

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mostly weak tone on Monday.

In The News: According to the latest release by the Cotton Corporation of India (CCI), total cotton consumption in India is likely to be 313 lakh bales in 2017 compared to 312 lakh bales during the previous season. Acreage under cotton is likely to decline by 12 per cent to 105 lakh hectares compared to previous season amid delayed rains, fear of pest attacks and farmers shifting over to other crops. Production is likely to increase by 4 per cent to 351 lakh bales during the current season.

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.

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	-12.00	997	1003	990	991.50	3418	-2898	10755	160
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	178.50	-	-
May-17	-	-	-

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

*Updated at 5:52 pm as on 16 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-200	19960	20030	19780	19790	1712	1273	4446	-207
Mar-17	-180	20090	20160	19940	19940	1738	711	7626	152

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

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

* Updated at 5:52 pm as on 16 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	16-Jan-17	14-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5750	Closed	-
	Gondal	Shankar-6	NR	Closed	-
	Rajkot	B.T. Cotton	5850	Closed	-
	Patan	B.T. Cotton	5690	Closed	-
	Kadi	B.T. Cotton	5700	Closed	-
	Deesa	B.T. Cotton	4750	Closed	-
	Dhrol	B.T. Cotton	5715	Closed	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5800	5830	-30
	Bhiwani	Desi	4800	5000	-200
	Adampur	B.T. Cotton	5700	5700	Unch
	Fatehabad	B.T. Cotton	5600	5660	-60
	Jind	B.T. Cotton	5710	5849	-139
	Uchana	B.T. Cotton	5880	Closed	-
	Dabwali	B.T. Cotton	5635	Closed	-
Rajasthan	Hanumangarh	B.T. Cotton	5800	Closed	-
	Rawatsar	B.T. Cotton	5520	5550	-30
Madhya Pradesh	Khandwa	Mech-1	5500	Closed	-
	Khargaon	Mech-1	5700	5710	-10
Maharashtra	Amravati	Mech-1	5200	5225	-25
	Jamner	Medium Staple	5134	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	4300	4200	100
	Hathras	Desi	4600	NA	-
Telangana	Adilabad	Un-Ginned	5370	5400	-30
Andhra Pradesh	Guntur	Un-Ginned	NA	4200	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	NA	-
Karnataka	Bijapur	Bunny	5849	NR	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	5760	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	16-Jan-17	14-Jan-17	

Punjab	Bhatinda	J-34	4360	4400	-40
	Abohar	J-34	4360	4400	-40
	Mansa	J-34	4350	Closed	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4290	4320	-30
Rajasthan	Sri-Ganganagar	J-34	4437	4512	-75

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	16-Jan-17	14-Jan-17	
Gujarat	Ahmedabad	Shankar-6	51000	Closed	-
	Gondal	Shankar-6	NR	Closed	-
	Rajkot	B.T. Cotton	5250	Closed	-
	Patan	B.T. Cotton	7445	Closed	-
	Kadi	B.T. Cotton	30000	Closed	-
	Deesa	B.T. Cotton	40	Closed	-
	Dhrol	B.T. Cotton	714	Closed	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1500	1000	500
	Bhiwani	Desi	100	50	50
	Adampur	B.T. Cotton	1020	680	340
	Fatehabad	B.T. Cotton	500	900	-400
	Jind	B.T. Cotton	80	187	-107
	Uchana	B.T. Cotton	2480	Closed	-
	Dabwali	B.T. Cotton	850	Closed	-
Rajasthan	Hanumangarh	B.T. Cotton	1500	Closed	-
	Rawatsar	B.T. Cotton	300	1000	-700
Madhya Pradesh	Khandwa	Mech-1	3000	Closed	-
	Khargaon	Mech-1	9000	9000	Unch
Maharashtra	Amravati	Mech-1	24000	22000	2000
	Jamner	Medium Staple	338	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	200	300	-100
	Hathras	Desi	45	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	30	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1827	NR	-

	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	922	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	16-Jan-17	14-Jan-17	
Punjab	Bhatinda	J-34	3400	2550	850
	Abohar	J-34	340	510	-170
	Mansa	J-34	340	Closed	-
Haryana	Sirsa	J-34	680	510	170
Rajasthan	Sri-Ganganagar	J-34	200	1000	-800

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				14-Jan-17	13-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30300	30800	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31300	31800	-500
J-34(202)	26mm	3.5 - 4.9	23	40800	41300	-500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40400	40600	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	41000	41300	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41600	41900	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42400	42700	-300
DCH-32(107)	34mm	3.0 - 3.8	33	54800	55000	-200

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

Centre	Unit	Price		Change
		16-Jan-17	14-Jan-17	
Rajkot	Rs. /10 Kg.	700	Closed	-
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	660	Closed	-
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
		16-Jan-17	14-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2238	2272	-34
Akola	Rs./Qtl	2173	2189	-16

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 16-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15781	-8
CCIndex(527)	14846	-10
CCIndex(229)	16121	-7
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 16-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	84.93	-0.05
FC Index (M)	82.46	-0.02
FC Index (L)	80.56	-0.30

<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 13-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.27	75.52	NIL
North Delta	72.27	74.52	NIL
South Delta	72.27	74.52	NIL
East TX-OK	70.50	71.75	341
West Texas	70.25	71.75	1909
Desert SW	68.27	72.77	NIL
SJ Valley	69.27	79.17	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.): Ason 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 14-January-2017
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6375	135	6510
Equivalent	40 Kgs	6832	145	6977

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