

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed steady to firm tone on Monday.

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	+12.50	965	974	965	973	1832	0	10680	0
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	127.00	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
*Updated at 7:02 pm as on 02 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+100	19350	19540	19350	19490	1274	-458	6854	228
Mar-17	+120	19560	19690	19550	19660	567	-370	3915	190

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-170		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)
* Updated at 7:02 pm as on 02 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	2-Jan-17	31-Dec-16	
Gujarat	Ahmedabad	Shankar-6	5500	5400	100
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5500	5410	90
	Patan	B.T. Cotton	5405	5400	5
	Kadi	B.T. Cotton	5500	5500	Unch
	Deesa	B.T. Cotton	5180	5035	145
	Dhrol	B.T. Cotton	5365	5360	5
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5500	5400	100
	Bhiwani	Desi	4250	4250	Unch
	Adampur	B.T. Cotton	5465	5465	Unch
	Fatehabad	B.T. Cotton	5490	5460	30
	Jind	B.T. Cotton	5650	5425	225
	Uchana	B.T. Cotton	5518	5375	143
	Dabwali	B.T. Cotton	5530	5485	45
Rajasthan	Hanumangarh	B.T. Cotton	5575	5400	175
	Rawatsar	B.T. Cotton	5300	5300	Unch
Madhya Pradesh	Khandwa	Mech-1	5500	Closed	-
	Khargaon	Mech-1	NR	5500	-
Maharashtra	Amravati	Mech-1	5300	5050	250
	Jamner	Medium Staple	4926	4908	18
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5170	5100	70
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	4750	4600	150
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5551	5374	177
	Hubli	D.C.H.	NR	5511	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5360	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	2-Jan-17	31-Dec-16	
Punjab	Bhatinda	J-34	4225	4215	10
	Abohar	J-34	4230	4220	10

	Mansa	J-34	4225	4200	25
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4160	4150	10
Rajasthan	Sri-Ganganagar	J-34	4207	NR	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	2-Jan-17	31-Dec-16	
Gujarat	Ahmedabad	Shankar-6	52700	37400	15300
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	4600	2550	2050
	Patan	B.T. Cotton	17104	9215	7889
	Kadi	B.T. Cotton	20000	25000	-5000
	Deesa	B.T. Cotton	800	425	375
	Dhrol	B.T. Cotton	639	342	297
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	4000	3500	500
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	850	1020	-170
	Fatehabad	B.T. Cotton	700	700	Unch
	Jind	B.T. Cotton	153	102	51
	Uchana	B.T. Cotton	2260	800	1460
	Dabwali	B.T. Cotton	1800	1200	600
Rajasthan	Hanumangarh	B.T. Cotton	700	800	-100
	Rawatsar	B.T. Cotton	2000	1000	1000
Madhya Pradesh	Khandwa	Mech-1	2500	Closed	-
	Khargaon	Mech-1	NR	3040	-
Maharashtra	Amravati	Mech-1	22000	20000	2000
	Jamner	Medium Staple	10	325	-315
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12486	16286	-3800
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	1525	817	708
	Hubli	D.C.H.	NR	160	-
	Hubli	B.T. Cotton	NR	NR	-

	Raichur	H-44 Cotton	NR	645	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	2-Jan-17	31-Dec-16	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	850	1190	-340
	Mansa	J-34	680	680	Unch
Haryana	Sirsa	J-34	850	850	Unch
Rajasthan	Sri-Ganganagar	J-34	300	NR	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				31-Dec-16	30-Dec-16	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29900	29900	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30700	30700	Unch
J-34(202)	26mm	3.5 - 4.9	23	39300	39100	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38800	38700	100
Shankar-6(105)	29mm	3.5 - 4.9	28	39600	39500	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40200	40100	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	41000	40900	100
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
		2-Jan-17	31-Dec-16	
Rajkot	Rs. /10 Kg.	695	685	10
New Delhi	Rs. /10 Kg.	695	693	2
Hyderabad	Rs. /10 Kg.	678	678	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
		2-Jan-17	31-Dec-16	
Mahesana (Kadi)	Rs./Qtl	2119	2036	83
Akola	Rs./Qtl	2054	2000	54

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 31-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

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