

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mixed tone on Wednesday.

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.

According to the International Cotton Advisory Committee (ICAC), in cotton year 2016-17 per hectare production in Pakistan remained at 699 kilogram. In the coming cotton year, 2017-18, per hectare production of cotton in Pakistan will increase by 40 per cent. Production of cotton is expected to increase by 0.1 million tonnes to 1.9 million tonnes in Pakistan in 2017-18.

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	+4.00	1011	1021	1009.5	1019	3185	754	12199	275
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	156	-	-
May-17	-	-	-

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

*Updated at 6:42 pm as on 08 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+30	20570	20700	20520	20660	1402	-382	7456	45
Mar-17	+30	20770	20880	20710	20840	943	-322	5445	267

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

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

* Updated at 6:42 pm as on 08 –Feb 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	8-Feb-17	7-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5850	6000	-150
	Gondal	Shankar-6	5905	NR	-
	Rajkot	B.T. Cotton	5875	5920	-45
	Patan	B.T. Cotton	5785	5855	-70
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5845	5800	45
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6080	6100	-20
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	5880	5900	-20
	Fatehabad	B.T. Cotton	5870	5860	10
	Jind	B.T. Cotton	6100	6099	1
	Uchana	B.T. Cotton	5890	5890	Unch
	Dabwali	B.T. Cotton	5785	5785	Unch
Rajasthan	Hanumangarh	B.T. Cotton	5880	5925	-45
	Rawatsar	B.T. Cotton	5900	5900	Unch
Madhya Pradesh	Khandwa	Mech-1	5700	5700	Unch
	Khargaon	Mech-1	5797	5860	-63
Maharashtra	Amravati	Mech-1	5375	5350	25
	Jamner	Medium Staple	5419	5400	19
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5480	5540	-60
Andhra Pradesh	Guntur	Un-Ginned	NA	4200	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	6059	6059	Unch
	Hubli	D.C.H.	NA	6200	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5900	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	8-Feb-17	7-Feb-17	
Punjab	Bhatinda	J-34	4550	4550	Unch
	Abohar	J-34	4550	4550	Unch

	Mansa	J-34	4550	4550	Unch
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4470	4480	-10
Rajasthan	Sri-Ganganagar	J-34	4814	4681	133

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	8-Feb-17	7-Feb-17	
Gujarat	Ahmedabad	Shankar-6	64600	76500	-11900
	Gondal	Shankar-6	2911	NR	-
	Rajkot	B.T. Cotton	5100	5350	-250
	Patan	B.T. Cotton	7785	6535	1250
	Kadi	B.T. Cotton	40000	40000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	775	694	81
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	3000	Unch
	Bhiwani	Desi	150	100	50
	Adampur	B.T. Cotton	850	680	170
	Fatehabad	B.T. Cotton	400	550	-150
	Jind	B.T. Cotton	340	272	68
	Uchana	B.T. Cotton	1890	850	1040
	Dabwali	B.T. Cotton	650	450	200
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	1000	800	200
Madhya Pradesh	Khandwa	Mech-1	3500	4000	-500
	Khargaon	Mech-1	8810	6800	2010
Maharashtra	Amravati	Mech-1	16000	16000	Unch
	Jamner	Medium Staple	332	325	7
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	14058	11655	2403
Andhra Pradesh	Guntur	Un-Ginned	NA	90	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2860	2856	4
	Hubli	D.C.H.	NA	46	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	NA	2050	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	8-Feb-17	7-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	1190	1020	170
	Mansa	J-34	850	935	-85
Haryana	Sirsa	J-34	1190	1190	Unch
Rajasthan	Sri-Ganganagar	J-34	1645	1650	-5

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				7-Feb-17	6-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32400	32500	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33400	33500	-100
J-34(202)	26mm	3.5 - 4.9	23	42400	42600	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41400	41600	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	42000	42200	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43300	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43600	43600	Unch
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
		8-Feb-17	7-Feb-17	
Rajkot	Rs. /10 Kg.	700	700	Unch
New Delhi	Rs. /10 Kg.	705	705	Unch
Hyderabad	Rs. /10 Kg.	675	680	-5
Mumbai	Rs. /10 Kg.	700	695	5

Cotton Seed Oil Seed Cake Prices
Cotton Seed Oil Cake Prices at Key Centers:

Centre	Unit	Price		Change
		8-Feb-17	7-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2257	2256	1
Akola	Rs./Qtl	2277	2274	3

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 08-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15999	1
CCIndex(527)	15018	3
CCIndex(229)	16407	8
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 08-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	87.07	-0.63
FC Index (M)	84.47	-1.00
FC Index (L)	83.06	-0.59

<u>Cotlook Index: As on 07-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	85.00	-0.75

<u>USDA Cotton Spot Rates: As on 07-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.09	76.34	NIL
North Delta	74.34	75.59	NIL
South Delta	74.34	75.59	NIL
East TX-OK	71.75	73.00	1264
West Texas	71.75	73.25	5165
Desert SW	70.59	75.09	NIL
SJ Valley	71.59	81.49	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 07-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	75.75	76.09	75.05	75.09	-0.54
May-17	76.31	76.91	76.05	76.14	-0.23
Jul-17	77.11	77.65	76.85	76.95	-0.16
Oct-17	73.90	73.90	73.90	73.90	-0.11
Dec-17	73.75	74.10	73.57	74.00	0.06
Mar-18	74.31	74.64	74.01	74.56	0.10

Pakistan Cotton Spot rates: As on 07-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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