

## Domestic Fundamentals:

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

**In The News:** According to the International Cotton Advisory Committee (ICAC), India's cotton exports are expected to increase by 3 per cent to 900,000 metric tonnes in the current season and production is expected to increase by 2 per cent to 5.9 million metric tonnes. World cotton trade is estimated to increase by 3 per cent to 8 million tonnes in 2017-18 as China's import volume is expected to increase by 11 per cent to 1.1 million tonnes during the year. China's imports will increase amid good demand from mills.

Cotton prices are likely to remain firm in the coming weeks amid higher estimates of consumption and tight supply in the domestic market. According to sources, farmers are holding around 40 per cent of the total crop of 341 lakh bales (of 170 kg each). Raw cotton (Kapas) prices are trading around Rs.5900 -6100 per quintal during the last few weeks. Prices are likely to remain firm in the coming days amid expected good demand from yarn makers, millers and holding of crop by farmers. Good export demand is likely to support prices. Till date around 210 lakh bales of cotton have arrived in the domestic markets.

The seed industry in the country has asked for higher price of Bt Cotton in the coming kharif season amid increasing cost of production. The industry has asked for a hike of Rs.50 per pack of Bt Cotton seeds. Currently it is being sold at a price of Rs.751 per pack of 450 gm. The demand has been put forward by industry body, National Seed Association of India (NSAI) ahead of the Centre's annual review meeting due to held on March 06, 2017.

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.

### International Fundamentals:

Chinese government is expected to start sales from its cotton reserves on March 06, 2017. Around 2.6 million tonnes were sold by the end of September previous year. The government will continue offering 30,000 tonnes a day until August 2017. Assuming around 2.6 million tonnes will be sold this year, the total volume held by the Chinese government will reach six million tonnes by the end of 2016 -17. China's total stocks, including those in the private sector, are forecast to reach nine million tonnes at the end of 2016 -17, accounting for 53 per cent of world stocks.

Last week, the Australian cotton delegation was in India to promote their fibre. They met with textile manufacturers in Ludhiana, Mumbai and Comibatore during the week. The delegation emphasized on zero contamination, quality characteristics of the fibre and their complete package offering. India was the top importer of Australian cotton in the previous year, purchasing around 22 per cent of the same. Picking starts in February, offering is made in April and shipped by July – August, which is off season in India.

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	+21.50	1103.5	1119	1101.5	1116	6117	1259	13171	37
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	54	-	-
May-17	-	-	-

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

\*Updated at 6:27 pm as on 06 –Mar 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Mar-17	+380	21340	21580	21310	21550	3412	-1390	8666	-257
Apr-17	+380	21500	21720	21460	21690	1902	-1049	4250	591

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Mar-17		-140		-	-	-
Apr-17			-	-	-	-
	—			-	-	-

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

\* Updated at 6:27 pm as on 06 –Mar 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	6-Mar-17	4-Mar-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	5880	5880	Unch
	Rajkot	B.T. Cotton	5850	5900	-50
	Patan	B.T. Cotton	NA	5925	-
	Kadi	B.T. Cotton	5800	5800	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	6010	6010	Unch
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6380	6350	30
	Bhiwani	Desi	5800	5800	Unch
	Adampur	B.T. Cotton	6125	6100	25
	Fatehabad	B.T. Cotton	6140	6075	65
	Jind	B.T. Cotton	6411	6165	246
	Uchana	B.T. Cotton	6170	6060	110
	Dabwali	B.T. Cotton	6045	6000	45
Rajasthan	Hanumangarh	B.T. Cotton	6150	6130	20
	Rawatsar	B.T. Cotton	6100	6090	10
Madhya Pradesh	Khandwa	Mech-1	5850	Closed	-
	Khargaon	Mech-1	5910	5875	35
Maharashtra	Amravati	Mech-1	5475	5425	50
	Jamner	Medium Staple	5441	5432	9
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5400	5380	20
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	6129	6139	-10
	Hubli	D.C.H.	5871	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6075	5970	105
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	6-Mar-17	4-Mar-17	
Punjab	Bhatinda	J-34	4790	4750	40
	Abohar	J-34	4790	4750	40

	Mansa	J-34	4785	4700	85
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4730	4680	50
Rajasthan	Sri-Ganganagar	J-34	4889	4905	-16

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	6-Mar-17	4-Mar-17	
Gujarat	Ahmedabad	Shankar-6	71400	76500	-5100
	Gondal	Shankar-6	2617	2617	Unch
	Rajkot	B.T. Cotton	5400	4800	600
	Patan	B.T. Cotton	NA	3079	-
	Kadi	B.T. Cotton	45000	45000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	546	482	64
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1500	2500	-1000
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	510	510	Unch
	Fatehabad	B.T. Cotton	350	750	-400
	Jind	B.T. Cotton	3	10	-7
	Uchana	B.T. Cotton	250	550	-300
	Dabwali	B.T. Cotton	125	225	-100
Rajasthan	Hanumangarh	B.T. Cotton	1000	1200	-200
	Rawatsar	B.T. Cotton	1000	500	500
Madhya Pradesh	Khandwa	Mech-1	1500	Closed	-
	Khargaon	Mech-1	3020	3330	-310
Maharashtra	Amravati	Mech-1	10000	16000	-6000
	Jamner	Medium Staple	300	307	-7
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	11943	13448	-1505
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	2770	1909	861
	Hubli	D.C.H.	8	NA	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	1920	1560	360
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	6-Mar-17	4-Mar-17	
Punjab	Bhatinda	J-34	3400	2890	510
	Abohar	J-34	340	680	-340
	Mansa	J-34	425	595	-170
Haryana	Sirsa	J-34	850	1020	-170
Rajasthan	Sri-Ganganagar	J-34	383	1206	-823

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				4-Mar-17	3-Mar-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35100	35100	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36100	36100	Unch
J-34(202)	26mm	3.5 - 4.9	23	44400	44300	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42100	42000	100
Shankar-6(105)	29mm	3.5 - 4.9	28	42900	42800	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44100	44000	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44700	44600	100
DCH-32(107)	34mm	3.0 - 3.8	33	56700	56700	Unch

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

Centre	Unit	Price		Change
		6-Mar-17	4-Mar-17	
Rajkot	Rs. /10 Kg.	660	660	Unch
New Delhi	Rs. /10 Kg.	660	660	Unch
Hyderabad	Rs. /10 Kg.	640	635	5
Mumbai	Rs. /10 Kg.	662	665	-3

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

Centre	Unit	Price		Change
		6-Mar-17	4-Mar-17	
Mahesana (Kadi)	Rs./Qtl	2242	2265	-23
Akola	Rs./Qtl	2253	2265	-12

**INTERNATIONAL PRICES AND INDICES**

<b>China Cotton Index: As on 06-March-2017</b>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15965	<b>10</b>
CCIndex(527)	14975	<b>5</b>
CCIndex(229)	16376	<b>5</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<b>China Foreign Cotton (FCE) Index : As on 06-March -2017</b>		
<b>Index</b>	<b>Cents/lb</b>	<b>Change</b>
FC Index (S)	89.17	<b>0.97</b>
FC Index (M)	86.33	<b>0.91</b>
FC Index (L)	85.01	<b>1.20</b>

<b>Cotlook Index: As on 03-March-2017</b>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	85.75	<b>-1.00</b>

<b>USDA Cotton Spot Rates: As on 03-March-2017</b>			
<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>	76.74	77.99	<b>NIL</b>
<b>North Delta</b>	75.49	76.74	<b>NIL</b>
<b>South Delta</b>	75.49	76.74	<b>NIL</b>
<b>East TX-OK</b>	73.50	74.75	<b>811</b>
<b>West Texas</b>	73.50	75.00	<b>231</b>
<b>Desert SW</b>	72.49	76.49	<b>NIL</b>
<b>SJ Valley</b>	73.49	82.39	<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 03-March-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	77.00	77.28	75.99	77.28	<b>1.59</b>
<b>May-17</b>	76.78	78.14	76.66	77.99	<b>1.21</b>
<b>Jul-17</b>	77.88	78.98	77.69	78.83	<b>0.97</b>
<b>Oct-17</b>	75.06	75.06	75.06	75.06	<b>0.34</b>
<b>Dec-17</b>	74.56	75.00	74.55	74.94	<b>0.19</b>
<b>Mar-18</b>	75.00	75.05	74.80	74.98	<b>0.11</b>

**Pakistan Cotton Spot rates: As on 04-March-2017**
**(in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
<b>Cotton</b>	37.32 Kgs	6750	135	6885
<b>Equivalent</b>	40 Kgs	7234	145	7379

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