

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mostly 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:

In its first estimate of the 2017/18 crop, the International Cotton Advisory Committee predicts that world cotton output will rise by 2% to 23.4 million tons. The expansion is the result of an increase in planted area, which is expected to grow by 5% to 30.6 million hectares after two seasons of contraction. After improving by 13% to 781 kg/ha in 2016/17, the world average yield is projected to decline by 2% to 764 kg/ha.

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	-5.50	1011	1016.5	1006	1008	2431	-1131	11924	-262
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	176	-	-
May-17	-	-	-

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

*Updated at 6:21 pm as on 07 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-80	20560	20640	20520	20520	1020	151	7411	-371
Mar-17	-70	20750	20810	20690	20700	621	-59	5178	606

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-180		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

* Updated at 6:21 pm as on 07 –Feb 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	7-Feb-17	6-Feb-17	
Gujarat	Ahmedabad	Shankar-6	6000	6000	Unch
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5920	6000	-80
	Patan	B.T. Cotton	5855	5855	Unch
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5800	5905	-105
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6100	6100	Unch
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	5900	5980	-80
	Fatehabad	B.T. Cotton	5860	5970	-110
	Jind	B.T. Cotton	6099	6080	19
	Uchana	B.T. Cotton	5890	5929	-39
	Dabwali	B.T. Cotton	5785	5820	-35
Rajasthan	Hanumangarh	B.T. Cotton	5925	5985	-60
	Rawatsar	B.T. Cotton	5900	5980	-80
Madhya Pradesh	Khandwa	Mech-1	5700	Closed	-
	Khargaon	Mech-1	5860	5920	-60
Maharashtra	Amravati	Mech-1	5350	5450	-100
	Jamner	Medium Staple	5400	5262	138
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5540	5610	-70
Andhra Pradesh	Guntur	Un-Ginned	4200	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	6059	6119	-60
	Hubli	D.C.H.	6200	6189	11
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5950	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	7-Feb-17	6-Feb-17	
Punjab	Bhatinda	J-34	4550	4590	-40
	Abohar	J-34	4550	4590	-40

	Mansa	J-34	4550	4585	-35
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4480	4525	-45
Rajasthan	Sri-Ganganagar	J-34	NR	4653	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	7-Feb-17	6-Feb-17	
Gujarat	Ahmedabad	Shankar-6	76500	68000	8500
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	5350	4450	900
	Patan	B.T. Cotton	6535	6650	-115
	Kadi	B.T. Cotton	40000	60000	-20000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	694	437	257
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	3000	Unch
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	680	765	-85
	Fatehabad	B.T. Cotton	550	300	250
	Jind	B.T. Cotton	272	255	17
	Uchana	B.T. Cotton	850	3500	-2650
	Dabwali	B.T. Cotton	450	850	-400
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	800	500	300
Madhya Pradesh	Khandwa	Mech-1	4000	Closed	-
	Khargaon	Mech-1	6800	7410	-610
Maharashtra	Amravati	Mech-1	16000	14000	2000
	Jamner	Medium Staple	325	319	6
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	11655	10154	1501
Andhra Pradesh	Guntur	Un-Ginned	90	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2856	3132	-276
	Hubli	D.C.H.	46	42	4
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	NA	2782	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	7-Feb-17	6-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	1020	850	170
	Mansa	J-34	935	680	255
Haryana	Sirsa	J-34	1190	850	340
Rajasthan	Sri-Ganganagar	J-34	NR	1500	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Feb-17	4-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32500	32600	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33500	33600	-100
J-34(202)	26mm	3.5 - 4.9	23	42600	42700	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41600	41700	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42200	42300	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43300	43400	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43700	-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
		7-Feb-17	6-Feb-17	
Rajkot	Rs. /10 Kg.	700	705	-5
New Delhi	Rs. /10 Kg.	705	705	Unch
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
		7-Feb-17	6-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2256	2263	-7
Akola	Rs./Qtl	2274	2275	-1

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 07-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15998	59
CCIndex(527)	15015	40
CCIndex(229)	16399	53
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 07-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	87.70	-0.72
FC Index (M)	85.47	-0.69
FC Index (L)	83.65	-0.73

<u>Cotlook Index: As on 06-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	85.75	-0.50

<u>USDA Cotton Spot Rates: As on 06-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.63	76.88	NIL
North Delta	74.88	76.13	NIL
South Delta	74.88	76.13	NIL
East TX-OK	71.75	73.00	2293
West Texas	71.75	73.25	4865
Desert SW	71.13	75.63	NIL
SJ Valley	72.13	82.03	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 06-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	76.46	76.50	75.56	75.63	-0.78
May-17	77.08	77.16	76.31	76.37	-0.70
Jul-17	77.76	77.83	77.04	77.11	-0.66
Oct-17	74.01	74.01	74.01	74.01	0.19
Dec-17	73.76	73.99	73.56	73.94	-0.05
Mar-18	74.28	74.50	74.21	74.46	-0.08

Pakistan Cotton Spot rates: As on 06-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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