

Domestic Fundamentals:

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

In The News: In 2016 kharif season, all India cotton acreage was reported at 102.79 lakh hectares compared to 116.41 lakh hectares during the previous season losing around 20 per cent area to pulses. The Centre had also asked the farmers not to sow cotton in view of a very bad season in the previous year and some farmers kept away from cotton amid fear of poor performance of Bt Cotton. However it is likely to make a comeback in the upcoming kharif season as farmers have fetched good price for the crop. Prices touched around Rs.6000 - 6500/qlt levels in September 2016 compared to Rs.4000-4500/qlt during the same period previous year. Farmers who shifted to pulses are likely to make a comeback to cotton following lower prices of pulses. According to industry sources, acreage under cotton is likely to increase by around 20 per cent this season. However the exact picture will be clear depending on south-west monsoon, availability of seeds and farmers awareness.

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.

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 country's agricultural minister, Burkina Faso is likely to produce 750,000 tonnes of raw cotton in the 2016-17 season compared to 600,000 tonnes produced in the previous season. Quality of the crop is reported to be better compared to previous year amid good rainfall. Farmers in the country have resorted to 100 per cent non-GM cotton for the 2016-17 crop.

In the 2016-17 cotton marketing year, US cotton exports are likely to increase by 35 per cent. US market share of world cotton trade is forecast to increase as exports have increased 66 per cent year on year in the first five months of the current marketing year. The higher cotton export growth was mainly due to higher exports to China, Indonesia, Vietnam and other small countries.

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	+8.00	1005	1016	1005	1015.50	3721	-659	11046	-61
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 5:01 pm as on 18 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+100	19930	20080	19920	20050	1161	328	4099	-78
Mar-17	+120	20060	20250	20060	20230	1449	42	8284	337

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-180		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

* Updated at 5:01 pm as on 18 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	18-Jan-17	17-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5850	5750	100
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	5730	5685	45
	Kadi	B.T. Cotton	5750	5750	Unch
	Deesa	B.T. Cotton	5300	5000	300
	Dhrol	B.T. Cotton	5760	5705	55
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5900	5800	100
	Bhiwani	Desi	4850	4870	-20
	Adampur	B.T. Cotton	5790	5700	90
	Fatehabad	B.T. Cotton	5680	5600	80
	Jind	B.T. Cotton	5900	5870	30
	Uchana	B.T. Cotton	5700	5700	Unch
	Dabwali	B.T. Cotton	5755	5650	105
Rajasthan	Hanumangarh	B.T. Cotton	5800	5800	Unch
	Rawatsar	B.T. Cotton	5600	5530	70
Madhya Pradesh	Khandwa	Mech-1	5600	5600	Unch
	Khargaon	Mech-1	5600	5600	Unch
Maharashtra	Amravati	Mech-1	5225	5200	25
	Jamner	Medium Staple	5160	5142	18
Uttar Pradesh	Hathras	B.T. Cotton	4200	4300	-100
	Hathras	Desi	4500	4600	-100
Telangana	Adilabad	Un-Ginned	5330	5340	-10
Andhra Pradesh	Guntur	Un-Ginned	4200	4200	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5949	5849	100
	Hubli	D.C.H.	5987	5909	78
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5730	5720	10
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	18-Jan-17	17-Jan-17	
Punjab	Bhatinda	J-34	4400	4365	35

	Abohar	J-34	4390	4370	20
	Mansa	J-34	4400	4360	40
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4330	4300	30
Rajasthan	Sri-Ganganagar	J-34	4559	4343	216

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	18-Jan-17	17-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	9845	9357	488
	Kadi	B.T. Cotton	25000	15000	10000
	Deesa	B.T. Cotton	56	10	46
	Dhrol	B.T. Cotton	512	502	10
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	1500	-500
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	1020	850	170
	Fatehabad	B.T. Cotton	500	600	-100
	Jind	B.T. Cotton	150	150	Unch
	Uchana	B.T. Cotton	320	320	Unch
	Dabwali	B.T. Cotton	1600	900	700
Rajasthan	Hanumangarh	B.T. Cotton	2000	1500	500
	Rawatsar	B.T. Cotton	500	500	Unch
Madhya Pradesh	Khandwa	Mech-1	3000	2500	500
	Khargaon	Mech-1	6950	6950	Unch
Maharashtra	Amravati	Mech-1	27000	25000	2000
	Jamner	Medium Staple	354	352	2
Uttar Pradesh	Hathras	B.T. Cotton	150	200	-50
	Hathras	Desi	NA	45	-
Telangana	Adilabad	Un-Ginned	9221	9812	-591
Andhra Pradesh	Guntur	Un-Ginned	115	380	-265
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1825	1603	222
	Hubli	D.C.H.	102	52	50

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1485	1245	240
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	18-Jan-17	17-Jan-17	
Punjab	Bhatinda	J-34	3400	4250	-850
	Abohar	J-34	340	340	Unch
	Mansa	J-34	680	340	340
Haryana	Sirsa	J-34	850	510	340
Rajasthan	Sri-Ganganagar	J-34	680	820	-140

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				17-Jan-17	16-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30100	30100	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31100	31100	Unch
J-34(202)	26mm	3.5 - 4.9	23	40800	40600	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40400	40200	200
Shankar-6(105)	29mm	3.5 - 4.9	28	41000	40800	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41600	41500	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42200	42200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55000	54500	500

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

Centre	Unit	Price		Change
		18-Jan-17	17-Jan-17	
Rajkot	Rs. /10 Kg.	700	698	2
New Delhi	Rs. /10 Kg.	705	700	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
		18-Jan-17	17-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2269	2239	30
Akola	Rs./Qtl	2206	2179	27

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 18-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15781	Unch
CCIndex(527)	14839	-7
CCIndex(229)	16131	5
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 18-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	84.83	-0.10
FC Index (M)	82.26	-0.20
FC Index (L)	80.52	-0.34

<u>Cotlook Index: As on 17-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	81.60	Unch

<u>USDA Cotton Spot Rates: As on 17-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.11	75.36	NIL
North Delta	72.11	74.36	NIL
South Delta	72.11	74.36	NIL
East TX-OK	70.25	71.50	1544
West Texas	70.00	71.50	10327
Desert SW	68.11	72.61	NIL
SJ Valley	69.11	79.01	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 17-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	72.27	72.87	71.81	72.11	-0.16
May-17	72.60	73.35	72.38	72.62	-0.14
Jul-17	73.42	73.83	72.91	73.07	-0.20
Oct-17	71.40	71.40	71.40	71.40	-0.08
Dec-17	71.00	71.18	70.39	70.81	-0.09
Mar-18	70.73	71.14	70.65	71.09	-0.06

Pakistan Cotton Spot rates: As on 17-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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