

**Domestic Fundamentals:**

**Market Outlook:** Cotton spot markets witnessed mostly firm tone on Thursday.

**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	+16.00	1039	1059	1033	1055	6616	3017	12386	307
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	133	-	-
May-17	-	-	-

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)  
\*Updated at 6:12 pm as on 23 –Feb 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-17	+160	20730	20930	20680	20890	1629	-633	2367	-1184
Mar-17	+110	20770	20940	20720	20910	2565	-1102	9250	971

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Jan-17		-20		-	-	-
Mar-17			-	-	-	-
	—			-	-	-

(NB: Spread Basis = Spot- Near Month Future)  
\* Updated at 6:12 pm as on 23 –Feb 2017

**DOMESTIC PRICES AND ARRIVALS**
**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	23-Feb-17	22-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5850	5825	25
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	5940	5905	35
	Patan	B.T. Cotton	NA	5815	-
	Kadi	B.T. Cotton	5800	5775	25
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5805	5855	-50
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6200	6200	Unch
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	6015	6010	5
	Fatehabad	B.T. Cotton	5950	6000	-50
	Jind	B.T. Cotton	6100	6059	41
	Uchana	B.T. Cotton	6029	5992	37
	Dabwali	B.T. Cotton	5890	5905	-15
Rajasthan	Hanumangarh	B.T. Cotton	6030	6050	-20
	Rawatsar	B.T. Cotton	5930	5860	70
Madhya Pradesh	Khandwa	Mech-1	5800	5800	Unch
	Khargaon	Mech-1	5765	5725	40
Maharashtra	Amravati	Mech-1	Closed	5400	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	4950	4900	50
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5370	5330	40
Andhra Pradesh	Guntur	Un-Ginned	NA	5000	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	4160	Unch
Karnataka	Bijapur	Bunny	5989	5979	10
	Hubli	D.C.H.	6011	5955	56
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5925	5840	85
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	23-Feb-17	22-Feb-17	
Punjab	Bhatinda	J-34	4655	4620	35
	Abohar	J-34	4660	4620	40

	Mansa	J-34	4660	4615	45
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4600	4550	50
Rajasthan	Sri-Ganganagar	J-34	4791	4738	54

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	23-Feb-17	22-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	68000	Unch
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	4975	4950	25
	Patan	B.T. Cotton	NA	4821	-
	Kadi	B.T. Cotton	25000	25000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	614	735	-121
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	3000	1000	2000
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	750	500	250
	Jind	B.T. Cotton	85	111	-26
	Uchana	B.T. Cotton	2880	750	2130
	Dabwali	B.T. Cotton	250	400	-150
Rajasthan	Hanumangarh	B.T. Cotton	800	1000	-200
	Rawatsar	B.T. Cotton	300	300	Unch
Madhya Pradesh	Khandwa	Mech-1	1800	1800	Unch
	Khargaon	Mech-1	5270	445	4825
Maharashtra	Amravati	Mech-1	Closed	4000	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	70	80	-10
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12506	14141	-1635
Andhra Pradesh	Guntur	Un-Ginned	NA	100	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	2818	2621	197
	Hubli	D.C.H.	12	36	-24
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	1177	1537	<b>-360</b>
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	23-Feb-17	22-Feb-17	
Punjab	Bhatinda	J-34	3400	3400	<b>Unch</b>
	Abohar	J-34	510	680	<b>-170</b>
	Mansa	J-34	765	595	<b>170</b>
Haryana	Sirsa	J-34	1360	850	<b>510</b>
Rajasthan	Sri-Ganganagar	J-34	653	743	<b>-90</b>

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				22-Feb-17	20-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33700	33200	<b>500</b>
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34700	34200	<b>500</b>
J-34(202)	26mm	3.5 - 4.9	23	42900	42400	<b>500</b>
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41600	41300	<b>300</b>
Shankar-6(105)	29mm	3.5 - 4.9	28	42400	42100	<b>300</b>
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43400	43200	<b>200</b>
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44100	43900	<b>200</b>
DCH-32(107)	34mm	3.0 - 3.8	33	55600	55400	<b>200</b>

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

Centre	Unit	Price		Change
		23-Feb-17	22-Feb-17	
Rajkot	Rs. /10 Kg.	665	670	<b>-5</b>
New Delhi	Rs. /10 Kg.	665	670	<b>-5</b>
Hyderabad	Rs. /10 Kg.	650	650	<b>Unch</b>
Mumbai	Rs. /10 Kg.	660	660	<b>Unch</b>

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

Centre	Unit	Price		Change
		23-Feb-17	22-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2236	2228	<b>8</b>
Akola	Rs./Qtl	2228	2213	<b>15</b>

**INTERNATIONAL PRICES AND INDICES**

<u><b>China Cotton Index: As on 23-February-2017</b></u>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15975	<b>-1</b>
CCIndex(527)	15023	<b>-2</b>
CCIndex(229)	16389	<b>Unch</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u><b>China Foreign Cotton (FCE) Index : As on 23-February-2017</b></u>		
<b>Index</b>	<b>Cents/lb</b>	<b>Change</b>
FC Index (S)	87.21	<b>Unch</b>
FC Index (M)	84.48	<b>Unch</b>
FC Index (L)	82.70	<b>Unch</b>

<u><b>Cotlook Index: As on 22-February-2017</b></u>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	84.25	<b>0.15</b>

<u><b>USDA Cotton Spot Rates: As on 22-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>	74.24	75.49	<b>NIL</b>
<b>North Delta</b>	72.99	74.24	<b>NIL</b>
<b>South Delta</b>	72.99	74.24	<b>NIL</b>
<b>East TX-OK</b>	70.75	72.00	<b>3080</b>
<b>West Texas</b>	70.75	72.25	<b>5948</b>
<b>Desert SW</b>	69.99	73.99	<b>NIL</b>
<b>SJ Valley</b>	70.99	79.89	<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 22-February-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	74.20	74.89	73.80	74.14	<b>0.62</b>
<b>May-17</b>	75.77	76.20	75.43	75.49	<b>-0.17</b>
<b>Jul-17</b>	76.79	77.19	76.46	76.52	<b>-0.19</b>
<b>Oct-17</b>	74.68	74.68	73.55	73.55	<b>-0.39</b>
<b>Dec-17</b>	74.15	74.46	73.60	73.75	<b>-0.44</b>
<b>Mar-18</b>	74.40	74.40	74.10	74.13	<b>-0.46</b>

**Pakistan Cotton Spot rates: As on 22-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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