

Domestic Fundamentals:

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

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	+14.50	1025.0	1044.0	1025.0	1024.0	6096	591	12354	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 4:45 pm as on 22 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-17	+120	20670	20770	20660	20610	1267	941	3066	-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 4:45 pm as on 22 –Feb 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	22-Feb-17	21-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5825	5800	25
	Gondal	Shankar-6	NA	5780	-
	Rajkot	B.T. Cotton	5905	5870	35
	Patan	B.T. Cotton	NA	5850	-
	Kadi	B.T. Cotton	5775	5775	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5855	5725	130
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6200	6100	100
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	6010	5925	85
	Fatehabad	B.T. Cotton	6000	5900	100
	Jind	B.T. Cotton	6059	6089	-30
	Uchana	B.T. Cotton	5992	5886	106
	Dabwali	B.T. Cotton	5905	5880	25
Rajasthan	Hanumangarh	B.T. Cotton	6050	5950	100
	Rawatsar	B.T. Cotton	5860	5800	60
Madhya Pradesh	Khandwa	Mech-1	5800	5600	200
	Khargaon	Mech-1	5725	5680	45
Maharashtra	Amravati	Mech-1	5400	Closed	-
	Jamner	Medium Staple	NA	5395	-
Uttar Pradesh	Hathras	B.T. Cotton	4900	4860	40
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	5300	-
Andhra Pradesh	Guntur	Un-Ginned	5000	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5979	5949	30
	Hubli	D.C.H.	5955	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5890	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	22-Feb-17	21-Feb-17	
Punjab	Bhatinda	J-34	4620	4575	45
	Abohar	J-34	4620	4575	45

	Mansa	J-34	4615	4560	55
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4550	4510	40
Rajasthan	Sri-Ganganagar	J-34	4738	4766	-28

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	22-Feb-17	21-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	51000	17000
	Gondal	Shankar-6	NA	2808	-
	Rajkot	B.T. Cotton	4950	5100	-150
	Patan	B.T. Cotton	NA	5560	-
	Kadi	B.T. Cotton	25000	30000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	735	625	110
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	2000	-1000
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	500	550	-50
	Jind	B.T. Cotton	111	111	Unch
	Uchana	B.T. Cotton	750	780	-30
	Dabwali	B.T. Cotton	400	350	50
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	300	500	-200
Madhya Pradesh	Khandwa	Mech-1	1800	2500	-700
	Khargaon	Mech-1	445	5120	-4675
Maharashtra	Amravati	Mech-1	4000	Closed	-
	Jamner	Medium Staple	NA	312	-
Uttar Pradesh	Hathras	B.T. Cotton	80	10	70
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	15835	-
Andhra Pradesh	Guntur	Un-Ginned	100	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2621	2407	214
	Hubli	D.C.H.	36	NA	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	NA	1770	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	22-Feb-17	21-Feb-17	
Punjab	Bhatinda	J-34	3400	3400	Unch
	Abohar	J-34	680	680	Unch
	Mansa	J-34	595	595	Unch
Haryana	Sirsa	J-34	850	680	170
Rajasthan	Sri-Ganganagar	J-34	743	965	-222

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
		22-Feb-17	21-Feb-17	
Rajkot	Rs. /10 Kg.	670	670	Unch
New Delhi	Rs. /10 Kg.	670	675	-5
Hyderabad	Rs. /10 Kg.	650	650	Unch
Mumbai	Rs. /10 Kg.	660	670	-10

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

Centre	Unit	Price		Change
		22-Feb-17	21-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2228	2218	10
Akola	Rs./Qtl	2213	2215	-2

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 22-February-2017

Index	RMB/Ton	Change
CCIndex(328)	15976	-2
CCIndex(527)	15025	-5
CCIndex(229)	16392	-3
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 22-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 21-February-2017

Cotlook Indices	Cents/Pound	Change
A-Index	84.10	Unch

USDA Cotton Spot Rates: As on 21-February-2017

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	74.41	75.66	NIL
North Delta	73.16	74.41	NIL
South Delta	73.16	74.41	NIL
East TX-OK	70.75	72.00	1756
West Texas	70.75	72.25	2373
Desert SW	70.16	74.16	NIL
SJ Valley	71.16	80.06	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.): Ason21-February-2017

Contract	Open	High	Low	Close	Change
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Mar-17	73.48	73.95	73.37	73.52	0.04
May-17	75.68	75.92	75.41	75.66	0.14
Jul-17	77.00	77.00	76.52	76.71	0.24
Oct-17	73.94	73.94	73.93	73.94	0.50
Dec-17	73.65	74.19	73.65	74.19	0.43
Mar-18	74.30	74.59	74.20	74.59	0.36

Pakistan Cotton Spot rates: As on21-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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