

Domestic Fundamentals:

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

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 polyester.

Cotton imports in Pakistan are likely to touch \$1.58 billion in 2016-17 for the import of 4.5 million bales of cotton to meet the gap between the production and consumption of raw cotton. Cotton production in 2015-16 was recorded at 9.5 million bales and is expected to be around 10.54 million bales in 2016-17.

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	-0.50	986	995	980	987	4115	-279	9725	-119
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	168	-	-
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 06 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-120	20000	20050	19880	19910	1885	1158	5888	-262
Mar-17	-120	20080	20180	20020	20050	984	490	5076	323

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-140		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)
* Updated at 6:18 pm as on 06 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	7-Jan-17	6-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5625	5625	Unch
	Gondal	Shankar-6	NR	5590	-
	Rajkot	B.T. Cotton	5685	5775	-90
	Patan	B.T. Cotton	5685	5750	-65
	Kadi	B.T. Cotton	5650	5600	50
	Deesa	B.T. Cotton	5255	5105	150
	Dhrol	B.T. Cotton	5625	5605	20
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5700	5750	-50
	Bhiwani	Desi	4850	4870	-20
	Adampur	B.T. Cotton	5680	5700	-20
	Fatehabad	B.T. Cotton	5700	5700	Unch
	Jind	B.T. Cotton	5720	5720	Unch
	Uchana	B.T. Cotton	5725	5675	50
	Dabwali	B.T. Cotton	5545	5550	-5
Rajasthan	Hanumangarh	B.T. Cotton	5650	5700	-50
	Rawatsar	B.T. Cotton	5650	5700	-50
Madhya Pradesh	Khandwa	Mech-1	NR	5500	-
	Khargaon	Mech-1	5610	5550	60
Maharashtra	Amravati	Mech-1	5250	5350	-100
	Jamner	Medium Staple	5075	5075	Unch
Uttar Pradesh	Hathras	B.T. Cotton	4400	4400	Unch
	Hathras	Desi	NA	4500	-
Telangana	Adilabad	Un-Ginned	5350	5350	Unch
Andhra Pradesh	Guntur	Un-Ginned	4100	4300	-200
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	4160	-
Karnataka	Bijapur	Bunny	5711	5719	-8
	Hubli	D.C.H.	NR	5789	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5675	-
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	7-Jan-17	6-Jan-17	

Punjab	Bhatinda	J-34	4325	4320	5
	Abohar	J-34	4325	4330	-5
	Mansa	J-34	4315	4330	-15
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4270	4280	-10
Rajasthan	Sri-Ganganagar	J-34	4042	3948	94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	7-Jan-17	6-Jan-17	
Gujarat	Ahmedabad	Shankar-6	45900	45900	Unch
	Gondal	Shankar-6	NR	2689	-
	Rajkot	B.T. Cotton	1250	4800	-3550
	Patan	B.T. Cotton	11165	10200	965
	Kadi	B.T. Cotton	30000	20000	10000
	Deesa	B.T. Cotton	20.8	150	-129.2
	Dhrol	B.T. Cotton	628	584	44
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	4000	-2000
	Bhiwani	Desi	300	300	Unch
	Adampur	B.T. Cotton	680	1020	-340
	Fatehabad	B.T. Cotton	900	900	Unch
	Jind	B.T. Cotton	170	200	-30
	Uchana	B.T. Cotton	2000	2310	-310
	Dabwali	B.T. Cotton	800	1450	-650
Rajasthan	Hanumangarh	B.T. Cotton	1500	1500	Unch
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	NR	6000	-
	Khargaon	Mech-1	9090	6900	2190
Maharashtra	Amravati	Mech-1	20000	24000	-4000
	Jamner	Medium Staple	332	332	Unch
Uttar Pradesh	Hathras	B.T. Cotton	85	150	-65
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	11768	12043	-275
Andhra Pradesh	Guntur	Un-Ginned	320	168	152
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1190	1323	-133

	Hubli	D.C.H.	NR	58	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	1910	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	7-Jan-17	6-Jan-17	
Punjab	Bhatinda	J-34	5100	5950	-850
	Abohar	J-34	850	850	Unch
	Mansa	J-34	425	680	-255
Haryana	Sirsa	J-34	510	850	-340
Rajasthan	Sri-Ganganagar	J-34	1200	400	800

DOMESTIC PRICES AND ARRIVALS

Cotton Association of India Spot Rates:						
Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Jan-17	5-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29200	29200	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30100	30100	Unch
J-34(202)	26mm	3.5 - 4.9	23	40200	40200	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	39900	39900	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	40500	40500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41300	41300	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42100	42100	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	54500	54500	Unch

Cotton Seed Oil Prices

Refined Cotton Seed Oil at Key Centers:

Centre	Unit	Price		Change
		7-Jan-17	6-Jan-17	
Rajkot	Rs. /10 Kg.	690	685	5
New Delhi	Rs. /10 Kg.	690	695	-5
Hyderabad	Rs. /10 Kg.	680	680	Unch
Mumbai	Rs. /10 Kg.	695	690	5

Cotton Seed Oil Seed Cake Prices

Cotton Seed Oil Cake Prices at Key Centers:

Centre	Unit	Price		Change
		7-Jan-17	6-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2199	2197	2

Akola	Rs./Qtl	2131	2132	-1
-------	---------	------	------	----

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 06-January-2017

Index	RMB/Ton	Change
CCIndex(328)	15785	-1
CCIndex(527)	14851	3
CCIndex(229)	16135	Unch
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 06-January-2017

Index	Cents/lb	Change
FC Index (S)	86.22	-0.25
FC Index (M)	83.23	-0.21
FC Index (L)	82.11	-0.26

Cotlook Index: As on 06-January-2017

Cotlook Indices	Cents/Pound	Change
A-Index	82.70	-0.25

USDA Cotton Spot Rates: As on 06-January-2017

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.99	77.24	3653
North Delta	73.99	76.24	NIL
South Delta	73.99	76.24	NIL
East TX-OK	70.75	72.25	4262
West Texas	70.75	72.25	17386
Desert SW	69.99	74.49	1200
SJ Valley	70.99	80.89	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.): Ason06-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	73.93	74.19	72.90	73.99	0.21
May-17	73.85	74.36	73.18	74.29	0.36
Jul-17	74.16	74.57	73.42	74.53	0.47
Oct-17	71.54	71.54	71.54	71.54	Unch
Dec-17	71.40	71.61	70.97	71.57	0.10
Mar-18	71.57	71.71	71.52	71.68	0.22

Pakistan Cotton Spot rates: As on06-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

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 © 2017 Indian Agribusiness Systems Pvt. Ltd.