

Domestic Fundamentals:

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

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	+15.00	1018.5	1027	1012.5	1022.50	5119	739	11687	580
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	147.50	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
 *Updated at 6:36 pm as on 19 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+250	20110	20250	20070	20200	1689	-200	3711	-466
Mar-17	+280	20230	20440	20230	20390	2183	-692	8576	629

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-190		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)
 * Updated at 6:36 pm as on 19 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	19-Jan-17	18-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5800	5850	-50
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	5775	5730	45
	Kadi	B.T. Cotton	5775	5750	25
	Deesa	B.T. Cotton	NR	5300	-
	Dhrol	B.T. Cotton	NR	5760	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6000	5900	100
	Bhiwani	Desi	5000	4850	150
	Adampur	B.T. Cotton	5900	5790	110
	Fatehabad	B.T. Cotton	5850	5680	170
	Jind	B.T. Cotton	5970	5900	70
	Uchana	B.T. Cotton	5945	5700	245
	Dabwali	B.T. Cotton	5855	5755	100
Rajasthan	Hanumangarh	B.T. Cotton	5950	5800	150
	Rawatsar	B.T. Cotton	5710	5600	110
Madhya Pradesh	Khandwa	Mech-1	5650	5600	50
	Khargaon	Mech-1	5630	5600	30
Maharashtra	Amravati	Mech-1	5275	5225	50
	Jamner	Medium Staple	5148	5160	-12
Uttar Pradesh	Hathras	B.T. Cotton	4200	4200	Unch
	Hathras	Desi	4500	4500	Unch
Telangana	Adilabad	Un-Ginned	5380	5330	50
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	5929	5949	-20
	Hubli	D.C.H.	NR	5987	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5750	5730	20
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	19-Jan-17	18-Jan-17	
Punjab	Bhatinda	J-34	4450	4400	50

	Abohar	J-34	4460	4390	70
	Mansa	J-34	4460	4400	60
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4400	4330	70
Rajasthan	Sri-Ganganagar	J-34	4663	4559	103

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	19-Jan-17	18-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	10250	9845	405
	Kadi	B.T. Cotton	25000	25000	Unch
	Deesa	B.T. Cotton	NR	56	-
	Dhrol	B.T. Cotton	NR	512	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	1000	Unch
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	850	1020	-170
	Fatehabad	B.T. Cotton	550	500	50
	Jind	B.T. Cotton	255	150	105
	Uchana	B.T. Cotton	1432	320	1112
	Dabwali	B.T. Cotton	1300	1600	-300
Rajasthan	Hanumangarh	B.T. Cotton	2000	2000	Unch
	Rawatsar	B.T. Cotton	1000	500	500
Madhya Pradesh	Khandwa	Mech-1	3000	3000	Unch
	Khargaon	Mech-1	8630	6950	1680
Maharashtra	Amravati	Mech-1	23000	27000	-4000
	Jamner	Medium Staple	340	354	-14
Uttar Pradesh	Hathras	B.T. Cotton	150	150	Unch
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	8715	9221	-506
Andhra Pradesh	Guntur	Un-Ginned	200	115	85
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1649	1825	-176
	Hubli	D.C.H.	NR	102	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1890	1485	405
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	19-Jan-17	18-Jan-17	
Punjab	Bhatinda	J-34	4250	3400	850
	Abohar	J-34	680	340	340
	Mansa	J-34	850	680	170
Haryana	Sirsa	J-34	680	850	-170
Rajasthan	Sri-Ganganagar	J-34	1325	680	645

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				18-Jan-17	17-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	30700	30100	600
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	31700	31100	600
J-34(202)	26mm	3.5 - 4.9	23	41200	40800	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40600	40400	200
Shankar-6(105)	29mm	3.5 - 4.9	28	41200	41000	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	41800	41600	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42200	42200	Unch
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
		19-Jan-17	18-Jan-17	
Rajkot	Rs. /10 Kg.	705	700	5
New Delhi	Rs. /10 Kg.	708	705	3
Hyderabad	Rs. /10 Kg.	665	660	5
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
		19-Jan-17	18-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2290	2269	21
Akola	Rs./Qtl	2223	2206	17

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 19-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15782	1
CCIndex(527)	14842	3
CCIndex(229)	16143	12
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 19-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	85.02	0.19
FC Index (M)	82.50	0.24
FC Index (L)	80.76	0.24

<u>Cotlook Index: As on 18-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	81.35	-0.25

<u>USDA Cotton Spot Rates: As on 18-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.26	75.51	880
North Delta	72.26	74.51	NIL
South Delta	72.26	74.51	32
East TX-OK	70.50	71.75	2329
West Texas	70.50	72.00	8294
Desert SW	68.26	72.76	NIL
SJ Valley	69.26	79.16	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 18-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	72.12	72.55	72.02	72.26	0.15
May-17	72.72	73.02	72.52	72.75	0.13
Jul-17	73.16	73.49	73.00	73.25	0.18
Oct-17	71.27	71.27	71.27	71.27	-0.13
Dec-17	70.86	71.00	70.60	70.98	0.17
Mar-18	71.04	71.21	71.04	71.21	0.12

Pakistan Cotton Spot rates: As on 18-January-2017
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6450	135	6585
Equivalent	40 Kgs	6912	145	7057

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