## Domestic Fundamentals:

**Market Outlook**: Cotton spot markets noticed steady to firm tone on Thurday.

**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 to116.41 lakh hectares during the previous season loosing 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/qtl levels in September 2016 compared to Rs.4000-4500/qtl 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:

Bangladesh grows about 180,000 bales (1 bale=218 kgs) of cotton in a year, which is 1 per cent of their annual demand. It aims to grow 1 million cotton bales by 2025 according to sources at Bangladesh Cotton Association (BCA). The country is now the biggest importer of cotton in the world and spends more than $3 billion on cotton imports annually. India meets around 50 per cent of the current cotton demand.

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 | +16.00 | 1017.5 | 1028.5 | 1017 | 1027 | 4365 | -322 | 12167 | 443 |
| Con_2 | - | - | - | - | - | - | - | - | - |

| Spread | April-17 | | |
|---|---|---|---|
| Spot | 137 | - | - |
| May-17 | - | - | - |

(**NB**: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
*Updated at 5:45 pm as on 02 –Feb 2017

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|---|---|---|---|---|---|---|---|---|---|
| Jan-17 | 300 | 20640 | 20900 | 20640 | 20870 | 2711 | -130 | 8192 | -93 |
| Mar-17 | 300 | 20900 | 21070 | 20840 | 21040 | 1145 | -323 | 4459 | 161 |

| Spread | Oct-16 | Nov-16 | Jan-17 | Mar-17 | -- | -- |
|---|---|---|---|---|---|---|
| Spot | __ | | | - | - | - |
| Jan-17 | | -170 | | - | - | - |
| Mar-17 | | | - | - | - | - |
| | __ | | | - | - | - |
| | | | | | | |

(**NB**: Spread Basis = Spot- Near Month Future)
* Updated at 5:45 pm as on 02 –Feb 2017

## DOMESTIC PRICES AND ARRIVALS

### Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|---|---|---|---|---|---|
| State | Centre | Variety | 2-Feb-17 | 1-Feb-17 | |
| Gujarat | Ahmedabad | Shankar-6 | 5900 | 5850 | 50 |
| | Gondal | Shankar-6 | 5775 | 5255 | 520 |
| | Rajkot | B.T. Cotton | 5905 | 5820 | 85 |
| | Patan | B.T. Cotton | 5880 | Closed | - |
| | Kadi | B.T. Cotton | 5900 | 5900 | Unch |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 5825 | 5750 | 75 |
| Punjab | Fazilika | B.T. Cotton | NR | NR | - |
| | Muktsar | B.T. Cotton | NR | NR | - |
| Haryana | Bhiwani | B.T. Cotton | 6100 | 6070 | 30 |
| | Bhiwani | Desi | 5500 | 5500 | Unch |
| | Adampur | B.T. Cotton | 5975 | 5880 | 95 |
| | Fatehabad | B.T. Cotton | 5970 | 5850 | 120 |
| | Jind | B.T. Cotton | 6150 | 6070 | 80 |
| | Uchana | B.T. Cotton | 5900 | 5870 | 30 |
| | Dabwali | B.T. Cotton | 5880 | 5855 | 25 |
| Rajasthan | Hanumangarh | B.T. Cotton | 6090 | 6000 | 90 |
| | Rawatsar | B.T. Cotton | 5830 | 5800 | 30 |
| Madhya Pradesh | Khandwa | Mech-1 | 5760 | 5700 | 60 |
| | Khargaon | Mech-1 | 5720 | 5650 | 70 |
| Maharashtra | Amravati | Mech-1 | 5325 | 5300 | 25 |
| | Jamner | Medium Staple | 5254 | 5243 | 11 |
| Uttar Pradesh | Hathras | B.T. Cotton | 4350 | 4350 | Unch |
| | Hathras | Desi | 4650 | 4650 | Unch |
| Telangana | Adilabad | Un-Ginned | 5560 | 5500 | 60 |
| Andhra Pradesh | Guntur | Un-Ginned | NA | 4200 | - |
| | Kurnool | Un-Ginned | NA | NA | - |
| | Krishna | Un-Ginned | NA | NA | - |
| | East Godavari | Un-Ginned | NA | NA | - |
| Karnataka | Bijapur | Bunny | 6059 | 6030 | 29 |
| | Hubli | D.C.H. | NA | 6199 | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 5930 | 5900 | 30 |
| **Commodity** | **Lint** | | **Prices (Rs./Maund)** | | **Change** |
| **State** | **Centre** | **Variety** | **2-Feb-17** | **1-Feb-17** | |
| Punjab | Bhatinda | J-34 | 4570 | 4530 | 40 |

| | | | | | |
|---|---|---|---|---|---|
| | Abohar | J-34 | 4565 | 4530 | 35 |
| | Mansa | J-34 | 4560 | 4520 | 40 |
| | Muktsar | J-34 | NR | NR | - |
| | Fazilika | J-34 | NR | NR | - |
| **Haryana** | Sirsa | J-34 | 4500 | 4470 | 30 |
| **Rajasthan** | Sri-Ganganagar | J-34 | 4230 | 4230 | Unch |

## Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|---|---|---|---|---|---|
| **State** | **Centre** | **Variety** | **2-Feb-17** | **1-Feb-17** | |
| **Gujarat** | Ahmedabad | Shankar-6 | 64600 | 45900 | 18700 |
| | Gondal | Shankar-6 | 3045 | 750 | 2295 |
| | Rajkot | B.T. Cotton | 950 | 5200 | -4250 |
| | Patan | B.T. Cotton | 10592 | Closed | - |
| | Kadi | B.T. Cotton | 35000 | 35000 | Unch |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | 448 | 432 | 16 |
| **Punjab** | Fazilika | B.T. Cotton | NR | NR | - |
| | Muktsar | B.T. Cotton | NR | NR | - |
| **Haryana** | Bhiwani | B.T. Cotton | 2500 | 3000 | -500 |
| | Bhiwani | Desi | 100 | 300 | -200 |
| | Adampur | B.T. Cotton | 850 | 850 | Unch |
| | Fatehabad | B.T. Cotton | 450 | 650 | -200 |
| | Jind | B.T. Cotton | 298 | 340 | -43 |
| | Uchana | B.T. Cotton | 2500 | 3000 | -500 |
| | Dabwali | B.T. Cotton | 1150 | 950 | 200 |
| **Rajasthan** | Hanumangarh | B.T. Cotton | 1500 | 2000 | -500 |
| | Rawatsar | B.T. Cotton | 200 | 300 | -100 |
| **Madhya Pradesh** | Khandwa | Mech-1 | 2500 | 3000 | -500 |
| | Khargaon | Mech-1 | 3470 | 3220 | 250 |
| **Maharashtra** | Amravati | Mech-1 | 19000 | 20000 | -1000 |
| | Jamner | Medium Staple | 320 | 311 | 9 |
| **Uttar Pradesh** | Hathras | B.T. Cotton | 50 | 50 | Unch |
| | Hathras | Desi | NA | NA | - |
| **Telangana** | Adilabad | Un-Ginned | 7473 | 10481 | -3008 |
| **Andhra Pradesh** | Guntur | Un-Ginned | NA | 145 | - |
| | Kurnool | Un-Ginned | NA | NA | - |
| | Krishna | Un-Ginned | NA | NA | - |
| | East Godavari | Un-Ginned | NA | NA | - |
| **Karnataka** | Bijapur | Bunny | 2229 | 2695 | -466 |
| | Hubli | D.C.H. | NA | 64 | - |

| | | | | | |
|---|---|---|---|---|---|
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 2047 | 2092 | -45 |
| **Commodity** | **Lint** | | **Arrivals (Quintal)** | | **Change** |
| **State** | **Centre** | **Variety** | **2-Feb-17** | **1-Feb-17** | |
| **Punjab** | Bhatinda | J-34 | 5950 | 5100 | 850 |
| | Abohar | J-34 | 1190 | 1190 | Unch |
| | Mansa | J-34 | 850 | 1190 | -340 |
| **Haryana** | Sirsa | J-34 | 1360 | 1020 | 340 |
| **Rajasthan** | Sri-Ganganagar | J-34 | 300 | 950 | -650 |

**Cotton Association of India Spot Rates:**

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---|---|---|---|---|---|---|
| | | | | 1-Feb-17 | 31-Jan-17 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 32300 | 32300 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 33300 | 33300 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 42200 | 41900 | 300 |
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 41300 | 41100 | 200 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 41900 | 41700 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 43200 | 43000 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 43500 | 43300 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 55600 | 55600 | Unch |

## Cotton Seed Oil Prices

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

| Centre | Unit | Price | | Change |
|---|---|---|---|---|
| | | 2-Feb-17 | 1-Feb-17 | |
| Rajkot | Rs. /10 Kg. | 710 | 710 | Unch |
| New Delhi | Rs. /10 Kg. | 695 | 695 | Unch |
| Hyderabad | Rs. /10 Kg. | 675 | 675 | 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 |
|---|---|---|---|---|
| | | 2-Feb-17 | 1-Feb-17 | |
| Mahesana (Kadi) | Rs./Qtl | 2286 | 2273 | 13 |
| Akola | Rs./Qtl | 2277 | 2272 | 5 |

## INTERNATIONAL PRICES AND INDICES

**China Cotton Index: As on 02-February-2017**

| Index | RMB/Ton | Change |
|---|---|---|
| CCIndex(328) | NA | - |
| CCIndex(527) | NA | - |
| CCIndex(229) | NA | - |

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

**China Foreign Cotton (FCE) Index : As on 02-February-2017**

| Index | Cents/lb | Change |
|---|---|---|
| FC Index (S) | NA | - |
| FC Index (M) | NA | - |
| FC Index (L) | NA | - |

**Cotlook Index: As on 01-February-2017**

| Cotlook Indices | Cents/Pound | Change |
|---|---|---|
| A-Index | 84.25 | 0.75 |

**USDA Cotton Spot Rates: As on 01-February-2017**

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|---|---|---|---|
| | cents/lb. | | bales |
| **Southeast** | 76.94 | 79.19 | **264** |
| **North Delta** | 75.94 | 78.19 | **NIL** |
| **South Delta** | 75.94 | 78.19 | **NIL** |
| **East TX-OK** | 71.50 | 72.75 | **6851** |
| **West Texas** | 71.50 | 73.00 | **19670** |
| **Desert SW** | 71.94 | 76.44 | **NIL** |
| **SJ Valley** | 72.94 | 82.84 | **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 31-January-2017 | | | | | |
|---|---|---|---|---|---|
| **Contract** | **Open** | **High** | **Low** | **Close** | **Change** |
| **Mar-17** | 74.16 | 75.13 | 74.10 | 74.94 | **0.80** |
| **May-17** | 74.85 | 75.75 | 74.80 | 75.60 | **0.78** |
| **Jul-17** | 75.73 | 76.33 | 75.44 | 76.16 | **0.72** |
| **Oct-17** | 72.39 | 72.39 | 72.39 | 72.39 | **0.28** |
| **Dec-17** | 71.75 | 71.98 | 71.59 | 71.83 | **0.24** |
| **Mar-18** | 72.05 | 72.24 | 71.99 | 72.15 | **0.29** |

| Pakistan Cotton Spot rates: As on 01-February-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 |