

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mostly steady to firm tone on Friday.

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:

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	-2.00	1019	1021.5	1015	1019	2890	-1475	12208	41
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	177	-	-
May-17	-	-	-

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

*Updated at 6:24 pm as on 03 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-80	20780	20880	20660	20700	1171	1540	7782	-410
Mar-17	-70	20950	21010	20830	20890	562	583	4572	113

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

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

* Updated at 6:24 pm as on 03 –Feb 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	3-Feb-17	2-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	5775	5775	Unch
	Rajkot	B.T. Cotton	5980	5905	75
	Patan	B.T. Cotton	5860	5880	-20
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5940	5825	115
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6150	6100	50
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	6085	5975	110
	Fatehabad	B.T. Cotton	6040	5970	70
	Jind	B.T. Cotton	6280	6150	130
	Uchana	B.T. Cotton	6020	5900	120
	Dabwali	B.T. Cotton	5950	5880	70
Rajasthan	Hanumangarh	B.T. Cotton	6100	6090	10
	Rawatsar	B.T. Cotton	6030	5830	200
Madhya Pradesh	Khandwa	Mech-1	5770	5760	10
	Khargaon	Mech-1	5800	5720	80
Maharashtra	Amravati	Mech-1	5350	5325	25
	Jamner	Medium Staple	5245	5254	-9
Uttar Pradesh	Hathras	B.T. Cotton	4350	4350	Unch
	Hathras	Desi	4650	4650	Unch
Telangana	Adilabad	Un-Ginned	5620	5560	60
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	NA	6059	-
	Hubli	D.C.H.	6200	6191	9
	Hubli	B.T. Cotton	6509	NA	-
	Raichur	H-44 Cotton	6000	5930	70
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	3-Feb-17	2-Feb-17	
Punjab	Bhatinda	J-34	4620	4570	50

	Abohar	J-34	4620	4565	55
	Mansa	J-34	4620	4560	60
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4550	4500	50
Rajasthan	Sri-Ganganagar	J-34	4277	4230	47

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	3-Feb-17	2-Feb-17	
Gujarat	Ahmedabad	Shankar-6	59500	64600	-5100
	Gondal	Shankar-6	3040	3045	-5
	Rajkot	B.T. Cotton	4650	950	3700
	Patan	B.T. Cotton	7485	10592	-3107
	Kadi	B.T. Cotton	45000	35000	10000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	480	448	32
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	2500	500
	Bhiwani	Desi	300	100	200
	Adampur	B.T. Cotton	680	850	-170
	Fatehabad	B.T. Cotton	600	450	150
	Jind	B.T. Cotton	153	298	-145
	Uchana	B.T. Cotton	2250	2500	-250
	Dabwali	B.T. Cotton	900	1150	-250
Rajasthan	Hanumangarh	B.T. Cotton	3000	1500	1500
	Rawatsar	B.T. Cotton	500	200	300
Madhya Pradesh	Khandwa	Mech-1	3000	2500	500
	Khargaon	Mech-1	4370	3470	900
Maharashtra	Amravati	Mech-1	18000	19000	-1000
	Jamner	Medium Staple	314	320	-6
Uttar Pradesh	Hathras	B.T. Cotton	50	50	Unch
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	7390	7473	-83
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	NA	2229	-
	Hubli	D.C.H.	38	84	-46

	Hubli	B.T. Cotton	4	NA	-
	Raichur	H-44 Cotton	1875	2047	-172
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	3-Feb-17	2-Feb-17	
Punjab	Bhatinda	J-34	4250	5950	-1700
	Abohar	J-34	850	1190	-340
	Mansa	J-34	680	850	-170
Haryana	Sirsa	J-34	1360	1360	Unch
Rajasthan	Sri-Ganganagar	J-34	250	300	-50

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				2-Feb-17	1-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32800	32300	500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33800	33300	500
J-34(202)	26mm	3.5 - 4.9	23	42700	42200	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41300	500
Shankar-6(105)	29mm	3.5 - 4.9	28	42400	41900	500
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43200	300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43800	43500	300
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
		3-Feb-17	2-Feb-17	
Rajkot	Rs. /10 Kg.	700	710	-10
New Delhi	Rs. /10 Kg.	700	695	5
Hyderabad	Rs. /10 Kg.	680	675	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
		3-Feb-17	2-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2287	2286	1
Akola	Rs./Qtl	2290	2277	13

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 03-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15938	139
CCIndex(527)	14968	125
CCIndex(229)	16338	173
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 03-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	89.49	3.10
FC Index (M)	87.25	3.31
FC Index (L)	85.36	3.47

<u>Cotlook Index: As on 02-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	85.75	1.50

<u>USDA Cotton Spot Rates: As on 02-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	76.91	78.16	8892
North Delta	76.16	77.41	1654
South Delta	76.16	77.41	
East TX-OK	71.75	73.00	4349
West Texas	71.75	73.25	17780
Desert SW	72.41	76.91	Nill
SJ Valley	73.41	83.31	Nill

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 02-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	76.36	77.40	75.72	76.91	0.47
May-17	76.99	77.91	76.31	77.57	0.52
Jul-17	77.58	78.41	76.89	78.18	0.61
Oct-17	73.40	73.45	73.40	73.42	0.45
Dec-17	72.05	73.60	72.00	73.59	1.20
Mar-18	73.00	74.13	73.00	74.11	1.23

Pakistan Cotton Spot rates: As on 02-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

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