

## Domestic Fundamentals:

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

**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:

Burkina Faso, a small West African country phases out Bt Cotton from the country. Losses increased during the years as cost of production went up with the introduction of Bt Cotton. Bt Cotton was introduced in the country in 2003 and adopted quickly and widely. Within a decade around 70% of the planted area was under Bt Cotton. The government decided to phase out Bt Cotton in 2015 amid rising cost of production, lower yields and increasing tolerance to pesticides and completely done away with Bt Cotton currently.

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	+4.00	1009	1016	1006	1015	3008	-672	12073	-105
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	155	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

\*Updated at 5:16 pm as on 20 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+20	20430	20540	20370	20480	1937	1053	4045	-847
Mar-17	+20	20510	20610	20420	20550	2057	592	8314	137

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-70		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

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

\* Updated at 5:16 pm as on 20 –Feb 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	20-Feb-17	18-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5700	5750	-50
	Gondal	Shankar-6	5780	5830	-50
	Rajkot	B.T. Cotton	5850	5900	-50
	Patan	B.T. Cotton	NA	5795	-
	Kadi	B.T. Cotton	5775	5750	25
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5725	5790	-65
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6050	6150	-100
	Bhiwani	Desi	5400	5500	-100
	Adampur	B.T. Cotton	5880	5830	50
	Fatehabad	B.T. Cotton	5850	5810	40
	Jind	B.T. Cotton	5981	5991	-10
	Uchana	B.T. Cotton	5840	5900	-60
	Dabwali	B.T. Cotton	5740	5785	-45
Rajasthan	Hanumangarh	B.T. Cotton	5900	5910	-10
	Rawatsar	B.T. Cotton	5750	5780	-30
Madhya Pradesh	Khandwa	Mech-1	5600	5680	-80
	Khargaon	Mech-1	5775	5810	-35
Maharashtra	Amravati	Mech-1	5300	5300	Unch
	Jamner	Medium Staple	5392	5387	5
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	5400	-
Andhra Pradesh	Guntur	Un-Ginned	NA	4200	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	NA	-
Karnataka	Bijapur	Bunny	5989	6009	-20
	Hubli	D.C.H.	NA	6151	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5850	5900	-50
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	20-Feb-17	18-Feb-17	
Punjab	Bhatinda	J-34	4565	4560	5

	Abohar	J-34	4570	4560	10
	Mansa	J-34	4560	4550	10
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4490	4500	-10
Rajasthan	Sri-Ganganagar	J-34	4738	4785	-47

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	20-Feb-17	18-Feb-17	
Gujarat	Ahmedabad	Shankar-6	59500	68000	-8500
	Gondal	Shankar-6	2285	2646	-361
	Rajkot	B.T. Cotton	5050	5400	-350
	Patan	B.T. Cotton	NA	3753	-
	Kadi	B.T. Cotton	20000	15000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	669	538	131
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	680	510	170
	Fatehabad	B.T. Cotton	550	1200	-650
	Jind	B.T. Cotton	196	43	153
	Uchana	B.T. Cotton	2200	1600	600
	Dabwali	B.T. Cotton	200	300	-100
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	500	300	200
Madhya Pradesh	Khandwa	Mech-1	2200	2500	-300
	Khargaon	Mech-1	6020	5720	300
Maharashtra	Amravati	Mech-1	10000	16000	-6000
	Jamner	Medium Staple	320	327	-7
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	10896	-
Andhra Pradesh	Guntur	Un-Ginned	NA	120	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2478	1436	1042
	Hubli	D.C.H.	NA	24	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1950	1867	83
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	20-Feb-17	18-Feb-17	
Punjab	Bhatinda	J-34	4250	5100	-850
	Abohar	J-34	510	850	-340
	Mansa	J-34	510	595	-85
Haryana	Sirsa	J-34	850	1360	-510
Rajasthan	Sri-Ganganagar	J-34	500	1860	-1360

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				18-Feb-17	17-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33000	33500	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34000	34500	-500
J-34(202)	26mm	3.5 - 4.9	23	42300	42900	-600
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41600	41800	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	42300	42500	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43600	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44100	44200	-100
DCH-32(107)	34mm	3.0 - 3.8	33	55400	55500	-100

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

Centre	Unit	Price		Change
		20-Feb-17	18-Feb-17	
Rajkot	Rs. /10 Kg.	685	670	15
New Delhi	Rs. /10 Kg.	680	665	15
Hyderabad	Rs. /10 Kg.	660	660	Unch
Mumbai	Rs. /10 Kg.	680	690	-10

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

Centre	Unit	Price		Change
		20-Feb-17	18-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2197	2214	-17
Akola	Rs./Qtl	2205	2248	-43

**INTERNATIONAL PRICES AND INDICES**

<u><b>China Cotton Index: As on 20-February-2017</b></u>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15979	<b>-19</b>
CCIndex(527)	15030	<b>-15</b>
CCIndex(229)	16397	<b>-29</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u><b>China Foreign Cotton (FCE) Index : As on 20-February-2017</b></u>		
<b>Index</b>	<b>Cents/lb</b>	<b>Change</b>
FC Index (S)	87.21	<b>-1.06</b>
FC Index (M)	84.48	<b>-1.08</b>
FC Index (L)	82.70	<b>-1.44</b>

<u><b>Cotlook Index: As on 17-February-2017</b></u>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	85.30	<b>-0.50</b>

<u><b>USDA Cotton Spot Rates: As on 17-February-2017</b></u>			
<b>Growth Area</b>	<b>Leaf 4 to Staple 34</b>	<b>Leaf 3 to Staple 35</b>	<b>Arrivals</b>
	<b>cents/lb.</b>		<b>bales</b>
<b>Southeast</b>	74.27	75.52	<b>NIL</b>
<b>North Delta</b>	73.02	74.27	<b>NIL</b>
<b>South Delta</b>	73.02	74.27	<b>NIL</b>
<b>East TX-OK</b>	70.75	72.00	<b>990</b>
<b>West Texas</b>	70.75	72.25	<b>6339</b>
<b>Desert SW</b>	70.02	74.02	<b>NIL</b>
<b>SJ Valley</b>	71.02	79.92	<b>NIL</b>

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 17-February-2017**

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

**Pakistan Cotton Spot rates: As on 18-February-2017**
**(in Pakistan Rupees)**

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

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