

Domestic Fundamentals:

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

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:

According to the International Cotton Advisory Committee (ICAC), cotton prices in the global market are likely to decline in the second half of 2016 -17 amid increase in production and steady demand. The ICAC Secretariat has forecast the season-average for Cotlook A Index in 2016-17 (starting October-September) will range between 66 and 83 cents per lb, with a midpoint of 74 cents/lb, which would be 4 cents/lb higher than last season. Global cotton production is expected to increase by 8 per cent to 22.8 million tonnes and global consumption is likely to remain steady at 24.1 million tonnes thereby putting pressure on prices.

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	+16.00	988	1004.5	986.5	1004.50	4073	-42	10051	326
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	140.50	-	-
May-17	-	-	-

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

*Updated at 6:27 pm as on 09 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+210	19930	20180	19930	20160	2083	-198	5647	-241
Mar-17	+230	20080	20320	20080	20300	1649	-665	5586	510

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

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

* Updated at 6:27 pm as on 09 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	9-Jan-17	7-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5750	5625	125
	Gondal	Shankar-6	5630	NR	-
	Rajkot	B.T. Cotton	5725	5685	40
	Patan	B.T. Cotton	5700	5685	15
	Kadi	B.T. Cotton	5700	5650	50
	Deesa	B.T. Cotton	5315	5255	60
	Dhrol	B.T. Cotton	5625	5625	Unch
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5800	5700	100
	Bhiwani	Desi	4800	4850	-50
	Adampur	B.T. Cotton	5665	5680	-15
	Fatehabad	B.T. Cotton	5690	5700	-10
	Jind	B.T. Cotton	5849	5720	129
	Uchana	B.T. Cotton	5750	5725	25
	Dabwali	B.T. Cotton	5585	5545	40
Rajasthan	Hanumangarh	B.T. Cotton	5725	5650	75
	Rawatsar	B.T. Cotton	5600	5650	-50
Madhya Pradesh	Khandwa	Mech-1	5490	NR	-
	Khargaon	Mech-1	5725	5610	115
Maharashtra	Amravati	Mech-1	5350	5250	100
	Jamner	Medium Staple	5091	5075	16
Uttar Pradesh	Hathras	B.T. Cotton	NR	4400	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	5350	5350	Unch
Andhra Pradesh	Guntur	Un-Ginned	NA	4100	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	5756	5711	45
	Hubli	D.C.H.	NR	5829	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5680	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	9-Jan-17	7-Jan-17	
Punjab	Bhatinda	J-34	4330	4325	5

	Abohar	J-34	4350	4325	25
	Mansa	J-34	4330	4315	15
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4270	4270	Unch
Rajasthan	Sri-Ganganagar	J-34	3995	4042	-47

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	9-Jan-17	7-Jan-17	
Gujarat	Ahmedabad	Shankar-6	47600	45900	1700
	Gondal	Shankar-6	2334	NR	-
	Rajkot	B.T. Cotton	5400	1250	4150
	Patan	B.T. Cotton	12877	11165	1712
	Kadi	B.T. Cotton	40000	30000	10000
	Deesa	B.T. Cotton	40	20.8	19.2
	Dhrol	B.T. Cotton	629	628	1
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5000	2000	3000
	Bhiwani	Desi	200	300	-100
	Adampur	B.T. Cotton	850	680	170
	Fatehabad	B.T. Cotton	800	900	-100
	Jind	B.T. Cotton	213	170	43
	Uchana	B.T. Cotton	300	2000	-1700
	Dabwali	B.T. Cotton	750	800	-50
Rajasthan	Hanumangarh	B.T. Cotton	800	1500	-700
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	4000	NR	-
	Khargaon	Mech-1	8320	9090	-770
Maharashtra	Amravati	Mech-1	23000	20000	3000
	Jamner	Medium Staple	347	332	15
Uttar Pradesh	Hathras	B.T. Cotton	NR	85	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	13266	11768	1498
Andhra Pradesh	Guntur	Un-Ginned	NA	320	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2272	1190	1082
	Hubli	D.C.H.	NR	166	-

	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	1537	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	9-Jan-17	7-Jan-17	
Punjab	Bhatinda	J-34	6800	5100	1700
	Abohar	J-34	850	850	Unch
	Mansa	J-34	680	425	255
Haryana	Sirsa	J-34	850	510	340
Rajasthan	Sri-Ganganagar	J-34	300	1200	-900

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				7-Jan-17	6-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29300	29200	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30200	30100	100
J-34(202)	26mm	3.5 - 4.9	23	40300	40200	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40100	39900	200
Shankar-6(105)	29mm	3.5 - 4.9	28	40700	40500	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41500	41300	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42300	42100	200
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
		9-Jan-17	7-Jan-17	
Rajkot	Rs. /10 Kg.	690	690	Unch
New Delhi	Rs. /10 Kg.	690	690	Unch
Hyderabad	Rs. /10 Kg.	680	680	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
		9-Jan-17	7-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2207	2199	8
Akola	Rs./Qtl	2135	2131	4

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 09-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15776	-9
CCIndex(527)	14851	Unch
CCIndex(229)	16125	-10
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 09-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	86.48	0.26
FC Index (M)	83.52	0.29
FC Index (L)	82.36	0.25

<u>Cotlook Index: As on 06-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	82.70	-0.25

<u>USDA Cotton Spot Rates: As on 06-January-2017</u>			
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.): As on 06-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 on 07-January-2017

(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6350	135	6485
Equivalent	40 Kgs	6805	145	6950

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