

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mixed tone on Saturday.

**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:

Brazilian cotton prices are likely to be firm in 2017 amid lower output of harvested cotton from the 2015- 16 crop and lower ending stocks of the same crop. According to CONAB, 2017 began with cotton inventories at only 162,900 tons, the lowest level since 2010-11 and although an increase in the 2016-17 crop is expected, availability of cotton in the market is estimated at 1.6 million tons, a volume last observed in the 2009-10 season.

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	-0.50	986	995	980	987	4115	-279	9725	-119
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	151.50	-	-
May-17	-	-	-

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

\*Updated at 6:18 pm as on 06 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-120	20000	20050	19880	19910	1885	1158	5888	-262
Mar-17	-120	20080	20180	20020	20050	984	490	5076	323

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

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

\* Updated at 6:18 pm as on 06 –Jan 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	21-Jan-17	20-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	5865	5825	40
	Kadi	B.T. Cotton	5750	5750	Unch
	Deesa	B.T. Cotton	5305	5155	150
	Dhrol	B.T. Cotton	NR	NR	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6050	6050	Unch
	Bhiwani	Desi	5100	5100	Unch
	Adampur	B.T. Cotton	5925	5950	-25
	Fatehabad	B.T. Cotton	5880	5840	40
	Jind	B.T. Cotton	6031	6000	31
	Uchana	B.T. Cotton	5933	5995	-62
	Dabwali	B.T. Cotton	5825	5835	-10
Rajasthan	Hanumangarh	B.T. Cotton	5670	6000	-330
	Rawatsar	B.T. Cotton	5850	5800	50
Madhya Pradesh	Khandwa	Mech-1	Closed	5700	-
	Khargaon	Mech-1	5730	5630	100
Maharashtra	Amravati	Mech-1	5325	5300	25
	Jamner	Medium Staple	5160	5156	4
Uttar Pradesh	Hathras	B.T. Cotton	4280	4280	Unch
	Hathras	Desi	4500	4500	Unch
Telangana	Adilabad	Un-Ginned	5450	5420	30
Andhra Pradesh	Guntur	Un-Ginned	4200	4200	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	4160	-
Karnataka	Bijapur	Bunny	NA	5909	-
	Hubli	D.C.H.	NA	5981	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5750	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	21-Jan-17	20-Jan-17	
Punjab	Bhatinda	J-34	4540	4520	20

	Abohar	J-34	4535	4540	-5
	Mansa	J-34	4530	4515	15
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4480	4470	10
Rajasthan	Sri-Ganganagar	J-34	4888	4860	28

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	21-Jan-17	20-Jan-17	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	11228	10225	1003
	Kadi	B.T. Cotton	50000	45000	5000
	Deesa	B.T. Cotton	98	32	66
	Dhrol	B.T. Cotton	NR	NR	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	3000	-1000
	Bhiwani	Desi	200	100	100
	Adampur	B.T. Cotton	1190	850	340
	Fatehabad	B.T. Cotton	1000	1200	-200
	Jind	B.T. Cotton	340	250	90
	Uchana	B.T. Cotton	1000	3250	-2250
	Dabwali	B.T. Cotton	1300	1400	-100
Rajasthan	Hanumangarh	B.T. Cotton	2000	2000	Unch
	Rawatsar	B.T. Cotton	2500	1000	1500
Madhya Pradesh	Khandwa	Mech-1	Closed	4000	-
	Khargaon	Mech-1	11280	8630	2650
Maharashtra	Amravati	Mech-1	24000	24000	Unch
	Jamner	Medium Staple	331	333	-2
Uttar Pradesh	Hathras	B.T. Cotton	275	275	Unch
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	8315	7515	800
Andhra Pradesh	Guntur	Un-Ginned	308	150	158
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	1713	-
	Hubli	D.C.H.	NA	30	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1882	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	21-Jan-17	20-Jan-17	
Punjab	Bhatinda	J-34	5950	5950	Unch
	Abohar	J-34	850	1360	-510
	Mansa	J-34	1190	1190	Unch
Haryana	Sirsa	J-34	1020	1020	Unch
Rajasthan	Sri-Ganganagar	J-34	2655	1980	675

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Jan-17	19-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	31500	31200	300
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32500	32200	300
J-34(202)	26mm	3.5 - 4.9	23	42200	41700	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41500	41100	400
Shankar-6(105)	29mm	3.5 - 4.9	28	41800	41400	400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42000	400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42700	42400	300
DCH-32(107)	34mm	3.0 - 3.8	33	55800	55500	300

### Cotton Seed Oil Prices

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

Centre	Unit	Price		Change
		21-Jan-17	20-Jan-17	
Rajkot	Rs. /10 Kg.	710	710	Unch
New Delhi	Rs. /10 Kg.	705	705	Unch
Hyderabad	Rs. /10 Kg.	665	665	Unch
Mumbai	Rs. /10 Kg.	695	690	5

### Cotton Seed Oil Seed Cake Prices

#### Cotton Seed Oil Cake Prices at Key Centers:

Centre	Unit	Price		Change
		21-Jan-17	20-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2282	2282	Unch
Akola	Rs./Qtl	2216	2216	Unch

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 20-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15776	-6
CCIndex(527)	14839	-3
CCIndex(229)	16143	Unch
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 20-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	85.52	0.50
FC Index (M)	83.00	0.50
FC Index (L)	81.26	0.50

<u>Cotlook Index: As on 20-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	82.05	0.55

<u>USDA Cotton Spot Rates: As on 19-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	73.69	75.94	NIL
North Delta	72.69	74.94	NIL
South Delta	72.69	74.94	NIL
East TX-OK	70.50	71.75	2951
West Texas	70.50	72.00	25174
Desert SW	68.69	73.19	NIL
SJ Valley	69.69	79.59	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 20-January-2017**

Contract	Open	High	Low	Close	Change
Mar-17	72.86	73.43	72.72	73.04	0.35
May-17	73.25	73.96	73.25	73.67	0.41
Jul-17	73.83	74.45	73.83	74.25	0.44
Oct-17	71.89	71.89	71.89	71.89	0.32
Dec-17	71.22	71.50	71.00	71.19	0.06
Mar-18	71.30	71.30	71.30	71.30	0.04

**Pakistan Cotton Spot rates: As on 19-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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