

Domestic Fundamentals:

Market Outlook: Cotton spot markets witnessed mixed tone on Tuesday.

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.

According to Cotton Australian Chief, India is purchasing more cotton from Australia amid lack of supply in the domestic market. This is benefitting Australia as production is expected to increase significantly this season. In the past, Australia exported 2-3 per cent of the crop to India. In 2015-16, 25 per cent of the crop was exported to India. The December Australian Bureau of Agricultural and Resource Economics and Sciences crop report estimated cotton production in New South Wales would rise 62 per cent in 2016-17 from the previous season to 637,000 tonnes of cotton lint and 900,000 tonnes of seed following an increase in area planted to 312,000 ha.

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	-8.00	1000	1004	996.5	998	3508	-565	10099	48
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	157	-	-
May-17	-	-	-

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

*Updated at 5:52 pm as on 10 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-50	20120	20180	20040	20160	1750	333	5351	-296
Mar-17	-60	20260	20320	20170	20300	1351	298	5908	322

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

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

* Updated at 5:52 pm as on 10 –Jan 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	10-Jan-17	9-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5750	5750	Unch
	Gondal	Shankar-6	5630	5630	Unch
	Rajkot	B.T. Cotton	5775	5725	50
	Patan	B.T. Cotton	5685	5700	-15
	Kadi	B.T. Cotton	5650	5700	-50
	Deesa	B.T. Cotton	5425	5315	110
	Dhrol	B.T. Cotton	5690	5625	65
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5800	5800	Unch
	Bhiwani	Desi	4800	4800	Unch
	Adampur	B.T. Cotton	5700	5665	35
	Fatehabad	B.T. Cotton	5730	5690	40
	Jind	B.T. Cotton	5850	5850	Unch
	Uchana	B.T. Cotton	5770	5600	170
	Dabwali	B.T. Cotton	5645	5585	60
Rajasthan	Hanumangarh	B.T. Cotton	5750	5725	25
	Rawatsar	B.T. Cotton	5600	5600	Unch
Madhya Pradesh	Khandwa	Mech-1	5540	5490	50
	Khargaon	Mech-1	5715	5725	-10
Maharashtra	Amravati	Mech-1	5325	5350	-25
	Jamner	Medium Staple	5100	5091	9
Uttar Pradesh	Hathras	B.T. Cotton	4300	4400	-100
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5360	5350	10
Andhra Pradesh	Guntur	Un-Ginned	4100	4200	-100
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5759	5756	3
	Hubli	D.C.H.	NR	5810	-
	Hubli	B.T. Cotton	NR	6751	-
	Raichur	H-44 Cotton	5650	5680	-30
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	10-Jan-17	9-Jan-17	

Punjab	Bhatinda	J-34	4380	4330	50
	Abohar	J-34	4370	4350	20
	Mansa	J-34	4375	4330	45
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4330	4270	60
Rajasthan	Sri-Ganganagar	J-34	3972	3995	-24

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	10-Jan-17	9-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	47600	-5100
	Gondal	Shankar-6	2590	2334	256
	Rajkot	B.T. Cotton	4850	5400	-550
	Patan	B.T. Cotton	12877	12877	Unch
	Kadi	B.T. Cotton	35000	40000	-5000
	Deesa	B.T. Cotton	90.4	40	50.4
	Dhrol	B.T. Cotton	641	629	12
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5000	5000	Unch
	Bhiwani	Desi	100	200	-100
	Adampur	B.T. Cotton	1020	850	170
	Fatehabad	B.T. Cotton	900	800	100
	Jind	B.T. Cotton	100	213	-112
	Uchana	B.T. Cotton	1550	300	1250
	Dabwali	B.T. Cotton	900	750	150
Rajasthan	Hanumangarh	B.T. Cotton	1500	800	700
	Rawatsar	B.T. Cotton	600	1000	-400
Madhya Pradesh	Khandwa	Mech-1	4000	4000	Unch
	Khargaon	Mech-1	10870	8320	2550
Maharashtra	Amravati	Mech-1	22000	23000	-1000
	Jamner	Medium Staple	318	347	-29
Uttar Pradesh	Hathras	B.T. Cotton	250	85	165
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	13175	13266	-91
Andhra Pradesh	Guntur	Un-Ginned	120	560	-440
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1339	2272	-933

	Hubli	D.C.H.	NR	134	-
	Hubli	B.T. Cotton	NR	36	-
	Raichur	H-44 Cotton	2362	1537	825
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	10-Jan-17	9-Jan-17	
Punjab	Bhatinda	J-34	5950	6800	-850
	Abohar	J-34	1020	850	170
	Mansa	J-34	850	680	170
Haryana	Sirsa	J-34	1020	850	170
Rajasthan	Sri-Ganganagar	J-34	1600	300	1300

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				9-Jan-17	7-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29700	29300	400
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30600	30200	400
J-34(202)	26mm	3.5 - 4.9	23	40500	40300	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40400	40100	300
Shankar-6(105)	29mm	3.5 - 4.9	28	41000	40700	300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41700	41500	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42500	42300	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
		10-Jan-17	9-Jan-17	
Rajkot	Rs. /10 Kg.	685	690	-5
New Delhi	Rs. /10 Kg.	685	690	-5
Hyderabad	Rs. /10 Kg.	670	680	-10
Mumbai	Rs. /10 Kg.	692	695	-3

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

Centre	Unit	Price		Change
		10-Jan-17	9-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2200	2207	-7
Akola	Rs./Qtl	2141	2135	6

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 10-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15771	-5
CCIndex(527)	14846	-5
CCIndex(229)	16116	-9
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 10-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	85.83	-0.65
FC Index (M)	83.10	-0.42
FC Index (L)	81.36	-1.00

<u>Cotlook Index: As on 09-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	82.95	0.25

<u>USDA Cotton Spot Rates: As on 09-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.99	76.24	755
North Delta	72.99	75.24	NIL
South Delta	72.99	75.24	NIL
East TX-OK	69.75	71.00	4119
West Texas	69.75	71.25	17224
Desert SW	68.99	73.49	1430
SJ Valley	69.99	79.89	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 09-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	73.99	74.18	72.81	72.99	-1.00
May-17	74.29	74.44	73.24	73.44	-0.85
Jul-17	74.50	74.67	73.69	73.88	-0.65
Oct-17	70.83	70.83	70.83	70.83	-0.71
Dec-17	71.57	71.59	70.71	70.84	-0.73
Mar-18	71.60	71.60	70.79	70.96	-0.72

Pakistan Cotton Spot rates: As on 09-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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