

Domestic Fundamentals:

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

In The News: : The Cotton Association of India (CAI), has maintained the crop estimate for 2016-17 at 341 lakh bales of 170 kg. each in its latest estimates for January. Consumption is expected to increase marginally to 295 lakh bales compared to previous estimate of 290 lakh bales amid good demand from the textiles sector. Total arrivals of cotton in the country as on January 31, 2017 is reported at to be 157.75 lakh bales. The projected balance sheet drawn by the CAI estimated total supply for cotton season 2016-17 at 405 lakh bales. Considering the domestic consumption of 295 lakh bales as stated above, the total available surplus for the season is estimated at 110 lakh bales. The imports are estimated to decline by 3 lakh bales to 19 lakh bales from 22 lakh bales previous year.

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.

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.

Egypt's cotton exports increased by 63.9 per cent during the first quarter of the planting season of 2016/17 according to data released by the Central Agency for Public Mobilisation and Statistics (CAPMAS). Egypt's cotton exports during the period September –November 2016 was reported at 202,500 bales compared to 123,600 bales in the same period previous year.

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	+11.00	1018.5	1028	1018.5	1026	3599	591	12079	6
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	148	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)
*Updated at 5:43 pm as on 21 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-17	+140	20600	20670	20580	20660	996	941	3551	-494
Mar-17	+120	20680	20750	20660	20730	1463	594	8279	-35

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

(NB: Spread Basis = Spot- Near Month Future)
* Updated at 5:43 pm as on 21 –Feb 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	21-Feb-17	20-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5800	5700	100
	Gondal	Shankar-6	5780	5780	Unch
	Rajkot	B.T. Cotton	5870	5850	20
	Patan	B.T. Cotton	5850	5770	80
	Kadi	B.T. Cotton	5775	5775	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5725	5725	Unch
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6100	6050	50
	Bhiwani	Desi	5500	5400	100
	Adampur	B.T. Cotton	5925	5880	45
	Fatehabad	B.T. Cotton	5900	5850	50
	Jind	B.T. Cotton	6089	5981	108
	Uchana	B.T. Cotton	5886	5840	46
	Dabwali	B.T. Cotton	5880	5740	140
Rajasthan	Hanumangarh	B.T. Cotton	5950	5900	50
	Rawatsar	B.T. Cotton	5800	5750	50
Madhya Pradesh	Khandwa	Mech-1	5600	5600	Unch
	Khargaon	Mech-1	5680	5775	-95
Maharashtra	Amravati	Mech-1	Closed	5300	-
	Jamner	Medium Staple	5395	5392	3
Uttar Pradesh	Hathras	B.T. Cotton	4860	4860	Unch
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5949	5989	-40
	Hubli	D.C.H.	NA	6179	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5850	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	21-Feb-17	20-Feb-17	
Punjab	Bhatinda	J-34	4575	4565	10
	Abohar	J-34	4575	4570	5

	Mansa	J-34	4560	4560	Unch
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4510	4490	20
Rajasthan	Sri-Ganganagar	J-34	4766	4738	28

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	21-Feb-17	20-Feb-17	
Gujarat	Ahmedabad	Shankar-6	51000	59500	-8500
	Gondal	Shankar-6	2808	2285	523
	Rajkot	B.T. Cotton	5100	5050	50
	Patan	B.T. Cotton	5560	5470	90
	Kadi	B.T. Cotton	30000	20000	10000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	625	669	-44
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	2000	Unch
	Bhiwani	Desi	50	100	-50
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	550	550	Unch
	Jind	B.T. Cotton	111	196	-85
	Uchana	B.T. Cotton	780	2200	-1420
	Dabwali	B.T. Cotton	350	200	150
Rajasthan	Hanumangarh	B.T. Cotton	1000	1500	-500
	Rawatsar	B.T. Cotton	500	500	Unch
Madhya Pradesh	Khandwa	Mech-1	2500	2200	300
	Khargaon	Mech-1	5120	6020	-900
Maharashtra	Amravati	Mech-1	Closed	10000	-
	Jamner	Medium Staple	312	320	-8
Uttar Pradesh	Hathras	B.T. Cotton	10	10	Unch
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2407	2478	-71
	Hubli	D.C.H.	NA	68	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	NA	1950	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	21-Feb-17	20-Feb-17	
Punjab	Bhatinda	J-34	3400	4250	-850
	Abohar	J-34	680	510	170
	Mansa	J-34	595	510	85
Haryana	Sirsa	J-34	680	850	-170
Rajasthan	Sri-Ganganagar	J-34	965	500	465

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Feb-17	18-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33200	33000	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34200	34000	200
J-34(202)	26mm	3.5 - 4.9	23	42400	42300	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41300	41600	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	42100	42300	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43200	43500	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	43900	44100	-200
DCH-32(107)	34mm	3.0 - 3.8	33	55400	55400	Unch

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

Centre	Unit	Price		Change
		21-Feb-17	20-Feb-17	
Rajkot	Rs. /10 Kg.	670	685	-15
New Delhi	Rs. /10 Kg.	675	680	-5
Hyderabad	Rs. /10 Kg.	650	660	-10
Mumbai	Rs. /10 Kg.	670	680	-10

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

Centre	Unit	Price		Change
		21-Feb-17	20-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2218	2197	21
Akola	Rs./Qtl	2215	2205	10

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 21-February-2017

Index	RMB/Ton	Change
CCIndex(328)	15978	-1
CCIndex(527)	15030	Unch
CCIndex(229)	16392	-5
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 21-February-2017

Index	Cents/lb	Change
FC Index (S)	87.21	Unch
FC Index (M)	84.48	Unch
FC Index (L)	82.70	Unch

Cotlook Index: As on 20-February-2017

Cotlook Indices	Cents/Pound	Change
A-Index	84.10	-1.20

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.): As on 20-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 on 20-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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