

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mostly weak tone on Wednesday.

**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	+10.50	1016.5	1028.5	1016.5	1027	3259	-922	11985	35
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	163	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)  
 \*Updated at 5:28 pm as on 15 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+70	20750	20860	20750	20830	902	1951	5975	-220
Mar-17	+80	20900	21000	20900	20970	836	1002	7528	155

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

(NB: Spread Basis = Spot- Near Month Future)  
 \* Updated at 5:28 pm as on 15 –Feb 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	15-Feb-17	14-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5850	5900	-50
	Gondal	Shankar-6	5915	NR	-
	Rajkot	B.T. Cotton	5950	5965	-15
	Patan	B.T. Cotton	5810	5870	-60
	Kadi	B.T. Cotton	5800	5800	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5755	5900	-145
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6200	6170	30
	Bhiwani	Desi	5500	5600	-100
	Adampur	B.T. Cotton	5950	6000	-50
	Fatehabad	B.T. Cotton	5965	5990	-25
	Jind	B.T. Cotton	6135	6109	26
	Uchana	B.T. Cotton	5990	6045	-55
	Dabwali	B.T. Cotton	5865	5880	-15
Rajasthan	Hanumangarh	B.T. Cotton	5975	6000	-25
	Rawatsar	B.T. Cotton	5950	5975	-25
Madhya Pradesh	Khandwa	Mech-1	5650	5700	-50
	Khargaon	Mech-1	5780	5845	-65
Maharashtra	Amravati	Mech-1	5350	5375	-25
	Jamner	Medium Staple	5394	5386	8
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5450	5450	Unch
Andhra Pradesh	Guntur	Un-Ginned	5000	5000	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	5800	NA	-
	East Godavari	Un-Ginned	NA	4160	-
Karnataka	Bijapur	Bunny	6089	6069	20
	Hubli	D.C.H.	6210	5889	321
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	6000	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	15-Feb-17	14-Feb-17	
Punjab	Bhatinda	J-34	4645	4660	-15

	Abohar	J-34	4645	4660	-15
	Mansa	J-34	4640	4650	-10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4580	4590	-10
Rajasthan	Sri-Ganganagar	J-34	NR	NR	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	15-Feb-17	14-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	76500	-8500
	Gondal	Shankar-6	2814	NR	-
	Rajkot	B.T. Cotton	5550	2300	3250
	Patan	B.T. Cotton	5290	3805	1485
	Kadi	B.T. Cotton	40000	70000	-30000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	576	627	-51
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	2500	-500
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	850	510	340
	Fatehabad	B.T. Cotton	750	600	150
	Jind	B.T. Cotton	102	170	-68
	Uchana	B.T. Cotton	3210	2250	960
	Dabwali	B.T. Cotton	450	650	-200
Rajasthan	Hanumangarh	B.T. Cotton	1000	1500	-500
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	4000	4000	Unch
	Khargaon	Mech-1	7910	8100	-190
Maharashtra	Amravati	Mech-1	12000	14000	-2000
	Jamner	Medium Staple	324	321	3
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	8837	9094	-257
Andhra Pradesh	Guntur	Un-Ginned	70	70	Unch
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2258	2171	87
	Hubli	D.C.H.	6	2	4

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1687	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	15-Feb-17	14-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	1190	1190	Unch
	Mansa	J-34	850	850	Unch
Haryana	Sirsa	J-34	1360	850	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
				14-Feb-17	13-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	43200	43300	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42100	41900	200
Shankar-6(105)	29mm	3.5 - 4.9	28	42800	42700	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
		15-Feb-17	14-Feb-17	
Rajkot	Rs. /10 Kg.	690	690	Unch
New Delhi	Rs. /10 Kg.	695	695	Unch
Hyderabad	Rs. /10 Kg.	670	670	Unch
Mumbai	Rs. /10 Kg.	695	690	5

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

Centre	Unit	Price		Change
		15-Feb-17	14-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2231	2230	1
Akola	Rs./Qtl	2256	2256	Unch

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 15-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	16001	1.00
CCIndex(527)	15041	3.00
CCIndex(229)	16429	Unch
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 15-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	89.37	-0.08
FC Index (M)	86.94	Unch
FC Index (L)	85.22	-0.18

<u>Cotlook Index: As on 14-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	86.60	1.15

<u>USDA Cotton Spot Rates: As on 14-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	76.32	77.57	NIL
North Delta	75.07	76.32	NIL
South Delta	75.07	76.32	NIL
East TX-OK	72.50	73.75	3623
West Texas	72.50	74.00	6987
Desert SW	71.82	76.32	500
SJ Valley	72.82	82.72	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 14-February-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	76.65	76.73	75.90	76.32	<b>-0.29</b>
<b>May-17</b>	78.04	78.37	77.52	77.95	<b>-0.26</b>
<b>Jul-17</b>	79.09	79.17	78.36	78.73	<b>-0.32</b>
<b>Oct-17</b>	74.48	74.48	74.48	74.48	<b>-0.07</b>
<b>Dec-17</b>	74.40	74.57	73.88	74.49	<b>-0.01</b>
<b>Mar-18</b>	74.66	74.80	74.44	74.80	<b>-0.09</b>

**Pakistan Cotton Spot rates: As on 14-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

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2017 Indian Agribusiness Systems Pvt. Ltd.