvests by now well advanced in most producing countries, the forecast recovery of output in the Northern Hemisphere is no longer in serious doubt. Indeed, the tenor of field reports would seem to favour a further increase in USDA's forecast of domestic production at the end of this week, to reflect higher yields. In the Southern Hemisphere, forecasts of significantly larger crops in Australia and Brazil are maintained. In the former country, our current forecast of 925,000 tonnes, although considered conservative in some quarters, would still represent the largest crop since 2012/13. In the latter, sowing according to the 'conventional' model is under way in the main producing states, but more significant for the size of the crop will be the success of *safrinha* plantings in Mato Grosso, which will take place in the wake of the early soybean harvest, after the year-end.

Given the current optimism evident in both countries, a repeat of the extremely tight supply which was evident in the third and fourth quarters of 2016 seems unlikely during the corresponding period of next year. Cotlook's reduction to Indian consumption has the effect of raising the margin by which we anticipate world stocks outside China to increase by the end of the season to more than 750,000 tonnes, a volume that may begin to weigh on price sentiment over the coming months.



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CFR Far Eastern Quotations for Principal Growths

Quotations as at December 8, 2016

Description	Price	Change on week	Shipment	Price	Change on week	Shipment
American-Type cottons:						
Higher grades						
Australian SM 1-5/32"	86.00	-0.50	5/6			
Benin Kaba/s 1-1/8"	80.50	-0.50	1/2			
Burkina Faso BOLA/s 1-1/8"	80.50	-0.50	1/2			
Cameroon IRMA/s 1-1/8"	81.00	-0.50	1/2			
Cameroon PLEBE 1-5/32"	82.75	-0.50	2/3			
Chad Kero A51 1-5/32"	82.75	-0.50	2/3			
Indian Shankar-6, 1-1/8"	76.75	-0.50	1/2			
Ivory Coast MANBO/s 1-1/8"	80.50	-0.50	1/2			
Mali JULI/s 1-1/8"	81.00	-0.50	1/2			
Spanish SM 1-1/8"	83.00	-0.50	12/1			
Tanzanian RG1 1-1/8"	NQ					
Texas SM 1-1/8"	82.25	-0.50	1/2			
Uzbekistan SM 1-1/8"	85.00	-0.50	12/1			
Zambian SM 1-1/8"	NQ					
Zimbabwe SM 1-1/8"	NQ					
Medium grades						
1-1/8" staple unless stated						
Australian Midd	NQ					
Benin BELA *	79.50	-0.50	1/2			
Brazilian Midd	82.50	-0.50	12/1			
Burkina Faso RUDY *	79.50	-0.50	1/2			
California/Arizona Midd	82.50	-0.50	1/2			
Greek Midd	82.25	-0.50	12/1			
Indian medium grades **	75.75	-0.50	1/2			
Iv. Coast BEMA *	79.50	-0.50	1/2			
Mali ROKY/KATI *	80.00	-0.50	1/2			
Memphis/Eastern Midd	82.50	-0.25	1/2			
Memphis/Orleans/Texas Midd	81.00	-0.50	1/2			
Mexican Midd	NQ					
Syrian Midd	NQ					
Tanzanian SG1	NQ					
Uzbekistan Midd	82.00	-0.50	12/1			
Lower grades						
Argentine SLM, 1-1/16"	NQ					
Brazilian SLM 1-3/32"	80.50	-0.50	12/1			
Greek SLM 1-3/32"	NQ					
Indian J-34 SG **	NQ					
Memphis/Eastern SLM 1-3/32"	79.75	-0.50	1/2			
Memphis/Orleans/Texas SLM 1-3/32"	78.75	-0.50	1/2			
Pakistan AFZAL 1-1/16"	NQ					
Pakistan Type 1467 1-3/32"	NQ					
Long Staple cottons:						
US Pima Grade 2 1-7/16" #	170.00	Unch	12/1			
Egyptian Giza 86 Good+3/8	159.00	-	12/1			
Egyptian Giza 94 Good+3/8 #	163.00	-	12/1			
Israeli Pima H1, 1-7/16" #	168.00	Unch	12/1			
Israeli Acalpi	128.00	Unch	12/1			

* 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 December 08, 2016

2016/2017 Cotlook A Index		79.55
Description	Price	Shpt
Indian medium grade	75.75	1/2
Burkina Faso RUDY	79.50	1/2
Benin BELA	79.50	1/2
Memphis/Oreans/Texas	81.00	1/2
Uzbekistan	82.00	12/1

Seasons Averages

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	78.94

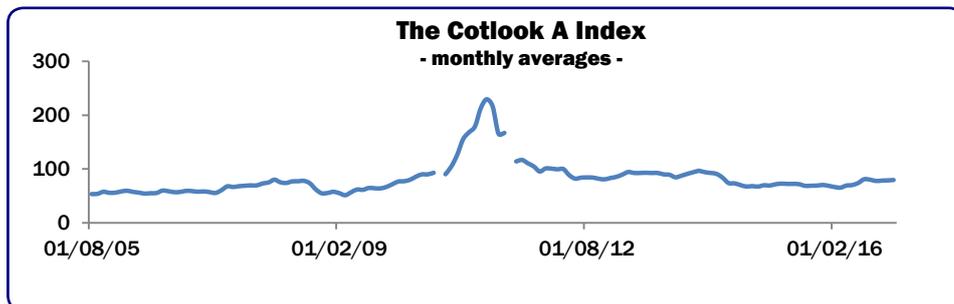
Monthly Averages

May 2016	70.28
June 2016	74.10
July 2016	81.06
August 2016	80.26
September 2016	77.86
October 2016	78.50
November 2016	78.92
December 2016	79.63

Daily Values 2016/17

December 02	79.30
December 05	79.55
December 06	79.55
December 07	79.80
December 08	79.55

Average for week 79.55



YARN INDEX

2005 = 100

This week	122.91	Last month	121.74
Last week	122.91	Last year	113.70

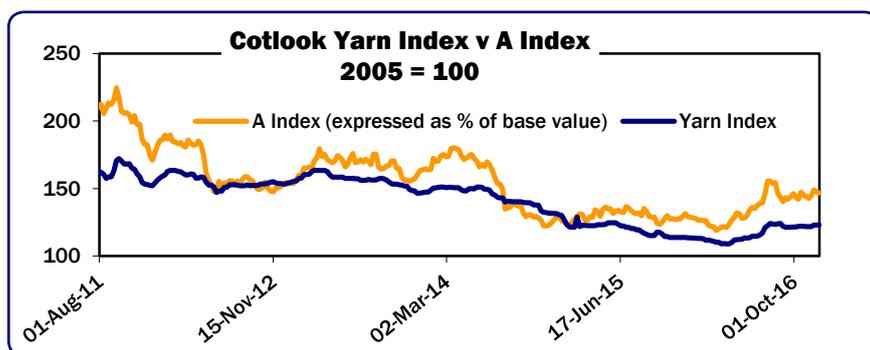
Export prices (in US dollars per kilo FOB)-

		This Week	Change on week	Change on year
Pakistan	20s	2.44	Unch	0.22
India	20s	2.30	Unch	0.20
Turkey	20s	2.85	Unch	0.25
Indonesia	20s	2.56	Unch	-0.25
China	21s	3.27	Unch	0.42
Pakistan	30s	2.82	Unch	0.22
India	30s	2.55	Unch	0.20
Turkey	30s	3.05	Unch	0.25
Indonesia	30s	2.85	Unch	-0.42
China	32s	3.57	Unch	0.23

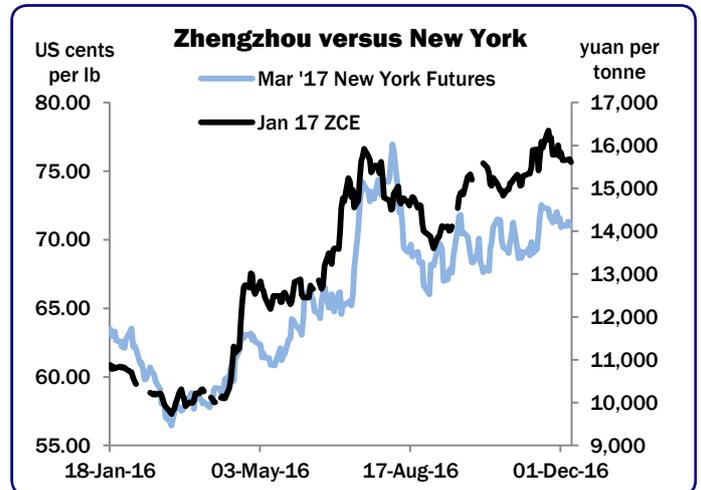
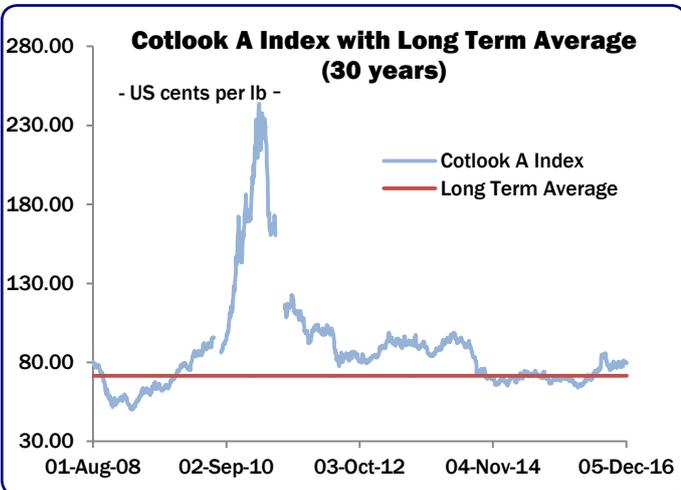
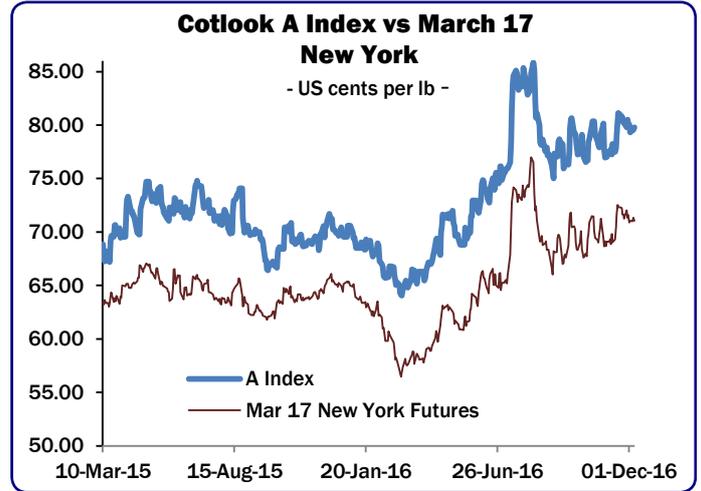
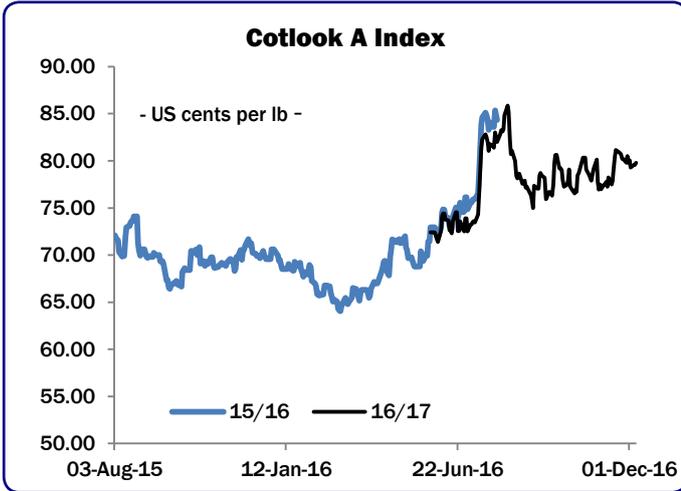
The Yarn Index is derived from our published FOB prices for 20s and 30s counts from India, Pakistan, Indonesia, China and Turkey, each weighted to reflect exports of cotton yarn from the individual country concerned, and expressing that as a percentage of the comparable average values for 2005. In determining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

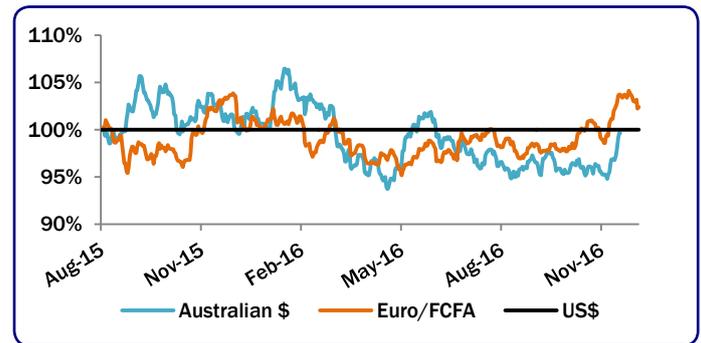
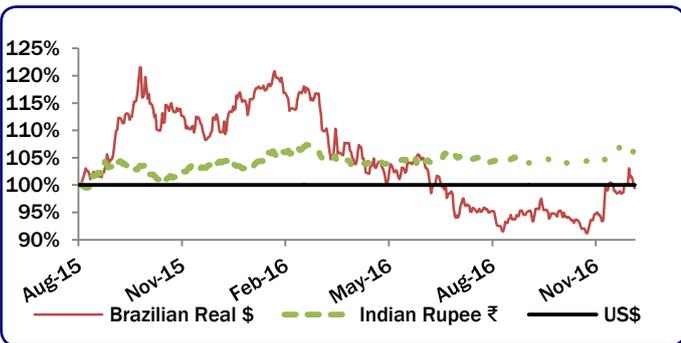


WORLD PRICE TRENDS

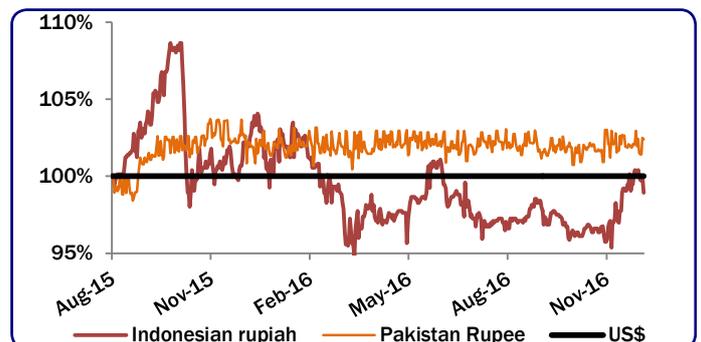
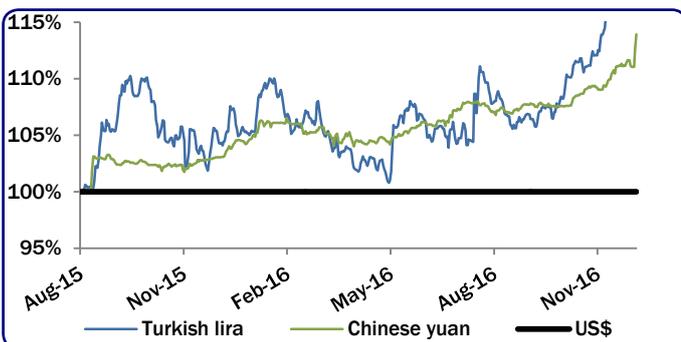


CURRENCY TRENDS

Exporters' currencies vs. US\$ (Aug 1, 2015 = 100%)



Importers' currencies vs. US\$ (Aug 1, 2015 = 100%)



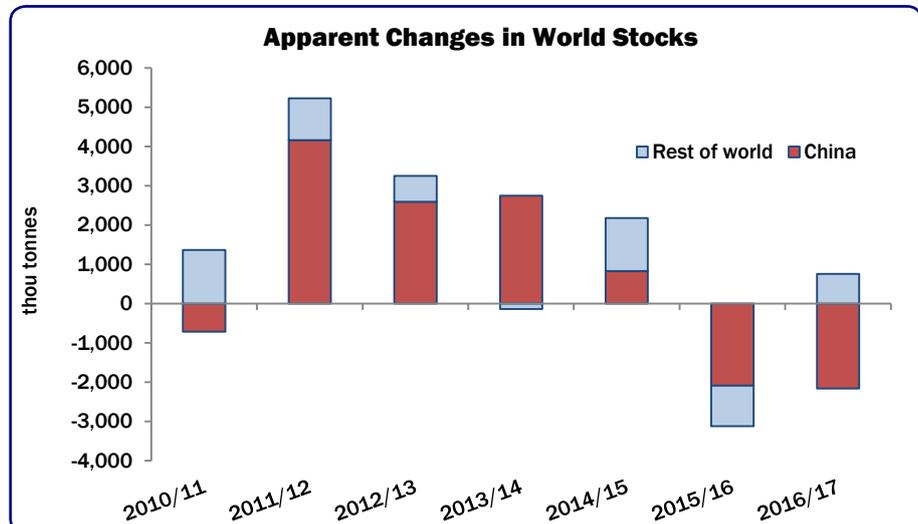
Cotlook Production Estimate

	(thousands of tonnes)	
	15/16	16/17
Argentina	195	180
Australia	590	925
Azerbaijan	13	25
Benin	115	150
Brazil	1,225	1,400
Burkina Faso	247	280
Cameroon	110	102
Chad	59	75
China	4,530	4,500
Colombia	22	20
Côte d'Ivoire	130	130
Egypt	55	40
Greece	220	220
India	5,746	5,950
Iran	60	65
Israel	17	14
Kazakhstan	45	60
Kyrgyzstan	9	9
Malawi	5	10
Mali	215	260
Mexico	198	142
Mozambique	20	25
Nigeria	35	35
Pakistan	1,525	1,825
Paraguay	5	5
Peru	25	27
Spain	55	50
Sudan	40	48
Syria	40	43
Tajikistan	84	80
Tanzania	53	43
Togo	34	35
Turkey	575	700
Turkmenistan	315	310
Uganda	20	30
USA	2,802	3,519
Uzbekistan	835	805
Zambia	45	40
Zimbabwe	12	32
World Total	20,592	22,458
World excl China	16,062	17,958
N Hemisphere	18,356	19,712
S Hemisphere	2,236	2,746
African Fr. Zne	918	1,040
Central Asia	1,288	1,264
EU	275	270

World Stock

The accompanying table shows our production and consumption estimates and the resultant adjustments in world stock levels during 2014/15 and 2015/16, together with our prediction for 2016/17. 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		
	14/15	15/16	16/17	14/15	15/16	16/17	14/15	15/16	16/17
Cotlook									
Production	19,421	16,062	17,958	6,290	4,530	4,500	25,711	20,592	22,458
China net trade	-1,788	-931	-890	+1,788	+931	+890			
New Supply	17,633	15,131	17,068	8,078	5,461	5,390	25,711	20,592	22,458
Consumption	16,281	16,163	16,315	7,250	7,550	7,550	23,531	23,713	23,865
Net change in stock	+1,352	-1,032	+753	+828	-2,089	-2,160	+2,180	-3,121	-1,407
USDA									
Opening stock	8,743	9,732	8,428	13,653	14,570	12,671	22,494	24,302	21,099
Production	19,419	16,222	17,914	6,532	4,790	4,572	25,951	21,012	22,486
China net trade	-1,789	-931	-958	+1,789	+931	+958			
New Supply	17,630	15,291	16,956	8,321	5,721	5,530	25,951	21,012	22,486
Consumption	16,791	16,607	16,655	7,403	7,620	7,729	24,194	24,227	24,384
Other	+150	+12	+25	-1	+0	+0	+51	+12	+25
Ending Stock	9,732	8,428	8,754	14,570	12,671	10,472	24,302	21,099	19,226
Net change in stock	+989	-1,304	+326	+917	-1,899	-2,199	+1,808	-3,203	-1,873
ICAC									
Opening stock	8,336	9,398	7,940	12,109	12,917	11,160	20,604	22,315	19,100
Production	19,701	16,280	18,090	6,500	4,750	4,550	26,201	21,030	22,640
China net trade	-1,789	-932	-954	+1,789	+932	+954			
New Supply	17,912	15,348	17,136	8,289	5,682	5,504	26,201	21,030	22,640
Consumption	16,986	16,730	17,070	7,479	7,440	7,440	24,465	24,170	24,510
Other	+136	-76	+304	-2	+1	-4	-25	-75	+300
Ending Stock	9,398	7,940	8,310	12,917	11,160	9,220	22,315	19,100	17,530
Net change in stock	+1,062	-1,458	+370	+808	-1,757	-1,940	+1,711	-3,215	-1,570



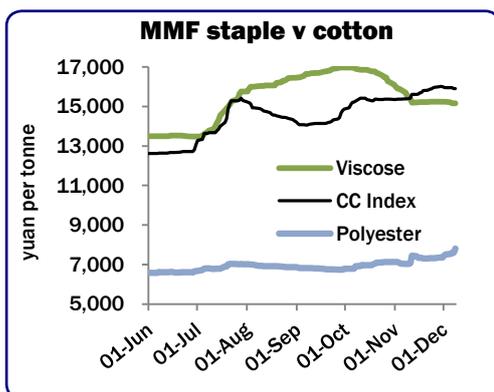
CHINA

Zhengzhou cotton futures have moved rather undecidedly during the past week, but for the second week in succession have ended the period with net losses across the board. The market thus remains below the peak attained in late November, under the combined influence of logistical and weather-related bottlenecks that hindered the movement of cotton eastward from Xinjiang, and a more general wave of speculative buying. Weekly turnover has fallen to 1,676,988 contracts (counting both the sale and the purchase), well below last week's figure in excess of 2.7 million. Open interest has fallen to 413,188 contracts, from 453,036 a week ago.

Average prices on the trading platform operated by the **China National Cotton Exchange** have also ended the period with losses. Turnover has fallen from last week's 107,590 tonnes, to 73,280 tonnes, about 84 percent of which occurred in the April and May deliveries.

The **China Cotton Index** stood on December 8 at 15,907 yuan per tonne, representing a decline of 62 yuan on the week.

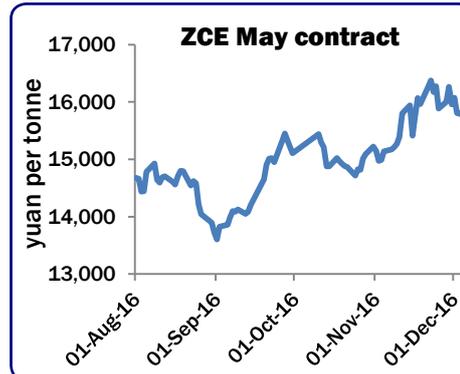
In the man-made fibre markets, in contrast to the downward trend in cotton, **polyester staple** prices have gained ground during the past week. The representative price indication has advanced by 360 yuan, to 7,810 yuan per tonne, its highest point since June of last year. The price nonetheless equates to less than 50 percent of that of



Zhengzhou Cotton Futures

	Settlement			Volume*	Open Interest
	yuan per tonne				
	01-Dec	08-Dec	Chng	Past week	08-Dec
Jan	15,830	15,610	-220	135,284	82,196
Mar	15,935	15,635	-300	212	804
May	16,075	15,805	-270	1,514,068	312,476
Jly	16,030	15,795	-235	24	88
Sep	16,365	16,045	-320	27,388	17,616
Nov	16,235	16,080	-155	12	8
				1,676,988	413,188

*Counting both the sale and the purchase.



CNCE

08 December 2016

Delivery	Turnover	Average	Change	US cents
	in tonnes	price in	on week	per lb
		yuan per		equiv.
		tonne		
Type 328 (domestic 'MA')				
Dec	1,420	14,771	-37	97.68
Jan	1,800	14,794	-163	97.83
Feb	1,500	14,907	-139	98.58
Mar	6,960	14,997	-132	99.17
Apr	32,900	15,008	-167	99.25
May	28,700	15,034	+0	99.42
Total	73,280			

the natural fibre, as measured by the China Cotton Index. Viscose prices have tended lower, losing 90 yuan per tonne to 15,150, and thus remain at a modest discount in relation to the CC Index.

Xinjiang report

Earthquake

According to the China Earthquake Network Centre, an earthquake measuring up to 6.2 hit Hutubi County, Changji Prefecture of the Xinjiang region. There were no immediate reports of damage from the quake.

Elsewhere in the region, weather conditions during the past week have been favourable for cotton ginning and movement, while temperatures in Urumqi have been higher than in previous years. Open skies are predicted in the week to come.

Market prices

Picking had virtually come to an end in Xinjiang by late November. Seed cotton giving an outturn of 39/40 percent, moisture content of ten percent is quoted at 7.05/7.25 yuan per kilo in Aksu, Kashgar and Korla in the south, but ginneries have been inactive in buying and some have stopped operations, which will come to a complete halt next week.

Lint prices in the region are tending to stagnate, as a result of waning buying interest on the part of both spinners and traders. Handpicked Type 2129/3129 is commanding 15,900/16,100 yuan per tonne, and machine-picked is quoted at 500/600 yuan lower, ex-freight terminal.

Asking prices for PCC cotton have increased once again, to around 15,600 yuan per tonne. Few spinners are prepared to meet these levels, however, and mill buyers await a more advantageous moment to start replenishment at more accessible prices. PCC supplies had earlier been the most sought-after cottons by spinners and traders, owing to their high quality parameters (asking prices for PCC lint are some 100/200 higher than those for 'local' Xinjiang cotton).

Currently, of the total of around 400,000 tonnes of high grade lint produced by the PCC's Eighth Division, about eighty per cent has been taken up, following active buying by large-scale domestic spinners.

In Shandong, Xinjiang cotton is now priced at 16,300/16,500 yuan per tonne, around 800/1,000 yuan higher than the price of state reserve or locally-produced cotton. Mill demand has been slack.

Improving transport situation

Cotton movement and sales are expected to return to normal during the course of this month, following earlier, weather-related disruption. A recent improvement in weather conditions in Xinjiang has been favourable to the movement of goods by road and railway. According to CNCE data, a total of 94,400 tonnes of Xinjiang cotton were moved eastwards by rail during November, some 23,500 tonnes more than in the previous month, but 112,600 tonnes less than during the same month last year. In addition,

263,100 tonnes were dispatched by road. The aggregate during September through November by both modes of transport totalled 572,400 tonnes, 461,100 less than a year earlier, a shortfall of 45 percent.

BCO commercial inventory

Beijing Cotton Outlook (BCO) reported that commercial inventories (excluding stocks held by spinners or those in the state reserve) nationwide by late November totalled 2,819,700 tonnes, over one million tonnes more than in October, and 269,700 tonnes more than the figure a year ago. The total consisted of 2,416,300 tonnes in Xinjiang (+358,300), 360,900 tonnes in the 'mainland' (+900), and 42,500 tonnes at ports.

Long staples

Long staple seed cotton is today quoted at 7.65/7.75 yuan per kilo in Aksu Prefecture, some 0.05 yuan lower than last Friday, and at 7.5 yuan in Awati and Shaya Counties. Type 137 lint is commanding 20,700/20,800 yuan per tonne in Aksu.

BCO's price indications for Types 136 and 237 have this week both increased by 100 yuan per tonne, while Types 137 and 236 are unchanged at 21,700 and 20,100 yuan per tonne, respectively.

Inspections exceed three million tonnes

By December 6, inspections of new crop, nationwide, according to CNCE data, represented 3,002,700 tonnes of lint, 38,000 more than the day before. Of the total, Xinjiang accounted for 2,947,700 tonnes (98 percent), consisting of 1,907,800 (+22,900) from the local Xinjiang cooperative system, 1,040,000 (+13,500) from the PCC (army group), and 55,500 (+1,500) from outside Xinjiang. The number of ginners participating in the inspection programme has increased to 903 (+3), of which 141 are from outside Xinjiang. A total of 78,200 (+200) tonnes of long staples have been inspected.

Ministry of Agriculture forecast

In its latest supply and demand report, China's Ministry of Agriculture has lowered its estimate of production for the 2016/17 season by 10,000 to 4,720,000 tonnes, owing to a reduction in yields attributed to adverse weather during November in southern Xinjiang's Bachu and Aksu regions. Consumption has been increased by 20,000 to 7,540,000 tonnes, influenced by the devaluation of the yuan, which of late has been a supportive factor for textile and clothing exports. State reserve sales in 2016/17 will continue to follow the de-stocking strategy, with the result that the forecast of this season's ending stocks has been lowered by 90,000 to 9,180,000 tonnes. The ministry predicts that the price of Type 3128 lint will fluctuate within a range of 14,500/16,500 yuan per tonne, which is higher than in 2015/16.

Production for the 2015/16 season (September/August) is unchanged at 4,930,000 tonnes, consumption at 7,560,000 tonnes, imports at 960,000 tonnes and exports at 20,000 tonnes. The estimate of last season's ending stocks is therefore also unaltered, at 11,110,000 tonnes.

International Prices

Data as at 8 December, 2016

	Yuan per tonne equiv. + insurance	Approximate delivered mill value	
		Including one percent tariff + 13 percent VAT	including 40 percent duty & 13 percent VAT
Cotlook A Index	12,566	14,285	19,246
Texas SM	12,976	14,753	19,895
Uzbek SM	13,394	15,230	20,556
Australia SM	13,546	15,403	20,797
Burkina Faso BOLA/s	12,710	14,449	19,474
India Shankar-6	12,140	13,799	18,573
Benin KABA/s	12,710	14,449	19,474
Cameroon IRMA/s	12,786	14,536	19,595
Cameroon PLEBE 1-5/32"	13,052	14,840	20,015
Ivory Coast MANBO/s	12,710	14,449	19,474
Mali JULI/s	12,786	14,536	19,595
China domestic prices	yuan/tonne	chg on last published	cents/lb
CC Index	15,969	-	105.60
CNCE December	14,771	-37	97.68
ZCE January	15,610	-220	103.23
	yuan/tonne	chg on week	cents/kilo
polyester	7,450	-	108.61
viscose	15,240	-	222.18
	Yuan/kilo		cents/lb
32s carded yarn	22,680	-	328.90
40s combed yarn	23,535	-	341.29
Monthly yuan/dollar customs exchange rate			6.8592
Actual Rate (Dec 8)			6.8958

PAKISTAN

CCAC nudges cotton production down to 10.542 million bales

On December 5, the Cotton Crop Assessment Committee (CCAC) held its third meeting of the season in Islamabad, under the Chairmanship of the Federal Secretary, Ministry of Textile Industry. The main agenda of the meeting was to reassess the forecast of cotton production for this season (2016/17).

As usual, representatives of the provincial governments of Sindh and Punjab, cotton growers, the Trading Corporation of Pakistan (TCP), the Karachi Cotton Association (KCA), and Pakistan Central Cotton Committee (PCCC), were all present at the meeting.

The Cotton Commissioner, Dr. Khalid Abdullah, gave an overview of cotton production, touching on the situation as regards pests and disease, market trends and other factors, such as high temperatures, that influence the cotton crop. Members of the meeting were informed that the area sown to cotton had decreased by 20 percent in Punjab, mainly due to lower prices last year.

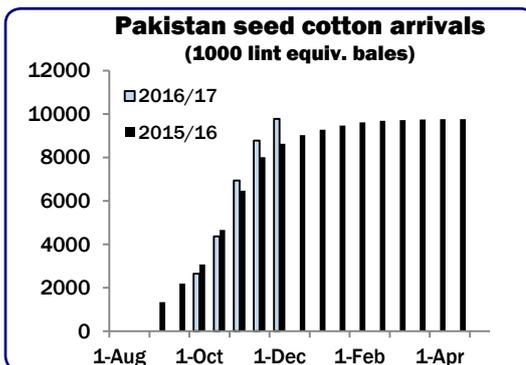
Thus, the estimate of national cotton production has been revised downward to 10.542 million bales (of 170 kilos each). This compares with 11.039 million bales established at its second meeting, held in October. The CCAC, province-wise, places cotton production in Punjab at 6.903 million bales (cut by 397,000 bales from the second estimate), Sindh at 3.60 million (down 100,000 bales), and the remainder in Balochistan and Khyber Pakhtunkhwa (KPK).

The KCA member believed that the assessment was realistic and that the position on the ground was very close to this forecast. For the future, growers demanded that the government needed to ensure the provision of quality cottonseed, affordable inputs, and competitive support prices.

The Federal Secretary of the Ministry of Textile Industry closed the meeting, emphasising the need for a modern cotton crop forecasting model, to allow accurate, reliable, and more authentic assessments to be made.

Good pace of seed cotton arrivals continues

According to the Pakistan Cotton Ginners' Association (PCGA), arrivals of seed cotton during the second half of November amounted to the equivalent of 997,908 bales (local weight, say 155 kgs) of lint, compared with a figure of 612,320 bales during the same period a year earlier. Total arrivals from the 2016/17 crop by December 1 amounted to the equivalent of 9,778,451 bales; the comparable figure on the same date in 2015 was 8,631,933. Thus, this season's arrivals by the end of November represent a gain in comparison to the same point of last season of 13.3 percent or 1,146,518 bales. The corresponding increase a fortnight ago was around 9.5 percent.



Arrivals by District

- lint equivalent bales -

	2016/17 to Dec 1	2015/16 to Dec 1	% Chg
Punjab:			
Multan	280,853	115,985	+142%
Lodhran	173,443	80,450	+116%
Khanewal	552,071	353,327	+56%
Muzaffar garh	302,665	233,798	+29%
Dera ghazi khan	319,937	272,253	+18%
Rajanpur	328,994	393,780	-16.5%
Layyah	253,314	227,792	+11%
Vehari	354,881	290,887	+22%
Sahiwal	197,933	227,720	-13.1%
Pakpattan	40,160	66,228	-39.4%
Okara	18,807	21,815	-13.8%
Qasur		11,376	-
T.t. singh	147,838	122,004	+21%
Faisalabad	34,330	45,323	-24.3%
Jhang	29,762	40,561	-26.6%
Mianwali	236,609	254,384	-7.0%
Bhakkar	59,827	73,591	-18.7%
Sargodha	9,200	11,000	-16.4%
Rahim yar khan	1,013,356	951,736	+6%
Bahawalpur	871,321	646,746	+35%
Bahawalnagar	933,569	662,336	+41%
Total Punjab	6,158,870	5,103,092	-20.69%
Sindh:			
Hyderabad	223,595	244,410	-8.5%
Mirpur khas	267,737	270,492	-1.0%
Sanghar	1,210,509	1,294,419	-6.5%
Nawabshah	313,860	298,032	+5%
Naushero feroze	322,564	273,991	+18%
Khairpur	273,409	242,033	+13%
Ghotki	277,325	260,248	+7%
Sukkur	480,945	393,298	+22%
Dadu	38,500	30,727	+25%
Jamshoro	110,236	133,000	-17.1%
Badeen	27,027	31,600	-14.5%
Baluchistan	73,874	56,591	+31%
Total Sindh	3,619,581	3,528,841	+2.57%
Grand Total	9,778,451	8,631,933	-13.28%

2016/2017 Crop Statistics in lint equivalent bales

(year ago figures in parentheses)

	Punjab		Sind		Total	
Deliveries and ginnings						
Delivered gins	6,158,870	(5,103,092)	3,619,581	(3,528,841)	9,778,451	(8,631,933)
Pressed	5,645,235	(4,705,229)	3,255,431	(3,129,590)	8,900,666	(7,834,819)
Sales						
Mills	4,788,212	(3,728,701)	2,895,768	(2,560,698)	7,683,980	(6,289,399)
Exporters	50,500	(5,200)	134,444	(347,626)	184,944	(352,826)
T.C.P.	0	(0)	0	(0)	0	(0)
Unsold Stocks	1,320,158	(1,369,191)	589,369	(620,517)	1,909,527	(1,989,708)

Source: Pakistan Cotton Ginners' Association.

The biggest year-on-year increase in arrivals is shown across Punjab stations, which were up by just under 20.7 percent, with over half of these districts showing significant gains, whereas Sindh continues to show a more moderate increase, this time rising overall by over 2.5 percent.

Of the total, 7,683,980 bales had been sold onward to textile mills (compared with 6,289,399 by the same date last year) and 184,944 bales (352,826) to exporters. The stock (both pressed and unpressed) in ginners' hands thus amounted to 1,909,527 bales, versus 1,989,708 a year earlier.

An estimated 788 ginning factories are in operation, a reduction from the last report.

Harvest almost over

Cotton harvesting is winding down across the cotton belt, under mainly dry conditions, with warm temperatures during the daytime. As expected, arrivals slowed during the second fortnight of November (though they remained well above those a year earlier) and are expected to drop significantly from now on. Producers have continued to clear fields for winter wheat. Thus, the bulk of future arrivals will have to originate from growers' holdings, released into the market gradually to ensure the best possible price.

Ginning activity is also expected to slow down. With diminishing arrivals and increasing prices, growers have been very tight sellers. Prices have been quoted between Rs. 2,800 and Rs. 3,450 per 40 kilos, depending on the quality over the last few days.

Indian cotton imports under scrutiny

As daily seed cotton arrivals have declined from their recent peak, selling pressure has been lacking, and growers have been able to dictate market conditions by gradually releasing stocks into the market. Crucially, there has been no resolution to the current

problems concerning the clearance of customs by import shipments of Indian cotton. This has been another supportive factor for domestic prices, as mills with urgent requirements have been obliged to buy domestic lots at the prevailing levels. Mills have been extremely critical of the current handling of blocked Indian imports, and have been lobbying the government vociferously for a resumption of trade in raw cotton, under the normal customs regime. The future of several thousand bales of earlier contracted Indian cotton remains uncertain, while consignments which have already arrived at Karachi port are held up or have been rejected.

On December 7, business in 'better quality' new crop cotton attracted between Rs. 6,350 and Rs. 6,600 per maund (roughly 73.90/76.85 US cents per lb), ex-gin, up by Rs. 50/100, while a small volume of lower grades moved off between Rs. 4,500 to Rs. 5,500 (unchanged).

On the same date, the Karachi Cotton Association's official spot rate for 2016/17, Grade III (Staple: 1-1/16" & Micronaire: 3.8/4.9 NCL) was quoted at Rs. 6,250 per maund, ex-gin, (unchanged).

On the import front, a fairly active mill enquiry has been witnessed over the past few days. With the future of Indian cotton imports still unclear, local mills have continued to explore other import growths to cover unforeseen gaps in their inventories. West African 's' types have continued to feature, and a further few thousand tonnes of staple 1-3/32" have been purchased at prices between 800/825 cent points 'on' March 2017 ICE futures. US cotton has also attracted improved buying interest and upland 'recaps' have moved off, in modest quantities, at varying prices, while some Sudan Acala lots have been bought at around the low 70s cent mark, CFR Karachi. Fine count spinners have covered some further quantities of Turkmen extra-long staple.

Raw cotton export registrations and shipments

According to the *Trade Development Authority of Pakistan*, raw cotton export registrations from August 1 to November 23 totalled 111,230 bales (including 4,048 bales of 2015/16 crop), and shipments amounted to 81,387 (4,061). Compared with the same day in October, export registrations have increased by 17,464 bales and shipments by 18,987.

Yarn and Textiles

Stable conditions have prevailed in the local yarn and textiles market. Spinners have reported sluggish yarn offtake from local weavers and knitters. Most domestic downstream manufactures have tended to buy against their pressing requirements only and have complained of the lack of margins on the back of higher prices.

Mills have firmly maintained their asking rates, citing the increase in raw cotton replacement costs. However, spinners are extremely critical of the unrestricted nature of imports of yarn from India, whereas raw cotton imports from that origin have been halted for the last couple of weeks.

The government has released official confirmation of a decrease in local gas prices. However, prices have been reduced only for gas delivered from local suppliers, which is mostly distributed to the industry in Sindh province. Since the Punjab-based industry mostly receives imported Liquefied Natural Gas at a higher price, the affected mills have complained of the disparity.

Export yarn demand has also remained slow. Mills have continued to complain of the lack of volume buying from foreign customers at workable prices.

Asking rates for 20/21s carded yarn have been maintained at around US\$430.00/455.00 per 400 lb bale, FOB, while those for 30/32s carded yarn are also unchanged at US\$500.00/525.00.

Polyester staple fibre prices have once again been held at Rs.116/118 per kilo.

INDIA

Prices and arrivals

New crop seed cotton arrivals have improved almost to the level that was seen before the government's 'demonetisation' measures caused disruption to the supply side in early November. Nationwide, daily arrivals are estimated at roughly 165,000 lint equivalent bales (of 170 kgs), with around one third of the total coming from Maharashtra.

Ex-gin asking rates for Shankar-6 moved higher early in the period, but have since declined under the pressure of increased arrivals, to end the week lower. On December 7, prices were placed at ₹39,000 per candy, or roughly 73.30 US cents per lb, at the prevailing exchange rate. Punjab J-34 has also edged lower, to ₹4,130 per maund (73.95 US cents per lb).

The MCX futures market has also declined during the period, in reflection of the physical raw cotton market. On December 7, the lead December contract closed at ₹18,810 per bale (₹39,350 per candy), or 74.40 US cents per lb. The February contract continued to trade at a premium, closing on the same day at ₹19,040 (₹39,830), or 75.35 cents per lb.

Volume traded on the lead month was 121,650 bales, lighter than turnover during the previous week by almost 50,000 bales.

Foreign trade in raw cotton and cotton yarn

Imports of raw cotton during September amounted to 138,052 tonnes, over four times the level recorded in the same month last year (31,049). Australia accounted for almost 60 percent of the total. Mali was the second largest origin, with 13 percent. The cumulative volume imported during the first two months of the current international season (August/July) stood only moderately behind the total volume imported during the whole of the previous season.

In contrast, during September, Ministry of Commerce data show that India exported just 11,281 tonnes of raw cotton, compared with 59,019 during the same month a year earlier. Bangladesh was the main destination for shipments completed

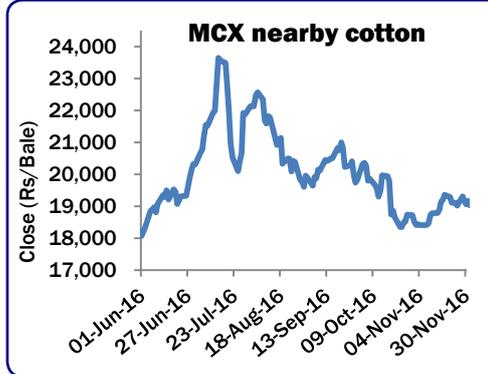
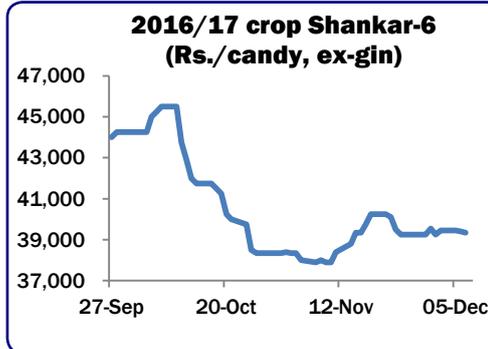
during the month, accounting for no less than 82 percent of the total. During the month in question, exports of cotton yarn (5205, cotton yarn other than sewing thread, not for retail sale) amounted to 76,443 tonnes, versus 111,722 tonnes during the corresponding month a year earlier. The main difference between the two years was China, which in September 2016, though still the largest destination, accounted for merely 22,355 tonnes, versus 54,441 in 2015.

CAI event

The **Cotton India 2016/17** event was held in Mumbai this week, attended by an estimated 250 local and international delegates. Presentations covered issues such as optimization of supply chain logistics, adapting to new technologies and prospering without government intervention. Mr Ray Butler, Cotlook Managing Director, gave a presentation on the challenges facing cotton.

Discussions in the margins of the meeting revealed concerns regarding the state of domestic consumption, as a result of the demonetisation process set in train a month ago. Spinners' recent fortunes have also been affected by declining exports to China (as noted above) and relatively firm raw cotton replacement costs, supported by the delayed crop and recent disruption to the supply of raw cotton. Some mills are said to be cutting operations and local observers suggested the effect on the textiles sector may take several months to return to normal.

The export trade is concerned by the uncertainty that has arisen regarding exports to Pakistan.



India: cotton imports

2016/17
In tonnes

	Sep	Aug/Sep
World	138,052	215,036
Australia	82,622	112,503
Mali	18,021	28,710
United States	5,886	14,197
Cote d'Ivoire	5,790	9,787
Greece	2,794	5,927
Turkmenistan	2,143	4,768
Pakistan	2,133	4,422
Benin	1,881	4,020
Chad	1,852	3,752
Cameroon	1,499	3,341
Egypt	1,037	2,776
Uganda	900	2,520
Togo	652	2,169
Burkina Faso	599	1,957
Brazil	297	1,409
Others	9,946	12,778

India: cotton exports
2016/17
in tonnes

	Sep	Aug/Sep
World	11,281	22,683
Bangladesh	9,261	19,293
Bahrain	492	673
Vietnam	470	470
Pakistan	362	594
Malaysia	219	852
Indonesia	150	321
Thailand	146	222
Japan	130	181
China	-	-
Korea South	-	2
United States	-	18
Iran	-	8
Others	51	49

BANGLADESH

During the past week, the cotton market has become somewhat more active than of late, with more spinners demanding supplies for nearby shipment and through the first half of 2017. Mill enquiry has focused on the customary Central Asian, Indian, West Africa, Brazilian and US styles. It is understood that some spinners that had bought directly from Uzbekistan over the past several seasons may now have reverted to purchasing from international shippers, and more enquiry has been pitched in the direction of those merchants.

Attractive raw cotton offers in circulation have resulted in some purchases, with business typically concluded at around 50 points below shippers' asking rates. Offers have included Mali Type JULI/s 1-1/8", 28 GPT at 81.50 cents per lb, for February shipment.

Confirmed business has been noted in Brazilian Middling 1-1/8" at 82.00 cents per lb, shipment December, together with US Eastern/M/O/T 1-1/8" at 83.00 cents per lb, Indian Shankar 6, 29mm at 75.00 cents and Malawi Middling 1-1/8" at 80.00, all for shipment January. Turkmen BGM 1-1/8" has moved off at 85.50, shipment December/January, with shipment February/March at a premium of around 140 points. Burkina Faso Type BOLA/s 1-1/8" has been booked at 950 cent points 'on' May ICE futures, for shipment February/March and Cameroon Type PLEBE 1- 5/32" has been bought at 84.00, for shipment May/June.

Offering rates for Central Asian high grades 1-1/8" from supplies in local warehouses have been decreased, and attracted between 86.00 and 88.00 cents per lb, while those for Indian MCU-5 30 mm have been around ten cents cheaper, at between 77.00 and 79.00 cents per lb. Indian Shankar-6 has typically been available, ex-warehouse, and continues to attract a discount of around a cent compared with the MCU-5.

Yarn rates

Local yarn selling rates have once again seen a modest increase this week. Carded 30s have commanded around US\$2.95/3.00 per kilo.

In recent months, there has been relatively little fluctuation in yarn prices. It is estimated that roughly half of local spinners form part of integrated groups, which has tended to dilute the volatility of yarn selling rates. The availability of competitively-priced Indian yarn imports is another factor that has placed a cap on any rise in local yarn values.

TURKEY

Early in the reporting period, a few thousand tonnes of Turkmen changed hands, Sort 4 commanding prices in the region of even to 100 cent points 'on' March futures.

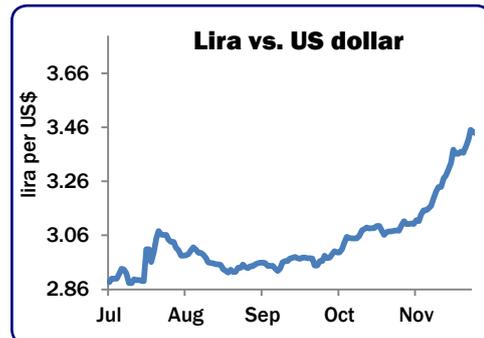
Several Turkish delegates attended the Cotton and Textiles Exhibition and Fair, held in Ashgabad last weekend. One buyer is credited with the purchase of some high grades.

Import purchasing has otherwise remained rather slow during the past week, but some business has been arranged with open-end mills in US Eastern/ MOT styles, discounted for low Micronaire, at prices in the region of 500/600 points 'on' New York. A few hundred tonnes of Brazilian Middling 1-1/16" have changed hands at around 700 'on' cover. Greek has also featured.

Ring spinners have typically been purchasing cotton from the domestic crop, at prices in the region of TL 5.5/5.6 per kilo.

Currency considerations have not been conducive to import purchasing. The recent depreciation of the lira against the US dollar has continued. Since its recent peak in early September, the currency has depreciated by over 19 percent against the US unit.

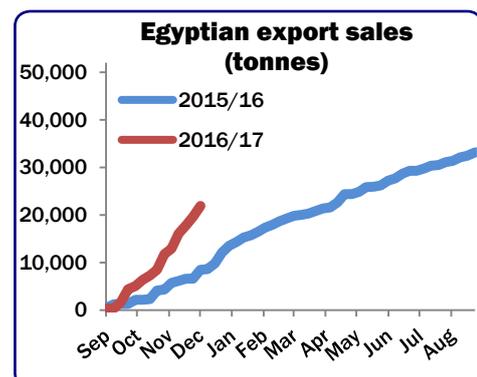
On the Izmir bourse, firm prices have been maintained. The session on December 7 saw a modest volume change hands at a price of TL5.90 per kilo (say 78.25 US cents per lb), ex-gin, payment at one week, for a 41 colour grade.



EGYPT

A further 2,286 tonnes were registered for export during the week ended December 3, raising the cumulative total for the season to that date to 21,937 tonnes - more than two and a half times the volume recorded by the same date a year earlier.

The latest week's registrations comprised 1,676 tonnes of Giza 86 (at an average FOB price, according to ALCO-TEXA, of 147.00 cents per lb for current crop, and 133.00 for old crop), 310 of Giza 90 (111.00 cents per lb), 275 of Giza 94 (164.00) and 25 tonnes of the ELS variety Giza 87 (180.00).



India once again featured as by far the most prominent destination, accounting for 1,810 tonnes, or 79 percent of the latest registrations. India accounts for 60 percent of those recorded since September 1.

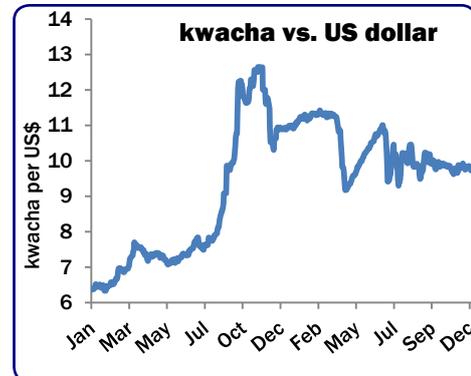
Smaller volumes were this week registered for shipment to Egypt's Free Zone (326 tonnes), Pakistan (123), Turkey (58.5), Morocco (26) and Portugal (24).

ZAMBIA

A fitful start to the rainy season has created uncertainty with regard to the prospects for the next cotton crop. Rainfall has thus far been patchy, and some areas have received none at all. Irrigation dams are depleted. An early improvement is required, if hopes of matching last season's seed cotton output of 116,000 tonnes are to be sustained.

More generally, an adverse economic environment, exacerbated by inflationary pressures and a very irregular power supply, is affecting many commercial sectors, including farming.

Having depreciated considerably throughout most of 2015, and displayed some volatile movements earlier this year, the kwacha has more recently displayed a degree of stability against the US dollar. Despite the difficulties described, the currency has fluctuated in a relatively narrow range of around 9.5/10.0 against the US currency, over the past few months.



FAR EASTERN MARKETS

During the period under review, raw cotton import markets in the region have generally been quiet. The majority of supplies booked have been for shipment in December or during the first quarter of next year. Demand for US styles has been fairly broad-based, with a degree of business concluded in most markets. There have been more reports of confirmed Indian purchases this week, and more competitively-priced offers of that origin remain in circulation. So far, it is thought that the bulk of this business has been arranged with Indian private shippers at origin. Problems importing Indian raw cotton into Pakistan have fuelled conjecture that a further cheapening of Indian supplies may take place, particularly as regards parcels that may have to be diverted for sale to Far Eastern Markets.

During the past week, CFR purchases in **Taiwan** have involved 200 tonnes of Indian roller-ginned Middling 1-1/8" G-5, 28 GPT minimum, booked at 75.50 cents per lb, for shipment December and 500 tonnes of US Eastern/M/O/T Lower Grade SLM Light Spotted 1-1/32" Micronaire 3.0 NCL at 250 cent points 'on' March ICE futures, for shipment January/February.

For Taiwanese-owned operations overseas, US 2016/17 crop 'green cards' 31-3-36 G-5 have been purchased at 81.50 cents, and similar specifications but with staple 1-3/32" at 100 cent points less, both for shipment second half December, CFR HCMC. For destination Mexico, 300 tonnes of Mexican 2016/17 crop, Middling 1-1/16" Micronaire 3.0 NCL have been booked at 74.80 cents, for shipment December/January, CIP Mexico. For destination Lesotho, 135 tonnes of Zambian/Zimbabwe SM Light Spotted 1-1/8", have been acquired at 81.45, for shipment December, CIP Lesotho.

Recent transactions in **Indonesia** for December shipment have included Indian Shankar-6 1-1/8" G-5 at 76.00 cents per lb, Brazilian Middling 1-1/8" G-5 taken up at 80.00 cents and US Eastern/M/O/T Middling 1-1/8" G-5 purchased at around the same price. For shipment January, business has been arranged in West African Type MANBO/s 1-1/8", G-5 at 79.00 cents per lb, US Eastern/M/O/T SM 1-1/8" G-5 at 82.50 cents and from the same origin Middling 1-1/8" G-5 bought 'on-call' March (January/March).

A couple of mills in **South Korea** have secured around 500 tonnes of US 2016/17 crop, for shipment during the first quarter of next year, for their overseas operations.

Recently, in **Thailand**, small quantities of US, West African and Turkish cotton have been procured. Most of the above shipment requirements were for first quarter shipment of 2017, while Turkish was booked for prompt shipment.

October raw cotton imports

During October, Thailand imported 19,958 tonnes of raw cotton, compared with 23,442 tonnes during the same month in 2015. As last year, Australia headed the list of origins. The United States was in second place, marginally ahead of Brazil.

Thailand Raw Cotton Imports (in tonnes)		
	October	
	2015	2016
Australia	5,664	6,834
United States	3,667	4,606
Brazil	4,345	3,947
Mali	2,409	1,634
Tanzania	0	735
Cote d Ivoire	1,155	681
Argentina	524	588
Singapore	0	308
Burkina Faso	2,209	128
Turkmenistan	0	100
India	307	97
Israel	0	93
Pakistan	728	56
Others	2,435	151
Total	23,442	19,958

UNITED STATES

ICE cotton holds in range

March futures have traded within the range of 70.05 to 72.13 cents/lb that has been in place over a couple of weeks. The most active contract settled lower in three out of the five sessions for a net loss of 53 points. The sideways pattern of trading proved to be mostly uninspiring for cotton industry and speculative participants alike, and the mood of apathy was reflected with lighter volume reported. Some traders were reported to be sitting on the sidelines until after USDA releases its supply and demand figures on Friday.

Over the week, support for the nearby March contract has been identified at around the 70.00-cent area while resistance is perceived to lie just above the 72.00-cents.

The May '17 contract continues to trade at a premium over March settling at a 37-point May premium on December 7. July ended the period with a 160-point premium over the December 2017 contract.

The December '16 contract's last trading day was on December 7 and so far, 216 notices have been issued. Certificated stocks have increased to 62,074 bales, their highest level since August 23. Most of the cotton is held in Memphis and Dallas/Ft. Worth area warehouses. There were 1,317 bales awaiting review.

For the week, total open interest decreased slightly to 251,402 contracts (December 6).

Speculators increased their net long margin slightly to 40.9 percent of the total open interest (255,483) during the week ended November 29, compared with the previous week's 40.8 percent net long margin. Longs rose by 1,539 while shorts fell by 9 holdings. Commercial traders increased their net short position to 45.4 percent, up from 44.9 percent the previous week after reducing longs by 450 and adding 2,463 shorts.

Lackluster sales of US cotton

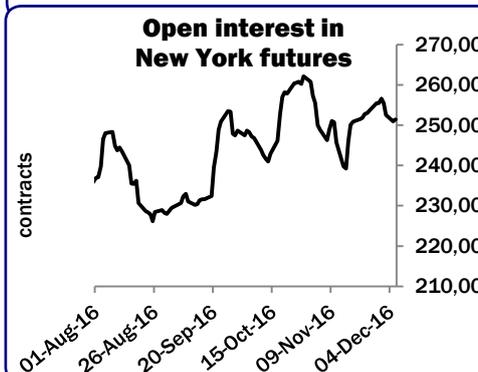
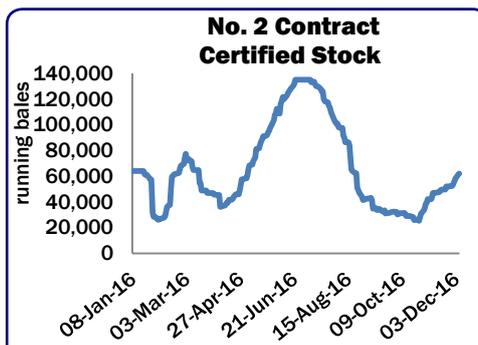
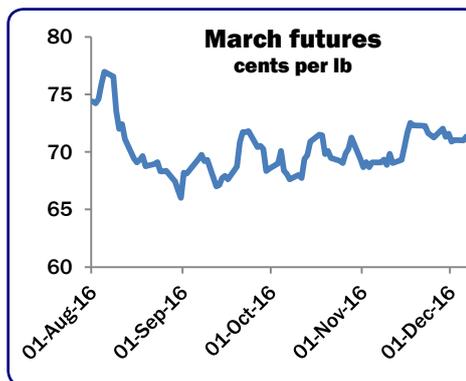
Although some cotton has moved into the loan, volume turnover has also increased in the spot market and on *The Seam*. Shippers continue to work on securing previously purchased cotton from first hands.

On the export front, only limited December/January seller's option offers remain in evidence as most have switched to January/February shipment. Various mills in the Far East and Pakistan have continued to enquire for prompt shipment cotton, and some sales were reported early in the period.

For the week ended November 28, total entries into the Commodity Credit Corporation loan program for the 2016/17 crop year jumped by 533,612 bales to 4,391,022. An additional 153,339 bales were repaid from the new crop during the period, and 6,150 bales were redeemed from the 2015/16 crop year. The outstanding stock therefore increased to 3,299,755 bales, of which cooperatives and loan servicing agents accounted for the majority of the balance with 2,930,457, leaving independent growers with 369,298.

Classings

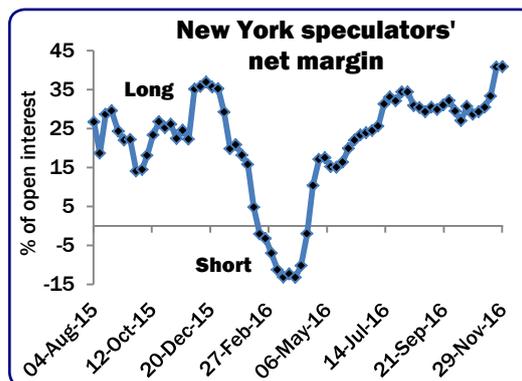
The Agricultural Marketing Service reported an additional 1,343,759 bales of cotton, including 47,563 of Pima, were inspected during the week ended December 1, raising the all-cotton season-to-date total to 9,854,701. The proportion of upland samples tenderable against ICE futures amounted to 71.4 percent,



ICE No. 2 Cotton Futures			
(in cents per lb)			
No. 2:	07-Dec	30-Nov	Change
Dec-16	72.11	72.46	-0.35
Mar-17	71.05	71.58	-0.53
May-17	71.42	72.06	-0.64
Jly-17	71.35	71.98	-0.63
Oct-17	70.90	70.92	-0.02
Dec-17	69.75	69.90	-0.15
Mar-18	69.79	69.99	-0.20
May-18	69.64	69.81	-0.17
Jly-18	69.59	69.75	-0.16
Oct-18	69.34	69.49	-0.15

Certificated stock as of Dec 6 totaled 62,074 bales.

Chicago Futures			
(in cents per bushel)			
	07-Dec	30-Nov	Change
Soybeans			
Jan-17	1049.00	1032.25	16.75
Mar-17	1059.50	1041.25	18.25
May-17	1066.75	1049.00	17.75
Wheat			
Dec-16	386.25	380.50	5.75
Mar-17	401.00	402.75	-1.75
May-17	412.50	415.50	-3.00
Corn			
Dec-16	350.50	336.75	13.75
Mar-17	358.00	348.50	9.50
May-17	364.75	355.75	9.00



well above the corresponding proportion from the previous season.

Color grades remain predominantly Strict Low Middling White/leaf 4 and better across most of the Memphis Territory and Southeast. Approximately 58 percent of samples from Texas were rated as such. Meanwhile, around 81 percent of inspections from California and 79 percent from Arizona were graded Middling White/leaf 3 and better.

Average staple length continued 1-3/32nds and longer in the Southeast and 1-1/8" and longer in the Delta. In Texas, staple length averaged 36.2, which is longer than the 35.5 reported last year. Fiber length remained virtually unchanged in the Far West on the week, where a slight improvement was reported in Arizona. Beltwide, Micronaire readings remain in the premium 3.5 to 4.9 range.

The table at the bottom of this page provides a quality comparison between 2016/17-crop upland classed to December 1, and final 2015/16-crop inspections for the Southeast, Memphis Territory, Southwest and Far West.

Spot market sales totaled 57,260 bales during the five-day period ended December 7, bringing the season's running total to 397,380. Basis levels were unchanged and option-to-purchase premiums were not quoted.

Grower sales on *The Seam* totaled 44,580 bales, at an average price of 68.44 cents per pound, while business sales totaled just over 11,454 bales, with an average selling price of 70.28 cents per pound.

US Pima

Pima prices have been flat and remain around the 170.00-cent CFR level as shippers have noted slow sales over the week. For the season, the crop is already 60 percent sold out and should pick up in the coming months as gins continue to process cotton.

Rain, colder weather

A strong cold front entered West Texas late in the period, and night-time lows fell into the teens and low 20's (F), accompanied by gusty winds. According to local analysts, between 25 and 30 percent of fields remain to be harvested, as growers had rushed to get as much of their crop off the stalk as possible before light to moderate rains arrived earlier in the period. A wintry mix was reported in a few isolated

Classings by State

	01/12/2016		
	running bales		
	2016	2016	2015
	YTD	Prev Wk	TOTALS
Alabama	495,140	424,907	531,587
Georgia	1,452,669	1,253,146	2,223,611
Nth. Carolina	302,798	251,850	521,571
Florida	88,906	72,990	110,888
Virginia	78,235	63,027	132,045
Sth. Carolina	159,750	131,763	139,248
Southeast	2,577,498	2,197,683	3,658,950
Arkansas	791,617	709,358	481,300
Mississippi	850,016	744,363	613,348
Missouri	529,550	478,742	403,708
Louisiana	264,854	262,166	192,858
Tennessee	527,739	449,757	300,737
Memphis Terr.	2,963,776	2,644,386	1,991,951
Texas	3,533,665	3,030,931	5,627,811
Oklahoma	180,692	145,416	345,026
Kansas	19,769	12,076	37,306
Southwest	3,734,126	3,188,423	6,010,143
Arizona	156,534	130,367	254,344
California	127,910	107,673	169,543
New Mexico	12,960	8,545	18,630
Far West	297,404	246,585	442,517
Total	9,572,804	8,277,077	12,103,561

American Pima

PIMA SPOT QUOTATIONS

Selected markets to December 7 compared with Nov 30 in parenthesis, were as follows

AMERICAN PIMA

GRADE	1-3/8" (44)	1-7/16" (46)
2	138.00 (133.00)	145.00 (140.00)
3	124.25 (119.25)	131.25 (126.25)
4	103.50 (98.50)	110.50 (105.50)

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 Nov 28, 2016

	Total	Repayments	Forfeitures	Outstanding
	Entries			Stock
2016/17	99,654	32,761	-	61,719
2015/16	266,785	266,779	-	6
	366,439	299,540	-	61,725
Previous Total Outstanding (Nov 21):				56,531
	2016/17			2015/16
Arizona	3,211			-
California	52,823			-
New Mexico	1,205			-
Texas	4,480			6
Pima Total	61,719			6

Grower To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Mfs Terr	74.46	0	1,123	1,123
Southeast	73.46	154	844	998
Southwest	68.16	4,201	38,258	42,459
Total	68.44	4,355	40,225	44,580
Business To Business				
Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Southeast	74.90	0	3,520	3,520
Southwest	68.22	1,935	5,999	7,934
Total	70.28	1,935	9,519	11,454

Quality Comparison

	Samples Classed		Average Staple		Micronaire		Fiber Strength		SLM		Light Spotted		Middling & Higher		Tenderable in New York		
	2016	2015	32nds inch	32nds inch			(grams/tx)			SLM & Higher							
	Season	Season															
	01/12/2016	Total	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Southeast	2,577,498	3,658,950	35.7	35.6	4.6	4.7	29.8	28.6	18.6%	26.5%	5.2%	15.4%	56.6%	12.3%	75.1%	41.4%	
Memphis Terr.	2,963,776	1,991,951	36.6	36.8	4.7	4.7	31.3	32.0	21.5%	12.6%	0.7%	3.0%	41.1%	32.3%	74.4%	59.9%	
Southwest	3,734,126	6,010,143	36.4	35.8	4.2	4.1	30.0	30.5	9.1%	10.8%	5.6%	10.6%	48.9%	35.3%	71.1%	64.4%	
Far West	297,404	442,517	37.4	36.9	4.4	4.4	32.7	32.0	2.5%	17.2%	1.9%	3.7%	76.4%	58.9%	83.0%	80.5%	

US Upland Statistics

locales, but no significant amounts were recorded. Nevertheless, the inclement conditions have hampered harvesting and slowed the transportation of modules from fields to gins.

Many stalks across the region have been cut and shredded in preparation for winter. Quality and quantity have been relatively good so far this season, but producers are concerned that the recent rains could adversely affect the lint in remaining open bolls. Sunny skies are needed to help bleach any discolored lint. Processing plants continue to work through modules on their yards.

Thunderstorms have moved across the state, halting field preparations where the cotton harvest is already complete. Prior to the rains, many South Texas famers had been sampling soils and applying fertilizers where needed. Only a few processing plants are still ginning cotton. A wet winter would be welcome to ensure adequate subsoil moisture for proper seed germination in the spring.

Crisp, cool weather has been reported of late in the **Memphis Territory**, and frigid conditions are in the near-term forecast, which will help kill overwintering insects. Much-needed, slow-soaking rains have fallen, improving groundwater table levels. Ginning is winding down as seed cotton supplies dwindle, and many pressing plants expect to complete activities by the end of the year.

LOAN STATISTICS

CCC Data as of Nov 28, 2016 (running bales):

Crop	Total Entries	Repossessions	Forfeitures	Outstanding Stock
16/17	4,391,022	1,092,367	0	3,298,655
15/16	6,757,636	6,756,536	0	1,100
Totals	11,148,658	7,848,903	0	3,299,755
Last period's total (Nov 21)				2,925,632

*Including 369,298 bales held by individuals and 2,930,457 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):

	- OUTSTANDING -	
	2016/17	2015/16
N. Carolina	112,745	-
S. Carolina	49,810	-
Georgia	372,844	-
Alabama	136,531	-
Florida	44,653	-
Virginia	12,106	108
Southeast	728,689	108
Tennessee	316,686	-
Missouri	279,895	-
Mississippi	529,489	194
Arkansas	416,195	7
Louisiana	158,633	-
Memphis Terr	1,700,898	201
Texas	701,577	360
Oklahoma	52,521	-
Kansas	4,866	-
South West	758,964	360
New Mexico	6,988	-
Arizona	32,159	431
California	70,957	-
Far West	110,104	431
Upland Total	3,298,655	1,100

SPOT MARKETS

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

	Prices		Turnover (bales)
	(cents per lb)	(cents per lb)	
	07-Dec	30-Nov	
Southeast	72.55	(73.08)	6,476
N. Delta	71.55	(72.08)	130
S. Delta	71.55	(72.08)	993
E. Tx/Okla	69.50	(69.25)	22,133
West Texas	69.50	(69.25)	27,390
Desert Southwest	67.80	(68.33)	138
San Joaquin Valley	69.05	(69.58)	0
7 MARKET AVERAGE	70.21	(70.52)	

Turnover for the period ending Dec 7 57,260
Total turnover for season to Dec 7 397,380

Selected markets to Dec 7 (Nov 30 values in parenthesis)

NORTH DELTA

	Middling (31)	SLM (41)	
1-1/16" (34)	72.30 (72.83)	71.55	(72.08)
1-3/32" (35)	73.80 (74.83)	73.05	(74.08)

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

NY No.2 Mar '17 +50

SAN JOAQUIN VALLEY

1-3/32" (35)	78.95 (79.48)	72.05	(72.58)
1-1/8" (36)	82.45 (82.98)	72.85	(73.38)

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

NY No.2 Mar '17 +790

WEST TEXAS

15/16" (32)	66.50 (66.25)	65.00	(64.75)
1" (33)	68.25 (68.00)	65.75	(65.50)
1-1/32" (34)	69.75 (69.50)	69.50	(69.25)

W. Texas Micronaire (cent points per lb):

07-Dec 30-Nov

24 & Below -1100 -975

25-26 -1000 -925

27-29 -750 -650

30-32 -500 -450

33-34 -350 -275

35-36 0 0

37-42 0 15

43-49 0 0

50-52 -225 -215

53 & Above -400 -350

Strength grams/tex (cent points per lb):

Mfs Terr Mfs Terr W Texas SJV

19.0-19.9 * -175 *

20.0-20.9 * -175 *

21.0-21.9 -300 -150 *

22.0-22.9 -250 -125 *

23.0-23.9 -200 -100 *

24.0-24.9 -175 -100 -500

25.0-25.9 -150 -100 -400

26.0-26.9 -25 -50 -300

27.0-28.9 0 0 0

29.0-29.9 0 35 0

30.0-30.9 25 45 75

31.0-32.9 50 60 125

33.0 & Above 50 100 250

* 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.



Welcome precipitation also has fallen in the **South-east**, briefly easing dry soils and idling pickers. Final harvest activities, therefore, have been delayed. Most gins, however, continue to process supplies on their yards. Output has proved somewhat disappointing in many areas, owing to droughty conditions during the growing season. Average yields from dryland fields in Alabama and Georgia have ranged from 500 to 750 pounds per acre, while some irrigated land has yielded between 850 and 1,400 pounds. Harvesting is nearing an end in the Carolinas and Virginia, and yields have ranged from 750 to 850 pounds per acre. Some smaller gins have finished activities for the season, and many larger pressing plants have reduced their hours of operation.

Mostly seasonable conditions have prevailed in the **Far West**, allowing outside work to proceed with little interruption. Processing is winding down in parts of

US EXPORT SALES

During the week ended December 1, net export sales registrations of upland cotton for shipment during the current 2016/17 season amounted to 405,200 running bales, representing a marketing-year high. Increases were reported for Vietnam (103,200, including a decrease of 500), Turkey (74,600), China (60,800, including 1,100 switched from Thailand, 800 switched from South Korea and a decrease of 100), Japan (58,500, including a decrease of 500) and Bangladesh (50,200). Reductions were reported for Thailand (34,910) and Mexico (100).

No sales were reported for shipment in 2017/18.

Export shipments of 229,700 running bales reported for 2016/17, also a marketing-year high, were mainly for China (67,700), Vietnam (52,200), Turkey (17,300), Pakistan (13,500) and Thailand (13,200).

Net sales of current crop Pima totaled 4,200 running bales. The main destinations were Hong Kong (2,400), China (800), Thailand (400) and Japan (300).

EXPORT STATISTICS

Official return, week ended, Dec 01. -in running bales-	UPLAND	PIMA
2016/2017 season		
Previous Outstanding Commitment	4,268,600	226,100
New Sales	445,900	4,300
Cancellations	40,700	0
Net Change in Sales Commitment	405,200	4,200
Shipped during the period	229,700	8,000
Cumulative Shipments to, Dec 1.	2,815,600	180,000
Total Outstanding Commitment	4,444,200	222,300
Theoretical Disappearance	7,259,800	402,300
2017/2018 season		
Previous Outstanding Commitment	494,700	0
Net change in Sales Commitment	0	0
Total Outstanding Commitment	494,700	0

USDA and US Textile and Apparel Trade Data Cotton Report Dates 2017

Jan 6:	November Textile and Apparel Imports
Jan 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Annual Crop Production- 2016, Cotton Ginnings
Jan 23:	Cotton Ginnings
Feb 7:	December Textile and Apparel Imports
Feb 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Mar 7:	January Textile and Apparel Imports
Mar 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Mar 31:	Prospective plantings for cotton, 2017 crop
Apr 4:	February Textile and Apparel Imports
Apr 11:	Crop Report- acreage, yield and production, Supply and Demand Estimates
May 4:	March Textile and Apparel Imports
May 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings- annual summary
Jun 2:	April Textile and Apparel Imports
Jun 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates
Jun 30:	Acreage Report
July 6:	May Textile and Apparel Imports
July 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates
Aug 4:	June Textile and Apparel Imports
Aug 10:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Sep 6:	July Textile and Apparel Imports
Sep 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Sep 26:	Cotton Ginnings
Oct 5:	August Textile and Apparel Imports
Oct 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Oct 24:	Cotton Ginnings
Nov 3:	September Textile and Apparel Imports
Nov 9:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Nov 24:	Cotton Ginnings
Dec 5:	October Textile and Apparel Imports
Dec 12:	Crop Report- acreage, yield and production, Supply and Demand Estimates, Cotton Ginnings
Dec 22:	Cotton Ginnings

*Please note: The USDA report release times are 1700 GMT (1200 EST)

California, and growers are rushing to complete field preparations as required by the Pink Bollworm program. Foggy conditions, though, have limited activities. Meanwhile, picking continues at a steady pace in Arizona, and gins are working long hours processing cotton. Producers are cutting and shredding stalks in preparation for winter.

Light snow has fallen in the **Sierra Nevada Mountains**, and another strong storm system is in the near-term forecast. A much better chance of wintry precipitation is expected, with locally heavy snow likely in higher elevations. Thus, the winter snow pack, a major source of irrigation water, will increase.

Looking forward to next season's planting conditions, the rainfall described above in various parts of the cotton belt has brought about a slight improvement in soil moisture levels. However, droughty conditions still prevail in many areas, despite the beneficial precipitation. Most of the Memphis Territory and the Southeast ranged from 'moderate' to 'exceptional drought' based on the US Drought Monitor data for the week ended November 29.

ARGENTINA

Planting of the 2016/17 cotton crop has continued during the past week, in generally favourable conditions. Some additional rainfall was received on December 3, and a few scattered light showers fell in some areas again on December 6. Opinions differ as to the proportion of the crop sown to date. According to some private sources, operations are already entering their final phase, whereas data from the Ministry of Agriculture suggest a slower pace.

Commercial activity has remained subdued in advance of a two-day holiday at the end of this week, though some modest export business has apparently been under discussion. A few hundred tonnes registered for export are believed to have been concluded some time previously.

BRAZIL

The local market has strengthened further in recent days, a trend reflected in the *Esalq* Index of spot values. During November, the Index rose by about four percent, and had gained a further three percent by December 7, to stand at R\$268.77 (about 79.00 US cents per lb. Mills have concentrated either on securing small lots for immediate shipment, prior to the year-end break, during which most spinners will close for at least two weeks, or on cotton available for the second half of January.

Sales registered with the *Bolsa Brasileira de Mercadorias* (BBM) have been brisk during the past week. They have included over 18,000 tonnes of 2016 crop (15,000 for the local market and 3,100 for export), and 7,300 of 2017 crop (1,700 local, 5,600 export).

Cumulative registrations of 2017 crop cotton amount to 350,000 tonnes (84,000 local, 176,000 export, 90,000 'flex'), and 60,500 from the 2018 crop (7,500, 42,000 and 11,000, respectively). However, registration is not compulsory and it is believed that the quantities actually committed by farmers from future crops are far higher, and may amount to as much as twice the volume of registrations.

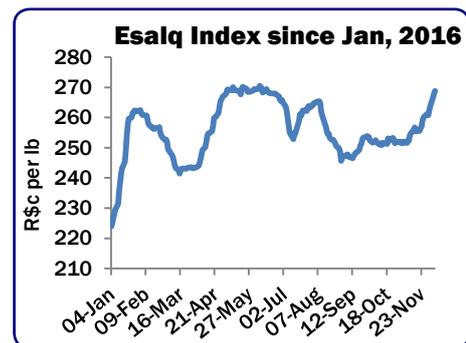
Planting of the 2017 crop continues under favourable conditions, with plenty of warm sunshine and frequent rains. In Mato Grosso, the bulk of plantings will consist of *safrinha* cotton, which will not be sown until after the year-end.

On December 8, the *Companhia Nacional de Abastecimento* – CONAB, the national crop forecasting agency – released its monthly production estimates for 2016/17. The figure for cotton lint, at 1,413,700 tonnes is pitched toward the lower end of the range of estimates (1,392,700/1,479,400) advanced a month earlier. However, it represents a significant recovery from the 1,288,800 estimated for the previous season.

Moreover, CONAB's forecast appears broadly in line with those indicated recently by other organisations. Earlier this week, ANEA, the cotton exporters' association, had advanced a figure of 1,410,000 tonnes, while an estimate of 1,430,000 tonnes emerged from a meeting this week of the pan-industry *Câmara Setorial do Algodão*.

A summary of ANEA's supply and demand numbers for the 2016 and 2017 calendar years appears below.

ABRAPA, the national cotton producers' association, has this week inaugurated its new central HVI laboratory in Brasília.



ANEA estimates

(Jan/Dec, thous tonnes)	2016	2017
Beginning stock	718	500
Production	1,200	1,410
Consumption	645	680
Exports Jan/June	353	145
Exports July/Dec	445	465
Imports	25	50
Ending stock	500	670

