

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets witnessed steady to weak tone on Saturday.

**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 105.34 million bales, around 9.20 per cent above last season. World ending stocks are now projected higher at 90.65 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	1023	1023	997.5	1003	6316	617	10595	-11
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	197	-	-
May-17	-	-	-

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

\*Updated at 6:24 pm as on 13 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-340	20250	20270	19940	20050	2985	-1356	4653	-355
Mar-17	-360	20400	20420	20080	20190	2449	-1001	7474	821

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

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

\* Updated at 6:24 pm as on 13 –Jan 2017

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	14-Jan-17	13-Jan-17	
Gujarat	Ahmedabad	Shankar-6	Closed	5900	-
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	6000	-
	Patan	B.T. Cotton	NR	5280	-
	Kadi	B.T. Cotton	Closed	5750	-
	Deesa	B.T. Cotton	Closed	5410	-
	Dhrol	B.T. Cotton	NR	5955	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5832	5850	-18
	Bhiwani	Desi	5000	5000	Unch
	Adampur	B.T. Cotton	5700	5855	-155
	Fatehabad	B.T. Cotton	5660	5850	-190
	Jind	B.T. Cotton	5849	5900	-51
	Uchana	B.T. Cotton	Closed	5957	-
	Dabwali	B.T. Cotton	Closed	5670	-
Rajasthan	Hanumangarh	B.T. Cotton	Closed	5890	-
	Rawatsar	B.T. Cotton	5550	5800	-250
Madhya Pradesh	Khandwa	Mech-1	Closed	5600	-
	Khargaon	Mech-1	5710	5865	-155
Maharashtra	Amravati	Mech-1	5225	5275	-50
	Jamner	Medium Staple	NA	5156	-
Uttar Pradesh	Hathras	B.T. Cotton	NR	NR	-
	Hathras	Desi	NR	NR	-
Telangana	Adilabad	Un-Ginned	NR	NR	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NR	5909	-
	Hubli	D.C.H.	NR	5981	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5760	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	14-Jan-17	13-Jan-17	

<b>Punjab</b>	Bhatinda	J-34	4400	4470	<b>-70</b>
	Abohar	J-34	4400	4470	<b>-70</b>
	Mansa	J-34	Closed	4470	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
<b>Haryana</b>	Sirsa	J-34	4320	4385	<b>-65</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	4418	4136	<b>282</b>

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	14-Jan-17	13-Jan-17	
<b>Gujarat</b>	Ahmedabad	Shankar-6	Closed	47600	-
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	4600	-
	Patan	B.T. Cotton	NR	6980	-
	Kadi	B.T. Cotton	Closed	45000	-
	Deesa	B.T. Cotton	Closed	13	-
	Dhrol	B.T. Cotton	NR	562	-
<b>Punjab</b>	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
<b>Haryana</b>	Bhiwani	B.T. Cotton	1000	2000	<b>-1000</b>
	Bhiwani	Desi	50	150	<b>-100</b>
	Adampur	B.T. Cotton	680	1020	<b>-340</b>
	Fatehabad	B.T. Cotton	900	1000	<b>-100</b>
	Jind	B.T. Cotton	187	340	<b>-153</b>
	Uchana	B.T. Cotton	Closed	2100	-
	Dabwali	B.T. Cotton	Closed	700	-
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	Closed	1500	-
	Rawatsar	B.T. Cotton	1000	2500	<b>-1500</b>
<b>Madhya Pradesh</b>	Khandwa	Mech-1	Closed	3000	-
	Khargaon	Mech-1	9000	9390	<b>-390</b>
<b>Maharashtra</b>	Amravati	Mech-1	22000	24000	<b>-2000</b>
	Jamner	Medium Staple	NA	328	-
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	NR	NR	-
	Hathras	Desi	NR	NR	-
<b>Telangana</b>	Adilabad	Un-Ginned	NR	NR	-
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
<b>Karnataka</b>	Bijapur	Bunny	NR	1490	-

	Hubli	D.C.H.	NR	40	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	922	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	14-Jan-17	13-Jan-17	
Punjab	Bhatinda	J-34	2550	3400	-850
	Abohar	J-34	510	680	-170
	Mansa	J-34	Closed	680	-
Haryana	Sirsa	J-34	510	680	-170
Rajasthan	Sri-Ganganagar	J-34	1000	400	600

### DOMESTIC PRICES AND ARRIVALS

Cotton Association of India Spot Rates:						
Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-Jan-17	12-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30800	30800	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31800	31800	Unch
J-34(202)	26mm	3.5 - 4.9	23	41300	41700	-400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40600	41100	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	41300	41700	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41900	42400	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42700	43200	-500
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55000	Unch

### Cotton Seed Oil Prices

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

Centre	Unit	Price		Change
		14-Jan-17	13-Jan-17	
Rajkot	Rs. /10 Kg.	Closed	700	-
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	Closed	670	-
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
		14-Jan-17	13-Jan-17	

Mahesana (Kadi)	Rs./Qtl	2272	2278	-6
Akola	Rs./Qtl	2189	2196	-7

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 13-January-2017</u>			
Index		RMB/Ton	Change
CCIndex(328)		15789	8
CCIndex(527)		14856	1
CCIndex(229)		16128	9
RMB -Renminbi, 1RMB =0.16 \$U.S.			

<u>China Foreign Cotton (FCE) Index : As on 13-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	84.98	-1.06
FC Index (M)	82.48	-0.81
FC Index (L)	80.86	-0.75

<u>Cotlook Index: As on 13-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	81.60	-0.65

<u>USDA Cotton Spot Rates: As on 12-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.34	75.59	NIL
North Delta	72.34	74.59	NIL
South Delta	72.34	74.59	NIL
East TX-OK	70.5	71.75	2186
West Texas	70.25	71.75	12185
Desert SW	68.34	72.84	NIL
SJ Valley	69.34	79.24	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 13-January-2017**

Contract	Open	High	Low	Close	Change
Mar-17	72.34	72.75	72.00	72.27	-0.07
May-17	72.75	73.25	72.52	72.76	-0.09
Jul-17	73.06	73.73	73.04	73.27	-0.11
Oct-17	71.48	71.48	71.48	71.48	-0.19
Dec-17	70.74	71.15	70.61	70.90	-0.20
Mar-18	70.99	71.15	70.99	71.15	-0.20

**Pakistan Cotton Spot rates: As on 12-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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