

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed range –bound to firm tone on Thursday.

In The News: Cotton prices in the domestic markets have increased amid purchase by Cotton Corporation of India at commercial rates from different parts of key cotton growing regions in the country. According to official sources at CCI, prices have firmed up to Rs.41,500 per candy from the prevailing rates of Rs.38,000 per candy and farmers are now getting better rates from traders. Prices in the international market are currently prevailing around Rs.42,000 per candy.

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.

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:

The International Cotton Advisory Committee lowered cotton price by 1 per cent to 74 cents a pound in 2016-17 from its previous estimates as measured by the Cotlook A Index of physical values. However this is an increase of 3 per cent year on year. Prices have been ruling firm in the first half of 2016 -17 which began in August. In the second half of 2016-17, prices are likely to be lower amid increase in world cotton production by 8 per cent and competition from polyster.

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	+9.00	983	993.5	983	990	4394	270	9844	647
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	148	-	-
May-17	-	-	-

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

*Updated at 6:24 pm as on 05 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+320	19910	20140	19840	20140	3043	-1447	6150	-413
Mar-17	+310	20110	20270	19970	20270	1474	-390	4753	241

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-130		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

* Updated at 6:24 pm as on 05 –Jan 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	5-Jan-17	4-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5625	5500	125
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5690	5650	40
	Patan	B.T. Cotton	5650	5560	90
	Kadi	B.T. Cotton	5500	5550	-50
	Deesa	B.T. Cotton	5120	4950	170
	Dhrol	B.T. Cotton	5545	5505	40
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5700	5600	100
	Bhiwani	Desi	4700	4550	150
	Adampur	B.T. Cotton	5625	5650	-25
	Fatehabad	B.T. Cotton	5640	5640	Unch
	Jind	B.T. Cotton	5770	5670	100
	Uchana	B.T. Cotton	5640	5620	20
	Dabwali	B.T. Cotton	5525	5545	-20
Rajasthan	Hanumangarh	B.T. Cotton	5650	5640	10
	Rawatsar	B.T. Cotton	5680	5600	80
Madhya Pradesh	Khandwa	Mech-1	5550	5550	Unch
	Khargaon	Mech-1	5550	5595	-45
Maharashtra	Amravati	Mech-1	5300	5300	Unch
	Jamner	Medium Staple	5035	5010	25
Uttar Pradesh	Hathras	B.T. Cotton	4500	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5340	5320	20
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	5741	5623	118
	Hubli	D.C.H.	5705	5607	98
	Hubli	B.T. Cotton	5705	NR	-
	Raichur	H-44 Cotton	NR	5575	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	5-Jan-17	4-Jan-17	

Punjab	Bhatinda	J-34	4285	4265	20
	Abohar	J-34	4285	4270	15
	Mansa	J-34	4280	4260	20
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4230	4225	5
Rajasthan	Sri-Ganganagar	J-34	4042	3948	94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	5-Jan-17	4-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5325	5200	125
	Patan	B.T. Cotton	10752	14580	-3828
	Kadi	B.T. Cotton	20000	30000	-10000
	Deesa	B.T. Cotton	90	100	-10
	Dhrol	B.T. Cotton	465	490	-25
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	4000	-2000
	Bhiwani	Desi	2000	200	1800
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	700	900	-200
	Jind	B.T. Cotton	340	200	140
	Uchana	B.T. Cotton	2445	2575	-130
	Dabwali	B.T. Cotton	1500	1000	500
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	3000	3000	Unch
	Khargaon	Mech-1	6900	7100	-200
Maharashtra	Amravati	Mech-1	22000	22000	Unch
	Jamner	Medium Staple	327	309	18
Uttar Pradesh	Hathras	B.T. Cotton	125	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12107	10017	2090
Andhra Pradesh	Guntur	Un-Ginned	560	689	-129
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1547	936	611

	Hubli	D.C.H.	160	42	118
	Hubli	B.T. Cotton	38	NR	-
	Raichur	H-44 Cotton	NR	1492	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	5-Jan-17	4-Jan-17	
Punjab	Bhatinda	J-34	7650	6800	850
	Abohar	J-34	1020	850	170
	Mansa	J-34	510	680	-170
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
				4-Jan-17	3-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29200	29400	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30100	30300	-200
J-34(202)	26mm	3.5 - 4.9	23	39700	39800	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39600	39600	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	40200	40200	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41000	41000	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	41800	41800	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
		5-Jan-17	4-Jan-17	
Rajkot	Rs. /10 Kg.	685	685	Unch
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	678	678	Unch
Mumbai	Rs. /10 Kg.	690	700	-10

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

Centre	Unit	Price		Change
		5-Jan-17	4-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2148	2131	17
Akola	Rs./Qtl	2111	2103	8

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 05-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15786	-1
CCIndex(527)	14848	Unch
CCIndex(229)	16135	-1
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 05-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	86.47	1.93
FC Index (M)	83.44	2.08
FC Index (L)	82.37	2.16

<u>Cotlook Index: As on 04-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	80.70	1.05

<u>USDA Cotton Spot Rates: As on 04-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.58	77.83	2193
North Delta	74.58	76.83	189
South Delta	74.58	76.83	NIL
East TX-OK	71.75	73.25	22576
West Texas	71.75	73.25	52745
Desert SW	70.33	75.33	NIL
SJ Valley	71.58	81.48	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 04-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	71.78	74.23	71.57	74.08	2.30
May-17	72.11	74.29	71.92	74.22	2.10
Jul-17	72.33	74.50	72.28	74.47	2.01
Oct-17	72.23	72.23	72.23	72.23	1.49
Dec-17	70.15	71.60	70.11	71.59	1.22
Mar-18	70.50	71.51	70.50	71.51	1.00

Pakistan Cotton Spot rates: As on 04-January-2017
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6300	135	6435
Equivalent	40 Kgs	6752	145	6897

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