

Domestic Fundamentals:

Market Outlook: Cotton spot markets witnessed range –bound to firm tone on Saturday.

In The News: During the recent days, cotton arrivals in the domestic market have been declining amid estimated lower production and hoarding by farmers. Cotton prices have increased amid demonetization drive and uncertainty pertaining to current season crop size. Arrivals declined amid lack of cash in the spot market. India's cotton crop was estimated at 346 lakh bales (of 170 kg each) according to official sources. However, due to pink bollworm pest in the initial sowing period and declining yields from the second picking, the overall cotton crop is expected to drop more than estimated. Arrivals are likely to increase as the liquidity situation eases in the market. At Rajkot market prices of cotton have increased from Rs. 5000-5100/quintal in the first week of November to around Rs.5400/quintal as on December 30, 2016.

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.

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	31-Dec-16	30-Dec-16	
Gujarat	Ahmedabad	Shankar-6	5400	5400	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5410	5390	20
	Patan	B.T. Cotton	5400	5385	15
	Kadi	B.T. Cotton	5500	5450	50
	Deesa	B.T. Cotton	5035	4975	60
	Dhrol	B.T. Cotton	5360	5295	65
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5400	5325	75
	Bhiwani	Desi	4250	4250	Unch
	Adampur	B.T. Cotton	5465	5380	85
	Fatehabad	B.T. Cotton	5460	5420	40
	Jind	B.T. Cotton	5425	5450	-25
	Uchana	B.T. Cotton	5375	5450	-75
	Dabwali	B.T. Cotton	5485	5375	110
Rajasthan	Hanumangarh	B.T. Cotton	5400	5400	Unch
	Rawatsar	B.T. Cotton	5300	5300	Unch
Madhya Pradesh	Khandwa	Mech-1	Closed	5250	-
	Khargaon	Mech-1	Closed	5425	-
Maharashtra	Amravati	Mech-1	5050	5075	-25
	Jamner	Medium Staple	NR	4896	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5100	5090	10
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	4600	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	NR	5466	-
	Hubli	D.C.H.	NR	5519	-
	Hubli	B.T. Cotton	NR	6509	-
	Raichur	H-44 Cotton	NR	5311	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	31-Dec-16	30-Dec-16	
Punjab	Bhatinda	J-34	4215	4200	15
	Abohar	J-34	4220	4200	20

	Mansa	J-34	4200	4195	5
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4150	4130	20
Rajasthan	Sri-Ganganagar	J-34	NR	NR	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
	State	Centre	Variety	31-Dec-16	
Gujarat	Ahmedabad	Shankar-6	37400	42500	-5100
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	2550	2450	100
	Patan	B.T. Cotton	9215	10527	-1312
	Kadi	B.T. Cotton	25000	25000	Unch
	Deesa	B.T. Cotton	425	450	-25
	Dhrol	B.T. Cotton	342	431	-89
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3500	2000	1500
	Bhiwani	Desi	50	100	-50
	Adampur	B.T. Cotton	1020	1190	-170
	Fatehabad	B.T. Cotton	700	1000	-300
	Jind	B.T. Cotton	102	119	-17
	Uchana	B.T. Cotton	800	1500	-700
	Dabwali	B.T. Cotton	1200	2200	-1000
Rajasthan	Hanumangarh	B.T. Cotton	800	1500	-700
	Rawatsar	B.T. Cotton	1000	1200	-200
Madhya Pradesh	Khandwa	Mech-1	Closed	2000	-
	Khargaon	Mech-1	Closed	4850	-
Maharashtra	Amravati	Mech-1	20000	23000	-3000
	Jamner	Medium Staple	NR	314	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	16286	13614	2672
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	872	-
	Hubli	D.C.H.	NR	186	-
	Hubli	B.T. Cotton	NR	30	-

	Raichur	H-44 Cotton	NR	863	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	31-Dec-16	30-Dec-16	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	1190	1700	-510
	Mansa	J-34	680	765	-85
Haryana	Sirsa	J-34	850	969	-119
Rajasthan	Sri-Ganganagar	J-34	NR	NR	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				30-Dec-16	29-Dec-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29900	29400	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30700	30200	500
J-34(202)	26mm	3.5 - 4.9	23	39100	39000	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38700	38600	100
Shankar-6(105)	29mm	3.5 - 4.9	28	39500	39300	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40100	40000	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	40900	40700	200
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
		31-Dec-16	30-Dec-16	
Rajkot	Rs. /10 Kg.	685	685	Unch
New Delhi	Rs. /10 Kg.	693	695	-2
Hyderabad	Rs. /10 Kg.	678	685	-7
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
		31-Dec-16	30-Dec-16	
Mahesana (Kadi)	Rs./Qtl	2036	2030	6

Akola	Rs./Qtl	2000	1989	11
-------	---------	------	------	-----------

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 30-December-2016		
Index	RMB/Ton	Change
CCIndex(328)	15798	Unch
CCIndex(527)	14860	5
CCIndex(229)	16146	-9

RMB -Renminbi, 1RMB =0.16 \$U.S.

China Foreign Cotton (FCE) Index : As on 30-December-2016		
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

Cotlook Index: As on 30-December-2016		
Cotlook Indices	Cents/Pound	Change
A-Index	79.40	0.80

USDA Cotton Spot Rates: As on 30-Dec-2016			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	72.15	74.40	228
North Delta	71.15	73.40	400
South Delta	71.15	73.40	NIL
East TX-OK	68.00	69.50	7768
West Texas	68.00	69.50	13362
Desert SW	66.90	71.90	NIL
SJ Valley	68.15	78.05	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 30-December-2016					
Contract	Open	High	Low	Close	Change
Mar-17	70.68	71.96	70.43	70.65	0.15
May-17	71.22	72.20	70.82	71.02	0.12
Jul-17	71.54	72.40	71.20	71.38	0.12
Oct-17	69.72	69.72	69.72	69.72	-0.06
Dec-17	69.75	70.4	69.4	69.54	0.03
Mar-18	69.47	69.47	69.47	69.47	0.03

Pakistan Cotton Spot rates: As on 30-December-2016				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6250	135	6385
Equivalent	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.