

## Domestic Fundamentals:

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

**In The News:** According to ICRA, weak exports and higher domestic cotton prices is likely to affect the profitability of the spinners. Cotton prices have been firm recently amid demonetization drive and uncertainty pertaining to current season crop size. Cotton yarn exports have been declining following lower demand from China and improved local usage. The improved domestic mill consumption in China has reduced its dependence upon imports, affecting yarn exports from India. In the first seven months of the financial year 2016 -17, cotton yarn export quantity declined by 23% y-o-y.

According to official sources at Southern Mill's Association, under the new terms and conditions for fully pressed bales of CCI facilitates that the registered MSME textile units can procure cotton by paying only 10% deposit money as compared to 20%, which was applicable only for the sale quantity of 30,000 bales and above. The free period available for procurement of 15,000 bales has been made uniform at 45 days.

The Cotton Corporation of India is purchasing fiber at market rates from various parts of the country to ensure supplies for its customers in the textiles industry. The corporation is expected to purchase up to 15 lakh bales this season according to official sources. Market prices have firmed up recently as arrivals have declined post demonetization. It is likely to purchase from West, Central and the Southern markets of the country.

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 China Cotton Association's (CCA) report from survey over 2800 growers and 12 major cotton belts in December 2016, growers are willing to increase acreage under cotton. According to the survey, 5.78% plan to reduce plantings, 7.91% to increase, and 44.31% has not decided, others has no change compared to last year. Cotton planting area is estimated at 42.60 million mu in 2017.

According to Pakistan's Cotton Crop Assessment Committee (CCAC), the country's cotton crop is expected to be around 10.6 million bales in 2016 -17 compared to 9.7 million bales during the previous season. Although 2016-17 area was forecast at a three-decade low, the yield was projected at 748 kg per hectare, one of the top yields on record for Pakistan. Favourable weather condition is likely to support the crop.

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	+4.50	956	959	954	956.50	1832	-420	10680	99
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	121.50	-	-
May-17	-	-	-

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

\*Updated at 6:36 pm as on 30 –Dec 2016

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+100	19250	19320	19230	19300	816	1092	6626	28
Mar-17	+120	19400	19470	19380	19450	197	505	3725	91

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-150		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

\* Updated at 6:36 pm as on 30 –Dec 2016

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	30-Dec-16	29-Dec-16	
Gujarat	Ahmedabad	Shankar-6	5400	5350	50
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5390	5400	-10
	Patan	B.T. Cotton	5385	5345	40
	Kadi	B.T. Cotton	5450	5350	100
	Deesa	B.T. Cotton	4975	5060	-85
	Dhrol	B.T. Cotton	5295	5310	-15
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5325	5300	25
	Bhiwani	Desi	4250	4250	Unch
	Adampur	B.T. Cotton	5380	5350	30
	Fatehabad	B.T. Cotton	5420	5385	35
	Jind	B.T. Cotton	5450	5425	25
	Uchana	B.T. Cotton	5450	5400	50
	Dabwali	B.T. Cotton	5375	5285	90
Rajasthan	Hanumangarh	B.T. Cotton	5400	5400	Unch
	Rawatsar	B.T. Cotton	5300	Closed	-
Madhya Pradesh	Khandwa	Mech-1	5250	Closed	-
	Khargaon	Mech-1	5425	Closed	-
Maharashtra	Amravati	Mech-1	5075	5050	25
	Jamner	Medium Staple	4896	4891	5
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	NA	-
Karnataka	Bijapur	Bunny	NR	NR	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	NR	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	30-Dec-16	29-Dec-16	
Punjab	Bhatinda	J-34	4200	4195	5
	Abohar	J-34	4200	4200	Unch

	Mansa	J-34	4195	4190	5
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4130	4125	5
Rajasthan	Sri-Ganganagar	J-34	NR	3760	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	30-Dec-16	29-Dec-16	
Gujarat	Ahmedabad	Shankar-6	42500	47600	-5100
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	2450	3250	-800
	Patan	B.T. Cotton	10527	8150	2377
	Kadi	B.T. Cotton	25000	40000	-15000
	Deesa	B.T. Cotton	450	375	75
	Dhrol	B.T. Cotton	431	500	-69
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	4000	-2000
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	1190	1020	170
	Fatehabad	B.T. Cotton	1000	1000	Unch
	Jind	B.T. Cotton	119	221	-102
	Uchana	B.T. Cotton	1500	2550	-1050
	Dabwali	B.T. Cotton	2200	1400	800
Rajasthan	Hanumangarh	B.T. Cotton	1500	600	900
	Rawatsar	B.T. Cotton	1200	Closed	-
Madhya Pradesh	Khandwa	Mech-1	2000	Closed	-
	Khargaon	Mech-1	4850	Closed	-
Maharashtra	Amravati	Mech-1	23000	25000	-2000
	Jamner	Medium Staple	314	317	-3
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
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	NR	NR	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-

	Raichur	H-44 Cotton	NR	NR	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	30-Dec-16	29-Dec-16	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	1700	1530	170
	Mansa	J-34	765	1020	-255
Haryana	Sirsa	J-34	969	1020	-51
Rajasthan	Sri-Ganganagar	J-34	NR	500	-

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				29-Dec-16	28-Dec-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29400	29300	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30200	30100	100
J-34(202)	26mm	3.5 - 4.9	23	39000	38900	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38600	38600	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	39300	39300	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40000	40000	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40700	40700	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	53500	53500	Unch

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

Centre	Unit	Price		Change
		30-Dec-16	29-Dec-16	
Rajkot	Rs. /10 Kg.	685	685	Unch
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	685	685	Unch
Mumbai	Rs. /10 Kg.	695	695	Unch

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

Centre	Unit	Price		Change
		30-Dec-16	29-Dec-16	
Mahesana (Kadi)	Rs./Qtl	2030	2022	8

Akola	Rs./Qtl	1989	1980	9
-------	---------	------	------	---

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 30-December-2016</u>		
Index	RMB/Ton	Change
CCIndex(328)	15798	Unch
CCIndex(527)	14860	5
CCIndex(229)	16146	-9
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 30-December-2016</u>		
Index	Cents/lb	Change
FC Index (S)	83.24	0.88
FC Index (M)	80.03	0.99
FC Index (L)	78.53	0.91

<u>Cotlook Index: As on 29-December-2016</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	78.60	0.05

<u>USDA Cotton Spot Rates: As on 29-Dec-2016</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	72.00	74.25	82
North Delta	71.00	73.25	880
South Delta	71.00	73.25	NIL
East TX-OK	68.00	69.50	3337
West Texas	68.00	69.50	10567
Desert SW	66.75	71.75	NIL
SJ Valley	68.00	77.90	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 29-December-2016**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	69.75	71.14	69.64	70.50	<b>0.75</b>
<b>May-17</b>	70.10	71.35	70.05	70.9	<b>0.75</b>
<b>Jul-17</b>	70.99	71.6	70.66	71.26	<b>0.67</b>
<b>Oct-17</b>	69.78	69.78	69.78	69.78	<b>0.52</b>
<b>Dec-17</b>	69.20	69.8	68.95	69.51	<b>0.56</b>
<b>Mar-18</b>	69.75	69.8	69.44	69.44	<b>0.52</b>

**Pakistan Cotton Spot rates: As on 29-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

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2016 Indian Agribusiness Systems Pvt. Ltd.