

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mostly firm tone on Monday.

**In The News:** Rains affected BT cotton crop grown in about 32,000 hectares in Tiruchi and Perambalur districts. It is only the north-east monsoon which brings an assured irrigation facility in the rain-fed regions like M.R. Palayam and surrounding areas in Tiruchi district and Veppanthattai and nearby villages in Perambalur district. Tiruchi district accounts for 8,000 hectares under cotton cultivation.

There is decline in cotton supply in Gujarat State amid Rs.500 and Rs.1000 note ban by the Government. From around arrivals of 35,000 bales of cotton during Diwali, arrivals have declined to around 15000 bales. Ginners can pay in cheques only and farmers are not ready to accept cheques. There was no auction on Thursday. Around 20% of the farmers are ready for cheque payment.

According to farmers in the Adilabad district of Andhra Pradesh, the cotton crop has been affected by pink bollworm pest and yields have declined accordingly. The distressed farmers have been appealing to the government to assist them in this regard. The farmers want to replace cotton crop with wheat and chickpea crops and want the State government to supply them with seeds of two crops. The pink bollworm destroyed crops in Tamsi, Talamadugu, Vankidi, Indravelli, Kerameri and Kagaznagar.

India exported 1.842 lakh bales of cotton last week (21 -26 November 2016), which was 1.812 lakh bales previous to last week (14 -20 November 2016), according to the data released by IBIS and compiled by Agriwatch.

Major importer of Indian cotton during the week (21 -26 November, 2016) was China. According to the data released by IBIS and compiled by Agriwatch, China imported 1.201 lakh bales of cotton from India in the past week (21 -26 November, 2016). Other major importers were Bangladesh, Vietnam, Indonesia and Pakistan and their imported volumes were 0.416, 0.098, 0.091 and 0.015 lakh bales respectively.

India the largest producer of cotton is likely to buy up to 2 million bales of cotton this year. Till date India has imported around 1.5 million bales of cotton and has already signed contracts to purchase an additional 400,00 bales according to government sources. Imports have increased amid lower domestic production and lower prices in the global markets.

Department of Agriculture, Ministry of Agriculture (MoA) in its second advance estimates, has revised the cotton production estimates downwardly for the season 2015-16 at 306.92 lakh bales (of 170 kg each). For the season 2014-15, the estimate was 346.23 lakh bales according to the first advance estimates for the season.

The Foreign Agriculture Services (FAS), division of USDA has lowered the production forecast for India in its latest report to 356 lakh bales. The reason for the downfall in the revision is lower yield expectation in Punjab and Haryana due to the attack of white fly and impact of pink bollworm in Gujarat.

### International Fundamentals:

According to the National Bureau of Statistics, cotton production in China declined by 4.6 per cent in 2016 to 5.34 million tons compared to the previous year. Production has declined amid decline in acreage and yields. Acreage has declined by 11.1 per cent to 3.38 million hectares. Yields of cotton declined by 260,000 tons to 5.34 million tons.

For the first time, Bangladesh will take over China as the largest importer of Indian cotton and cotton products like yarn and fabric in 2016 -17 according to official sources. India's exports of these items to China have declined to 416.41 million in the first half of the current fiscal year while to Bangladesh it has touched \$613.16 million. Exports to China are unlikely to rise anytime soon as demand remains subdued from China.

According to USDA latest report, global 2016/17 cotton ending stocks are revised up this month. World 2016-17 cotton production is projected at 104.24 million bales, around 8.07 per cent above last season. World ending stocks are now projected higher at 89.15 million bales. For India, production is forecast at 27.00 million bales, same as previous month's estimates and India's crop is estimated 2.27 per cent above 2015/16.

### Outlook

**We expect domestic prices to remain range bound to weak in the near -term.**

#### **NCDEX Kapas Futures\*: (Prices in Rs/20kg)**

| Contract | +/-   | Open  | High  | Low   | Close  | Volume | Change | OI    | Change |
|----------|-------|-------|-------|-------|--------|--------|--------|-------|--------|
| Con_1    | +7.50 | 924.5 | 934.5 | 924.5 | 932.50 | 2753   | 1127   | 11223 | -32    |
| Con_2    | -     | -     | -     | -     | -      | -      | -      | -     | -      |

|        |          |   |   |
|--------|----------|---|---|
| Spread | April-17 |   |   |
| Spot   | 141.50   | - | - |
| May-17 | -        | - | - |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

\*Updated at 5:52 pm as on 26 –Dec 2016

#### **MCX Cotton Futures\*: (Prices in Rs/170 kgs)**

| Contract | +/- | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Dec-16   | +90 | 18950 | 19060 | 18940 | 18990 | 768    | -345   | 1200 | -427   |
| Jan-17   | +60 | 19000 | 19140 | 19000 | 19050 | 2242   | -1274  | 6041 | 311    |

|        |        |        |        |        |    |    |
|--------|--------|--------|--------|--------|----|----|
| Spread | Oct-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
| Spot   | —      |        |        | -      | -  | -  |
| Dec-16 |        | -60    |        | -      | -  | -  |
| Jan-17 |        |        | -      | -      | -  | -  |
|        | —      |        |        | -      | -  | -  |

(NB: Spread Basis = Spot- Near Month Future)

\* Updated at 5:52 pm as on 26 –Dec 2016

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 26-Dec-16            | 24-Dec-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 5350                 | 5300      | 50     |
|                | Gondal        | Shankar-6     | NR                   | NR        | -      |
|                | Rajkot        | B.T. Cotton   | 5370                 | 5350      | 20     |
|                | Patan         | B.T. Cotton   | 5275                 | NA        | -      |
|                | Kadi          | B.T. Cotton   | 5400                 | 5350      | 50     |
|                | Deesa         | B.T. Cotton   | 4960                 | 4955      | 5      |
|                | Dhrol         | B.T. Cotton   | NA                   | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                   | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NR                   | NR        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5300                 | 5300      | Unch   |
|                | Bhiwani       | Desi          | 4000                 | 4100      | -100   |
|                | Adampur       | B.T. Cotton   | 5250                 | 5240      | 10     |
|                | Fatehabad     | B.T. Cotton   | 5280                 | 5225      | 55     |
|                | Jind          | B.T. Cotton   | 5439                 | 5380      | 59     |
|                | Uchana        | B.T. Cotton   | 5300                 | 5237      | 63     |
|                | Dabwali       | B.T. Cotton   | 5245                 | 5160      | 85     |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | 5350                 | 5300      | 50     |
|                | Rawatsar      | B.T. Cotton   | 5300                 | 5200      | 100    |
| Madhya Pradesh | Khandwa       | Mech-1        | 5150                 | Closed    | -      |
|                | Khargaon      | Mech-1        | NR                   | 5150      | -      |
| Maharashtra    | Amravati      | Mech-1        | 5100                 | 4950      | 150    |
|                | Jamner        | Medium Staple | NR                   | 4837      | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 3900                 | 4000      | -100   |
|                | Hathras       | Desi          | 4000                 | 4150      | -150   |
| Telangana      | Adilabad      | Un-Ginned     | NR                   | 5000      | -      |
| Andhra Pradesh | Guntur        | Un-Ginned     | NA                   | NA        | -      |
|                | Kurnool       | Un-Ginned     | NA                   | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                   | NA        | -      |
|                | East Godavari | Un-Ginned     | 4160                 | 4160      | Unch   |
| Karnataka      | Bijapur       | Bunny         | 5289                 | 5289      | Unch   |
|                | Hubli         | D.C.H.        | NR                   | 5479      | -      |
|                | Hubli         | B.T. Cotton   | NR                   | 6550      | -      |
|                | Raichur       | H-44 Cotton   | NR                   | 5230      | -      |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 26-Dec-16            | 24-Dec-16 |        |
| Punjab         | Bhatinda      | J-34          | 4165                 | 4150      | 15     |

|           |                |      |      |      |    |
|-----------|----------------|------|------|------|----|
|           | Abohar         | J-34 | 4165 | 4150 | 15 |
|           | Mansa          | J-34 | 4160 | 4150 | 10 |
|           | Muktsar        | J-34 | NR   | NR   | -  |
|           | Fazilika       | J-34 | NR   | NR   | -  |
| Haryana   | Sirsa          | J-34 | 4100 | 4080 | 20 |
| Rajasthan | Sri-Ganganagar | J-34 | NR   | NR   | -  |

**Cotton Arrivals in Key Centers:**

| Commodity      | Kapas         |               | Arrivals (Quintal) |           | Change |
|----------------|---------------|---------------|--------------------|-----------|--------|
| State          | Centre        | Variety       | 26-Dec-16          | 24-Dec-16 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 59500              | 59500     | Unch   |
|                | Gondal        | Shankar-6     | NR                 | NR        | -      |
|                | Rajkot        | B.T. Cotton   | 4450               | 3900      | 550    |
|                | Patan         | B.T. Cotton   | 30105              | NA        | -      |
|                | Kadi          | B.T. Cotton   | 35000              | 40000     | -5000  |
|                | Deesa         | B.T. Cotton   | 525                | 775       | -250   |
|                | Dhrol         | B.T. Cotton   | NA                 | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                 | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NR                 | NR        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 3000               | 2500      | 500    |
|                | Bhiwani       | Desi          | 100                | 100       | Unch   |
|                | Adampur       | B.T. Cotton   | 1360               | 1360      | Unch   |
|                | Fatehabad     | B.T. Cotton   | 1300               | 1800      | -500   |
|                | Jind          | B.T. Cotton   | 201                | 255       | -54    |
|                | Uchana        | B.T. Cotton   | 2855               | 800       | 2055   |
|                | Dabwali       | B.T. Cotton   | 3500               | 1900      | 1600   |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | 3000               | 2500      | 500    |
|                | Rawatsar      | B.T. Cotton   | 1000               | 1000      | Unch   |
| Madhya Pradesh | Khandwa       | Mech-1        | 2500               | Closed    | -      |
|                | Khargaon      | Mech-1        | NR                 | 10290     | -      |
| Maharashtra    | Amravati      | Mech-1        | 22000              | 18000     | 4000   |
|                | Jamner        | Medium Staple | NR                 | 333       | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 50                 | NA        | -      |
|                | Hathras       | Desi          | NA                 | NA        | -      |
| Telangana      | Adilabad      | Un-Ginned     | NR                 | 13320     | -      |
| Andhra Pradesh | Guntur        | Un-Ginned     | NA                 | NA        | -      |
|                | Kurnool       | Un-Ginned     | NA                 | NA        | -      |
|                | Krishna       | Un-Ginned     | NA                 | NA        | -      |
|                | East Godavari | Un-Ginned     | NA                 | NA        | -      |
| Karnataka      | Bijapur       | Bunny         | 1050               | 1220      | -170   |
|                | Hubli         | D.C.H.        | NR                 | 156       | -      |

|           | Hubli          | B.T. Cotton | NR                 | 250       | -      |
|-----------|----------------|-------------|--------------------|-----------|--------|
|           | Raichur        | H-44 Cotton | NR                 | 1357      | -      |
| Commodity | Lint           |             | Arrivals (Quintal) |           | Change |
| State     | Centre         | Variety     | 26-Dec-16          | 24-Dec-16 |        |
| Punjab    | Bhatinda       | J-34        | 8500               | 8500      | Unch   |
|           | Abohar         | J-34        | 1360               | 1190      | 170    |
|           | Mansa          | J-34        | 1190               | 1020      | 170    |
| Haryana   | Sirsa          | J-34        | 2040               | 2040      | Unch   |
| Rajasthan | Sri-Ganganagar | J-34        | NR                 | NR        | -      |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 24-Dec-16     | 23-Dec-16     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 27400         | 27200         | 200    |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 28200         | 28000         | 200    |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 38400         | 38300         | 100    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 38300         | 38300         | Unch   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 39000         | 39000         | Unch   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 39600         | 39600         | Unch   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 40300         | 40300         | Unch   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 54000         | 54000         | Unch   |

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

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 26-Dec-16 | 24-Dec-16 |        |
| Rajkot    | Rs. /10 Kg. | 685       | 685       | Unch   |
| New Delhi | Rs. /10 Kg. | 680       | 680       | Unch   |
| Hyderabad | Rs. /10 Kg. | 670       | 670       | Unch   |
| Mumbai    | Rs. /10 Kg. | 690       | 690       | Unch   |

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

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 26-Dec-16 | 24-Dec-16 |        |
| Mahesana (Kadi) | Rs./Qtl | 1995      | 1938      | 57     |
| Akola           | Rs./Qtl | 1956      | 1916      | 40     |

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 26-December-2016**

| Index                            | RMB/Ton | Change |
|----------------------------------|---------|--------|
| CCIndex(328)                     | 15853   | 1.00   |
| CCIndex(527)                     | 14908   | 1.00   |
| CCIndex(229)                     | 16235   | 3.00   |
| RMB -Renminbi, 1RMB =0.16 \$U.S. |         |        |

**China Foreign Cotton (FCE) Index : As on 26-December-2016**

| Index        | Cents/lb | Change |
|--------------|----------|--------|
| FC Index (S) | 82.36    | -0.25  |
| FC Index (M) | 79.04    | -0.21  |
| FC Index (L) | 77.62    | -0.25  |

**Cotlook Index: As on 23-December-2016**

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 79.05       | Unch   |

**USDA Cotton Spot Rates: As on 23-Dec-2016**

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | bales    |
| Southeast   | 70.87               | 73.12               | 169      |
| North Delta | 70.37               | 72.62               | NIL      |
| South Delta | 70.37               | 72.62               | NIL      |
| East TX-OK  | 68                  | 69.5                | 2095     |
| West Texas  | 68                  | 69.5                | 3527     |
| Desert SW   | 66.12               | 71.12               | 200      |
| SJ Valley   | 67.37               | 77.27               | NIL      |

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per Tex and uniformity 80.5 to 81.4

**ICE Cotton Futures (Prices in cents/lb.): As on 23-December-2016**

| Contract      | Open  | High  | Low   | Close | Change       |
|---------------|-------|-------|-------|-------|--------------|
| <b>Mar-17</b> | 70.19 | 70.54 | 69.85 | 69.87 | <b>-0.33</b> |
| <b>May-17</b> | 70.50 | 70.87 | 70.21 | 70.27 | <b>-0.33</b> |
| <b>Jul-17</b> | 70.99 | 71.20 | 70.61 | 70.67 | <b>-0.32</b> |
| <b>Oct-17</b> | 69.30 | 69.30 | 69.30 | 69.30 | <b>-0.68</b> |
| <b>Dec-17</b> | 69.32 | 69.32 | 68.84 | 68.97 | <b>-0.28</b> |
| <b>Mar-18</b> | 68.88 | 68.88 | 68.88 | 68.88 | <b>-0.28</b> |

**Pakistan Cotton Spot rates: As on 24-December-2016**
**(in Pakistan Rupees)**

| Product           | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| <b>Cotton</b>     | 37.32 Kgs | 6250         | 135              | 6385              |
| <b>Equivalent</b> | 40 Kgs    | 6698         | 145              | 6843              |

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