

## Domestic Fundamentals:

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

**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	18-Feb-17	17-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5750	5800	-50
	Gondal	Shankar-6	5830	5905	-75
	Rajkot	B.T. Cotton	5900	5890	10
	Patan	B.T. Cotton	5795	5810	-15
	Kadi	B.T. Cotton	5750	5900	-150
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5790	5775	15
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6150	6200	-50
	Bhiwani	Desi	5500	5600	-100
	Adampur	B.T. Cotton	5830	5890	-60
	Fatehabad	B.T. Cotton	5810	5900	-90
	Jind	B.T. Cotton	5991	6035	-44
	Uchana	B.T. Cotton	5900	5961	-61
	Dabwali	B.T. Cotton	5785	5815	-30
Rajasthan	Hanumangarh	B.T. Cotton	5910	5950	-40
	Rawatsar	B.T. Cotton	5780	5825	-45
Madhya Pradesh	Khandwa	Mech-1	5680	5680	Unch
	Khargaon	Mech-1	5810	5820	-10
Maharashtra	Amravati	Mech-1	5300	5375	-75
	Jamner	Medium Staple	5387	5390	-3
Uttar Pradesh	Hathras	B.T. Cotton	NA	4860	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5400	5470	-70
Andhra Pradesh	Guntur	Un-Ginned	4200	4500	-300
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	4160	-
Karnataka	Bijapur	Bunny	NA	6119	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5050	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	18-Feb-17	17-Feb-17	
Punjab	Bhatinda	J-34	4560	4625	-65

	Abohar	J-34	4560	4625	-65
	Mansa	J-34	4550	4615	-65
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4500	4565	-65
Rajasthan	Sri-Ganganagar	J-34	4785	4823	-39

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	18-Feb-17	17-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	68000	Unch
	Gondal	Shankar-6	2646	2080	566
	Rajkot	B.T. Cotton	5400	6100	-700
	Patan	B.T. Cotton	3753	3805	-52
	Kadi	B.T. Cotton	15000	40000	-25000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	538	557	-19
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	2000	Unch
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	510	510	Unch
	Fatehabad	B.T. Cotton	1200	1100	100
	Jind	B.T. Cotton	43	120	-77
	Uchana	B.T. Cotton	1600	2050	-450
	Dabwali	B.T. Cotton	300	410	-110
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	300	500	-200
Madhya Pradesh	Khandwa	Mech-1	2500	2500	Unch
	Khargaon	Mech-1	5720	5410	310
Maharashtra	Amravati	Mech-1	16000	15000	1000
	Jamner	Medium Staple	327	315	12
Uttar Pradesh	Hathras	B.T. Cotton	NA	70	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	10896	9899	997
Andhra Pradesh	Guntur	Un-Ginned	120	205	-85
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	2111	-
	Hubli	D.C.H.	NA	NA	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	1710	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	18-Feb-17	17-Feb-17	
Punjab	Bhatinda	J-34	5100	5100	Unch
	Abohar	J-34	850	850	Unch
	Mansa	J-34	595	850	-255
Haryana	Sirsa	J-34	1360	1190	170
Rajasthan	Sri-Ganganagar	J-34	1860	1400	460

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				17-Feb-17	16-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33500	33700	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34500	34700	-200
J-34(202)	26mm	3.5 - 4.9	23	42900	43200	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	42200	-400
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42900	-400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43600	43900	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	44400	-200
DCH-32(107)	34mm	3.0 - 3.8	33	55500	55600	-100

### Cotton Seed Oil Prices

#### Refined Cotton Seed Oil at Key Centers:

Centre	Unit	Price		Change
		18-Feb-17	17-Feb-17	
Rajkot	Rs. /10 Kg.	670	685	-15
New Delhi	Rs. /10 Kg.	665	665	Unch
Hyderabad	Rs. /10 Kg.	660	670	-10
Mumbai	Rs. /10 Kg.	690	690	Unch

### Cotton Seed Oil Seed Cake Prices

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

Centre	Unit	Price		Change
		18-Feb-17	17-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2214	2216	-2

Akola	Rs./Qtl	2248	2242	6
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### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 17-February-2017

Index	RMB/Ton	Change
CCIndex(328)	15998	-1
CCIndex(527)	15045	-1
CCIndex(229)	16426	-3

RMB -Renminbi, 1RMB =0.16 \$U.S.

#### China Foreign Cotton (FCE) Index : As on 17-February-2017

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

#### Cotlook Index: As on 17-February-2017

Cotlook Indices	Cents/Pound	Change
A-Index	85.30	-0.50

#### USDA Cotton Spot Rates: As on 17-February-2017

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.27	75.52	NIL
North Delta	73.02	74.27	NIL
South Delta	73.02	74.27	NIL
East TX-OK	70.75	72.00	990
West Texas	70.75	72.25	6339
Desert SW	70.02	74.02	NIL
SJ Valley	71.02	79.92	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.): Ason17-February-2017**

Contract	Open	High	Low	Close	Change
Mar-17	75.06	75.15	73.02	73.48	-1.53
May-17	76.81	76.93	75.05	75.52	-1.25
Jul-17	77.74	77.75	75.99	76.47	-1.13
Oct-17	73.44	73.44	73.44	73.44	-0.64
Dec-17	74.25	74.45	73.05	73.76	-0.57
Mar-18	74.68	74.72	73.48	74.23	-0.45

**Pakistan Cotton Spot rates: As on17-February-2017**

(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6650	135	6785
Equivalent	40 Kgs	7127	145	7272

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