

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mixed tone on Wednesday.

In The News: According to the latest estimates by the Cotton Association Of India, India is likely to produce 345 lakh bales cotton in 2016-17 compared to 338 lakh bales during the previous season. Improvement in productivity amid favourable weather condition in the cotton growing regions has supported the growth of the crop. Though the productivity of the country is below world average, government initiatives and scientific research will help to achieve the average productivity level soon.

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.

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 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.

Cotton arrival from the current crop in Pakistan has increased 11.72 per cent but remained below the revised output target for 2016. Pakistan has harvested 10.36 million bales of cotton up to December 31, 2016 according to data released by the Pakistan Cotton Ginners Association compared to 9.27 million bales during the same period previous year. Cotton arrival during the period (December 15 -31, 2016) is reported at 218,762 bales compared to 244,987 bales during the same period previous year.

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	-15.50	977	978	964	964	4124	-1390	9197	-498
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	166.00	-	-
May-17	-	-	-

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

*Updated at 6:18 pm as on 04 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-170	19680	19730	19520	19540	1596	1092	6563	-8
Mar-17	-180	19820	19870	19660	19690	1084	570	4512	227

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

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

* Updated at 6:18 pm as on 04 –Jan 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	4-Jan-17	3-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5650	5575	75
	Patan	B.T. Cotton	5560	5555	5
	Kadi	B.T. Cotton	5550	5550	Unch
	Deesa	B.T. Cotton	4950	5105	-155
	Dhrol	B.T. Cotton	5505	5500	5
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5600	5550	50
	Bhiwani	Desi	4550	4260	290
	Adampur	B.T. Cotton	5650	5560	90
	Fatehabad	B.T. Cotton	5640	5550	90
	Jind	B.T. Cotton	5670	5690	-20
	Uchana	B.T. Cotton	5620	5555	65
	Dabwali	B.T. Cotton	5545	5580	-35
Rajasthan	Hanumangarh	B.T. Cotton	5640	5700	-60
	Rawatsar	B.T. Cotton	5600	5675	-75
Madhya Pradesh	Khandwa	Mech-1	5550	5550	Unch
	Khargaon	Mech-1	5595	NR	-
Maharashtra	Amravati	Mech-1	5300	5350	-50
	Jamner	Medium Staple	5010	4955	55
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5320	5330	-10
Andhra Pradesh	Guntur	Un-Ginned	4200	4200	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5623	5602	21
	Hubli	D.C.H.	5607	5549	58
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5500	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	4-Jan-17	3-Jan-17	
Punjab	Bhatinda	J-34	4265	4250	15

	Abohar	J-34	4270	4260	10
	Mansa	J-34	4260	4250	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4225	4180	45
Rajasthan	Sri-Ganganagar	J-34	3948	3948	Unch

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	4-Jan-17	3-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5200	4200	1000
	Patan	B.T. Cotton	14580	10777	3803
	Kadi	B.T. Cotton	30000	35000	-5000
	Deesa	B.T. Cotton	100	2000	-1900
	Dhrol	B.T. Cotton	490	565	-75
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	4000	1500	2500
	Bhiwani	Desi	200	100	100
	Adampur	B.T. Cotton	680	850	-170
	Fatehabad	B.T. Cotton	900	800	100
	Jind	B.T. Cotton	200	200	Unch
	Uchana	B.T. Cotton	2575	2320	255
	Dabwali	B.T. Cotton	1000	900	100
Rajasthan	Hanumangarh	B.T. Cotton	1000	1500	-500
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	3000	3000	Unch
	Khargaon	Mech-1	7100	NR	-
Maharashtra	Amravati	Mech-1	22000	24000	-2000
	Jamner	Medium Staple	309	331	-22
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	10017	10437	-420
Andhra Pradesh	Guntur	Un-Ginned	689	610	79
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	936	944	-8
	Hubli	D.C.H.	42	132	-90

	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	1365	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	4-Jan-17	3-Jan-17	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	850	850	Unch
	Mansa	J-34	680	680	Unch
Haryana	Sirsa	J-34	850	850	Unch
Rajasthan	Sri-Ganganagar	J-34	500	500	Unch

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				3-Jan-17	2-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29400	29400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30300	30300	Unch
J-34(202)	26mm	3.5 - 4.9	23	39800	39400	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39600	39300	300
Shankar-6(105)	29mm	3.5 - 4.9	28	40200	40000	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41000	40700	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	41800	41500	300
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
		4-Jan-17	3-Jan-17	
Rajkot	Rs. /10 Kg.	685	690	-5
New Delhi	Rs. /10 Kg.	695	700	-5
Hyderabad	Rs. /10 Kg.	678	678	Unch
Mumbai	Rs. /10 Kg.	700	695	5

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

Centre	Unit	Price		Change
		4-Jan-17	3-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2131	2152	-21
Akola	Rs./Qtl	2103	2095	8

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 04-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15787	-9
CCIndex(527)	14848	-12
CCIndex(229)	16136	-3
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 04-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	84.54	1.25
FC Index (M)	81.36	1.24
FC Index (L)	80.21	1.41

<u>Cotlook Index: As on 03-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	79.65	0.25

<u>USDA Cotton Spot Rates: As on 03-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.28	75.53	NIL
North Delta	72.28	74.53	NIL
South Delta	72.28	74.53	NIL
East TX-OK	69.50	71.00	7750
West Texas	69.50	71.00	18582
Desert SW	68.03	73.03	NIL
SJ Valley	69.28	79.18	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 03-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	71.19	71.85	71.14	71.78	1.13
May-17	71.62	72.18	71.55	72.12	1.10
Jul-17	71.99	72.50	71.86	72.46	1.08
Oct-17	70.74	70.74	70.74	70.74	1.02
Dec-17	69.99	70.37	69.81	70.37	0.83
Mar-18	69.99	70.51	69.99	70.51	1.04

Pakistan Cotton Spot rates: As on 03-January-2017
(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

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