

Domestic Fundamentals:

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

In The News: : India's cotton imports have increased by 20% from the beginning of the season since October 2016 amid lower supply in the domestic market due to demonetization. According to sources at Indian Cotton Federation, traders and mills had contracted imports of 7 lakh bales in the first five months of the cotton year since October 2016. At the harvest of the new crop cotton prices were around Rs.38,000 per candy and currently prices are at around Rs.43,000 per candy.

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 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	-8.00	1019	1021.5	1012	1014.50	3680	1377	12178	161
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	163.50	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
 *Updated at 6:15 pm as on 17 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	-200	20700	20700	20510	20540	2990	-1938	4892	-789
Mar-17	-230	20780	20810	20620	20640	2649	-1780	8177	381

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-100		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)
 * Updated at 6:15 pm as on 17 –Feb 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	17-Feb-17	16-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5800	5850	-50
	Gondal	Shankar-6	5905	5880	25
	Rajkot	B.T. Cotton	5890	NA	-
	Patan	B.T. Cotton	5810	5800	10
	Kadi	B.T. Cotton	5900	5800	100
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5775	5770	5
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6200	6200	Unch
	Bhiwani	Desi	5600	5500	100
	Adampur	B.T. Cotton	5890	5950	-60
	Fatehabad	B.T. Cotton	5900	5985	-85
	Jind	B.T. Cotton	6035	6125	-90
	Uchana	B.T. Cotton	5961	5957	4
	Dabwali	B.T. Cotton	5815	5870	-55
Rajasthan	Hanumangarh	B.T. Cotton	5950	5975	-25
	Rawatsar	B.T. Cotton	5825	5950	-125
Madhya Pradesh	Khandwa	Mech-1	5680	5700	-20
	Khargaon	Mech-1	5820	5765	55
Maharashtra	Amravati	Mech-1	5375	5375	Unch
	Jamner	Medium Staple	5390	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	4860	4750	110
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5470	5500	-30
Andhra Pradesh	Guntur	Un-Ginned	NA	4500	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	6119	6089	30
	Hubli	D.C.H.	NA	6185	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5900	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	17-Feb-17	16-Feb-17	
Punjab	Bhatinda	J-34	4625	4645	-20

	Abohar	J-34	4625	4645	-20
	Mansa	J-34	4615	4630	-15
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4565	4580	-15
Rajasthan	Sri-Ganganagar	J-34	4823	4757	67

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	17-Feb-17	16-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	68000	Unch
	Gondal	Shankar-6	2080	2994	-914
	Rajkot	B.T. Cotton	6100	NA	-
	Patan	B.T. Cotton	3805	4440	-635
	Kadi	B.T. Cotton	40000	35000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	557	549	8
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	4000	-2000
	Bhiwani	Desi	100	200	-100
	Adampur	B.T. Cotton	510	680	-170
	Fatehabad	B.T. Cotton	1100	700	400
	Jind	B.T. Cotton	120	85	35
	Uchana	B.T. Cotton	2050	2120	-70
	Dabwali	B.T. Cotton	410	500	-90
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	500	800	-300
Madhya Pradesh	Khandwa	Mech-1	2500	2800	-300
	Khargaon	Mech-1	5410	6900	-1490
Maharashtra	Amravati	Mech-1	15000	14000	1000
	Jamner	Medium Staple	315	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	70	200	-130
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	9899	9546	353
Andhra Pradesh	Guntur	Un-Ginned	NA	205	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2111	1937	174
	Hubli	D.C.H.	NA	84	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1492	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	17-Feb-17	16-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	850	1020	-170
	Mansa	J-34	850	680	170
Haryana	Sirsa	J-34	1190	850	340
Rajasthan	Sri-Ganganagar	J-34	1400	350	1050

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				16-Feb-17	15-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33700	33700	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34700	34700	Unch
J-34(202)	26mm	3.5 - 4.9	23	43200	43200	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42200	42200	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42900	42900	Unch
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
		17-Feb-17	16-Feb-17	
Rajkot	Rs. /10 Kg.	685	680	5
New Delhi	Rs. /10 Kg.	665	695	-30
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
		17-Feb-17	16-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2216	2238	-22
Akola	Rs./Qtl	2242	2246	-4

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 17-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15998	-1
CCIndex(527)	15045	-1
CCIndex(229)	16426	-3
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 17-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	88.27	-0.76
FC Index (M)	85.56	-1.11
FC Index (L)	84.14	-0.83

<u>Cotlook Index: As on 16-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	85.80	-0.75

<u>USDA Cotton Spot Rates: As on 16-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.52	76.77	631
North Delta	74.27	75.52	247
South Delta	74.27	75.52	NIL
East TX-OK	71.50	72.75	1488
West Texas	71.50	73.00	5720
Desert SW	71.27	75.27	NIL
SJ Valley	72.27	81.17	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 16-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	75.73	75.83	74.96	75.01	-0.70
May-17	77.42	77.44	76.76	76.77	-0.51
Jul-17	78.00	78.12	77.58	77.60	-0.40
Oct-17	74.08	74.08	74.08	74.08	-0.17
Dec-17	74.50	74.60	74.18	74.33	-0.24
Mar-18	74.72	74.72	74.50	74.68	-0.24

Pakistan Cotton Spot rates: As on 16-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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