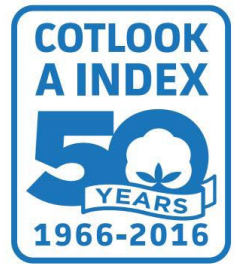


Cotton Outlook

Vol. 94. No. 45. November 11, 2016

Week in Brief



Upland **offering rates** have moved in a rather unclear direction this week, influenced by movements in New York. Futures have fluctuated within a fairly narrow range but ended slightly lower on balance. The market was unmoved either by the Presidential election result or the subsequent statistical report from USDA. Funds have been rolling from December into March. Volume reached a near four-month high on November 8. Open interest has declined from its late-October peak... China's ZCE futures market has made strong gains. Turnover rose considerably. Xinjiang long staple prices have reversed direction to end higher. The National Development and Reform Commission has issued details of the 2016 cotton target price policy... Local asking rates in India lost further ground, before a late reversal of direction that was influenced by liquidity problems and market yard closures... The US Sourcing Summit has taken place in California... The statement approved by last week's ICAC Plenary appears in this issue.

USDA has increased its 2016/17 **crop** forecast by 128,000 bales (480lbs), to 16.162 million. The harvest is over halfway complete. Cool temperatures and unsettled conditions have interrupted field work in West Texas. Quality may have been impacted. Picking is advancing under near-ideal weather in the Southeast and Far West... Doubts have again circulated with regard to Turkey's yields... The harvest is virtually complete in Kazakhstan, under mostly helpful weather... Seed cotton production in Azerbaijan has progressed considerably ahead of last year... The Israeli harvest has been viewed positively, but hot temperatures early in the season have impacted yields... Seed cotton arrivals have slowed in India... Picking in Pakistan has continued apace. Final crop expectations have been boosted... More unhelpful weather is forecast over China's Xinjiang region. Remaining field work is likely to be affected... Optimism has persisted with regard to the Brazilian crop. Cotton planting will begin from next week in Bahia state. The persistence of cool, wet conditions has tempered earlier optimism with regard to the production outlook in Australia... Argentina has received helpful rain.

Mill demand has slowed somewhat from the active level witnessed last week. Many spinners remained concentrated mainly on cheaper Indian offers, but the pace of that business slowed late in the period. Merchants in possession of lots for nearby delivery have found buyers, but price ideas have tended to diverge. Some commitments for cotton shipped in 2017 have been noted, mainly to the Far East... During the week ended November 3, US upland export sales registrations rose by a net 168,800 running bales. Shipments were 134,700 bales... Egypt's export sales registrations are more than double the volume committed by this point last year... During August, India's raw cotton imports came predominantly from Australia... The volume of Brazilian cotton exported in the first ten months of 2016 was significantly above the corresponding period in the previous year... Turkmenistan has recorded a period of brisk export sales.

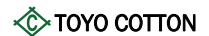
The cotton **yarn** market has been relatively subdued. Downstream manufacturers in Pakistan have adhered to their hand-to-mouth buying policy. Export demand has failed to improve... Indian yarn exports in August were considerably below the corresponding month in 2015... In Egypt, earnings from yarn and textile exports during September showed a decline of around a quarter, in US dollar terms, compared with the same month in 2015... Local yarn asking rates in Bangladesh have improved modestly.



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International Cotton Prices

Futures aloof from election result

Rather subdued conditions have been witnessed on most raw cotton import markets during the past week. New York futures have continued to fluctuate rather undecidedly, amid heavy turnover that has been boosted by the rolling of a prominent fund's position from December to March.

The December contract has ended the reporting period at 68.29 cents per lb, only modestly below the middle of the trading range established over the past three months or so. In addition to the lack of a clear price trend in New York, market sentiment was of course influenced by nervousness ahead of the US presidential election, and the associated potential for volatile market and exchange rate fluctuations. Since speculators in the No. 2 contract retain a sizeable net long position, the potential for a sell-off triggered in sympathy with the behaviour of other markets could not be discounted. In the event, the reaction of the No. 2 contract to political developments proved to be even more muted than that of most other financial and share markets.

USDA estimates

The presidential election result was closely followed by release of USDA's November supply and demand estimates. Futures proved only slightly more responsive to the Department's latest statistical analysis (of which more below) than to Mr. Trump's victory. The spot contract ended the session on November 9 with a net loss of just 46 cent points.

Overall open interest has declined appreciably from its recent eight-year high, but remains substantial. Fears of a more pronounced liquidation by speculators may not entirely have been dispelled, but have for some time now been confounded by the latter's adherence to the long side of the market. The perception that a substantial volume of mill purchases await fixation as December's First Notice Day approaches, continues to provide some support.

Bearish bias instils caution

In the physical market, given the uncertainties alluded to above, mill buyers have tended to approach new business with some caution during the past week. Sentiment amongst prospective buyers, on certain markets in particular, has no doubt also been influenced by the recent emergence of more aggressive offers of Indian cotton. The cheaper offers reflect the more confident tenor of crop forecasts in evidence over recent weeks, and the customary, harvest-time selling pressure at that origin.

Pakistan and Bangladesh have been modest buyers of Indian during the past week, and this week's Far Eastern reports allude to sporadic transactions on various other markets, typically at prices in the mid-70s cents per lb, CFR, or slightly below.

Whether the Indian selling pressure heralds a more general downturn in the market seems far from certain. For the time being, international merchants' basis levels for competing growth such as those from the African Franc Zone have more or less been maintained. A prolonged period of price attrition might of course test trade sellers' resolve. However, most appear reluctant to discount offers prematurely, mindful that India's renewed competitiveness may not persist, if domestic mill demand should become more prominent, perhaps accompanied by the covering of some existing export commitments. What impact on prices might result from the government's sudden withdrawal from circulation of certain banknotes - which has initially caused major disruption to the buying and selling of seed cotton, and thus could eventually constrain the supply of lint - remains to be seen.

The past week has seen potential customers for US cotton arrive in California for the biennial Sourcing Summit, organised by Cotton Incorporated and Cotton Council International. Anecdotal accounts from the gathering suggest that mill buying, at least for upland cotton, may have been rather more measured than at some previous

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events. The accuracy of that view will not be tested until next week's US export report is available.

This week's return revealed, for the second consecutive week, a rather routine increase, of 168,800 running bales of upland and 13,000 of Pima during the week ended November 3, raising the cumulative total of all cotton committed for shipment this season to 6.57 million running bales, already equivalent to almost 57 percent of USDA's projection for the season.

USDA forecasts

Washington's November supply and demand estimates maintained that figure at the twelve million statistical bales (480 lbs) adopted the previous month. The only change to domestic supply and demand concerned US production, the forecast of which was raised modestly, by 130,000 bales, to 16,162,000. Losses in North Carolina and elsewhere in the Southeast, largely a legacy of Hurricane Matthew, which hit the region in early October, have been more than offset by an increase for Texas that is consistent with the positive view of yields recently expressed by private observers of the crop.

Since beginning stocks and domestic mill use are unchanged, the net result is to raise the season's projected carryover from 4.3 to 4.5 million bales, up from beginning stocks of 3.8 million. As far as world prices are concerned, the numbers adjustment can therefore be construed in a slightly bearish light that may cause trade sentiment to shift a little further to the bear side.

The only noteworthy adjustment to Washington's global figures was an increase in the production estimates for India of 500,000 bales, to a level that still appears a little conservative in comparison to that recently advanced by the Cotton Advisory Board, and our own marginally lower number.

World supply and demand

Although harvest-time pressures have been a recent feature of trading, one should not, perhaps, overstate the statistical case for lower world prices. During the course of the current season, Washington now indicates a rise in world stocks outside China equivalent to 326,000 tonnes, against the surplus of 377,000 suggested by our own figures and the 350,000 shown by the International Cotton Advisory Committee. In all cases, the rise represents only a partial replenishment of 'Rest-of-World' stocks that had contracted sharply by the end of last season.

The principal obstacle to a more positive view of the price outlook remains the stagnation of global mill consumption, a topic alluded to at many of the international gatherings that have taken place during cotton's recent 'conference season'. At one of the latest of these, last week's Plenary Meeting of the International Cotton Advisory Committee in Islamabad, much attention was devoted to the challenges posed by inter-fibre competition. Chinese investment in polyester capacity came under particular scrutiny.



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CFR Far Eastern Quotations for Principal Growths

Quotations as at November 10, 2016

Description	Price	Change on week	Shipment	Price	Change on week	Shipment
American-Type cottons:						
Higher grades						
Australian SM 1-5/32"	83.75	-0.25	5/6			
Benin Kaba/s 1-1/8"	78.00	-0.25	1/2			
Burkina Faso BOLA/s 1-1/8"	78.00	-0.25	1/2			
Cameroon IRMA/s 1-1/8"	78.50	-0.25	1/2			
Cameroon PLEBE 1-5/32"	80.25	-0.25	2/3			
Chad Kero A51 1-5/32"	80.25	-0.25	2/3			
Indian Shankar-6, 1-1/8"	75.25	-0.25	12/1			
Ivory Coast MANBO/s 1-1/8"	78.00	-0.25	1/2			
Mali JULI/s 1-1/8"	78.50	-0.25	1/2			
Spanish SM 1-1/8"	80.25	-0.25	11/12			
Tanzanian RG1 1-1/8"	NQ					
Texas SM 1-1/8"	80.00	-0.25	12/1			
Uzbekistan SM 1-1/8"	82.25	-0.25	11/12			
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 *	77.00	-0.25	1/2			
Brazilian Midd	79.75	-0.25	11/12			
Burkina Faso RUDY *	77.00	-0.25	1/2			
California/Arizona Midd	80.25	-0.25	12/1			
Greek Midd	79.50	-0.25	11/12			
Indian medium grades **	74.25	-0.25	12/1			
Iv. Coast BEMA *	77.00	-0.25	1/2			
Mali ROKY/KATI *	77.50	-0.25	1/2			
Memphis/Eastern Midd	80.00	-0.25	12/1			
Memphis/Orleans/Texas Midd	78.75	-0.25	12/1			
Mexican Midd	NQ					
Syrian Midd	NQ					
Tanzanian SG1	NQ					
Uzbekistan Midd	79.25	-0.25	11/12			
Lower grades						
Argentine SLM, 1-1/16"	NQ					
Brazilian SLM 1-3/32"	NQ					
Greek SLM 1-3/32"	NQ					
Indian J-34 SG **	NQ					
Memphis/Eastern SLM 1-3/32"	77.50	-0.25	12/1			
Memphis/Orleans/Texas SLM 1-3/32"	76.75	-0.25	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" #	168.00	3.00	12/1			
Egyptian Giza 86 Good+3/8	NQ					
Egyptian Giza 88 Good+3/8 #	NQ					
Israeli Pima H1, 1-7/16" #	164.00	4.00	11/12			
Israeli Acalpi	128.00	Unch	11/12			

* 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 November 10, 2016

2016/2017 Cotlook A Index	77.25	
Description	Price	Shpt
Indian medium grade	74.25	12/1
Burkina Faso RUDY	77.00	1/2
Benin BELA	77.00	1/2
Memphis/Oreans/Texas	78.75	12/1
Uzbekistan	79.25	11/12

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	78.72

Monthly Averages

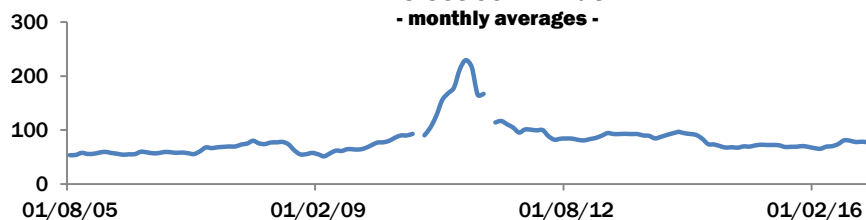
Month	Value
April 2016	69.28
May 2016	70.28
June 2016	74.10
July 2016	81.06
August 2016	80.26
September 2016	77.86
October 2016	78.50
November 2016	77.40

Daily Values

Daily Values	2016/17
November 04	77.00
November 07	77.50
November 08	77.50
November 09	77.75
November 10	77.25

Average for week 77.40

The Cotlook A Index
- monthly averages -



Yarn Index

2005 = 100

This week	121.74	Last month	122.02
Last week	121.80	Last year	113.85

Export prices (in US dollars per kilo FOB)-

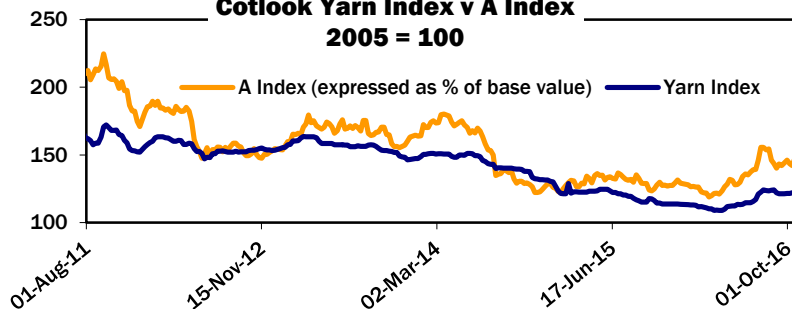
	This Week	Change on week	Change on year
Pakistan 20s	2.44	Unch	0.22
India 20s	2.30	Unch	0.20
Turkey 20s	2.85	Unch	0.25
Indonesia 20s	2.56	Unch	-0.25
China 21s	3.12	0.12	0.27
Uzbekistan 20s	2.10	Unch	unch
Pakistan 30s	2.82	Unch	0.22
India 30s	2.55	Unch	0.20
Turkey 30s	3.05	Unch	0.25
Indonesia 30s	2.85	Unch	-0.42
China 32s	3.30	-0.14	-0.05
Uzbekistan 30s	2.30	Unch	Unch

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

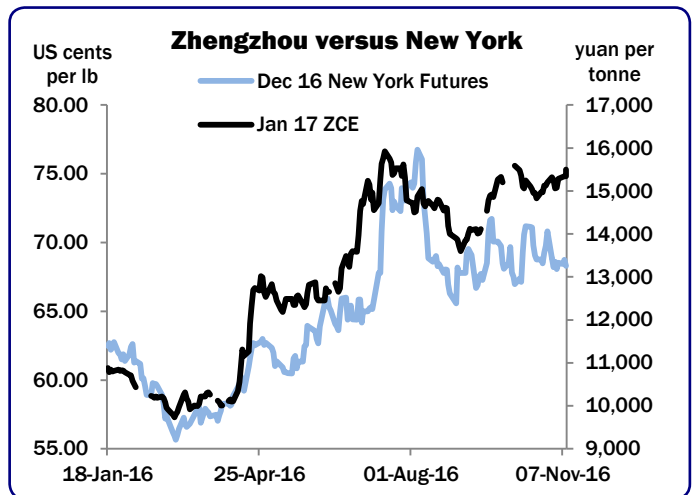
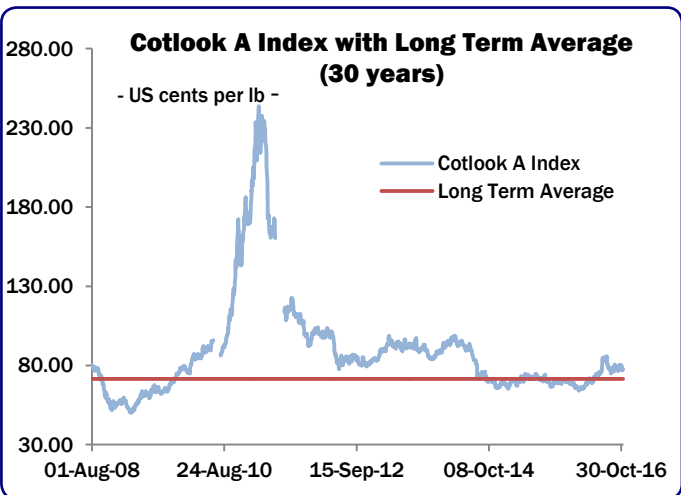
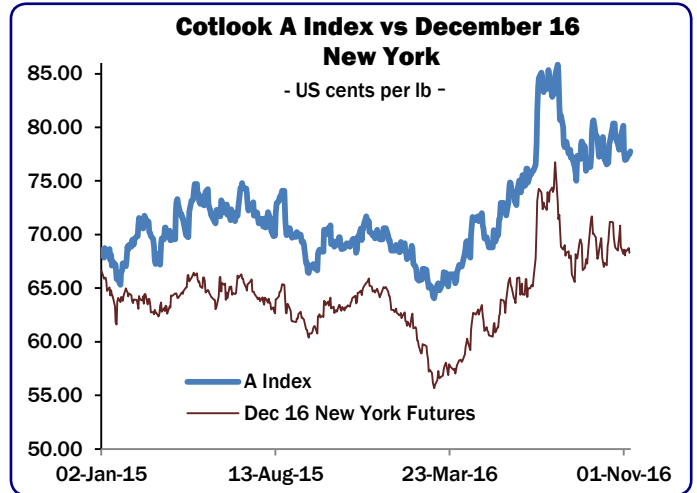
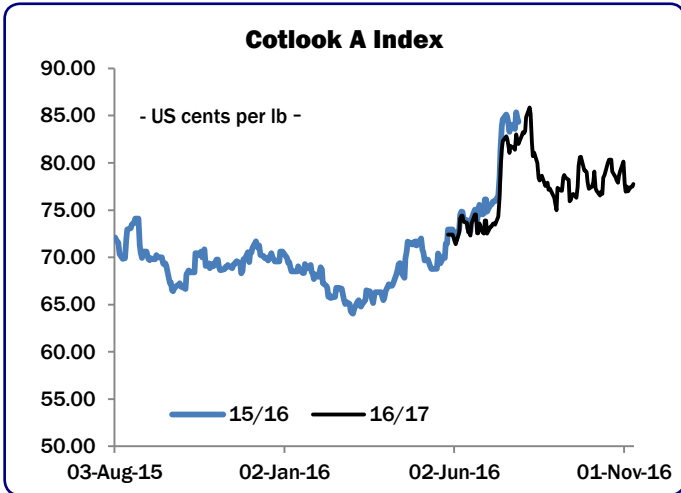
the two most recent calendar years for which complete data are available. The prices shown for Uzbek yarn are not currently part of the Index, and are quoted on an FCA basis.

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.

Cotlook Yarn Index v A Index
2005 = 100

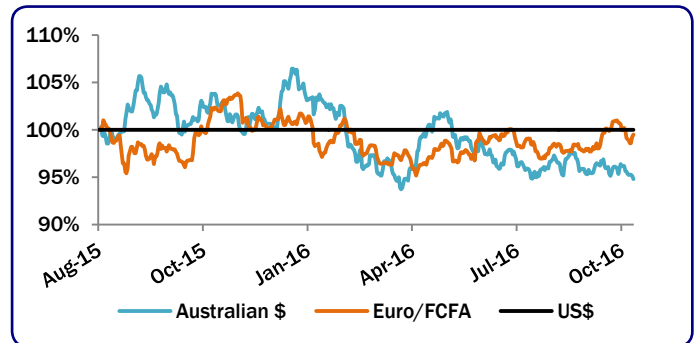
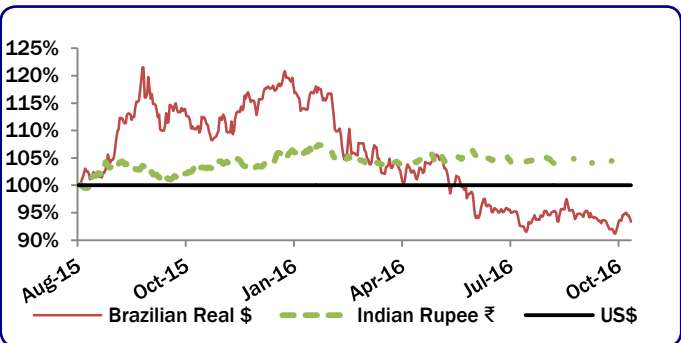


World Price Trends

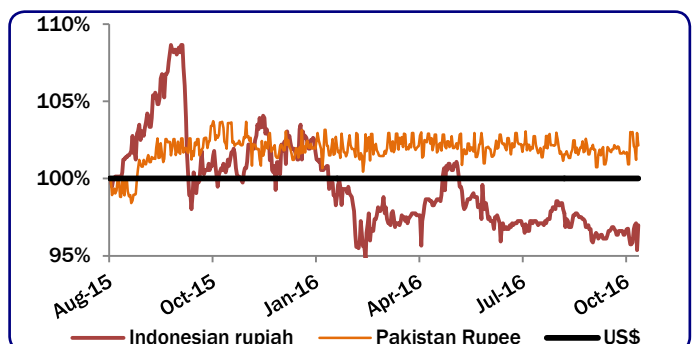
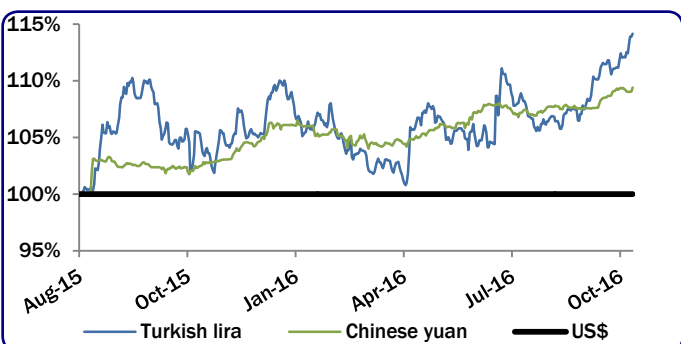


Currency Trends

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



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



Cotlook and USDA Estimates

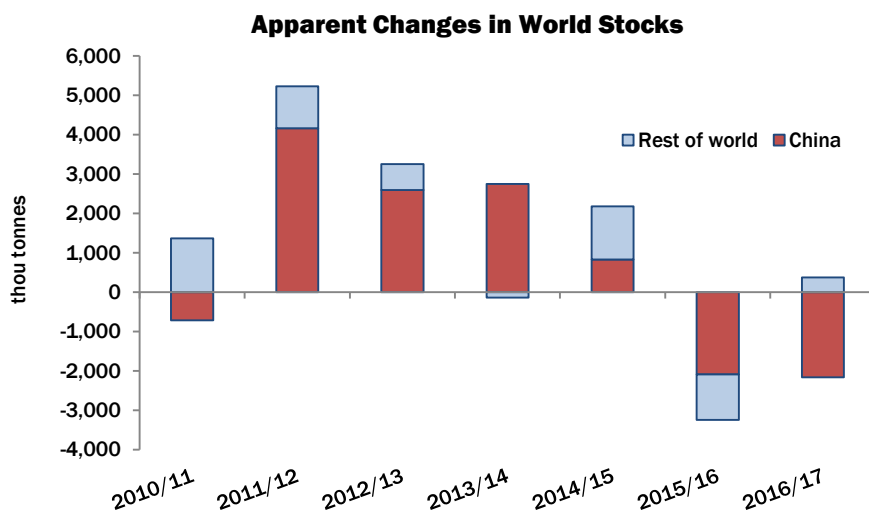
- in thousands of tonnes -

Production	Cotlook		USDA		USDA		Consumption	Cotlook		USDA		USDA	
	2015/2016	2016/2017	Minus		Minus			2015/2016	2016/2017	Minus		Minus	
			Cotlook	USDA	Cotlook	USDA				Cotlook	USDA	Cotlook	USDA
Argentina	195	180	-15	180	163	-17	Argentina	130	131	1	127	131	4
Australia	590	566	-24	925	871	-54	Australia	6	8	2	6	8	2
Azerbaijan	13	15	2	25	25	-	Austria	6	3	-3	6	3	-3
Benin	115	109	-6	140	144	4	Azerbaijan	13	15	2	17	15	-2
Brazil	1,225	1,285	60	1,400	1,415	15	Bangladesh	1,200	1,328	128	1,300	1,393	93
Burkina Faso	247	239	-8	280	283	3	Brazil	675	697	22	662	697	36
Cameroon	110	112	2	102	109	7	Burma	65	174	109	64	174	110
Chad	59	62	3	75	63	-12	Canada	1	-	-1	1	-	-1
China	4,530	4,790	260	4,500	4,572	72	China	7,550	7,620	70	7,550	7,729	179
Colombia	22	17	-5	20	11	-9	Colombia	85	53	-32	83	53	-30
Cote d'Ivoire	130	128	-2	130	144	14	Czech Republic	3	3	-	3	3	0
Egypt	55	70	15	41	38	-3	Egypt	140	135	-5	137	126	-11
Greece	220	220	-	220	207	-13	France	12	10	-2	10	10	-
India	5,746	5,748	2	5,950	5,879	-71	Germany	26	38	12	23	37	14
Iran	60	60	-	65	65	-	Greece	20	21	1	20	21	1
Israel	17	16	-1	14	14	0	Guatemala	24	24	-	24	24	0
Kazakhstan	45	44	-1	60	50	-10	India	5,270	5,280	10	5,270	5,225	-45
Kyrgyzstan	9	9	-	9	9	0	Indonesia	640	653	13	640	631	-9
Malawi	5	33	28	10	35	25	Iran	120	114	-6	118	120	2
Mali	215	212	-3	240	267	27	Italy	32	39	7	31	39	8
Mexico	198	198	-	142	142	1	Japan	62	66	4	61	65	4
Mozambique	20	20	-	25	25	0	Malaysia	35	48	13	34	54	20
Nigeria	35	54	19	35	54	19	Mexico	415	403	-12	403	403	-
Pakistan	1,525	1,524	-1	1,825	1,796	-29	Morocco	33	15	-18	32	14	-18
Paraguay	5	5	-	5	5	0	Nigeria	25	52	27	25	52	28
Peru	25	16	-9	27	13	-14	Pakistan	2,175	2,243	68	2,300	2,221	-79
Spain	55	59	4	50	59	9	Peru	95	76	-19	93	71	-22
Sudan	40	28	-12	30	28	-2	Philippines:	17	10	-7	17	10	-7
Syria	40	41	1	43	44	1	Poland	7	3	-4	7	3	-4
Tajikistan	84	90	6	80	82	2	Portugal	34	37	3	35	36	1
Tanzania	53	59	7	43	44	2	Russia	60	65	5	59	61	2
Togo	34	33	-1	35	35	0	South Africa	24	21	-3	24	20	-4
Turkey	575	577	2	700	697	-3	South Korea	275	267	-8	260	272	12
Turkmenistan	315	316	1	310	310	-	Spain	10	5	-5	10	5	-5
Uganda	20	17	-3	30	17	-13	Switzerland	3	3	-	3	3	0
USA	2,802	2,806	4	3,519	3,519	0	Syria	20	26	6	20	16	-4
Uzbekistan	835	827	-8	815	806	-9	Taiwan	210	160	-50	206	158	-48
Zambia	45	45	-	40	44	4	Tajikistan	8	4	-4	13	5	-8
Zimbabwe	12	20	8	32	33	1	Thailand	290	272	-18	284	261	-23
World Total	20,592	21,012	420	22,420	22,486	66	Tunisia	11	9	-2	11	9	-2
							Turkey	1,400	1,448	48	1,400	1,470	70
							Turkmenistan	120	147	27	100	147	47
							USA	773	751	-22	762	762	-
							Uzbekistan	325	327	2	370	327	-43
							Venezuela	20	22	2	20	22	2
							Vietnam	1,025	958	-67	1,230	1,023	-207
							Zimbabwe	3	7	4	3	7	4
							World Total	23,838	24,227	389	24,204	24,384	180

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	17,920	6,290	4,530	4,500	25,711	20,592	22,420
China net trade	-1,788	-931	-890	+1,788	+931	+890			
New Supply	17,633	15,131	17,030	8,078	5,461	5,390	25,711	20,592	22,420
Consumption	16,281	16,288	16,654	7,250	7,550	7,550	23,531	23,838	24,204
Net change in stock	+1,352	-1,157	+377	+828	-2,089	-2,160	+2,180	-3,246	-1,783
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	9,399	8,030	12,109	12,917	11,270	20,476	22,316	19,300
Production	19,700	16,280	17,900	6,500	4,750	4,550	26,200	21,030	22,450
China net trade	-1,789	-932	-944	+1,789	+932	+944			
New Supply	17,911	15,348	16,956	8,289	5,682	5,494	26,200	21,030	22,450
Consumption	16,719	16,450	16,600	7,479	7,330	7,180	24,198	23,780	23,780
Other	-129	-267	+4	-2	+1	-4	-162	-266	+0
Ending Stock	9,399	8,030	8,390	12,917	11,270	9,580	22,316	19,300	17,970
Net change in stock	+1,063	-1,369	+360	+808	-1,647	-1,690	+1,840	-3,016	-1,330



China

2016 target price policy

The Xinjiang regional *National Development and Reform Commission* (NDRC) has issued a document giving details of the 2016 cotton target price policy. Subsidies and allocation methods are unchanged from last year. Ten percent of the total subsidy will be applied based on planted area in the four prefectures in the south, Aksu, Kashgar, Kizilsu Kergez Prefecture and Hetian, and ninety percent based on actual sales volume, whereas elsewhere in the autonomous region subsidy will be paid only on sales volume. Minor changes have been made in the allocation schedule. No decision has apparently been taken as to the policy that will prevail in future years.

Compared to the previous two years, this year's policy objectives will be more focused on market-oriented reform, with a shift of emphasis from area and yield (which were previously farmers' priorities), to quality improvement and cost reduction. A 'dishonesty list' system has also been introduced, to penalise those who give false declarations of planted area, or raise false invoices in order to obtain subsidy funds. The sanction for wrongdoers is disqualification from subsidies for a period of three years. The 2016 policy will also aim to ensure that HVI inspection facilities in Xinjiang are adequate to satisfy cotton inspection requirements at peak times, so as to ensure operating efficiency.

The earnings of local growers (i.e. other than the PCC, or army group) in 2016 are expected to be unchanged from 2015, based on an average seed cotton sales price of around 7.44 yuan per kilo, despite a decrease in the target price by 500 yuan, from 19,100 to 18,600 yuan per tonne.

BCO supply and demand

In its November review of supply and demand, *Beijing Cotton Outlook* (BCO) has maintained production for the 2015/16 season (September/August) at 4,530,000 tonnes, consumption at 7,550,000 tonnes imports at 960,000 tonnes and exports at 20,000 tonnes.

The estimate of production in 2016/17 is also unchanged at 4,500,000 tonnes, total consumption at 7,570,000 tonnes imports at 900,000 and exports at 20,000 tonnes. Stocks at the end of the season ahead are therefore still placed at 8,450,000 tonnes.

CCA report

The October report released by the *China Cotton Association* (CCA) indicated a slow pace of picking nationwide. The harvest is estimated at over seventy percent, owing to persistent wet weather conditions. However, cotton growers' morale has recovered to some extent, with the support of a higher sales price. Picking was complete by late October in Xinjiang on an estimated 71 percent of the sown area, while in the Yellow River and Yangtze River regions, progress was estimated at 91 and 69 percent, respectively.

Adverse weather

Local meteorological sources predict that snowfall will arrive in northern Xinjiang from November 10 through the weekend. Picking and transport of cotton are likely to be affected.

Prior to the latest adverse turn of the weather, according to the *Cotton China Association's* (CCA's) latest report, the rainy weather and gales that affected most regions of Xinjiang last week had already impeded picking. Nearly eighty percent of the crop had been harvested, and two thirds had been sold from first hands. The comparable figures for the PCC (army group) were 83 and 74 percent, respectively. Picking has been faster in the north than in the south. *Beijing Cotton Outlook* (BCO) has since asserted that work should be completed in the next week or so, though the deteriorating weather may complicate matters.

Handpicked seed cotton prices were quoted in the CCA's report of 6.8/7.0 and 7.0/7.3 yuan per kilo in northern and southern Xinjiang, respectively, while machine-harvested lots were said to be commanding 5.8/6.4 yuan. Quality parameters were assessed as better than previously, but Micronaire and colour are poorer in the south.

Seed cotton prices firm

Seed cotton prices have since tended to increase modestly. Rates quoted in northern Xinjiang for machined-picked lots giving an outturn of 40 percent and having moisture content below 15 percent have ruled around 6.4/6.5 yuan per kilo, while handpicked lots in southern areas have commanded 7.3/7.5 yuan. The rise is attributed principally to an increase in the tempo of buying by ginnors on the back of more active sales of lint to both spinners and traders, and to fears that quality from later pickings will decrease. Bulk replenishment of spinners' stocks is expected to become a market feature in the near term, given that supplies purchased from the state reserve auctions by most spinners have almost been consumed.

Cotton movement eastward to reach peak levels

As for lint prices, rates quoted for Types 2129/3129 have ranged around 15,300/15,500 yuan per tonne for machine-picked lots, ex-warehouse, Xinjiang. Machine-picked cotton continues to be regarded generally as giving better spinning value and is therefore more cost effective. Handpicked Type 3128 lint has been changing hands at a similar value, ex-freight terminal in Xinjiang. Transport capacity is tight and freight costs have increased by around 250 yuan per tonne. The cost on delivered 'mainland' warehouse terms is estimated at 16,300 yuan per tonne. The quantity moved out of Xinjiang by road, which is more flexible than by railway, increased substantially during October. During the first three days of November, the amount totalled 19,500 tonnes; some agencies and spinners predict that the volume will reach a peak in the middle of this month.

Quality parameters improved for PCC cotton

According to *Beijing Cotton Outlook* (BCO), by late October, the quantity of seed cotton bought by the PCC (army group) totalled 2,761,800 tonnes, 38,800 tonnes more than by the same point last year. A total of 470,400 tonnes of PCC lint had entered warehouses, 58,700 tonnes less than a year ago, and over 350,000 tonnes had been inspected. The quality parameters of this year's crop have improved substantially, especially for lots from the seventh and eighth Divisions, more of which are classed as Types 2129/3129.

Long staples

BCO reports that long staple seed cotton prices in southern Xinjiang's Aksu region have risen of late. Lots giving an outturn of 33 percent in Awat County are now priced at 7.5/7.6 yuan per kilo, up to 0.20 yuan more than at the end of last week, and even at 7.6/7.7 for lots with better quality parameters. The increase is attributed to recent, active transactions and a somewhat tighter supply in 'mainland' markets at a juncture when movement of new crop from Xinjiang has been affected by transport bottlenecks. However, this is seen as a temporary phenomenon. The overall supply outlook is unaltered, and a considerable portion of the much bigger prospective crop remains in farmers' hands. A large proportion apparently remains unpicked and the tempo of harvesting is slow. The resumption of a weaker price trend is anticipated.

In the short term, however, long staple lint prices have shown a firm appearance. The benchmark value for Type 137 has increased by 100 yuan to 21,200 yuan per tonne, equivalent to 142.83 US cents per lb. However, some reports indicate that Type 137 is being offered at between 20,000 and 21,000 yuan per tonne, net weight, ex-freight terminal.

Markets

Prior to the US election result, the yuan continued to depreciate against the US dollar, and remained around its lowest point against that currency since the autumn of 2009.

Zhengzhou cotton futures have gained appreciable ground across the board during the past week. The January contract, which retains by far the highest open interest, has ended the period with a gain of 420 yuan. The contract's premium over May (the other active delivery) has widened by 20 to 105 yuan. Turnover (according to the 'double counting convention') rose by nearly 985,000 contracts, to over 2.96 million contracts.

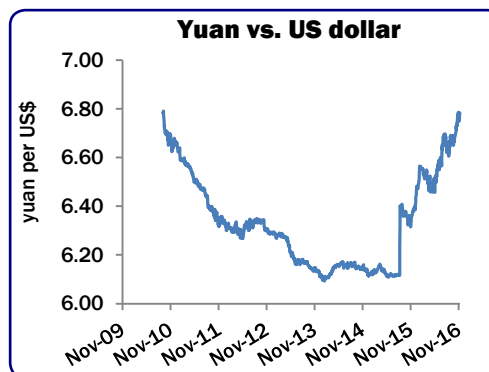
Average prices on the trading platform operated by the **China National Cotton Exchange** have also gained ground in all positions, though the rise has been far less pronounced than in Zhengzhou. As has previously been the case, turnover has been concentrated heavily in the forward trading positions (February through April). Turnover has fallen back modestly from the 94,300 tonnes recorded last week.

The **China Cotton Index**, which measures spot price fluctuations on a delivered mill basis, has risen by 47 yuan during the reporting period, to stand on November 10 at 15,416 yuan per tonne.

In the **man-made fibres**, the typical going rate for polyester staple fibre has eased on balance during the past week, and expressed as a proportion of the cotton price, the rate quoted has slipped below the equivalent of 46 percent. Perhaps the most interesting development, however, has been the continued retreat of viscose staple fibre prices, which has resulted in the elimination of the recent premium on the cotton value.

Textile industry expansion in Xinjiang

According to latest report, cotton textile industry investment in Xinjiang is expected to reach 65 billion



Zhengzhou Cotton Futures

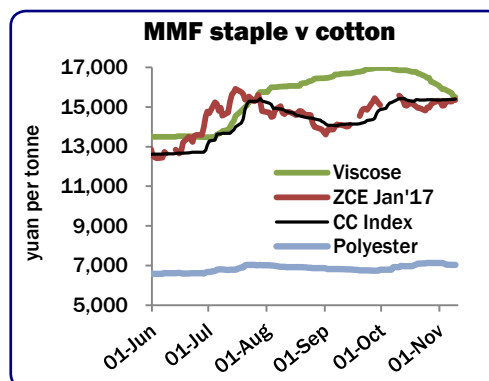
	Settlement			Volume*	Open Interest
	yuan per tonne			number of contracts	
	03-Nov	10-Nov	Chng	Past week	10-Nov
Nov	14,930	15,400	+470	504	2,106
Jan	15,075	15,495	+420	2,547,334	368,682
Mar	15,005	15,415	+410	402	374
May	14,990	15,390	+400	403,392	132,484
Jly	15,035	15,435	+400	74	54
Sep	15,070	15,475	+405	11,754	9,590
				2,963,460	513,290

*Counting both the sale and the purchase.

CNCE

10 November 2016

Delivery	Turnover in tonnes	Average price in yuan per tonne	Change on week	US cents per lb equiv.
Type 328 (domestic 'MA')				
Nov	8,300	14,618	+140	98.49
Dec	5,880	14,718	+167	99.16
Jan	6,770	14,783	+157	99.60
Feb	16,180	14,750	+116	99.37
Mar	32,020	14,751	+108	99.38
Apr	20,890	14,755	+122	99.41
Total	90,040			



yuan by the end of this year, with an estimated capacity of 15 million spindles, roughly equivalent to a local consumption of 1.2/1.5 million tonnes. The industry in Xinjiang is becoming increasingly important and accounted for around 40 percent of the region's growth in GDP (eight percent) during the first half of the year.

Other regions

Small bales from 'mainland' regions are said to be very saleable, being both relatively cheap and flexible in supply.

A ginner in Dezhou, in Shandong province, has revealed that an increasing number of small to medium-scale spinners have started to buy since earlier this week, paying 15,200 and 14,900 yuan per tonne, ex-warehouse, for Types 3128 and 3127, respectively, which represent a value equivalent to breakeven. Merely 20 of more than one hundred gins in the region have started operating. Their combined capacity far exceeds local production - cultivated area of just 300,000 mu

(20,000 ha) is expected to result in a lint output of around 35,000 tonnes. Picking across Shandong has come to an end, and around one third of the output has been bought by ginner.

Inspections

By November 9, inspections of new crop, nationwide, according to CNCE data, represented 1,722,400 tonnes of lint (48,600 more than the previous day). Of the total, Xinjiang accounted for 1,696,900 tonnes (or 98.5 percent). Long staple inspections totalled 39,800 tonnes (+1,200 tonnes). The number of ginner participating in the inspection programme has increased to 846, of which 103 are from regions outside Xinjiang.

By late October, the amounts inspected in Shandong, Hebei and Hubei were merely 10,195 tonnes, 8,980 tonnes and 367 tonnes, respectively.

Canton fair: visitors and turnover increase

A total of 185,700 buyers (4.6 percent more than last year) from around the world participated in the 120th China Import and Export Commodities Fair, or Canton Fair, which ended last Friday. Turnover was recorded of 187.3 billion yuan (or US\$27.89 billion), 3.2 percent more than the comparable figure last year. Over half of the buyers (56 percent) came from Asia. Europe accounted for 19 percent and America for 14 percent. The bulk (over eighty percent) of orders placed were described as short to medium-term (less than half a year), which is construed as reflecting continued caution on the part of buyers.

October's foreign trade data

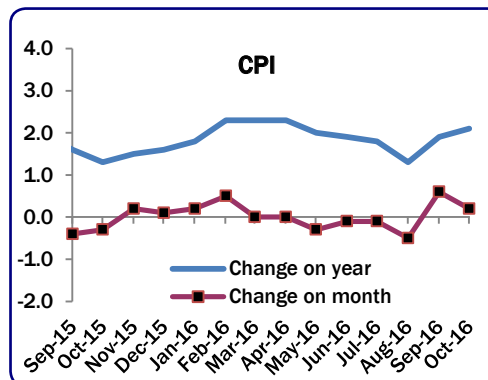
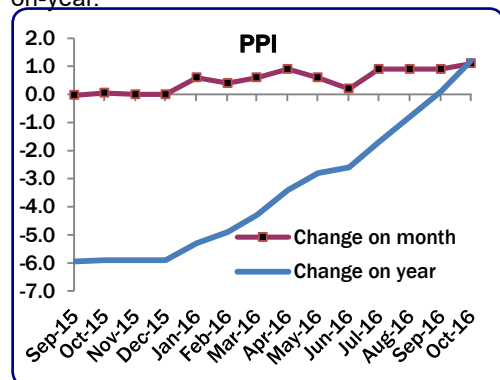
Latest Customs data show that China's foreign trade value during October totalled 2.05 trillion yuan, 0.6 percent less than in the same month last year. The cumulative value during the first ten months of the year totalled 19.56 trillion yuan, down by 1.9 percent, consisting of 11.22 trillion in exports (minus two percent), and 8.34 trillion in imports (minus 1.8 percent).

Textile and clothing exports were valued at US\$21.46 billion, around 9.28 percent less than in the same month last year, and January through October aggregated US\$222.561 billion, down by 5.31 percent, year-on-year.

International Prices

Data as at 10 November, 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	11,923	13,552	18,230
Texas SM	12,334	14,020	18,879
Uzbek SM	12,669	14,403	19,410
Australia SM	12,893	14,658	19,764
Burkina Faso BOLA/s	12,035	13,679	18,407
India Shankar-6	11,625	13,211	17,758
Benin KABA/s	12,035	13,679	18,407
Cameroon IRMA/s	12,110	13,764	18,525
Cameroon PLEBE 1-5/32"	12,371	14,062	18,938
Ivory Coast MANBO/s	12,035	13,679	18,407
Mali JULI/s	12,110	13,764	18,525
China domestic prices	yuan/tonne	chg on last published	cents/lb
CC Index	15,416	51	103.86
CNCE October	14,618	37	98.49
ZCE November	15,400	385	103.75
	yuan/tonne	chg on week	cents/kilo
polyester	7,055	-70	104.79
viscose	15,400	-870	228.74
	Yuan/kilo		cents/lb
32s carded yarn	24,300	-	357.96
40s combed yarn	25,900	-100	381.53
Monthly yuan/dollar customs exchange rate			6.7326
Actual Rate (Nov 10)			6.7885



CPI/PPI continue to rise

National Bureau of Statistics (NBS) data show that the Consumer Price Index (CPI) in October increased slightly for a second consecutive month, though the pace was slowed by price deflation of food. Meanwhile, continuous price rises for industrial products drove the Producer Price Index (PPI) higher for the tenth month in a row.

Turkmenistan

A good level of turnover has been recorded at the State Commodity Exchange in Ashgabat since we last reported. Over the past two weeks, some 16,500 tonnes of upland and about 2,000 tonnes of ELS varieties have changed hands. The cumulative total of raw cotton export sales since the start of this season's marketing campaign now stands at 65,940 tonnes of upland, consisting predominantly of higher grades, and around 6,243 tonnes of ELS, purchases which are still linked (at a ratio of around 10 percent) to those of upland varieties. Current offers consist of a number of bales of various grades in the upland and long staple categories.

Azerbaijan

Improved weather has recently facilitated a resumption of cotton picking in many areas of the country. Dry conditions have been reported for over a week now. However, more rain is forecast. To date, according to private estimates, some 57,000 tonnes of seed cotton are in stock. This would represent an increase of 45 per cent in comparison to the final results achieved last season.

Over several seasons, production in the country had shown a steady decline. As already reported, however, a new state agricultural development and expansion programme is expected to reverse the downward trend. The programme envisages improved food security, a reduction in dependence on imports and expansion of exports in many agricultural sectors, including tobacco, silk and cotton.

Initial expectations were for seed cotton production this season to reach 100,000 tonnes. The government is said to have provided subsidies and support, and farmers have been motivated by the improved returns. Large areas of cotton have been harvested by machine this season, but where hand picking has been needed, farmers have seemed keener than in the past to return for late harvesting. In previous times, many fields were routinely abandoned after the initial round of picking. This season, the main obstacle to a successful conclusion of the harvest (in terms of both volume and quality) is now the weather.

Kazakhstan

Harvest operations are virtually over in the cotton producing belt of Kazakhstan, and current estimates suggest better results than previously anticipated. Some local observers place the volume of new crop lint at around 60,000 tonnes. This is attributed to some expansion of planted area and favourable conditions during growing and picking. Most of the harvest proceeded uninterrupted, before conditions deteriorated somewhat. Initial concerns had been expressed about the availability of planting seeds and their quality, as well as water for irrigation. However, cotton this season seems to have been a more attractive crop for farmers, who have been motivated partly by a devaluation of the local currency that has boosted their appetite for crops that earn hard currency.

Bangladesh

Mill buyers attend US Sourcing Summit

Many spinners are in need of supplies for nearby requirements. However, some mills have been delaying purchases, in the expectation of a further decline in Indian prices. Apart from Indian, which is now considered to be competitively-priced, buyers have focused on the customary offers of Central Asian, West African, Brazilian, US and Australian.

During the period under review, some 28 major spinners attended the US Sourcing Summit, which is likely to have resulted at least in some US business, transacted in the margins of the conference.

Attractive raw cotton offers in circulation have included Tajik BGM 1-1/8" 28 GPT, pitched at 84.00 cents per lb, for shipment December, US California/Arizona 1-1/8" 28 GPT at 82.00 cents, also for December, and Indian Shankar-6 29mm 29 GPT at around 75.00 cents, for prompt shipment.

Confirmed business has been noted in Benin 's' grades, staple 1-1/8" Micronaire 3.8/4.9NCL 28 GPT, at 1,000 US cent points 'on' May ICE cotton futures, for shipment April/May equally. Indian Shankar-6 1-1/8" G-5 has attracted demand at 74.50 cents, for shipment December, CFR Chittagong and MCU-5 30mm at 77.25, for December, CFR Benapole.

Offering rates for Central Asian high grades 1-1/8" from supplies in local warehouses have been held unchanged, at between 84.00 and 86.00 cents per lb, while those for Indian MCU-5 30 mm have also been maintained at between 76.00 and 78.00 cents per lb. Asking prices for Indian Shankar-6 have been pitched at a couple of cents lower than the MCU-5.

Yarn rates

Local yarn selling rates, at the bottom-end of the range, have seen a modest increase this week. Carded 30s have commanded around US\$2.90/2.95 per kilo.

India

Prices and arrivals

Harvest pressures have continued to weigh on price ideas and some aggressive export offers have circulated during the period under review. On the domestic market, asking rates for Shankar-6 have declined by ₹450 on the week, to be placed on November 9 at ₹37,900 per candy, ex-gin. With a slightly stronger rupee, that day's equivalent value was approximately 72.70 US cents per lb. Punjab J-34 has also eased, to ₹3,900 per maund (71.30 cents per lb).

Nationwide, daily seed cotton arrivals are estimated at roughly 140,000 lint equivalent bales (170 kgs), including 35,000 from Gujarat and 36,000 from Maharashtra.

The MCX futures market has moved in contrast to the physical market this week, ending modestly higher on the period. The lead December contract closed on November 9 at ₹18,460 per bale (₹38,615 per candy), or 74.15 US cents per lb. February continued to trade at a modest premium, at ₹18,750 (75.30 cents per lb).

Volume on the lead month was 157,825 bales, heavier than the 81,750 recorded in the previous week. The month of October saw MCX turnover rise to 91,733 lots (2.29 million bales), from the 76,532 (1.91 million) traded in September.

Withdrawal of bank notes

The Union government this week announced the withdrawal of ₹1,000 and ₹500 notes from circulation, from midnight on November 8, in an attempt to minimise tax evasion and the black market. Finance Minister Arun Jaitley told press the move will 'help India move towards a cashless economy', adding that farmers can 'now keep their money in banks'. The denominations will be replaced by new ₹2,000 and ₹500 rupee notes, which will be introduced to circulation during the next several weeks.

However, critics have posited that those most severely affected are likely to be small businesses. Some market yards in Gujarat have been closed in recent days, owing to a lack of liquidity. Bank and ATM withdrawals will be limited in the next several days, potentially further impacting cash flow.

Foreign trade in raw cotton and cotton yarn

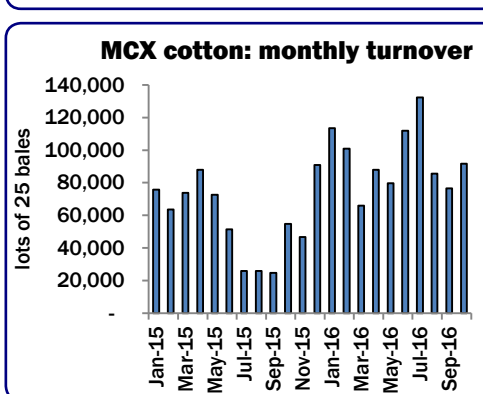
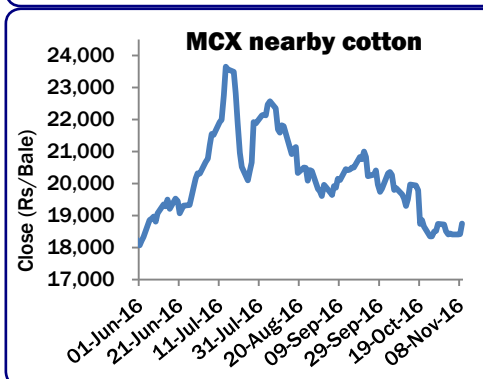
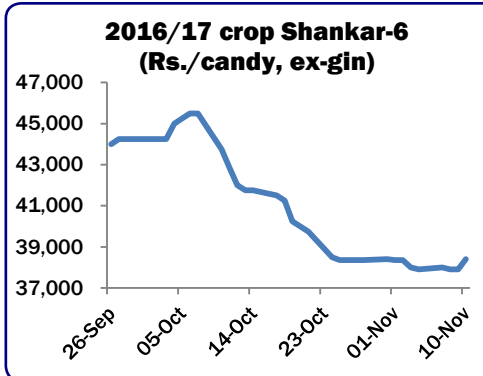
During August, India imported 76,984 tonnes of raw cotton, versus 30,144 during the same month a year earlier. This year's total included 29,881 tonnes from Australia (the figure in 2015 was merely 418 tonnes). Imports from the United States were also increased. A broader range of countries figured in the list of sources, including Greece and Brazil.

India: cotton imports

	In tonnes	
	2015/16	2016/17
	August	
World	30,114	76,984
Australia	418	29,881
Mali	11,180	10,689
United States	3,250	8,311
Cote d'Ivoire	1,648	3,997
Greece		3,133
Turkmenistan	89	2,625
Pakistan	1,950	2,289
Benin	2,009	2,139
Chad	1,459	1,900
Cameroon	3,432	1,842
Egypt	333	1,739
Uganda		1,620
Togo	1,899	1,517
Burkina Faso	176	1,358
Brazil		1,112
Others	2,271	2,831

Exports during August were 11,402 tonnes, of which 10,032 tonnes went to Bangladesh. A year earlier, the total was 47,133 tonnes, of which Bangladesh accounted for 29,286 tonnes and both China and India took more than 5,000 tonnes each.

During the month in question, exports of cotton yarn (5205, cotton yarn other than sewing thread, not for retail sale) amounted to 66,615 tonnes, versus 116,852 tonnes during the corresponding month a year earlier. The main difference between the two years was attributable to China, which in August 2016, though still the largest destination, accounted for merely 14,930 tonnes, versus 67,300 in 2015.



Pakistan

Arrivals momentum continues

Dry conditions have continued to prevail across most of the cotton growing belt. Daytime highs have ranged between 30 and the low 20s Celsius, while night-time temperatures have been much lower.

Cotton harvesting has continued at a good pace over the last few days. Despite an excess of arrivals during October, growers have been able to achieve good prices and thus remain keen to move off seed cotton as soon as possible. Daily deliveries are expected to remain above the equivalent of 100,000 bales, during the first half of November, at least. Farmers in many cotton areas have continued to report good yields.

The excellent arrivals recorded during the second fortnight of October (and reported in last week's issue) have added a positive sentiment to final crop expectations and more local observers are projecting production exceeding 11.5 million bales, of local weight. Ginning factories have also continued to operate at a good capacity.

Seed cotton prices earlier in the week remained stable and were quoted between Rs. 2,750 and Rs. 3,150 per 40 kilos, depending on quality.

Cotton rates range bound

On November 9, business in new crop cotton attracted between Rs.5,700 and Rs.6,200 per maund (roughly 66.50/72.25 US cents per lb), ex-gin. - These rates are around Rs. 50 per maund higher at the top-end than those ruling last week.

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. 5,950 per maund, ex-gin, Rs. 50 above last week's reference price.

Steady to firm conditions have prevailed in the cotton market. Although the pace of mill buying remains slightly below seasonal peak levels, demand has proved sufficient to support domestic cotton prices. Since some aggressive Indian offers remain in circulation, spinners have been somewhat cautious buyers in the domestic market. However, growers have strongly resisted releasing seed cotton stocks at levels below current prices and thus ginneries have been obliged to be relatively tight sellers, particularly for better quality stocks.

Import enquiry

On the import front, a reasonably active level of mill enquiry for foreign growths has been witnessed during the past week. Competitively-priced Indian offers have continued to attract buying interest and a further few thousand tonnes of Shankar-6 staple 29 mm are believed to have been booked at around 73.00/74.00 cents per lb, mainly for December shipment, CFR. Business in other growths has remained of a retail nature. Fine count spinners have bought some additional modest volumes of Indian DCH-32.

Yarn and Textiles

Unchanged conditions have prevailed in the local yarn and textiles market. Spinners have reported no noticeable pickup in yarn offtake from local weavers and knitters. Most downstream manufacturers have continued with their hand-to-mouth buying approach, and continue to complain of the low price ideas from buyers of their own finished products.

Export yarn demand has also remained slow. Mills have been critical of the scarcity of volume business at prices deemed to be profitable.

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

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

Textile exports decline during July/September year-on-year

According to the Bureau of Statistics Pakistan's exports of textile and garments, during July/September, the first three months of the 2016/17 fiscal year, declined by 5.96 percent year-on-year to US\$3.028 billion, compared with US\$3.220 billion during the corresponding period a year earlier.

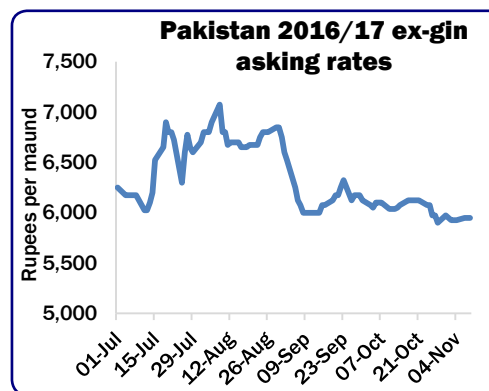
In quantity terms, exports of cotton yarn, at 116,685 tonnes, fell by 6.33 percent, while cotton fabric at 4.61 billion square metres, declined by 13.21 percent, compared with July/September 2015.

On a somewhat more positive note, knitwear, at 32.899 million dozen pieces, continued to show healthy growth, this time of just over 18.07 percent and bed wear, at 86,889 tonnes was up by 8.31 percent. Ready-made garments, at 7.222 million dozen, shrank by 0.67 percent.

In terms of US dollar value, returns from the exports of cotton yarn and cotton fabric dropped by 20.68 percent to US\$303.8 million and 3.90 percent, to US\$539 million.

The earnings from bed wear registered a rise of 2.82 percent at US\$528.8 million, although towels were down by 17.05 percent to US\$177.90 million.

The export performance of knitwear, at US\$606.113 million, was down by 3.85 percent, whereas ready-made garments at US\$521.508 million were up, year-on-year, by 3.04 percent, during July/September.



International Cotton Advisory Committee Plenary Meeting

Addressing delegates and observers attending the 75th Plenary Meeting in Islamabad (Pakistan), ICAC's Executive Director, Mr. José Sette, reported on the organisation's activities over the past year. He informed the meeting that the lengthy process that would, he hoped, lead to the accession to membership of the European Union, was continuing. He also expressed optimism that Bangladesh would, "in the near future", become a member.

Mr. Sette also paid a fulsome tribute to Dr. Rafiq Chaudhry, who will shortly retire after more than 26 years of service as head of ICAC's Technical Information Service.

Dr. Chaudhry informed the Plenary of the results of ICAC's three-yearly survey of cotton production costs, in which 31 countries participated. Although the long-term trend is upward, average costs fell last season, from US\$1.50 to \$1.16 per kilo.

The main reason, he suggested, was a rise in the price of cotton seed, from which a greater proportion of costs was therefore recouped. Lower insecticide costs, and a fall in harvesting and ginning expenses, also made a contribution. Fertiliser costs remained high (and must be reduced, he contended), accounting on average for 23% of all production costs.

Dr. Chaudhry concluded that we are in a period of low growth in yields, and expressed his belief that the next major advance in this area must come with the aid of biotechnology.

On November 2, the Technical Seminar – a customary element of the Plenary's proceedings – focused on issues related to insect pressures – a matter of current concern in the host nation, Pakistan, whose 2015/16 crop suffered serious damage from pest attacks.

The meeting heard that four principal pests affect Pakistan's cotton crop: whitefly (the vector for Leaf Curl Virus), Dusky Cotton Bug, Mealy Bug and Pink Bollworm. Losses last season amounting to 4.5 million bales were attributed to the last of these, whose populations are on a rising trend. However, much could be done to reduce its incidence, if correct cultural practices were followed. Since last season's crop failure, the meeting was told, efforts had been stepped up to educate farmers in this regard.

As regards whitefly and Leaf Curl Virus, some encouraging results were reported on the research front. Drawing on germplasm supplied by USDA, researchers had made progress in engineering resistant varieties. One line showed particular promise.

Burkina Faso's response to a proliferation of Bollworm in the mid-1990s was the subject of another presentation. The country's adoption of GM varieties successfully controlled that pest (though populations of some others increased), and allowed a recovery in yields, before a reduction of staple length necessitated a temporary return to conventional varieties in 2016/17, while that problem is addressed.

Plenary proceedings included numerous presentations and discussion that touched on government policies affecting the cotton industry and the challenges posed by inter-fibre competition. Several presenters referred to cotton's progressive loss of market share, which has accelerated in recent years.

A report on the latest deliberations of the ICAC's Private Sector Advisory Panel (PSAP) noted that inter-fibre competition had been its main topic of discussion. The PSAP welcomed the Secretariat's study of the dynamics of that competition since the last Plenary, and recommended that the work be broadened "to include government policy measures that stimulated the increase of production capacity in the polyester sector."

Ms. Lorena Ruiz, from the ICAC Secretariat, observed that cotton is likely to account for just 26% of global fibre consumption in 2016. Since 1960, growth in cotton consumption had fallen below the average rate of increase for all fibres, estimated at 3%, whereas polyester use had expanded at an annual average of 7%. She also noted the recent sharp rise in the polyester filament sector.

Cotton today suffers from a significant price disadvantage in relation to polyester.

Dr. Terry Townsend, former Executive Director of ICAC, warned the meeting that the cotton industry's continued growth was not a foregone conclusion, citing the example of the wool sector, which had halved in size over the past thirty years.

While acknowledging that much government intervention in the cotton sector is both necessary and positive, Dr. Townsend highlighted two examples that he viewed as harmful.

Firstly, he referred to the massive growth of Chinese investment in polyester capacity - the single largest factor, he contended, behind cotton's loss of market share over recent years.

Although the motivation for this capacity expansion was not transparent, he questioned whether it was a response to market demand, and suggested that the process was underpinned by government-backed loans that might never be repaid. Construction of a polyester plant, he noted, typically costs in the region of US\$150 million.

Dr. Townsend's second example of detrimental, government-backed intervention concerned efforts by the German 'Partnership for Sustainable Textiles', an organisation, he noted, that was supported financially by the Federal Government, to deter consumption of cotton textile products in Germany, other than those that were made from cotton considered – by its own definition – to be sustainable. The inference that cotton other than that which fell under certain 'identity programmes' was unsustainable and to be avoided was inimical to the sector as a whole, and only served to strengthen the competitive position of the synthetic fibre industry. Sound science, the speaker concluded, was essential in the evaluation of production practices.

The Plenary Meeting agreed the following Final Statement:

1. **"Emerging Dynamics in Cotton: Enhancing Sustainability in the Cotton Value Chain"** The International Cotton Advisory Committee (ICAC) met in Islamabad, Pakistan, from October 30 to November 4, 2016 for its 75th Plenary Meeting since the establishment of the Committee in 1939. The meeting was attended by 378 persons, including representatives from 14 Members, 4 international organizations and 4 nonmember countries.
2. **Cotton demand exceeds production for the second consecutive year.** The Secretariat reported that cotton output in 2015/16 fell due to pest attacks, competitive prices from other crops, climate change, etc., leading to a reduction in world stocks. Although inventories are still higher than usual, the excess has started to be trimmed. Cotton continues, however, to be confronted by an extremely challenging competitive environment.
3. **Competition from polyester is cotton's greatest competitive threat.** Presentations made during a session on inter-fiber competition highlighted the increasing share of the world fiber market occupied by polyester. The Committee was presented with preliminary findings from the Secretariat's study on the economic factors underlying the growth of polyester. These results showed that polyester had made considerable gains in the market for downstream products, such as yarn, filament, staple and apparel. This trend is due to cheaper polyester prices caused by current oil prices and underutilized industrial capacity in the polyester industry. The Committee approved a recommendation of the Private Sector Advisory Panel to broaden the terms of reference of the Secretariat's ongoing studies of the polyester market to include government support measures that have stimulated overcapacity in the polyester industry.
4. **Overcoming textile industry challenges.** Under this title, the representative of the International Textile Manufacturers Federation demonstrated, with examples, how the textile industry was confronting three basic challenges that also face the cotton industry, namely water, energy and the need for creative new ideas. The cotton industry was urged to take steps, by developing cotton varieties that use less water, by concentrating on reducing energy consumption in cotton gins and transportation, and by creating and applying new ideas, especially for increasing efficiency and reducing costs. One example would be to use High Volume Instrument cotton classing systems throughout the industry to replace the ancient practice of visual classing. Another presenter in the same session encouraged cotton-pro-

- ducing countries to convert cotton into value-added products that would create employment and other economic activity.
5. **Costs of cotton production.** The Secretariat presented a report based on its triennial publication on "Cost of Production of Raw Cotton". The world average net cost of production (excluding land cost) of cotton lint was US\$1.16/kg in 2015/16.
 6. Reducing the water footprint of cotton and increasing farmers' income go hand in hand. Growth in demand for water, climate change and increasing population are putting ever more pressure on the use of water in agriculture in general and in cotton cultivation in particular. The Committee received presentations from researchers and sustainability experts on ways in which to reduce the water footprint of cotton. These include application of critical assessments of the performance of irrigation systems; reduction of conveyance losses; implementation of precision agriculture; deficit irrigation; use of irrigation scheduling models; maximization of yield per unit of water used; innovative methods of irrigation, such as short furrows and laser leveling of furrows; and breeding for high-yielding drought-resistant varieties through conventional breeding and genetic engineering. Practical examples showed that the water footprint of cotton can be significantly reduced, while improving the incomes to the farmers.
 7. **Tackling climate change requires international collaboration.** The Committee took note of the outcome of the 2015 United Nations Climate Change Conference (COP21), held in Paris, France. Many cotton-producing countries were already feeling the negative impacts of climate change. The COP21 had produced sound recommendations to contain the negative effects of climate change. An alliance of partners was necessary to achieve these objectives. However, least developed countries had their own limitations to comply with the recommendations made at the conference. Collaborative efforts were required to tackle the climate change problem. In this respect, research was necessary not only into drought conditions but also waterlogged situations that often become a problem in some cotton-growing areas.
 8. **Testing of SEEP sustainability indicators continues.** The SEEP (Expert Panel on the Social, Environmental and Economic Performance of Cotton) reported that twelve countries are already testing in the field the sustainability indicators designed by the Panel. The SEEP aims to produce a report in 2017 to systematically capture the lessons learned from all the pilot tests. This "lessons" report will be invaluable in informing the need for refinements and improvements to the current SEEP framework for measuring sustainability. The report will constitute a solid basis for more effective testing of the application of sustainability indicators. Once this study has been finalized, SEEP will investigate options for a new round of testing.
 9. **Biotech cotton is under development.** The cultivation of biotech cotton has changed the pest complex in many countries, so changes in pest control methods are required. Biotech cotton benefitted farmers by reducing the need for insecticide sprays and positively impacted yields without raising the costs of fertilizers and agronomic operations. The pink bollworm in some countries has developed resistance to the earlier insect-resistant biotech technologies. The pink bollworm and the whitefly caused huge losses in yield in India and Pakistan during 2015, demanding a reversion to traditional varieties of cotton and traditional methods of insect control in some countries. Although the situation has improved in the current season, these pests still require vigilance. The dusky cotton bug and the cotton mealybug have also emerged as major pests; the whitefly and leaf curl virus in particular is becoming of greater concern. Biotech cotton resistant to the whitefly is at advanced stages of development. When commercialized, these new varieties will bring a big relief to growers. Experts reported similar progress on transgenic cotton resistant to the leaf curl disease.
 10. **Government support to the cotton sector falls from record levels but remains high.** ICAC's annual report on government measures supporting the cotton sector shows that these reached US\$7.2 billion in 2015/16, down 30% from a record of US\$10.7 billion in 2014/15. The large stocks accumulated as a result of government intervention from 2011/12 to 2014/15 had started to be drawn down. An orderly disposal of these stocks will be a key factor in the development of the market in coming years.
 11. **World Trade Organization supports reduction in export subsidies and domestic support for cotton.** The Committee noted that the Nairobi Ministerial Conference of the World Trade Organization, held in December 2015, had adopted a decision on cotton prohibiting export subsidies and calling for a further reduction in domestic support. The decision also calls for improvements to market access for least developed countries (LDCs). The objective of the decision is to level the playing field for cotton exporters in the poorest countries, where the cotton sector is of vital importance. The Committee reaffirmed the importance of trade policy as a driver in the promotion of world economic growth and development, and voiced support for a multilateral trading system under the aegis of the WTO.
 12. **Public policies for cotton must avoid distorting the market.** Presentations on public policy for the cotton sector emphasized that cotton faces a grave threat from man-made fibers, especially polyester. In order to compete, cotton producers must innovate, adopt and implement cutting edge technologies that improve productivity at lower costs. Government policies should focus on allowing prices to fluctuate with market forces, increasing funding for agricultural research, and implementing science-based regulations that allow technology development and adoption. Initiatives that discriminate against cotton not marketed under certain criteria would have a detrimental effect on cotton produced and marketed by ICAC member countries and this should be closely observed by the Secretariat since these kinds of initiatives could have adverse effects on cotton production as well as on the textile value chain.
 13. **Greater harmonization of phytosanitary measures affecting the international trade of cotton is required.** The Committee received a report from the Private Sector Advisory Panel emphasizing the need for harmonization of phytosanitary regulations affecting the world trade of cotton. In particular, the PSAP noted that requirements for fumigation of cotton varied widely among countries and requested the Standing Committee to examine possible ways in which to reduce these differences during the coming year.
 14. **ICAC member governments should take steps to ensure compliance with arbitral awards.** The Committee received a report from the

International Cotton Association, the leading arbitral body of the world cotton trade. Cotton prices had not fluctuated much during the past season, which had resulted in a healthier trading environment and a reduction in the number of disputes needing to be settled by arbitration. However, many disputes from the 2010/11 time period, which was marked by extreme price volatility, remained unresolved because legal arbitration awards under the New York Convention, which had been signed by almost all governments, had not been honored. ICAC member governments should review the list compiled by ICA of defaulters in order to identify companies located in their respective countries and take steps to ensure that these companies comply with their obligations.

15. **ICAC membership.** ICAC Members were informed that

the terms of accession of the European Union had been mutually agreed and were now in the process of being approved by the European Commission and the European Parliament. In addition, Bangladesh had submitted a request for membership. The terms of accession of that important cotton importer had been agreed and Bangladesh was taking the internal measures to finalize its inclusion among the members of the ICAC.

16. **World Cotton Research Conference-6.** The Committee received a report on the Sixth World Cotton Research Conference, which was held in Goiânia, Brazil, from 2 to 6 May, 2016. The event was attended by 471 researchers from 40 countries and five international organizations and was held under the auspices of the International Cotton Researchers Association (ICRA). The ICAC

Research Associate program supported the presence of 16 researchers at the conference.

17. **Topic of 2017 Technical Seminar.** The Committee decided to hold the 2017 Technical Seminar on the topic of "Opportunities and Challenges for Technology Transfer in Cotton".
18. **Next meeting.** The Committee accepted an offer from Uzbekistan to host the 76th Plenary on dates to be determined during October 2017.
19. **Appreciation for the hospitality of Pakistan.** The Committee thanked the people, the Organizing Committee and the Government of Pakistan for their hospitality in serving as host of the 75th Plenary Meeting. Delegates commented very favorably on the quality of the venue and the social events, as well as the efficiency of the host country in preparing for the plenary meeting.

Turkey

The extent to which lower yields will affect the size of the 2016/17 lint outturn remains the subject of debate. Some observers contend that the losses are confined to certain areas of the South East, and maintain that a crop in the region of 700,000 tonnes remains within reach. Others believe that poor yields, the reasons for which are at this stage rather obscure, will result in output far below that figure. The more pessimistic commentators cite the lack of downward pressure on local prices, and early-season import demand, as consistent with the probability of a shortfall of production.

Generally firm conditions have this week been in evidence on the Izmir bourse, which has seen a turnover of several hundred tonnes since the weekend. On November 9, it was reported that 31/2-3 and 41/1 colour grades from Bergama found buyers at around TL 5.40 per kilo (about 76.75 US cents per lb), ex-gin, for cash payment. In addition, 41/2-3-4 qualities from Söke, Torbali, Denizli and Aydin were traded on the same day at TL 5.30 (say, 75.25 cents), on the same terms.

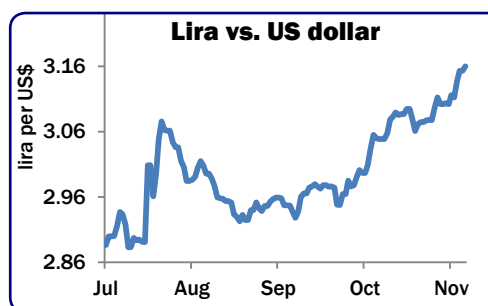
In the Southeast, Urfa Standard 1 and Standard 1 Extra have this week changed hands at around TL 4.90/5.00 per kilo (roughly 70.75/71.50 US cents per lb).

On the import front, an active demand has recently been in evidence for Turkmen medium/lower grades (Sorts 3, 4 and 5), of which a few thousand tonnes have recently changed hands.

In addition, it is understood that some sales of US cotton have been arranged at this week's Sourcing Summit, principally 'on-call' March futures, in a range of qualities.

Argentina SLM 1-1/16" G5 has been traded at around 250 'on' December 2016.

The recent weakness of the lira against the US dollar has continued during the past week, and is generally considered a hindrance to the conclusion of import business.



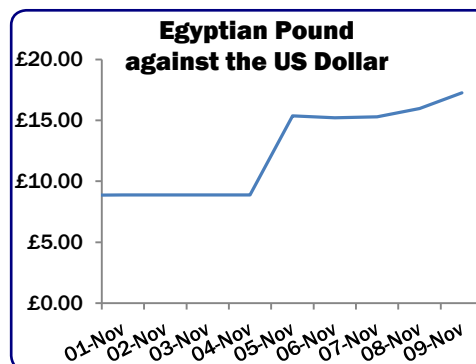
Egypt

Devaluation

Following last week's sharp devaluation of the Egyptian pound, cotton market observers foresaw a downward correction in seed cotton prices, which have recently been at record levels. A decline initially materialised but prices strengthened again quickly.

The currency was floated initially at EG£13.00 to the US currency, removing the previous peg at EG£8.8. It has since floated lower, to over E£17.

Currency flotation was among the key stipulations made by the International Monetary Fund in connection with a



loan, over three years, of US\$12 billion. The government has also raised interest rates. Commentators expect that Egypt's export competitiveness will be enhanced but predict more inflationary pressure.

Export sales registrations continue to rise

A further 1,187 tonnes were registered for export during the week ended November 5, raising the season's cumulative total to 12,937 tonnes, which is more than twice the volume recorded by the same date a year ago. Of the cumulative total, around 32 percent has been shipped. The proportion for India, the biggest buyer, is 39 percent.

The latest registrations comprised 992 tonnes of Giza 86, 100 of Giza 94 and 95 of Giza 90. As the table above demonstrates, the prices at which Giza 86 have been registered remain widely divergent, which is attributed to a number of factors, including crop year and quality, as well as currency influences.

Some shippers have apparently sought to obtain as much as 155.00 cents per lb FOB, but have encountered resistance. A resumption of export selling by the public sector, it is said, might be one result of the currency devaluation.

Import purchasing

Some 2,500 tonnes of Greek Middling are reported to have been purchased by five public sector traders at slightly below 78.00 US cents per lb, CFR, for shipments extending from now through to January. The cotton is destined for the largest public sector mill.

Domestic subsidy

According to the relevant supervision committee, under the leadership of the Cotton and Textiles Holding Company, the government will pay public trading companies a subsidy of E£350 per metric cantar (50 kilos) for Giza 86 from the 2015/16 crop sold to domestic mills at £950 per cantar.

Crop data

By November 6, the quantity of seed cotton classed from this season's crop, according to the Cotton Arbitration and Testing General Organisation (CATGO) amounted to 396,696 kantars (62,281 tonnes). This is equivalent to over half of the anticipated final outturn.

Yarn and textiles

The US dollar value of yarn and textile exports showed a decline of 26 percent in September, compared with the same month a year earlier, and revenue during the first nine months of the year showed a 17 percent decline compared with the same period in 2015.

Clothing exports

"Destination Africa", a conference and exhibition, which will take place in Cairo this coming weekend, is expected to attract 130 participants from overseas, the largest portion from the EU, followed by the US and Asia. Mr. Mohamed Kassem, chairman of the Readymade Garment Export Council, has stated that the event's aim is to build good business relationships and take advantage of the momentum offered following the currency devaluation.

Earnings from ready-made clothing exports during September were 26 percent lower in US dollar terms, year-on-year, and the cumulative drop during the calendar year to the end of that month was 12 percent. The main shortfall concerned earnings from exports to the US (down around 18 percent so far this year), whereas the declines were smaller for Europe (minus seven percent) and the rest of the world (two percent).

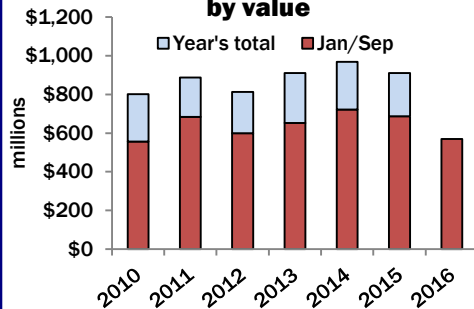
Egyptian registrations

(week ended November 5)

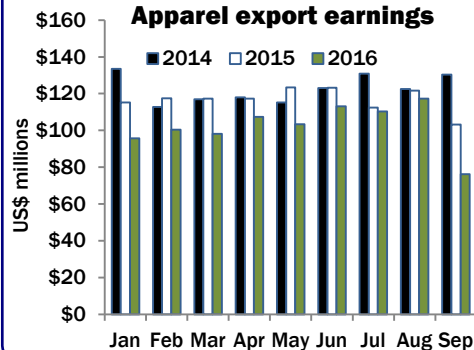
	tonnes	US cents/lb
		FOB
Gza 86	300.0	120.60
	372.0	127.00
	95.0	111.00
	100.0	145.00
	100.0	143.00
	25.0	130.00
Subtotal	992.0	127.00
Giza 94	100.0	160.00
Giza 90	95.0	103.00
Grand total	1,187.0	

*Average price reported by Alcotexa

Exports of yarn and textiles by value



Apparel export earnings



Far Eastern Markets

During the period under review, fluctuating ICE cotton futures and shippers' asking rates have not instilled much confidence amongst prospective mill buyers of raw cotton. However, some selective business of varying volume has been witnessed across the region. Apart from nearby and year-end shipment requirements, certain trades have been concluded for shipment in 2017, including US, Australian and Brazilian origins. Most of these forward purchases continue to be based 'on-call' futures rather than 'fixed-price'.

Transactions in **Taiwan** have, once again this week, comprised a few CFR purchases for shipment November/December. A small parcel of US Eastern/M/O/T Middling Light Spotted 1-1/16" Micronaire 3.0/4.9 NCL has been booked at 72.20 cents per lb, as well as 800 tonnes from the same origin of a lower grade 'recap', at around 69.00 cents. In addition, the purchase of 500 tonnes of Indian Shankar-6 1-1/8" G-5 has been confirmed at 74.00 cents.

For Taiwanese-owned operations overseas, also for shipment November/December, 198 tonnes of Mexican, SLM 1-1/16", G-5, have been taken up at 70.50 cents per lb, CIP Mexico. For destination Lesotho, 200 tonnes of Brazilian SM 1-1/16" G-5 have been bought at 80.25 cents, CIP Lesotho.

During the past week, business in **Indonesia** has included Indian Shankar-6 1-1/8" G-5, purchased at between 73.00 and 75.00 cents per lb, for shipment November/December. Ivory Coast Type MANBO/s 1-1/8" G-5 has changed hands at 77.50 cents, for end of the year shipment requirements. Australian SLM 1-5/32" G-5 has been purchased at 81.50 cents, for nearby shipment, and US Eastern/M/O/T 'green cards' 31-3-36 G-5 have been booked at 1,075 US cent points 'on' March ICE cotton futures for shipment December/January.

Additional 'on-call' business has comprised US Eastern/M/O/T Middling 1-1/8" G-5, purchased for shipment April/June 2017, a few hundred tonnes of Australian 2017 crop, bought 'on private type' at 1,300 points 'on' May futures, for shipment April/June 2017 and 500 tonnes of Brazilian 2017 crop, Middling 1-1/8" G-5 at 825 points on December 2017 futures, for shipment August/December.

During the week ended November 4 the **Japanese** cotton market was quiet. The unclear direction of ICE futures predisposed spinners to remain on the sidelines. Total estimated volume was below 2,000 bales.

In **Thailand**, recent buying activity has focused on Indian cotton, which has continued to be bought for nearby shipment, as well as some modest purchases of US Memphis/Eastern styles, for shipment first quarter.

A Couple mills in **South Korea** picked up around 1,000 tonnes of US higher grades for shipment nearby, for their local and overseas operations last week.

United States

USDA raises US cotton production to 16.162 million bales

The November US production figure, at 16.162 million bales, represents a 128,000 bale increase from last month, with USDA citing higher output in Texas, which was partially offset by decreases in the Southeast. Mill use and exports were unchanged at 3.5 and 12.0 million bales, respectively. Ending stocks are now projected at 4.5 million bales for 2016/17.

"Yield is expected to average 803 pounds per harvested acre, up six pounds from last year," USDA said. Upland cotton production is forecast at 15.6 million bales while Pima is forecast at 562,000 bales.

The world estimates include higher production, at 103.28 million, slightly lower consumption at 111.99 million and larger ending stocks at 88.31 million bales. "The world 2016/17 cotton estimates show larger production and ending stocks, due mainly to a 500,000-bale increase for the India crop," USDA said. "World trade is raised slightly on a higher India export forecast".

	2015/16 Final Report Production (bales)	2016/17 Plantings Sept. (acres)	USDA Fourth Estimate			2016/17 (Fourth Estimate)		
			2016/17 (Third Estimate) Area for Harvest (acres)	Production (bales)	Indicated Avg.Yield (lbs/acre)	Area for Harvest (acres)	Production (bales)	Indicated Avg.Yield (lbs/acre)
	thousands		thousands			thousands		
Upland :								
N.Carolina	527	290	275	520	908	275	430	751
S.Carolina	155	180	189	390	990	189	340	863
Georgia	2,255	1,300	1,180	2,400	976	1,180	2,250	915
Florida	153	100	100	180	864	100	180	864
Virginia	143	80	72	140	933	72	130	867
Alabama	554	320	342	700	982	342	690	968
Southeast	3,787	2,270	2,158	4,330	963	2,158	4,020	894
Tennessee	305	245	250	530	1,018	250	560	1,075
Missouri	400	300	271	630	1,116	271	600	1,063
Mississippi	672	450	435	1,050	1,159	435	1,100	1,214
Arkansas	471	370	375	850	1,088	375	830	1,062
Louisiana	189	155	140	280	960	140	280	960
Mfs Terr	2,037	1,520	1,471	3,340	1,090	1,471	3,370	1,100
Texas	5,720	5,500	5,300	6,500	589	5,300	6,900	625
Oklahoma	374	300	285	570	960	285	565	952
Kansas	35	29	31	55	852	31	60	929
South West	6,129	5,829	5,616	7,125	609	5,616	7,525	643
New Mexico	60	35	40	82	984	40	75	900
Arizona	277	115	114	360	1,516	114	360	1,516
California	165	55	65	235	1,735	65	250	1,846
Far West	502	205	219	677	1,484	219	685	1,501
Upland Total	12,455	9,824	9,464	15,472	785	9,464	15,600	791
American Pima :								
Texas	28	22	16.0	36	1,080	16.0	36	1,080
New Mexico	13	7	7.7	15	935	7.7	15	935
Arizona	31	15	14.7	27	882	14.7	27	882
California	361	155	153.0	484	1,518	153.0	484	1,518
Pima Total	433	199	191.4	562	1,409	191.4	562	1,409
Grand Total	12,888	10,023	9,655.4	16,034	797	9,655.4	16,162	803

(in million 480-lb bales)	2015/16 Nov.	2016/17 Proj Oct.	2016/17 Proj Nov.
Beginning Stocks	3.65	3.80	3.80
Production	12.89	16.03	16.16
Domestic Use	3.45	3.50	3.50
Total Exports	9.15	12.00	12.00
Ending Stocks	3.80	4.30	4.50

(in million 480-lb bales)	2015/16 Nov.	2016/17 Proj Oct.	2016/17 Proj Nov.
Beginning Stocks	111.62	96.60	96.91
Production	96.51	102.69	103.28
Consumption	111.27	112.03	111.99
Trade	35.14	34.87	35.21
Ending Stocks	96.91	87.35	88.31
China ending stocks	58.20	48.10	48.10
ROW ending stocks	38.71	39.25	40.21

World ending stocks for 2016/17 are now projected at 88.31 million bales, up from last month's 87.35 million bale forecast.

Futures edge lower

Having shown little or no reaction to the result of the presidential election, cotton futures declined modestly following the release of USDA's statistical report. Over the five days ended November 9, futures have also registered a modest decline. December closed lower in three out of five days, for a net loss of 31-points.

December cotton has been fast shedding open interest, as spread trading has increased and index funds rolled positions forward. The contract has lost its position as lead month, as interest has moved into the March '17 delivery. Some outright liquidation has also been recorded over the period. Total open interest as of November 8 had decreased to 248,911 contracts, after meeting a new high since June 2008 of 262,059 contracts late last month. Building cotton supplies have added pressure to December and other current crop cotton contract months.

December options expire on November 11 and first notice day is on November 23.

ICE last reported certificated stocks at 42,420 bales (their largest level since September 7) and traders will be watching closely to see whether more cotton moves to the board in the next two weeks.

Speculators increased their net long position to 29.3 percent of the total open interest (257,262 contracts) on November 1, up from 28.7 percent the previous week. Specs reduced longs by 1,211 and shorts by 2,041 holdings during the week. Commercial traders have reduced their long and short holdings by 2,581 and 1,417, respectively, for a resultant net short margin of 32.8 percent.

Enquiry continues for US cotton

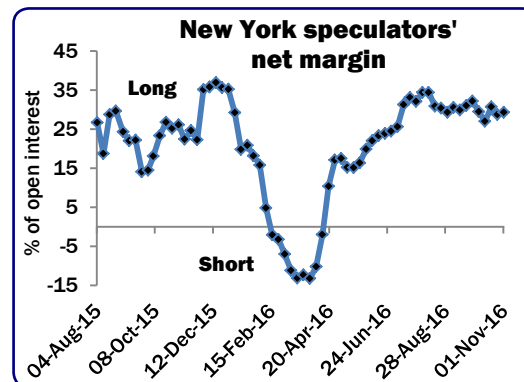
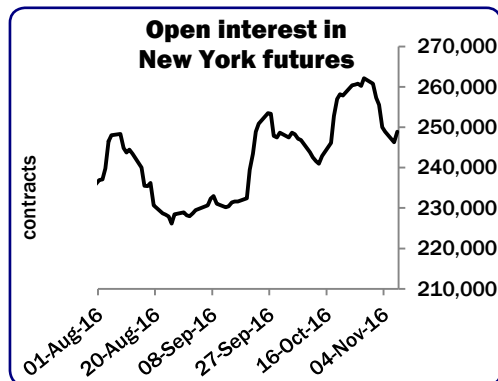
As ICE contracts worked modestly lower, US offering prices became slightly more attractive to mills in need of cotton by year-end or for early 2017 arrival. Cotton for guaranteed delivery in December retains a slight premium, though traders have been shifting attention to later shipment periods. Merchant and cooperative selling basis levels have rolled forward to the March '17 contract, which on November 9 closed at a discount of 57 cent points in relation to nearby December.

Total upland entries from the 2016/17 crop into the Commodity Credit Corporation loan program during the week ended October 31 jumped by 537,474 bales to 1,817,344. An additional 85,976 bales were repaid from the current crop during the period, and 6,064 bales were redeemed from the 2015/16 crop year. The outstanding stock therefore increased to 1,462,776 bales, of which cooperatives and loan servicing agents accounted for the majority, with 1,356,027, leaving independent growers with 106,749.

Classing data

The Agricultural Marketing Service reported that an additional 1,177,186 bales of cotton, including 1,138,086 of upland, were inspected during the week ended November 3, raising the all-cotton season-to-date total to 4,925,600. The proportion of upland samples tenderable against ICE futures amounted to 70.9 percent.

Color grades remain predominantly Strict Low Middling White/leaf 4 and better across most of the belt, with a slight deterioration in quality reported in the Carolinas and Virginia. Eighty-eight percent of inspections from California and 73 percent from Arizona were graded Middling White/leaf 3 and better.



		Basis Levels	2016/17 Option-to-Purchase Prices**
		2016/17 cents per lb	cents per lb
Southeast	SLM 1-3/32"	100 to 175 "on"	-
Memphis Territory	SLM 1-3/32"	even to 50 "on"	-
Texas/Oklahoma	SLM 1-3/32"	25 to 100 "off"	-
Far West - SJV	Midd 1-3/32"	825 to 900 "on"	-
DSW - Arizona	Midd 1-3/32"	300 to 350 "on"	-

Dec '16 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

US Upland Statistics

Average staple length continued 1-3/32nds and longer across the cotton belt, with 1-1/8" and longer reported in the Far West. Beltwide, Micronaire readings remain in the premium 3.5 to 4.9 range.

Sales on the Spot Market totaled 41,504 bales for the week ended November 9, bringing the season's running total to 137,868 bales. The majority consisted of West Texas growths (18,698 bales), followed by East Texas/Oklahoma (18,302), the Southeast (4,178) and the Delta (326). Basis levels were unchanged for the week.

Grower sales on *The Seam* were 19,577 bales with an average selling price of 67.42 cents per pound. Business sales amounted to 13,130 bales and the average price paid was 61.97 cents per pound.

Pima sales have slowed with a large portion of the crop already committed. Cotton is steadily moving from the field to gins. Growers across California's San Joaquin Valley have reported cotton to be still in mostly excellent to good condition. Some growers maintain high price ideas, given the amount of cotton already committed. Cotlook's Grade 2-2-46 Pima quote was last published at 168.00 cents per pound for Far East shipment.

Harvest over half-way complete

The USDA's latest crop progress report shows 56 percent of the crop was off the stalk as of November 6, compared with the 60 percent five-year average. Ten of the 15 main producing states were ahead of the normal pace. Work has been completed in Louisiana and is nearing an end in Arkansas, Mississippi and Missouri.

The harvest is progressing more slowly in **Texas**, where 39 percent of the crop was off the stalk by the report date, up 9 percentage points on the week but 12 points less than the five-year average. Open weather would be welcome to allow work to proceed without interruption. A vast majority of the crop is off the stalk in far western parts of the state and, if clear skies persist, work will be completed soon.

Breezy, cooler conditions have been reported across most of **West Texas** late in the period, following intermittent storms. Light to moderate rain fell, and coverage was fairly widespread, with locally heavy precipitation recorded. Hence, outside activities were halted. Golf ball-sized hail was reported in isolated locales, damaging stands that had yet to be harvested. Producers are concerned that the untimely rains could cause regrowth and reductions to quality.

Daytime highs ranging from the upper 50's to low 60's (F) and nighttime lows in the 30's and 40's are in the near-term forecast. A light freeze was reported in northern parts of the Panhandle of late.

Ginning is increasing, and average yields from irrigated fields have been promising, averaging between 1,750 and 2,000 pounds per acre. Thunderstorms also moved through central parts of the state,

LOAN STATISTICS

CCC Data as of Oct 31, 2016 (running bales):

	Total	Repossessions	Forfeitures	Outstanding
16/17	1,817,344	364,410	0	1,452,934
15/16	6,757,636	6,747,794	0	9,842
Totals	8,574,980	7,112,204	0	1,462,776
Last period's total (Oct 24)				1,017,342

*Including 106,749 bales held by individuals and 1,356,027 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	23,638	-
S. Carolina	14,512	-
Georgia	144,552	-
Alabama	69,312	-
Florida	17,729	-
Virginia	785	108
Southeast	270,528	108
Tennessee	96,232	567
Missouri	112,670	-
Mississippi	275,705	194
Arkansas	208,968	7
Louisiana	88,138	13
Memphis Terr	781,713	781
Texas	346,516	8,424
Oklahoma	15,185	91
Kansas	-	7
South West	361,701	8,522
New Mexico	170	-
Arizona	14,217	431
California	24,605	-
Far West	38,992	431
Upland Total	1,452,934	9,842

SPOT MARKETS

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

	Prices		Turnover (bales)
	(cents per lb)	(bales)	
	09-Nov	02-Nov	
Southeast	69.79	(70.26)	4,178
N. Delta	68.29	(68.76)	43
S. Delta	68.29	(68.76)	283
E. Tx/Okla	68.00	(68.00)	18,302
West Texas	67.50	(67.75)	18,698
Desert Southwest	65.54	(66.51)	0
San Joaquin Valley	66.79	(67.76)	0
7 MARKET AVERAGE	67.74	(68.26)	

Turnover for the period ending Nov 9 41,504

Total turnover for season to Nov 9 137,868

Selected markets to Nov 9 (Nov 2 values in parenthesis)

NORTH DELTA

	Middle (31)		SLM (41)	
1-1/16" (34)	69.04	(69.35)	68.29	(68.60)
1-3/32" (35)	71.04	(71.35)	70.29	(70.60)

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

NY No.2 Dec '16 Even

SAN JOAQUIN VALLEY

1-3/32" (35)	76.69	(77.00)	69.79	(70.10)
1-1/8" (36)	80.19	(80.50)	70.59	(70.90)

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

NY No.2 Dec '16 +840

WEST TEXAS

15/16" (32)	64.50	(64.25)	63.00	(62.75)
1" (33)	66.25	(66.00)	63.75	(63.50)
1-1/32" (34)	67.75	(67.50)	67.50	(67.25)

W. Texas Micronaire (cent points per lb):

	09-Nov		02-Nov	
24 & Below	-975	-975	-975	-975
25-26	-925	-925	-925	-925
27-29	-650	-650	-650	-650
30-32	-450	-450	-450	-450
33-34	-275	-275	-275	-275
35-36	0	0	0	0
37-42	15	15	15	15
43-49	0	0	0	0
50-52	215	-265	215	-265
53 & Above	-350	-400	-350	-400

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.

Grower To Business

Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Mfs Terr	70.50	30	253	283
Southwest	67.38	3,530	15,764	19,294
Total	67.42	3,560	16,017	19,577

Business To Business

Region	Avg Price	Staple		Total
		34 or Less	35 or More	
Southeast	64.31	153	362	515
Southwest	61.87	5,179	7,436	12,615
Total	61.97	5,332	7,798	13,130

hindering the harvest there. Sunny skies would be welcome soon to help bleach any discolored lint in open bolls and to allow soft soils to firm.

Fall-like temperatures have prevailed in the **Memphis Territory** during the period, ending the abnormally hot weather that ruled in October and earlier this month. Soil moisture levels across most of the region deteriorated during the week ended November 1, ranging from 'moderate drought' to 'extreme drought'.

In some areas where the cotton harvest is already complete, winter field preparations are proving difficult because of the hard, dry ground. Much-needed rain has fallen in parts of the Delta, and pickers are idle in areas that have received the heaviest precipitation.

Less than 6 percent of fields remain to be harvested in Missouri, 5 percent in Mississippi and 1 percent in Arkansas as of November 6. Most of the cotton is off the stalk in Tennessee, and work is resuming, where possible.

Processing plants are working long hours, and quality remains relatively good across the Delta. Talk about next year has begun, and an increase in cotton acreage is expected in Mississippi, while many Arkansas producers are waiting until closer to planting time to compare alternative crops' prices.

Picking is advancing rapidly in the **Southeast** under dry conditions. Harvesting was ahead of the normal pace in all states, except South Carolina as of November 6. Around 20 and 30 percent of the Alabama and Georgia crops, respectively, was still on the stalk, and if good weather holds, work likely will be completed in a couple of weeks.

Lower-than-expected yields have been reported from drought-stricken fields in Alabama and Georgia. Quality, though, continues relatively good.

Abundant sunshine rules across the **Far West**, allowing the harvest to sustain its momentum. Seventy-two percent of California stands were picked to November 6, up 24 percentage points on the week but 7 points less than the average. Modules are lining fields and gin yards. Growers are cutting and shredding stalks and preparing fields for the winter.

Good harvesting conditions remain in the near-term forecast, which will allow outside activities to advance. Thunderstorms have been reported in parts of the Desert Southwest, and light to moderate precipitation was received in Arizona and New Mexico. Brief heavy rain fell in isolated locales, and consequently, flash flooding occurred in those areas. Hence, outside work has been sporadic. In Arizona, picking only advanced by 3 percentage points on the week to 48 percent as of November 6.

Ginning Statistics

	2014/15	2015/16	2016/17
All Upland Cotton:			
N. Carolina	282,100	185,400	91,850
S. Carolina	102,700	29,000	55,600
Georgia	602,650	441,550	595,450
Alabama	208,450	171,700	246,050
Florida	40,150	26,950	27,250
Virginia	47,650	52,400	13,800
Southeast	1,283,700	907,000	1,030,000
Tennessee	195,650	159,600	303,550
Missouri	193,350	202,250	315,550
Mississippi	454,050	376,750	505,800
Arkansas	393,950	279,500	513,350
Louisiana	290,600	176,900	221,650
Mid-South	1,527,600	1,195,000	1,859,900
Texas	*	*	*
Oklahoma	13,050	35,000	64,500
Kansas	*	-	*
Southwest	13,050	35,000	64,500
New Mexico	-	*	*
Arizona	*	49,800	*
California	49,900	50,300	55,050
Far West	49,900	100,100	55,050
Total**	4,693,550	3,622,250	4,923,600

* Not published to avoid disclosure of individual gins.

** Totals do not add because of information withheld.

Harvest

	-percentages-		
	Nov 6	Previous Year	5-Year Avg.
Southeast			
North Carolina	57	52	54
South Carolina	50	45	55
Georgia	70	46	54
Alabama	78	67	62
Virginia	60	61	58
Memphis Terr.			
Tennessee	86	66	65
Missouri	94	75	74
Mississippi	95	88	91
Arkansas	99	88	89
Louisiana	100	97	98
Southwest			
Texas	39	49	51
Oklahoma	42	45	45
Kansas	21	29	32
Far West			
Arizona	48	47	44
California	72	86	79
Summary	56	56	60

*These 15 states planted 99 percent of last year's cotton

Export sales

During the week ended November 3, net export sales registrations of upland cotton for shipment during the current 2016/17 season amounted to 168,800 running bales. Increases were reported for Indonesia (24,000), Thailand (23,800), South Korea (23,600), China (19,000) and Japan (17,900, including a decrease of 500). Reductions were reported for El Salvador (2,600) and Nicaragua (200).

Net sales of 15,600 running bales reported for 2017/18 were mainly for South Korea (5,700), Mexico (5,500), Taiwan (2,600) and Japan (1,800).

Export shipments of 134,700 running bales were reported for Vietnam (25,100), China (20,600), Mexico (18,400), Indonesia (15,900) and Taiwan (9,500).

Net sales of Pima totaled 13,000 running bales. The main destinations were India (9,300), China (2,600) and Egypt (900).

EXPORT STATISTICS

Official return, week ended, Nov 03.	UPLAND	PIMA
-in running bales-		
2016/2017 season		
Previous Outstanding Commitment	3,924,600	252,900
New Sales	172,700	13,000
Cancellations	3,900	0
Net Change in Sales Commitment	168,800	13,000
Shipped during the period	134,700	16,400
Cumulative Shipments to, Nov 3.	2,224,300	133,200
Total Outstanding Commitment	3,958,800	249,500
Theoretical Disappearance	6,183,100	382,700
2017/2018 season		
Previous Outstanding Commitment	434,100	0
Net change in Sales Commitment	15,600	0
Total Outstanding Commitment	449,700	0

US Price Mechanism

US PRICE MECHANISM

- 2016/2017 season -

- value if applied today, November 10, 2016 -

Take 5-day average of:-

A) Five Far Eastern Midd.1-3/32" CFRs	75.50
B) Three Far Eastern 'fine count' CFRs	77.23
C) Three Far Eastern 'coarse count' CFRs	NQ
D) Cheapest US Midd. 1-3/32" CFR	77.90

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

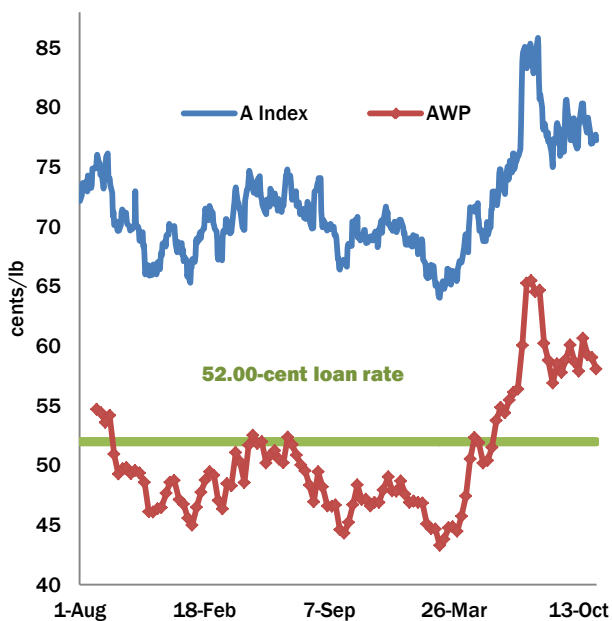
E) Total Adjustment Factor	17.43
F) Adjusted World Price (A - E)	58.07
G) Fine Count' Adjustment Factor	must be above zero
2016 crop (current values 1.90-(B-A))	0.27
H) Coarse Count' Adjustment Factor	must be above zero
(current values A-C-5.75)	NQ
I) Loan Deficiency Payment, Basic Loan (52.00) - F	-6.07

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).

A Index vs. AWP



At last calculation, the theoretical AWP was 6.07 cents/lb above the USDA's 52.00-cent upland cotton loan rate.

AMERICAN PIMA COMPETITIVENESS PAYMENT

Basic Loan Trigger

P1) Cheapest competing foreign quote CFR Far East: (week to date average)	162.40
P2) P1 adjusted for quality and transportation ((P1+2.04)-18.39)	146.49
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	108.67

The Basic Loan Trigger criterion must be met for any payment to be calculated

Payment Calculation

P5) Friday/Thursday US Pima CFR Far Eastern Average	167.40
P6) Weekly average cheapest competing foreign quote CFR Far East (adjusted for quality) (P1+2.04)	164.44
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 November 10	N/A

Sourcing USA Summit

NCC Chairman Shane Stephens opened the 2016 Sourcing USA Summit in Rancho Palos Verdes, California on November 6 by welcoming the 450 attendees. Tech entrepreneur, Hyper-Growth Leader and Best-Selling Author Josh Linkner began with a keynote address offering lessons in creativity and innovation, which included the five obsessions to innovators: 'get curious', 'crave what's next', 'defy tradition', 'get scrappy' and 'adapt fast'. His main lesson for the summit: "it's better to innovate and disrupt your organization before your competition does."

The "US Cotton Update-Ask the Experts" panel included Mr. Dahlen Hancock (Chairman, CCI, owner DK&J Farms), Mr. Kent Fountain (Chairman, NCC Quality Task Force, Southeastern Gin, Inc.), Mr. Darryl Earnest (Deputy Administrator, USDA, AMS, Cotton & Tobacco Programs), Mr. Shane Stephens (Chairman, NCC, Vice President, Cotton Servicing & Warehousing, Staplcotn), Mr. Kevin Brinkley (President & CEO, Plains Cotton Cooperative Association) and Mr. Jordan Lea (Chairman, Eastern Trading Company). The panel discussed important topics affecting the industry as a whole, which ranged from growing cotton, contamination prevention programs, achieving and maintaining quality, grading every sample of cotton, creating "significant and positive change", business intelligence analytics and image analysis.

"Cotton Innovations for the Future - What's new in cotton" included Dr. Kater Hake, Vice President of Agriculture and Environmental Research for Cotton Incorporated, who discussed new technology by applying medical innovation to cotton. He explained genome editing with CRISPR as an editing tool that can modify a plant's DNA. Dr. Peter Hauser, Professor and Interim Head, Textile and Engineering Chemistry & Science Department, North Carolina State University reviewed innovations across the board, including cotton processing, yarn spinning, knitting, weaving, dyeing, printing and finishing.

Sunday afternoon presentations shifted to Global Cotton Consumption. Dr. Berrye Worsham, President & CEO, Cotton Incorporated, focused on understanding the cotton consumer. Some "key consumer trends" he touched on were: lighter weights, active wear boom, denim demand, experiential retailing, mobile opportunities, substantial styles and comparative marketing.

The afternoon keynote presentation was about "inspiring customer loyalty". Johnny "Cupcakes" Earle, Founder and CEO, Johnny Cupcakes, explained how he turned his small business of selling T-shirts from the back of a car to selling them in some of the world's most sought after retailers. He emphasized how his success included combining power of details, success and loyalty for getting ideas or small businesses up and running.

The November 7 agenda opened with a keynote address from Mr. Zachary Karabell, Authority on the Global Economy and Politics and Author of *The Leading Indicators*, on which he noted that cotton is woven into history and predicting the global economy. He mentioned that growth in China and India should continue, but as wages go up, low cost manufacturers become less competitive. He also emphasized how machines are replacing people, since the former are cheap to maintain and allow for efficiency and better profitability.

Mr. Jonathan Fee, Partner, Alston & Bird, alluded to the impact of the US election on textile trade policy. He mentioned Democratic and Republican platforms and how they relate to textile trade, the effects of withdrawing from NAFTA/WTO, US cotton trade issues (which include STAX and Cotton Ginning Cost Share Program), as well as the next farm bill (September 2018).

Dr. Jody Campiche, Vice President, Economics & Policy Analysis, National Cotton Council, touched on the Economic Outlook for the Cotton Market. She spoke in depth about the reduction in China's area planted as well as cotton use and production, and identified key factors to watch for in the coming year: US Production and Exports, more cotton for 2017, China's reserve sales and potential expansion of Xinjiang textile industry, competition from Man-Made Fibers, the strength of the US dollar and a sluggish economy.

A "bull and bear" panel followed with entertaining comments from both sides. The panel consisted of Mr. Hope Brooks (Senior Cash Merchant/Sales Team Leader, Cargill Cotton), Mr. Alex Hsu (Managing Director, Formosa Trading Co. Ltd.), Mr. Serge Lochner (Chairman, Aklo), Mr. Joe Nicosia (Executive Vice President, Louis Dreyfus Company), Mr. Mike Quinn (President & CEO, Cotton Growers Cooperative) and Mr. Hank Reichle (Vice President, Marketing, Staplcotn).

Argentina

Significant rainfall was received in Chaco province between November 7 and the early hours of the following day. Some areas received as much as 100 millimetres, though generally accumulations were lower. Overall, the additional moisture is considered to be timely, as sowing expands across the province, though fieldwork may as a result have been delayed in some areas.

It is estimated that between 15 and 20 percent of the prospective area has been planted across the entire cotton belt. Much uncertainty continues to surround the likely planted area, however, particularly as regards Chaco. Forecasts for the province range from 90,000/100,000 hectares (the lower end of private estimates), through 115,000 (the provincial Ministry of Production), 134,000 (Ministry of Agriculture) and 160,000 (the most optimistic private observers).

Trading activity remains very slow and sporadic, both as regards the local market and the export sector. Between November 3 and 9 only 295 tonnes were registered for export.

Brazil

The local raw cotton market has remained fairly calm of late. A decent volume of business is reported to have been concluded recently, and prices have remained steady. The stable market conditions are reflected in the behaviour of the *Esalq* spot Index, which has hovered modestly above Rç250 (roughly 79.00 US cents) per lb, during the past week, and has in fact not shown major fluctuations for over a month.

Quality problems have been an issue both in the local market and for those taking up cotton for export. Some additional inter-merchant trading has come to light.

In contrast to the moderate activity on the local market, export business in 2016 crop, from farmers to merchants, has been virtually non-existent, since the domestic market is paying prices as much as 14 percent above the level that might be workable for export.

The pattern of recent registrations with the *Bolsa Brasileira de Mercadorias* (BBM) illustrate the prevailing disparity between domestic and export prices. During the past week, 13,537 tonnes of 2016 crop cotton were registered for sale to the local market, whereas export registrations amounted to just 232 tonnes.

Some forward export business has, however, been arranged in 2017 crop. During the same period, 1,200 tonnes were registered for export, 1,699 of 'flex' contracts (which can be applied domestically or for export) and 3,342 for the local market.

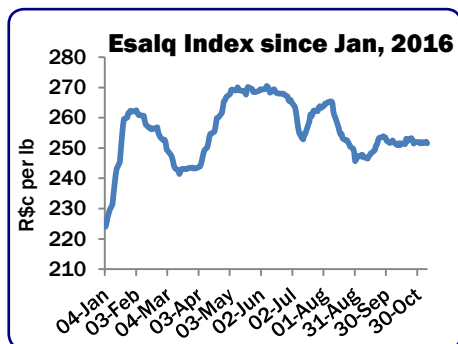
Prospects for the new crop continue to be viewed as broadly encouraging. The weather has been warm, with daily showers in most producing regions. Soybean plantings are well advanced, which bodes well for Mato Grosso's cotton *safrinha*. 'Conventional' (single crop) cotton planting will begin next week in Bahia, and from December 1 in Mato Grosso, Goias and Mato Grosso do Sul.

Cotton seed prices remain firm.

During October, according to SECEX – Foreign Trade Secretariat, Brazil exported 112,084 tonnes, versus 161,171 tonnes in the same month last year and 148,542 tonnes the year before.

The main destinations this year were Vietnam, Indonesia and South Korea. China, the leading destination in previous years, slipped to fourth place.

The quantity exported during the first ten months of the calendar year was 640,137 tonnes, which is significantly above the corresponding figures in either of the two preceding years. Among the leading destinations, more was exported than a year earlier to Indonesia, South Korea, Turkey and Pakistan, slightly less to Vietnam and much less to China. A strong gain was also shown for Bangladesh.



Brazil Raw Cotton Exports

Jan/Oct (in tonnes)

	2015	2016
Indonesia	101,335	111,659
Korea South	66,583	92,142
Vietnam	96,468	87,279
Turkey	55,545	77,517
Pakistan	24,071	54,882
China	83,051	49,067
Malaysia	52,377	44,678
Bangladesh	12,760	37,755
Thailand	29,330	30,872
Taiwan	27,119	18,690
India	2,184	7,246
United States	0	5,545
Italy	1,606	4,754
Japan	5,505	4,179
Other	20,585	13,873
Total	578,520	640,137

Source: Foreign Trade Secretariat

Australia

Planting mostly complete

Planting is mostly complete across all regions. Although it was too wet for intentions to be fully realised, a planted area of just under 500,000 hectares seems likely. This will be confirmed later in December, when the official audited planted areas are submitted.

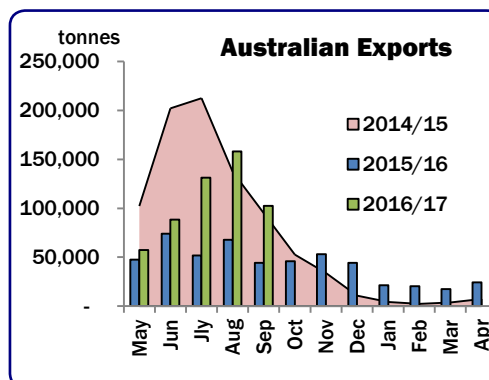
The weather has remained much cooler and wetter than normal. This has resulted in some seedling disease and water logging in many areas. However, provided that there is a pick up in the lower than average temperatures and, going forward, sufficient rain for the large dryland crop, local sources target a production estimate of at least 4 million bales of 227 kilos.

Cotlook's production estimate has been reduced this week, from 975,000 tonnes to 925,000 (4.075 million bales).

September raw cotton exports

Raw cotton exports in September amounted to 102,393 tonnes, down from an adjusted total for the previous month of 158,159 tonnes, but well above the 44,314 shipped during the same month of 2015. The total for the May/September period rose to 537,581 tonnes, compared with 258,249 during the same period a year earlier.

Bangladesh was the largest destination in September, accounting for 27,218 tonnes, or just over 26.5 percent of the total. Other prominent export markets were Vietnam (23,227 tonnes) and China (19,160), while more modest quantities were destined for India (9,177 tonnes), Indonesia (8,618) and Thailand (7,691).



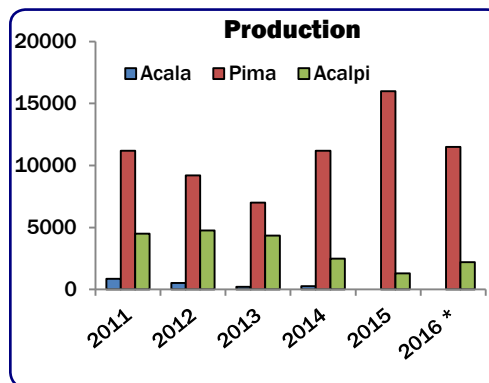
Israel


Good harvest results have been reported by the Israel Cotton Production and Marketing Board. Favourable weather conditions during the harvest period facilitated both good quality and timely gathering of the new crop. Picking began during the last week of September and was completed by October 25. Eighty percent of the crop was harvested by the latest version of John Deere round bale pickers.

Record high temperature during the early part of the summer period, however, are said to have had some impact on the average yield, which this season stands at about 1,650 kgs/ha for Pima (the six-year average is 1,825 kgs/ha). It seems to have had a much lesser impact on Acala, which recorded an average yield of 2,050 kgs/ha (against an average around 2,027 kgs/ha).

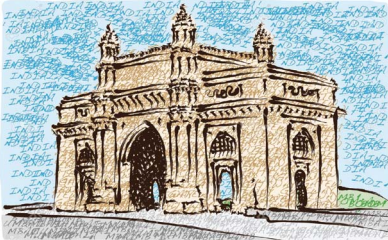
In all, the production this season is estimated to comprise 11,500 tonnes of Pima and 2,200 tonnes of Acala. Ginning and classing are well under way. So far, classing tests and results indicate zero stickiness* and longer and stronger fibre parameters. All Israeli cotton now qualifies as 'Better Cotton' under the Better Cotton Initiative.

*This season Israel Classing Institute replaced its LIN-TRONICS FCT machine with the new equipment called CONTEST. In addition to the traditional testing and classing done using HVI 1000/1000 machines (for standardised parameters), the new equipment allows to read samples for stickiness, maturity, neps and trash in seed-cotton and so on. So far Israeli classers made a few hundred tests, and found no stickiness in any sample of new crop tested. They continue to study all other parameters.






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