

**Domestic Fundamentals:**

**Market Outlook:** Cotton spot markets noticed mostly firm tone on Tuesday.

**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.

Good demand for quality lint, increasing prices in the global markets and lack of availability of quality cotton led to increase in cotton prices in Pakistan during the previous week. The Karachi Cotton Association increased its spot rates by Rs. 50 to Rs 6,700 per maund (37.3242 kg) and Rs 7,180 for 40 kg. The Ex-Karachi rates also increased to Rs 6,835 per maund and Rs 7,325 for 40 kg. There is good buying from the millers amid limited stocks with ginners.

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	-8.50	1111	1117	1097	1103	5838	-279	13040	-131
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	97	-	-
May-17	-	-	-

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

\*Updated at 6:03 pm as on 07 –Mar 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Mar-17	-10	21490	21650	21460	21510	3067	345	7849	-817
Apr-17	-20	21610	21780	21600	21660	1684	218	4632	382

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Mar-17		-150		-	-	-
Apr-17			-	-	-	-
	—			-	-	-

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

\* Updated at 6:03 pm as on 07 –Mar 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	7-Mar-17	6-Mar-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	5880	5880	Unch
	Rajkot	B.T. Cotton	6000	5850	150
	Patan	B.T. Cotton	5940	5940	Unch
	Kadi	B.T. Cotton	5900	5800	100
	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	6500	6380	120
	Bhiwani	Desi	6000	5800	200
	Adampur	B.T. Cotton	6190	6125	65
	Fatehabad	B.T. Cotton	6270	6140	130
	Jind	B.T. Cotton	6373	6411	-38
	Uchana	B.T. Cotton	6231	6170	61
	Dabwali	B.T. Cotton	6035	6045	-10
Rajasthan	Hanumangarh	B.T. Cotton	6200	6150	50
	Rawatsar	B.T. Cotton	6200	6100	100
Madhya Pradesh	Khandwa	Mech-1	5900	5850	50
	Khargaon	Mech-1	6000	5910	90
Maharashtra	Amravati	Mech-1	5550	5475	75
	Jamner	Medium Staple	5456	5441	15
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5400	5400	Unch
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	6189	6129	60
	Hubli	D.C.H.	6050	5871	179
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6000	6075	-75
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	7-Mar-17	6-Mar-17	
Punjab	Bhatinda	J-34	4865	4790	75
	Abohar	J-34	4860	4790	70

	Mansa	J-34	4850	4785	65
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4870	4730	140
Rajasthan	Sri-Ganganagar	J-34	4936	4889	47

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	7-Mar-17	6-Mar-17	
Gujarat	Ahmedabad	Shankar-6	71400	71400	Unch
	Gondal	Shankar-6	2982	2617	365
	Rajkot	B.T. Cotton	5450	5400	50
	Patan	B.T. Cotton	4150	3735	415
	Kadi	B.T. Cotton	40000	45000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	506	546	-40
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	1500	-500
	Bhiwani	Desi	100	100	Unch
	Adampur	B.T. Cotton	510	510	Unch
	Fatehabad	B.T. Cotton	350	350	Unch
	Jind	B.T. Cotton	80	51	29
	Uchana	B.T. Cotton	350	250	100
	Dabwali	B.T. Cotton	150	125	25
Rajasthan	Hanumangarh	B.T. Cotton	1000	1000	Unch
	Rawatsar	B.T. Cotton	700	1000	-300
Madhya Pradesh	Khandwa	Mech-1	1800	1500	300
	Khargaon	Mech-1	3260	3020	240
Maharashtra	Amravati	Mech-1	10000	10000	Unch
	Jamner	Medium Staple	312	300	12
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12456	11943	513
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	2293	2770	-477
	Hubli	D.C.H.	12	8	4
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	2100	1920	180
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	7-Mar-17	6-Mar-17	
Punjab	Bhatinda	J-34	2550	3400	-850
	Abohar	J-34	510	340	170
	Mansa	J-34	510	425	85
Haryana	Sirsa	J-34	680	850	-170
Rajasthan	Sri-Ganganagar	J-34	615	383	232

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Mar-17	4-Mar-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35300	35100	200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36300	36100	200
J-34(202)	26mm	3.5 - 4.9	23	44900	44400	500
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42500	42100	400
Shankar-6(105)	29mm	3.5 - 4.9	28	43300	42900	400
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44500	44100	400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45100	44700	400
DCH-32(107)	34mm	3.0 - 3.8	33	57000	56700	300

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

Centre	Unit	Price		Change
		7-Mar-17	6-Mar-17	
Rajkot	Rs. /10 Kg.	665	660	5
New Delhi	Rs. /10 Kg.	645	660	-15
Hyderabad	Rs. /10 Kg.	640	640	Unch
Mumbai	Rs. /10 Kg.	662	662	Unch

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

Centre	Unit	Price		Change
		7-Mar-17	6-Mar-17	
Mahesana (Kadi)	Rs./Qtl	2248	2242	6
Akola	Rs./Qtl	2250	2253	-3

**INTERNATIONAL PRICES AND INDICES**

<u><b>China Cotton Index: As on 07-March-2017</b></u>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15965	<b>Unch</b>
CCIndex(527)	14988	<b>13</b>
CCIndex(229)	16375	<b>-1</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u><b>China Foreign Cotton (FCE) Index : As on 06-March -2017</b></u>		
<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>

<u><b>Cotlook Index: As on 06-March-2017</b></u>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	87.10	<b>1.35</b>

<u><b>USDA Cotton Spot Rates: As on 06-March-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>	77.86	79.11	<b>NIL</b>
<b>North Delta</b>	76.61	77.86	<b>884</b>
<b>South Delta</b>	76.61	77.86	<b>NIL</b>
<b>East TX-OK</b>	74.50	75.75	<b>3545</b>
<b>West Texas</b>	74.50	76.00	<b>7528</b>
<b>Desert SW</b>	73.61	77.61	<b>NIL</b>
<b>SJ Valley</b>	74.61	83.51	<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 06-March-2017**

Contract	Open	High	Low	Close	Change
<b>Mar-17</b>	78.12	78.39	78.12	78.39	<b>1.11</b>
<b>May-17</b>	78.15	79.46	78.00	79.11	<b>1.12</b>
<b>Jul-17</b>	78.88	80.27	78.88	79.97	<b>1.14</b>
<b>Oct-17</b>	75.52	75.52	75.52	75.52	<b>0.46</b>
<b>Dec-17</b>	74.9	75.5	74.85	75.44	<b>0.50</b>
<b>Mar-18</b>	75.17	75.45	75.09	75.39	<b>0.41</b>

**Pakistan Cotton Spot rates: As on 06-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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