

## Domestic Fundamentals:

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

**In The News:** : According to industry sources, cotton supplies in the Indian spot markets declined by 15.9 per cent to 10.8 million bales during October –December 2016 compared to same period previous year. Supplies declined amid demonetization by the Indian government in the first week of November 2016.

In its mid season estimates, Cotton Association Of India (CAI) has revised its cotton crop estimate downward at 341 lakh bales for the 2016-17 season compared to the earlier estimates of 346 lakh bales estimated in October. CAI projected total cotton supply of 404 lakh bales, with domestic consumption at 290 lakh bales, thereby leaving an available surplus of 114 lakh bales in its crop estimates for December 2016.

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/ql levels in September 2016 compared to Rs.4000-4500/ql 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.

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.

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 firm in the near -term.**

#### **NCDEX Kapas Futures\*: (Prices in Rs/20kg)**

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Con_1	-3.50	1019	1023	1006	1007	5908	0	11647	0
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	188	-	-
May-17	-	-	-

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

\*Updated at 5:43 pm as on 27 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-80	20500	20560	20400	20440	1842	866	8799	-89
Mar-17	-70	20710	20720	20580	20610	647	157	4016	-1

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-170		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

\* Updated at 5:43 pm as on 27 –Jan 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	27-Jan-17	25-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5900	6000	-100
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5975	6000	-25
	Patan	B.T. Cotton	5865	5825	40
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5875	5985	-110
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6120	6100	20
	Bhiwani	Desi	5200	5100	100
	Adampur	B.T. Cotton	6000	6000	Unch
	Fatehabad	B.T. Cotton	5950	6050	-100
	Jind	B.T. Cotton	NA	6100	-
	Uchana	B.T. Cotton	5930	5960	-30
	Dabwali	B.T. Cotton	5830	5860	-30
Rajasthan	Hanumangarh	B.T. Cotton	6000	6040	-40
	Rawatsar	B.T. Cotton	Closed	5850	-
Madhya Pradesh	Khandwa	Mech-1	Closed	5650	-
	Khargaon	Mech-1	NA	5850	-
Maharashtra	Amravati	Mech-1	5300	5300	Unch
	Jamner	Medium Staple	5206	5182	24
Uttar Pradesh	Hathras	B.T. Cotton	NR	4600	-
	Hathras	Desi	NA	4850	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
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	6109	6609	-500
	Hubli	D.C.H.	NA	5839	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	27-Jan-17	25-Jan-17	
Punjab	Bhatinda	J-34	4565	4570	-5

	Abohar	J-34	4560	4570	<b>-10</b>
	Mansa	J-34	4550	4550	<b>Unch</b>
	Muktsar	J-34	NR	NR	<b>-</b>
	Fazilika	J-34	NR	NR	<b>-</b>
<b>Haryana</b>	Sirsa	J-34	4490	4500	<b>-10</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	4230	4818	<b>-588</b>

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	27-Jan-17	25-Jan-17	
<b>Gujarat</b>	Ahmedabad	Shankar-6	51000	59500	<b>-8500</b>
	Gondal	Shankar-6	NR	NR	<b>-</b>
	Rajkot	B.T. Cotton	8900	6700	<b>2200</b>
	Patan	B.T. Cotton	10760	11386	<b>-626</b>
	Kadi	B.T. Cotton	30000	40000	<b>-10000</b>
	Deesa	B.T. Cotton	NA	NA	<b>-</b>
	Dhrol	B.T. Cotton	337	858	<b>-521</b>
<b>Punjab</b>	Fazilika	B.T. Cotton	NR	NR	<b>-</b>
	Muktsar	B.T. Cotton	NR	NR	<b>-</b>
<b>Haryana</b>	Bhiwani	B.T. Cotton	3000	3000	<b>Unch</b>
	Bhiwani	Desi	200	100	<b>100</b>
	Adampur	B.T. Cotton	850	850	<b>Unch</b>
	Fatehabad	B.T. Cotton	100	450	<b>-350</b>
	Jind	B.T. Cotton	NA	425	<b>-</b>
	Uchana	B.T. Cotton	NA	500	<b>-</b>
	Dabwali	B.T. Cotton	600	800	<b>-200</b>
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	1000	1500	<b>-500</b>
	Rawatsar	B.T. Cotton	Closed	700	<b>-</b>
<b>Madhya Pradesh</b>	Khandwa	Mech-1	Closed	3000	<b>-</b>
	Khargaon	Mech-1	NA	1295	<b>-</b>
<b>Maharashtra</b>	Amravati	Mech-1	24000	22000	<b>2000</b>
	Jamner	Medium Staple	303	10	<b>293</b>
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	NR	30	<b>-</b>
	Hathras	Desi	NA	NA	<b>-</b>
<b>Telangana</b>	Adilabad	Un-Ginned	NA	NA	<b>-</b>
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	130	315	<b>-185</b>
	Kurnool	Un-Ginned	NA	NA	<b>-</b>
	Krishna	Un-Ginned	NA	NA	<b>-</b>
	East Godavari	Un-Ginned	NA	NA	<b>-</b>
<b>Karnataka</b>	Bijapur	Bunny	3005	2836	<b>169</b>
	Hubli	D.C.H.	NA	4	<b>-</b>

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	27-Jan-17	25-Jan-17	
Punjab	Bhatinda	J-34	3400	3400	Unch
	Abohar	J-34	850	1020	-170
	Mansa	J-34	340	595	-255
Haryana	Sirsa	J-34	170	340	-170
Rajasthan	Sri-Ganganagar	J-34	300	208	92

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-Jan-17	24-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32100	32100	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33100	33100	Unch
J-34(202)	26mm	3.5 - 4.9	23	42300	42600	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41600	41900	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	42200	42600	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43600	-500
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43400	43900	-500
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
		27-Jan-17	25-Jan-17	
Rajkot	Rs. /10 Kg.	705	720	-15
New Delhi	Rs. /10 Kg.	700	705	-5
Hyderabad	Rs. /10 Kg.	670	670	Unch
Mumbai	Rs. /10 Kg.	700	695	5

### Cotton Seed Oil Seed Cake Prices

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

Centre	Unit	Price		Change
		27-Jan-17	25-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2324	2328	-4
Akola	Rs./Qtl	2295	2285	10

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 26-January-2017

Index	RMB/Ton	Change
CCIndex(328)	15799	Unch
CCIndex(527)	14843	1
CCIndex(229)	16165	5

RMB -Renminbi, 1RMB =0.16 \$U.S.

#### China Foreign Cotton (FCE) Index : As on 23-January-2017

Index	Cents/lb	Change
FC Index (S)	85.52	Unch
FC Index (M)	83.00	Unch
FC Index (L)	81.26	Unch

#### Cotlook Index: As on 26-January-2017

Cotlook Indices	Cents/Pound	Change
A-Index	83.20	0.25

#### USDA Cotton Spot Rates: As on 26-January-2017

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.19	77.44	NIL
North Delta	74.19	76.44	NIL
South Delta	74.19	76.44	NIL
East TX-OK	71.50	72.75	5808
West Texas	71.50	73.00	19346
Desert SW	70.19	74.69	600
SJ Valley	71.19	81.09	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 26-January-2017**

Contract	Open	High	Low	Close	Change
Mar-17	73.94	74.93	73.67	74.19	0.31
May-17	74.53	75.35	74.30	74.70	0.18
Jul-17	75.12	75.80	74.96	75.25	0.11
Oct-17	72.22	72.22	72.22	72.22	-0.10
Dec-17	71.50	72.00	71.16	71.46	-0.17
Mar-18	71.44	71.44	71.44	71.44	-0.15

**Pakistan Cotton Spot rates: As on 26-January-2017**
**(in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6500	135	6635
Equivalent	40 Kgs	6966	145	7111

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