

Domestic Fundamentals:

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

In The News: According to the Cotton Corporation Of India (CCI), producing contamination free cotton is the biggest duty for the country. Indian cotton is sold at discounted rates in comparison to equivalent foreign cotton. Contamination is mainly at farm level due to small land holdings by farmers, manual picking and different climatic conditions. Indian cotton is mostly contaminated with various foreign materials like jute twine, dust, plastic, fibre during handling at farm level and processing of cotton in ginning and pressing factories according to industry sources.

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 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	+1.00	991	1009	990.5	1008	4380	962	11107	352
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	162	-	-
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 17 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+250	19820	20040	19820	20030	1489	223	4177	-269
Mar-17	+250	20000	20200	20000	20190	1491	247	7947	321

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 17 –Jan 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	17-Jan-17	16-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5750	5750	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	5850	-
	Patan	B.T. Cotton	5685	5690	-5
	Kadi	B.T. Cotton	5750	5700	50
	Deesa	B.T. Cotton	5000	4750	250
	Dhrol	B.T. Cotton	5705	5715	-10
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5800	5800	Unch
	Bhiwani	Desi	4870	4800	70
	Adampur	B.T. Cotton	5700	5700	Unch
	Fatehabad	B.T. Cotton	5600	5600	Unch
	Jind	B.T. Cotton	5870	5710	160
	Uchana	B.T. Cotton	5700	5880	-180
	Dabwali	B.T. Cotton	5650	5635	15
Rajasthan	Hanumangarh	B.T. Cotton	5800	5800	Unch
	Rawatsar	B.T. Cotton	5530	5520	10
Madhya Pradesh	Khandwa	Mech-1	5600	5500	100
	Khargaon	Mech-1	5600	5700	-100
Maharashtra	Amravati	Mech-1	5200	5200	Unch
	Jamner	Medium Staple	5142	5134	8
Uttar Pradesh	Hathras	B.T. Cotton	4300	4300	Unch
	Hathras	Desi	4600	4600	Unch
Telangana	Adilabad	Un-Ginned	5340	5370	-30
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	5849	5849	Unch
	Hubli	D.C.H.	NR	5901	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5720	NR	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	17-Jan-17	16-Jan-17	

Punjab	Bhatinda	J-34	4365	4360	5
	Abohar	J-34	4370	4360	10
	Mansa	J-34	4360	4350	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4300	4290	10
Rajasthan	Sri-Ganganagar	J-34	4343	4437	-94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	17-Jan-17	16-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	51000	-8500
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	5250	-
	Patan	B.T. Cotton	9357	7445	1912
	Kadi	B.T. Cotton	15000	30000	-15000
	Deesa	B.T. Cotton	10	40	-30
	Dhrol	B.T. Cotton	502	714	-212
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1500	1500	Unch
	Bhiwani	Desi	50	100	-50
	Adampur	B.T. Cotton	850	1020	-170
	Fatehabad	B.T. Cotton	600	500	100
	Jind	B.T. Cotton	150	80	70
	Uchana	B.T. Cotton	320	2480	-2160
	Dabwali	B.T. Cotton	900	850	50
Rajasthan	Hanumangarh	B.T. Cotton	1500	1500	Unch
	Rawatsar	B.T. Cotton	500	300	200
Madhya Pradesh	Khandwa	Mech-1	2500	3000	-500
	Khargaon	Mech-1	6950	9000	-2050
Maharashtra	Amravati	Mech-1	25000	24000	1000
	Jamner	Medium Staple	352	338	14
Uttar Pradesh	Hathras	B.T. Cotton	200	200	Unch
	Hathras	Desi	45	45	Unch
Telangana	Adilabad	Un-Ginned	9812	NA	-
Andhra Pradesh	Guntur	Un-Ginned	380	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1603	1827	-224

	Hubli	D.C.H.	NR	84	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	1245	NR	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	17-Jan-17	16-Jan-17	
Punjab	Bhatinda	J-34	4250	3400	850
	Abohar	J-34	340	340	Unch
	Mansa	J-34	340	340	Unch
Haryana	Sirsa	J-34	510	680	-170
Rajasthan	Sri-Ganganagar	J-34	820	200	620

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				16-Jan-17	14-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30100	30300	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31100	31300	-200
J-34(202)	26mm	3.5 - 4.9	23	40600	40800	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40200	40400	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	40800	41000	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41500	41600	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42200	42400	-200
DCH-32(107)	34mm	3.0 - 3.8	33	54500	54800	-300

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

Centre	Unit	Price		Change
		17-Jan-17	16-Jan-17	
Rajkot	Rs. /10 Kg.	698	700	-2
New Delhi	Rs. /10 Kg.	700	695	5
Hyderabad	Rs. /10 Kg.	660	660	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
		17-Jan-17	16-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2239	2238	1
Akola	Rs./Qtl	2179	2173	6

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 17-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15781	Unch
CCIndex(527)	14846	Unch
CCIndex(229)	16126	5
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 17-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	84.93	Unch
FC Index (M)	82.46	Unch
FC Index (L)	80.86	0.30

<u>Cotlook Index: As on 16-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	81.60	Unch

<u>USDA Cotton Spot Rates: As on 16-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.): As on 16-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 16-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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