

Domestic Fundamentals:

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

In The News: : The government is likely to reduce the royalty for Bt cotton seeds gradually to zero in the coming years. According to official sources at agriculture ministry, there is another 10% reduction in royalty value, which was reduced to 70% a year ago. The royalty value has been just 6% of the pan-India ceiling price of Rs.800 (about \$12) per packet for the seed. About 83% of the country's cotton area of 10.2 million hectares (in the 2016-17 season) was under Bt variety. The country's cotton production has increased since the introduction of Bt seeds — from 13.6 million bales in 2002-03 to a projected 32.12 million bales in 2016-17.

According to industry sources, Indian cotton exporters have cancelled orders for around 25,000 bales and postponed shipments of about 200,000 bales by up to a month amid lack of availability in the domestic market. Cotton prices have increased to around Rs.6000/qtl levels in the domestic market amid good demand from the mills and lower supply. Farmers are holding stocks in anticipation of better prices in the future. Some Indian textile mills have started importing cheaper fibre from the global markets. Imported cotton is around 2 cents/lb lower than the domestic cotton. Higher prices in the domestic market will help other suppliers like Brazil, United States and the African countries to boost their exports.

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.

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.

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.

Uzbekistan, one of the major cotton producing countries is planning to process all cotton produced in the country into textiles by 2020. Currently the country processes around 40 per cent of the cotton and exports textiles to over 50 countries. The country plans to invest around \$2.2 billion to achieve the goal, half of which the country expects to come from foreign investments. There is also a plan to build textile complexes, which will house facilities beginning from spinning till processing of fabrics.

According to USDA latest report, global 2016/17 cotton ending stocks are revised down this month. World 2016-17 cotton production is projected at 105.42 million bales, around 9.28 per cent above last season. World ending stocks are now projected higher at 89.90 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	-4.50	1020	1022.5	1015	1019	4181	-842	11950	47
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	174	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
 *Updated at 5:25 pm as on 14 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+40	20720	20870	20690	20820	2853	-105	6195	-857
Mar-17	+20	20870	21000	20840	20960	1838	214	7373	513

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-140		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)
 * Updated at 5:25 pm as on 14 –Feb 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	14-Feb-17	13-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5900	6000	-100
	Gondal	Shankar-6	NR	5930	-
	Rajkot	B.T. Cotton	5965	5950	15
	Patan	B.T. Cotton	5870	5870	Unch
	Kadi	B.T. Cotton	5800	5900	-100
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5900	5855	45
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6170	6200	-30
	Bhiwani	Desi	5600	5700	-100
	Adampur	B.T. Cotton	6000	6000	Unch
	Fatehabad	B.T. Cotton	5990	6025	-35
	Jind	B.T. Cotton	6109	6196	-87
	Uchana	B.T. Cotton	6045	6015	30
	Dabwali	B.T. Cotton	5880	5885	-5
Rajasthan	Hanumangarh	B.T. Cotton	6000	6045	-45
	Rawatsar	B.T. Cotton	5975	6050	-75
Madhya Pradesh	Khandwa	Mech-1	5700	5600	100
	Khargaon	Mech-1	5845	5825	20
Maharashtra	Amravati	Mech-1	5375	5400	-25
	Jamner	Medium Staple	5386	5392	-6
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5450	5480	-30
Andhra Pradesh	Guntur	Un-Ginned	5000	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	6069	6059	10
	Hubli	D.C.H.	NA	6219	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5970	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	14-Feb-17	13-Feb-17	
Punjab	Bhatinda	J-34	4660	4660	Unch

	Abohar	J-34	4660	4660	Unch
	Mansa	J-34	4650	4650	Unch
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4590	4590	Unch
Rajasthan	Sri-Ganganagar	J-34	NR	NR	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	14-Feb-17	13-Feb-17	
Gujarat	Ahmedabad	Shankar-6	76500	68000	8500
	Gondal	Shankar-6	NR	3298	-
	Rajkot	B.T. Cotton	2300	4625	-2325
	Patan	B.T. Cotton	3805	5297	-1492
	Kadi	B.T. Cotton	70000	65000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	627	465	162
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2500	3000	-500
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	510	680	-170
	Fatehabad	B.T. Cotton	600	550	50
	Jind	B.T. Cotton	170	255	-85
	Uchana	B.T. Cotton	2250	5150	-2900
	Dabwali	B.T. Cotton	650	750	-100
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	1000	700	300
Madhya Pradesh	Khandwa	Mech-1	4000	3000	1000
	Khargaon	Mech-1	8100	8280	-180
Maharashtra	Amravati	Mech-1	14000	16000	-2000
	Jamner	Medium Staple	321	315	6
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	9094	9400	-306
Andhra Pradesh	Guntur	Un-Ginned	70	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2171	3190	-1019
	Hubli	D.C.H.	NA	52	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1762	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	14-Feb-17	13-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	1190	1360	-170
	Mansa	J-34	850	850	Unch
Haryana	Sirsa	J-34	850	1360	-510
Rajasthan	Sri-Ganganagar	J-34	NR	NR	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-Feb-17	11-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33400	33400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34400	34400	Unch
J-34(202)	26mm	3.5 - 4.9	23	43300	43400	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41900	42200	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42800	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43900	43900	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44400	44400	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
		14-Feb-17	13-Feb-17	
Rajkot	Rs. /10 Kg.	690	685	5
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	670	670	Unch
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
		14-Feb-17	13-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2230	2252	-22
Akola	Rs./Qtl	2256	2269	-13

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 14-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	16000	1.00
CCIndex(527)	15038	6.00
CCIndex(229)	16429	11.0
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 14-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	89.45	0.67
FC Index (M)	86.94	0.85
FC Index (L)	85.40	0.64

<u>Cotlook Index: As on 13-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	85.65	0.50

<u>USDA Cotton Spot Rates: As on 13-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	76.61	77.86	NIL
North Delta	75.36	76.61	561
South Delta	75.36	76.61	NIL
East TX-OK	72.50	73.75	8279
West Texas	72.50	74.00	10161
Desert SW	72.11	76.61	NIL
SJ Valley	73.11	83.01	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 13-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	75.90	76.95	75.89	76.61	0.79
May-17	77.29	78.45	77.19	78.21	1.12
Jul-17	78.07	79.27	78.00	79.05	1.11
Oct-17	74.55	74.55	74.55	74.55	0.34
Dec-17	74.05	74.58	74.05	74.50	0.40
Mar-18	74.54	74.95	74.54	74.89	0.41

Pakistan Cotton Spot rates: As on 13-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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