

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed range –bound to firm tone on Thursday.

**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	+1.00	1018.5	1022.5	1015.5	1018.50	2458	-727	12226	27
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	159.50	-	-
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 09 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+50	20640	20680	20600	20650	922	480	7491	35
Mar-17	+30	20770	20860	20770	20810	866	77	5599	154

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

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

\* Updated at 6:24 pm as on 09 –Feb 2017

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	9-Feb-17	8-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5900	5850	50
	Gondal	Shankar-6	5885	5905	-20
	Rajkot	B.T. Cotton	5890	5875	15
	Patan	B.T. Cotton	5750	5785	-35
	Kadi	B.T. Cotton	5900	5900	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5800	5845	-45
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6100	6080	20
	Bhiwani	Desi	5550	5500	50
	Adampur	B.T. Cotton	5850	5880	-30
	Fatehabad	B.T. Cotton	5920	5870	50
	Jind	B.T. Cotton	6199	6100	99
	Uchana	B.T. Cotton	5914	5890	24
	Dabwali	B.T. Cotton	5850	5785	65
Rajasthan	Hanumangarh	B.T. Cotton	5975	5880	95
	Rawatsar	B.T. Cotton	5860	5900	-40
Madhya Pradesh	Khandwa	Mech-1	5780	5700	80
	Khargaon	Mech-1	5760	5797	-37
Maharashtra	Amravati	Mech-1	5400	5375	25
	Jamner	Medium Staple	5510	5419	91
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5470	5480	-10
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	6009	5969	40
	Hubli	D.C.H.	NA	6195	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5900	5911	-11
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	9-Feb-17	8-Feb-17	
Punjab	Bhatinda	J-34	4565	4550	15
	Abohar	J-34	4565	4550	15

	Mansa	J-34	4560	4550	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4490	4470	20
Rajasthan	Sri-Ganganagar	J-34	4711	4814	-103

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	9-Feb-17	8-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	64600	3400
	Gondal	Shankar-6	3570	2911	659
	Rajkot	B.T. Cotton	5175	5100	75
	Patan	B.T. Cotton	5915	7785	-1870
	Kadi	B.T. Cotton	35000	40000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	607	775	-168
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	3000	Unch
	Bhiwani	Desi	150	150	Unch
	Adampur	B.T. Cotton	1020	850	170
	Fatehabad	B.T. Cotton	600	400	200
	Jind	B.T. Cotton	425	340	85
	Uchana	B.T. Cotton	1450	1890	-440
	Dabwali	B.T. Cotton	750	650	100
Rajasthan	Hanumangarh	B.T. Cotton	1500	1500	Unch
	Rawatsar	B.T. Cotton	700	1000	-300
Madhya Pradesh	Khandwa	Mech-1	3500	3500	Unch
	Khargaon	Mech-1	8850	8810	40
Maharashtra	Amravati	Mech-1	17000	16000	1000
	Jamner	Medium Staple	327	332	-5
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12875	14058	-1183
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	5725	2979	2746
	Hubli	D.C.H.	NA	26	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	1702	1635	67
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	9-Feb-17	8-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	1190	1190	Unch
	Mansa	J-34	765	850	-85
Haryana	Sirsa	J-34	1020	1190	-170
Rajasthan	Sri-Ganganagar	J-34	1066	1645	-579

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				8-Feb-17	7-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	32400	32400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	33400	33400	Unch
J-34(202)	26mm	3.5 - 4.9	23	42100	42400	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41400	41400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42000	42000	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43100	43100	Unch
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
		9-Feb-17	8-Feb-17	
Rajkot	Rs. /10 Kg.	705	700	5
New Delhi	Rs. /10 Kg.	700	705	-5
Hyderabad	Rs. /10 Kg.	675	675	Unch
Mumbai	Rs. /10 Kg.	700	700	Unch

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

Centre	Unit	Price		Change
		9-Feb-17	8-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2275	2257	18
Akola	Rs./Qtl	2283	2277	6

**INTERNATIONAL PRICES AND INDICES**
**China Cotton Index: As on 09-February-2017**

Index	RMB/Ton	Change
CCIndex(328)	15999	Unch
CCIndex(527)	15019	1.0
CCIndex(229)	16407	Unch
RMB -Renminbi, 1RMB =0.16 \$U.S.		

**China Foreign Cotton (FCE) Index : As on 08-February-2017**

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

**Cotlook Index: As on 08-February-2017**

Cotlook Indices	Cents/Pound	Change
A-Index	84.65	-0.35

**USDA Cotton Spot Rates: As on 08-February-2017**

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.25	76.50	172
North Delta	74.50	75.75	NIL
South Delta	74.50	75.75	NIL
East TX-OK	71.75	73.00	1128
West Texas	71.75	73.25	4841
Desert SW	70.75	75.25	NIL
SJ Valley	71.75	81.65	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 08-February-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	75.23	75.72	75.07	75.25	<b>0.16</b>
<b>May-17</b>	76.15	76.79	76.10	76.43	<b>0.29</b>
<b>Jul-17</b>	76.96	77.53	76.92	77.21	<b>0.26</b>
<b>Oct-17</b>	74.03	74.03	74.03	74.03	<b>0.13</b>
<b>Dec-17</b>	73.92	74.00	73.50	73.98	<b>-0.02</b>
<b>Mar-18</b>	74.55	74.55	74.10	74.55	<b>-0.01</b>

**Pakistan Cotton Spot rates: As on 08-February-2017**
**(in Pakistan Rupees)**

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

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