

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed range-bound to firm tone on Wednesday.

**In The News:** Polyester-Cotton yarn exports from India declined in November 2016 by 21.6 per cent Y-o-Y to 5.4 million kg which was worth US\$14.6 million. Bangladesh and Brazil were the largest importers during November 2016 followed by Egypt. Djibouti was the major destination among the 8 new markets found in November.

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.

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	+14.00	1001	1016.5	1001	1015.50	5005	1497	10400	301
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	154.50	-	-
May-17	-	-	-

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

\*Updated at 6:03 pm as on 11 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	250	20180	20470	20180	20450	2089	-339	5317	-34
Mar-17	260	20400	20620	20350	20600	1914	-563	6307	399

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

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

\* Updated at 6:03 pm as on 11 –Jan 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	11-Jan-17	10-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5800	5750	50
	Gondal	Shankar-6	5755	5630	125
	Rajkot	B.T. Cotton	5850	5775	75
	Patan	B.T. Cotton	5750	5685	65
	Kadi	B.T. Cotton	5750	5650	100
	Deesa	B.T. Cotton	5385	5425	-40
	Dhrol	B.T. Cotton	NA	5690	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5850	5800	50
	Bhiwani	Desi	4900	4800	100
	Adampur	B.T. Cotton	5750	5700	50
	Fatehabad	B.T. Cotton	5700	5730	-30
	Jind	B.T. Cotton	5875	5850	25
	Uchana	B.T. Cotton	5810	5770	40
	Dabwali	B.T. Cotton	5670	5645	25
Rajasthan	Hanumangarh	B.T. Cotton	5820	5750	70
	Rawatsar	B.T. Cotton	5725	5600	125
Madhya Pradesh	Khandwa	Mech-1	5600	5540	60
	Khargaon	Mech-1	5725	5715	10
Maharashtra	Amravati	Mech-1	5300	5325	-25
	Jamner	Medium Staple	5120	5100	20
Uttar Pradesh	Hathras	B.T. Cotton	4250	4300	-50
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5360	5360	Unch
Andhra Pradesh	Guntur	Un-Ginned	NA	4100	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5829	5759	70
	Hubli	D.C.H.	NR	5859	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5650	5650	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	11-Jan-17	10-Jan-17	

<b>Punjab</b>	Bhatinda	J-34	4385	4380	5
	Abohar	J-34	4380	4370	10
	Mansa	J-34	4385	4375	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
<b>Haryana</b>	Sirsa	J-34	4330	4330	Unch
<b>Rajasthan</b>	Sri-Ganganagar	J-34	4042	3972	71

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	11-Jan-17	10-Jan-17	
<b>Gujarat</b>	Ahmedabad	Shankar-6	47600	42500	5100
	Gondal	Shankar-6	2635	2590	45
	Rajkot	B.T. Cotton	5025	4850	175
	Patan	B.T. Cotton	9123	12877	-3754
	Kadi	B.T. Cotton	40000	35000	5000
	Deesa	B.T. Cotton	13	90	-78
	Dhrol	B.T. Cotton	NA	641	-
<b>Punjab</b>	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
<b>Haryana</b>	Bhiwani	B.T. Cotton	3000	5000	-2000
	Bhiwani	Desi	50	100	-50
	Adampur	B.T. Cotton	1020	1020	Unch
	Fatehabad	B.T. Cotton	1100	900	200
	Jind	B.T. Cotton	200	100	99
	Uchana	B.T. Cotton	2550	1550	1000
	Dabwali	B.T. Cotton	1400	900	500
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	2000	1500	500
	Rawatsar	B.T. Cotton	700	600	100
<b>Madhya Pradesh</b>	Khandwa	Mech-1	3000	4000	-1000
	Khargaon	Mech-1	9400	10870	-1470
<b>Maharashtra</b>	Amravati	Mech-1	23000	22000	1000
	Jamner	Medium Staple	12	318	-306
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	200	250	-50
	Hathras	Desi	NA	NA	-
<b>Telangana</b>	Adilabad	Un-Ginned	12131	13175	-1044
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	NA	120	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
<b>Karnataka</b>	Bijapur	Bunny	1576	1339	237

	Hubli	D.C.H.	NR	64	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	1807	2362	-555
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	11-Jan-17	10-Jan-17	
Punjab	Bhatinda	J-34	5100	5950	-850
	Abohar	J-34	850	1020	-170
	Mansa	J-34	765	850	-85
Haryana	Sirsa	J-34	1360	1020	340
Rajasthan	Sri-Ganganagar	J-34	1800	1600	200

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				10-Jan-17	9-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	29800	29700	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	30800	30600	200
J-34(202)	26mm	3.5 - 4.9	23	40700	40500	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40300	40400	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	40900	41000	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41600	41700	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42400	42500	-100
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
		11-Jan-17	10-Jan-17	
Rajkot	Rs. /10 Kg.	685	685	Unch
New Delhi	Rs. /10 Kg.	687	685	2
Hyderabad	Rs. /10 Kg.	670	670	Unch
Mumbai	Rs. /10 Kg.	690	692	-2

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

Centre	Unit	Price		Change
		11-Jan-17	10-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2222	2199.7	22
Akola	Rs./Qtl	2150	2141	9

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 11-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15769	-2
CCIndex(527)	14843	-3
CCIndex(229)	16117	1
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 11-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	86.04	0.21
FC Index (M)	83.29	0.19
FC Index (L)	81.61	0.25

<u>Cotlook Index: As on 10-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	81.95	-1.00

<u>USDA Cotton Spot Rates: As on 10-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.19	76.44	463
North Delta	73.19	75.44	NIL
South Delta	73.19	75.44	NIL
East TX-OK	70.25	71.50	4150
West Texas	70.25	71.75	11159
Desert SW	69.19	73.69	NIL
SJ Valley	70.19	80.09	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 10-January-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	72.99	73.70	72.82	73.19	<b>0.20</b>
<b>May-17</b>	73.4	74.09	73.26	73.64	<b>0.20</b>
<b>Jul-17</b>	73.86	74.48	73.78	74.09	<b>0.21</b>
<b>Oct-17</b>	71.01	71.56	71.01	71.56	<b>0.73</b>
<b>Dec-17</b>	70.87	71.45	70.74	71.28	<b>0.44</b>
<b>Mar-18</b>	71.30	71.48	71.23	71.48	<b>0.52</b>

**Pakistan Cotton Spot rates: As on 10-January-2017**
**(in Pakistan Rupees)**

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

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