

Domestic Fundamentals:

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

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	-14.00	1021	1021	1011.5	1013	3562	672	12186	-22
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	187	-	-
May-17	-	-	-

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

*Updated at 6:36 pm as on 06 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-180	20700	20740	20600	20610	1746	-575	7607	-175
Mar-17	-190	20890	20920	20770	20770	1038	-476	4964	392

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-160		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

* Updated at 6:36 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	6-Feb-17	4-Feb-17	
Gujarat	Ahmedabad	Shankar-6	6000	6000	Unch
	Gondal	Shankar-6	NR	6005	-
	Rajkot	B.T. Cotton	6000	6000	Unch
	Patan	B.T. Cotton	5855	5855	Unch
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5905	5885	20
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6100	6150	-50
	Bhiwani	Desi	5500	5550	-50
	Adampur	B.T. Cotton	5980	5950	30
	Fatehabad	B.T. Cotton	5970	5960	10
	Jind	B.T. Cotton	6080	6220	-140
	Uchana	B.T. Cotton	5929	6050	-121
	Dabwali	B.T. Cotton	5820	5900	-80
Rajasthan	Hanumangarh	B.T. Cotton	5985	6040	-55
	Rawatsar	B.T. Cotton	5980	5950	30
Madhya Pradesh	Khandwa	Mech-1	Closed	5770	-
	Khargaon	Mech-1	5920	5820	100
Maharashtra	Amravati	Mech-1	5450	5400	50
	Jamner	Medium Staple	5262	5250	12
Uttar Pradesh	Hathras	B.T. Cotton	NA	4600	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5610	5620	-10
Andhra Pradesh	Guntur	Un-Ginned	NA	5000	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	NA	6089	-
	Hubli	D.C.H.	6189	6199	-10
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5900	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	6-Feb-17	4-Feb-17	
Punjab	Bhatinda	J-34	4590	Closed	-

	Abohar	J-34	4590	Closed	-
	Mansa	J-34	4585	Closed	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4525	4540	-15
Rajasthan	Sri-Ganganagar	J-34	4653	4277	376

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	6-Feb-17	4-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	71400	-3400
	Gondal	Shankar-6	NR	3035	-
	Rajkot	B.T. Cotton	4450	5050	-600
	Patan	B.T. Cotton	6650	6847	-197
	Kadi	B.T. Cotton	60000	40000	20000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	437	411	26
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	6000	-3000
	Bhiwani	Desi	100	1000	-900
	Adampur	B.T. Cotton	765	1020	-255
	Fatehabad	B.T. Cotton	300	1100	-800
	Jind	B.T. Cotton	255	126	129
	Uchana	B.T. Cotton	3500	3650	-150
	Dabwali	B.T. Cotton	850	1000	-150
Rajasthan	Hanumangarh	B.T. Cotton	1000	2000	-1000
	Rawatsar	B.T. Cotton	500	500	Unch
Madhya Pradesh	Khandwa	Mech-1	Closed	3000	-
	Khargaon	Mech-1	7410	6520	890
Maharashtra	Amravati	Mech-1	14000	16000	-2000
	Jamner	Medium Staple	319	310	9
Uttar Pradesh	Hathras	B.T. Cotton	NA	250	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	10154	6924	3230
Andhra Pradesh	Guntur	Un-Ginned	NA	40	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	2330	-
	Hubli	D.C.H.	42	104	-62

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1890	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	6-Feb-17	4-Feb-17	
Punjab	Bhatinda	J-34	5100	Closed	-
	Abohar	J-34	850	Closed	-
	Mansa	J-34	680	Closed	-
Haryana	Sirsa	J-34	850	1360	-510
Rajasthan	Sri-Ganganagar	J-34	1500	270	1230

DOMESTIC PRICES AND ARRIVALS

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				4-Feb-17	3-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32600	32800	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33600	33800	-200
J-34(202)	26mm	3.5 - 4.9	23	42700	42700	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41700	41800	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42300	42400	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43400	43500	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43700	43800	-100
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
		6-Feb-17	4-Feb-17	
Rajkot	Rs. /10 Kg.	705	700	5
New Delhi	Rs. /10 Kg.	705	700	5
Hyderabad	Rs. /10 Kg.	680	680	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
		6-Feb-17	4-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2263	2285	-22

Akola	Rs./Qtl	2275	2288	-13
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INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 06-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15939	1
CCIndex(527)	14975	6
CCIndex(229)	16346	8
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 03-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	86.25	0.50

<u>USDA Cotton Spot Rates: As on 03-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	76.41	77.66	528
North Delta	75.66	76.91	Nil
South Delta	75.66	76.91	Nil
East TX-OK	71.75	73.00	2210
West Texas	71.75	73.25	6380
Desert SW	71.91	76.41	Nil
SJ Valley	72.91	82.81	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 03-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	76.74	77.15	76.21	76.41	-0.50
May-17	77.50	77.76	76.85	77.07	-0.50
Jul-17	78.14	78.39	77.51	77.77	-0.41
Oct-17	73.82	73.82	73.82	73.82	0.40
Dec-17	73.28	74.00	73.17	73.99	0.40
Mar-18	74.00	74.54	73.71	74.54	0.43

Pakistan Cotton Spot rates: As on 04-February-2017
(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6700	135	6835
Equivalent	40 Kgs	7180	145	7325

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