

Domestic Fundamentals:

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

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.

According to the latest Chinese customs data, cotton yarn imports declined by 15.9% to 1.97 million tons in 2016 compared with 2015.

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	+12.00	1020.5	1029	1020.5	1025	4345	1015	11648	-200
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	182	-	-
May-17	-	-	-

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

*Updated at 5:19 pm as on 23 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+140	20310	20400	20240	20340	1858	-545	2492	-931
Mar-17	+120	20530	20540	20440	20520	2227	-555	8995	274

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

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

* Updated at 5:19 pm as on 23 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	23-Jan-17	21-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	6035	NR	-
	Patan	B.T. Cotton	5885	5865	20
	Kadi	B.T. Cotton	5850	5750	100
	Deesa	B.T. Cotton	NA	5305	-
	Dhrol	B.T. Cotton	6055	NR	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6100	6050	50
	Bhiwani	Desi	5100	5100	Unch
	Adampur	B.T. Cotton	5975	5925	50
	Fatehabad	B.T. Cotton	5880	5880	Unch
	Jind	B.T. Cotton	6000	6031	-31
	Uchana	B.T. Cotton	5987	5933	54
	Dabwali	B.T. Cotton	5825	5825	Unch
Rajasthan	Hanumangarh	B.T. Cotton	6000	5670	330
	Rawatsar	B.T. Cotton	5900	5850	50
Madhya Pradesh	Khandwa	Mech-1	5700	Closed	-
	Khargaon	Mech-1	5765	5730	35
Maharashtra	Amravati	Mech-1	5350	5325	25
	Jamner	Medium Staple	NA	5160	-
Uttar Pradesh	Hathras	B.T. Cotton	NR	4280	-
	Hathras	Desi	NR	4500	-
Telangana	Adilabad	Un-Ginned	NA	5450	-
Andhra Pradesh	Guntur	Un-Ginned	4200	4200	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	NA	-
Karnataka	Bijapur	Bunny	6216	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	23-Jan-17	21-Jan-17	
Punjab	Bhatinda	J-34	4530	4540	-10

	Abohar	J-34	4530	4535	-5
	Mansa	J-34	4520	4530	-10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4470	4480	-10
Rajasthan	Sri-Ganganagar	J-34	4512	4888	-376

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	23-Jan-17	21-Jan-17	
Gujarat	Ahmedabad	Shankar-6	51000	42500	8500
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5800	NR	-
	Patan	B.T. Cotton	13557	11228	2329
	Kadi	B.T. Cotton	60000	50000	10000
	Deesa	B.T. Cotton	NA	98	-
	Dhrol	B.T. Cotton	541	NR	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2500	2000	500
	Bhiwani	Desi	100	200	-100
	Adampur	B.T. Cotton	850	1190	-340
	Fatehabad	B.T. Cotton	1000	1000	Unch
	Jind	B.T. Cotton	340	340	Unch
	Uchana	B.T. Cotton	600	1000	-400
	Dabwali	B.T. Cotton	1300	1300	Unch
Rajasthan	Hanumangarh	B.T. Cotton	1500	2000	-500
	Rawatsar	B.T. Cotton	2500	2500	Unch
Madhya Pradesh	Khandwa	Mech-1	3000	Closed	-
	Khargaon	Mech-1	1041	11280	-10239
Maharashtra	Amravati	Mech-1	24000	24000	Unch
	Jamner	Medium Staple	NA	331	-
Uttar Pradesh	Hathras	B.T. Cotton	NR	275	-
	Hathras	Desi	NR	NA	-
Telangana	Adilabad	Un-Ginned	NA	8315	-
Andhra Pradesh	Guntur	Un-Ginned	723	308	415
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2995	NA	-
	Hubli	D.C.H.	NA	NA	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	23-Jan-17	21-Jan-17	
Punjab	Bhatinda	J-34	5950	5950	Unch
	Abohar	J-34	850	850	Unch
	Mansa	J-34	1190	1190	Unch
Haryana	Sirsa	J-34	850	1020	-170
Rajasthan	Sri-Ganganagar	J-34	500	2655	-2155

DOMESTIC PRICES AND ARRIVALS

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				21-Jan-17	20-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	31400	31500	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	32400	32500	-100
J-34(202)	26mm	3.5 - 4.9	23	42100	42200	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41200	41500	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	41800	41800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	42400	42400	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42700	42700	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55800	55800	Unch

Cotton Seed Oil Prices

Refined Cotton Seed Oil at Key Centers:

Centre	Unit	Price		Change
		23-Jan-17	21-Jan-17	
Rajkot	Rs. /10 Kg.	715	710	5
New Delhi	Rs. /10 Kg.	705	705	Unch
Hyderabad	Rs. /10 Kg.	665	665	Unch
Mumbai	Rs. /10 Kg.	695	695	Unch

Cotton Seed Oil Seed Cake Prices

Cotton Seed Oil Cake Prices at Key Centers:

Centre	Unit	Price		Change
		23-Jan-17	21-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2355	2282	73
Akola	Rs./Qtl	2300	2216	84

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 23-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15777	Unch
CCIndex(527)	14839	1
CCIndex(229)	16150	2
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 23-January-2017</u>		
Index	Cents/lb	Change
FC Index (S)	85.52	Unch
FC Index (M)	83.00	Unch
FC Index (L)	81.26	Unch

<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 20-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.04	76.29	NIL
North Delta	73.04	75.29	NIL
South Delta	73.04	75.29	NIL
East TX-OK	70.50	71.75	6949
West Texas	70.50	72.00	19631
Desert SW	69.04	73.54	NIL
SJ Valley	70.04	79.94	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

<u>ICE Cotton Futures (Prices in cents/lb.): As on 20-January-2017</u>					
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 21-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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