

Domestic Fundamentals:

Market Outlook: Cotton spot markets witnessed positive tone on Saturday.

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:

Cotton production in Australia could touch its second-highest level on record this season. However output is expected to be lower than expected amid dry weather in the growing regions. Eastern Australia, where cotton is mostly grown received some rainfall during the weekend. However further rains are required for the crop. The timing and quantity of rainfall during the rest of the season will be important for the development of the summer crops.

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	25-Feb-17	24-Feb-17	
Gujarat	Ahmedabad	Shankar-6	5950	Closed	-
	Gondal	Shankar-6	NA	Closed	-
	Rajkot	B.T. Cotton	5925	Closed	-
	Patan	B.T. Cotton	NA	Closed	-
	Kadi	B.T. Cotton	5900	5850	50
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5875	Closed	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6400	6350	50
	Bhiwani	Desi	5500	5700	-200
	Adampur	B.T. Cotton	6130	6075	55
	Fatehabad	B.T. Cotton	6085	6060	25
	Jind	B.T. Cotton	6281	6200	81
	Uchana	B.T. Cotton	6109	6029	80
	Dabwali	B.T. Cotton	6045	5970	75
Rajasthan	Hanumangarh	B.T. Cotton	6100	6060	40
	Rawatsar	B.T. Cotton	6050	6050	Unch
Madhya Pradesh	Khandwa	Mech-1	Closed	5795	-
	Khargaon	Mech-1	NR	5785	-
Maharashtra	Amravati	Mech-1	Closed	Closed	-
	Jamner	Medium Staple	5384	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	5000	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	Closed	-
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	5772	NA	-
	Hubli	D.C.H.	5901	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6000	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	25-Feb-17	24-Feb-17	
Punjab	Bhatinda	J-34	4750	4700	50
	Abohar	J-34	4755	4705	50

	Mansa	J-34	4750	4700	50
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4700	4640	60
Rajasthan	Sri-Ganganagar	J-34	4931	4794	136

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	25-Feb-17	24-Feb-17	
Gujarat	Ahmedabad	Shankar-6	68000	Closed	-
	Gondal	Shankar-6	NA	Closed	-
	Rajkot	B.T. Cotton	5400	Closed	-
	Patan	B.T. Cotton	NA	Closed	-
	Kadi	B.T. Cotton	30000	30000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	677	Closed	-
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	2000	1000	1000
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	510	510	Unch
	Fatehabad	B.T. Cotton	1000	900	100
	Jind	B.T. Cotton	85	120	-35
	Uchana	B.T. Cotton	2500	2880	-380
	Dabwali	B.T. Cotton	250	425	-175
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	1000	300	700
Madhya Pradesh	Khandwa	Mech-1	Closed	2300	-
	Khargaon	Mech-1	NR	3770	-
Maharashtra	Amravati	Mech-1	Closed	Closed	-
	Jamner	Medium Staple	310	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	60	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NA	Closed	-
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	1988	NA	-
	Hubli	D.C.H.	18	NA	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	472	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	25-Feb-17	24-Feb-17	
Punjab	Bhatinda	J-34	3400	3400	Unch
	Abohar	J-34	850	1020	-170
	Mansa	J-34	680	765	-85
Haryana	Sirsa	J-34	1190	1190	Unch
Rajasthan	Sri-Ganganagar	J-34	1463	727	736

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				23-Feb-17	22-Feb-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	33900	33700	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	34900	34700	200
J-34(202)	26mm	3.5 - 4.9	23	43300	42900	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41800	41600	200
Shankar-6(105)	29mm	3.5 - 4.9	28	42600	42400	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43400	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	44100	100
DCH-32(107)	34mm	3.0 - 3.8	33	56000	55600	400

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

Centre	Unit	Price		Change
		25-Feb-17	24-Feb-17	
Rajkot	Rs. /10 Kg.	665	Closed	-
New Delhi	Rs. /10 Kg.	665	Closed	-
Hyderabad	Rs. /10 Kg.	Closed	Closed	-
Mumbai	Rs. /10 Kg.	660	660	Unch

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

Centre	Unit	Price		Change
		25-Feb-17	24-Feb-17	
Mahesana (Kadi)	Rs./Qtl	2235	2235	Unch
Akola	Rs./Qtl	2228	2228	Unch

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 24-February-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15972	-3
CCIndex(527)	15022	-1
CCIndex(229)	16387	-2
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 24-February-2017</u>		
Index	Cents/lb	Change
FC Index (S)	87.55	0.34
FC Index (M)	84.89	0.41
FC Index (L)	83.19	0.49

<u>Cotlook Index: As on 24-February-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	84.60	0.50

<u>USDA Cotton Spot Rates: As on 24-February-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		bales
Southeast	75.32	76.57	NIL
North Delta	74.07	75.32	2756
South Delta	74.07	75.32	NIL
East TX-OK	71.75	73.00	4497
West Texas	71.75	73.25	11381
Desert SW	71.07	75.07	NIL
SJ Valley	72.07	80.97	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 24-February-2017

Contract	Open	High	Low	Close	Change
Mar-17	75.97	75.99	75.42	75.42	0.40
May-17	76.15	77.19	76.10	76.57	0.47
Jul-17	76.98	77.96	76.94	77.50	0.58
Oct-17	74.24	74.24	74.24	74.24	0.22
Dec-17	73.65	74.10	73.65	73.98	0.09
Mar-18	74.18	74.38	74.16	74.29	0.07

Pakistan Cotton Spot rates: As on 24-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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