

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed firm tone on Thursday.

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	+5.50	1015	1022	1012.5	1018.50	5699	694	10606	206
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	151.50	-	-
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 12 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-40	20380	20450	20310	20370	1629	460	5008	-309
Mar-17	-30	20500	20610	20460	20530	1448	466	6653	346

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-160		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

* Updated at 6:27 pm as on 12 –Jan 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	12-Jan-17	11-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5900	5800	100
	Gondal	Shankar-6	NR	5755	-
	Rajkot	B.T. Cotton	5875	5850	25
	Patan	B.T. Cotton	5830	5750	80
	Kadi	B.T. Cotton	5800	5750	50
	Deesa	B.T. Cotton	Closed	5385	-
	Dhrol	B.T. Cotton	5790	5700	90
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5900	5850	50
	Bhiwani	Desi	5000	4900	100
	Adampur	B.T. Cotton	5850	5750	100
	Fatehabad	B.T. Cotton	5800	5700	100
	Jind	B.T. Cotton	5875	5875	Unch
	Uchana	B.T. Cotton	5885	5810	75
	Dabwali	B.T. Cotton	5725	5670	55
Rajasthan	Hanumangarh	B.T. Cotton	5920	5820	100
	Rawatsar	B.T. Cotton	5850	5725	125
Madhya Pradesh	Khandwa	Mech-1	5700	5600	100
	Khargaon	Mech-1	5750	5725	25
Maharashtra	Amravati	Mech-1	5375	5300	75
	Jamner	Medium Staple	5135	5120	15
Uttar Pradesh	Hathras	B.T. Cotton	NR	4250	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	5400	5360	40
Andhra Pradesh	Guntur	Un-Ginned	4200	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	NR	5829	-
	Hubli	D.C.H.	NR	5879	-
	Hubli	B.T. Cotton	NR	6525	-
	Raichur	H-44 Cotton	5670	5650	20
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	12-Jan-17	11-Jan-17	

Punjab	Bhatinda	J-34	4445	4385	60
	Abohar	J-34	4440	4380	60
	Mansa	J-34	4450	4385	65
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4385	4330	55
Rajasthan	Sri-Ganganagar	J-34	4136	4042	94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	12-Jan-17	11-Jan-17	
Gujarat	Ahmedabad	Shankar-6	47600	47600	Unch
	Gondal	Shankar-6	NR	2635	-
	Rajkot	B.T. Cotton	4800	5025	-225
	Patan	B.T. Cotton	7998	9123	-1125
	Kadi	B.T. Cotton	35000	40000	-5000
	Deesa	B.T. Cotton	Closed	13	-
	Dhrol	B.T. Cotton	587	538	49
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	3000	-1000
	Bhiwani	Desi	100	50	50
	Adampur	B.T. Cotton	1020	1020	Unch
	Fatehabad	B.T. Cotton	800	1100	-300
	Jind	B.T. Cotton	200	200	Unch
	Uchana	B.T. Cotton	2195	2550	-355
	Dabwali	B.T. Cotton	1150	1400	-250
Rajasthan	Hanumangarh	B.T. Cotton	1500	2000	-500
	Rawatsar	B.T. Cotton	700	700	Unch
Madhya Pradesh	Khandwa	Mech-1	3000	3000	Unch
	Khargaon	Mech-1	9930	9400	530
Maharashtra	Amravati	Mech-1	24000	23000	1000
	Jamner	Medium Staple	325	12	313
Uttar Pradesh	Hathras	B.T. Cotton	NR	200	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	10794	12131	-1337
Andhra Pradesh	Guntur	Un-Ginned	445	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NR	1576	-

	Hubli	D.C.H.	NR	72	-
	Hubli	B.T. Cotton	NR	2	-
	Raichur	H-44 Cotton	1552	1807	-255
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	12-Jan-17	11-Jan-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	850	850	Unch
	Mansa	J-34	765	765	Unch
Haryana	Sirsa	J-34	850	1360	-510
Rajasthan	Sri-Ganganagar	J-34	1490	1800	-310

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				11-Jan-17	10-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30300	29800	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31300	30800	500
J-34(202)	26mm	3.5 - 4.9	23	41000	40700	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40500	40300	200
Shankar-6(105)	29mm	3.5 - 4.9	28	41100	40900	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41800	41600	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42600	42400	200
DCH-32(107)	34mm	3.0 - 3.8	33	54700	54500	200

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

Centre	Unit	Price		Change
		12-Jan-17	11-Jan-17	
Rajkot	Rs. /10 Kg.	695	685	10
New Delhi	Rs. /10 Kg.	688	687	1
Hyderabad	Rs. /10 Kg.	670	670	Unch
Mumbai	Rs. /10 Kg.	690	690	Unch

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

Centre	Unit	Price		Change
		12-Jan-17	11-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2262	2222	40
Akola	Rs./Qtl	2185	2150	35

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 12-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15781	12
CCIndex(527)	14855	12
CCIndex(229)	16119	2
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 12-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	86.04	Unch
FC Index (M)	83.29	Unch
FC Index (L)	81.61	Unch

<u>Cotlook Index: As on 11-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	82.25	0.30

<u>USDA Cotton Spot Rates: As on 11-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.14	76.39	NIL
North Delta	73.14	75.39	NIL
South Delta	73.14	75.39	NIL
East TX-OK	70.50	71.75	1652
West Texas	70.25	71.75	7196
Desert SW	69.14	73.64	NIL
SJ Valley	70.14	80.04	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 11-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	73.25	73.81	72.99	73.14	-0.05
May-17	73.55	74.21	73.45	73.66	0.02
Jul-17	74.17	74.63	73.90	74.17	0.08
Oct-17	71.80	71.92	71.80	71.92	0.36
Dec-17	71.44	71.62	70.99	71.36	0.08
Mar-18	71.59	71.65	71.59	71.65	0.17

Pakistan Cotton Spot rates: As on 11-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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