

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed range –bound to weak tone on Tuesday.

In The News: : US multinational companies have been dominating cotton farming in the country during the last few years. Government's Central Institute for Cotton Research (CICR) has secured approval for 3 varieties of indigenous Bt seeds suitable for the northern states. By next fortnight, 4-5 seeds each, suitable for the central and southern states of the country will be put for approval before Indian Council for Agricultural Research (ICAR). The biggest advantage with indigenous Bt seeds is that the farmer need not buy a fresh bag of seeds each sowing season. The seeds can be derived from the previous year's crop itself.

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 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	-0.50	997	1003	991	999	3199	-354	12013	98
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	169	-	-
May-17	-	-	-

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

*Updated at 5:16 pm as on 31 –Jan 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-40	20290	20340	20200	20280	1717	291	8256	-429
Mar-17	-50	20450	20510	20390	20450	423	151	4101	114

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

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

* Updated at 5:16 pm as on 31 –Jan 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	31-Jan-17	30-Jan-17	
Gujarat	Ahmedabad	Shankar-6	5800	6000	-200
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5840	5920	-80
	Patan	B.T. Cotton	5780	5905	-125
	Kadi	B.T. Cotton	5990	5900	90
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5765	5930	-165
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6050	6050	Unch
	Bhiwani	Desi	5350	5350	Unch
	Adampur	B.T. Cotton	5880	5950	-70
	Fatehabad	B.T. Cotton	5850	6000	-150
	Jind	B.T. Cotton	6023	6051	-28
	Uchana	B.T. Cotton	5880	5900	-20
	Dabwali	B.T. Cotton	5850	5870	-20
Rajasthan	Hanumangarh	B.T. Cotton	5950	6000	-50
	Rawatsar	B.T. Cotton	5750	5800	-50
Madhya Pradesh	Khandwa	Mech-1	5700	5720	-20
	Khargaon	Mech-1	5680	5700	-20
Maharashtra	Amravati	Mech-1	5350	5325	25
	Jamner	Medium Staple	5228	5213	15
Uttar Pradesh	Hathras	B.T. Cotton	NR	NR	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	5300	5300	Unch
	Krishna	Un-Ginned	5600	5600	Unch
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	6029	6059	-30
	Hubli	D.C.H.	6175	6199	-24
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5920	5950	-30
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	31-Jan-17	30-Jan-17	
Punjab	Bhatinda	J-34	4530	4565	-35

	Abohar	J-34	4530	4560	-30
	Mansa	J-34	4530	4560	-30
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4480	4150	330
Rajasthan	Sri-Ganganagar	J-34	4230	4230	Unch

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	31-Jan-17	30-Jan-17	
Gujarat	Ahmedabad	Shankar-6	51000	34000	17000
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	6100	6200	-100
	Patan	B.T. Cotton	9400	8755	645
	Kadi	B.T. Cotton	45000	40000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	599	659	-60
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	3000	Unch
	Bhiwani	Desi	100	400	-300
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	100	650	-550
	Jind	B.T. Cotton	425	145	281
	Uchana	B.T. Cotton	700	600	100
	Dabwali	B.T. Cotton	2000	1600	400
Rajasthan	Hanumangarh	B.T. Cotton	1600	2000	-400
	Rawatsar	B.T. Cotton	500	1000	-500
Madhya Pradesh	Khandwa	Mech-1	3000	3300	-300
	Khargaon	Mech-1	4800	9170	-4370
Maharashtra	Amravati	Mech-1	19000	21000	-2000
	Jamner	Medium Staple	12	13	-1
Uttar Pradesh	Hathras	B.T. Cotton	NR	NR	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2959	4261	-1302
	Hubli	D.C.H.	152	58	94

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	2767	2505	262
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	31-Jan-17	30-Jan-17	
Punjab	Bhatinda	J-34	5100	5950	-850
	Abohar	J-34	1020	1190	-170
	Mansa	J-34	1190	1360	-170
Haryana	Sirsa	J-34	1360	1020	340
Rajasthan	Sri-Ganganagar	J-34	300	300	Unch

DOMESTIC PRICES AND ARRIVALS

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				30-Jan-17	28-Jan-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32600	32400	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33600	33400	200
J-34(202)	26mm	3.5 - 4.9	23	42400	42200	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41300	41300	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	41900	41900	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43000	42800	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43300	43100	200
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
		31-Jan-17	30-Jan-17	
Rajkot	Rs. /10 Kg.	710	700	10
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	675	680	-5
Mumbai	Rs. /10 Kg.	690	695	-5

Cotton Seed Oil Seed Cake Prices

Cotton Seed Oil Cake Prices at Key Centers:

Centre	Unit	Price		Change
		31-Jan-17	30-Jan-17	
Mahesana (Kadi)	Rs./Qtl	2272	2295	-23
Akola	Rs./Qtl	2270	2266	4

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 26-January-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15799	Unch
CCIndex(527)	14843	1
CCIndex(229)	16165	5
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 30-January-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	84.25	0.75

<u>USDA Cotton Spot Rates: As on 30-January-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.14	77.39	NIL
North Delta	73.64	75.89	NIL
South Delta	73.64	75.89	NIL
East TX-OK	71.25	72.50	5976
West Texas	71.25	72.75	16306
Desert SW	69.64	74.14	4122
SJ Valley	70.64	80.54	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 30-January-2017

Contract	Open	High	Low	Close	Change
Mar-17	74.90	75.32	74.06	74.14	-0.71
May-17	75.28	75.82	74.76	74.82	-0.57
Jul-17	75.90	76.28	75.30	75.44	-0.46
Oct-17	72.11	72.11	72.11	72.11	-0.20
Dec-17	71.70	72.05	71.40	71.59	-0.20
Mar-18	72.13	72.15	71.86	71.86	0.02

Pakistan Cotton Spot rates: As on 30-January-2017
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6650	135	6785
Equivalent	40 Kgs	7127	145	7272

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