

## Domestic Fundamentals:

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

**In The News:** India Ratings (Ind-Ra) has maintained a stable outlook for cotton textiles for the next financial year amid steady input prices, healthy capacity utilization and good domestic demand. Ind-Ra has revised its cotton outlook to stable for FY18 from negative for FY17. Fiscal incentives and implementation of Goods and Services Tax (GST) will improve the industry's export competitiveness. Favourable trade agreements with the US and Europe will increase India's exports and a higher-than expected domestic demand would be positive for the sector.

During April –December 2016, India's cotton yarn exports declined by 12 per cent to 872 million kg compared to the same period previous year. However hopes of revival of cotton yarn exports from India have increased as the Chinese cotton auction began at 25 per cent higher price than that prevailing in the Indian domestic market. Chinese textile mills are likely to import cotton yarn instead of cotton as Indian cotton attracts 3.5 per cent duty in China. Moreover the cotton auctioned at China is up to seven –year old and the quality of cotton would start deteriorating and turning yellow when stocked for more than two-three years.

Punjab Agricultural University in Ludhiana has developed country's first genetically-modified (Bt) varieties of cotton, the seeds of which can be reused by the farmers, thereby saving the repeated cost they have to bear every season. Indian Council of Agricultural Research (ICAR) has identified three Bt cotton varieties — namely PAU Bt 1, F1861 and RS 2013 — for cultivation in states of Punjab, Haryana and Rajasthan. According to sources, the price of seed of these Bt cotton varieties shall be much lower as compared to current market price of Bt cotton hybrids seed, and thus, there is a scope to reduce the cost of cultivation and increase the savings of the farmers.

The agriculture ministry is likely to retain the current maximum sale price (MSP) for genetically modified Bt Cotton seeds at Rs. 800 per 450 gm packet for the next kharif season. Last year, the MSP was reduced from Rs. 830-1000 to Rs.800 per 450 gm packet. The royalty fees was reduced by 74% from Rs.163 to Rs.49 per packet.

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.

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.

### 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 up this month. World 2016-17 cotton production is projected at 105.72 million bales, around 9.00 per cent above last season. World ending stocks are now projected higher at 90.48 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	+11.50	1054	1065	1049.5	1060.50	5520	-2341	11786	-187
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	119.50	-	-
May-17	-	-	-

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

\*Updated at 6:36 pm as on 15 –Mar 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Mar-17	130	21110	21250	20980	21190	2127	758	5302	-995
Apr-17	130	21230	21380	21120	21310	1598	-394	6218	440

Spread	Oct-16	Nov-16	Jan-17	Mar-17	--	--
Spot	—			-	-	-
Mar-17		-120		-	-	-
Apr-17			-	-	-	-
	—			-	-	-

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

\* Updated at 6:36 pm as on 15 –Mar 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	15-Mar-17	14-Mar-17	
Gujarat	Ahmedabad	Shankar-6	5850	5850	Unch
	Gondal	Shankar-6	5825	5785	40
	Rajkot	B.T. Cotton	5900	5900	Unch
	Patan	B.T. Cotton	5835	5830	5
	Kadi	B.T. Cotton	5800	5750	50
	Deesa	B.T. Cotton	NA	Closed	-
	Dhrol	B.T. Cotton	5700	5720	-20
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6250	6250	Unch
	Bhiwani	Desi	5700	5700	Unch
	Adampur	B.T. Cotton	6025	6000	25
	Fatehabad	B.T. Cotton	6075	6100	-25
	Jind	B.T. Cotton	6171	6240	-69
	Uchana	B.T. Cotton	6070	6120	-50
	Dabwali	B.T. Cotton	5820	5875	-55
Rajasthan	Hanumangarh	B.T. Cotton	6000	Closed	-
	Rawatsar	B.T. Cotton	5960	6050	-90
Madhya Pradesh	Khandwa	Mech-1	Closed	Closed	-
	Khargaon	Mech-1	Closed	Closed	-
Maharashtra	Amravati	Mech-1	5500	NA	-
	Jamner	Medium Staple	5486	5489	-3
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5330	5340	-10
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	4160	NA	-
Karnataka	Bijapur	Bunny	6151	6149	2
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6000	6000	Unch
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	15-Mar-17	14-Mar-17	
Punjab	Bhatinda	J-34	4770	4770	Unch
	Abohar	J-34	4760	4760	Unch

	Mansa	J-34	4760	4760	Unch
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4700	4700	Unch
Rajasthan	Sri-Ganganagar	J-34	4860	4935	-75

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	15-Mar-17	14-Mar-17	
Gujarat	Ahmedabad	Shankar-6	57800	42500	15300
	Gondal	Shankar-6	1309	1944	-635
	Rajkot	B.T. Cotton	2200	3200	-1000
	Patan	B.T. Cotton	3664	1803	1861
	Kadi	B.T. Cotton	20000	40000	-20000
	Deesa	B.T. Cotton	NA	Closed	-
	Dhrol	B.T. Cotton	314	101	213
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	500	1000	-500
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	425	85	340
	Fatehabad	B.T. Cotton	300	150	150
	Jind	B.T. Cotton	17	10	7
	Uchana	B.T. Cotton	250	140	110
	Dabwali	B.T. Cotton	117	70	47
Rajasthan	Hanumangarh	B.T. Cotton	300	Closed	-
	Rawatsar	B.T. Cotton	400	60	340
Madhya Pradesh	Khandwa	Mech-1	Closed	Closed	-
	Khargaon	Mech-1	Closed	Closed	-
Maharashtra	Amravati	Mech-1	3000	NA	-
	Jamner	Medium Staple	328	319	9
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	7327	7431	-104
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	2350	2198	152
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-

	Raichur	H-44 Cotton	1162	630	532
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	15-Mar-17	14-Mar-17	
Punjab	Bhatinda	J-34	2040	2550	-510
	Abohar	J-34	170	340	-170
	Mansa	J-34	340	425	-85
Haryana	Sirsa	J-34	170	170	Unch
Rajasthan	Sri-Ganganagar	J-34	198	139	59

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				14-Mar-17	11-Mar-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35100	35200	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36100	36200	-100
J-34(202)	26mm	3.5 - 4.9	23	44400	44400	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41700	42000	-300
Shankar-6(105)	29mm	3.5 - 4.9	28	42600	42800	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44500	44700	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45200	45300	-100
DCH-32(107)	34mm	3.0 - 3.8	33	57000	57000	Unch

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

Centre	Unit	Price		Change
		15-Mar-17	14-Mar-17	
Rajkot	Rs. /10 Kg.	650	650	Unch
New Delhi	Rs. /10 Kg.	630	630	Unch
Hyderabad	Rs. /10 Kg.	630	630	Unch
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
		15-Mar-17	14-Mar-17	
Mahesana (Kadi)	Rs./Qtl	2208	2208	Unch
Akola	Rs./Qtl	2200	2200	Unch

**INTERNATIONAL PRICES AND INDICES**

<u><b>China Cotton Index: As on 15-March-2017</b></u>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15957	<b>-1</b>
CCIndex(527)	14975	<b>-5</b>
CCIndex(229)	16367	<b>-6</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u><b>China Foreign Cotton (FCE) Index : As on 14-March-2017</b></u>		
<b>Index</b>	<b>Cents/lb</b>	<b>Change</b>
FC Index (S)	88.55	<b>-0.71</b>
FC Index (M)	85.73	<b>-0.70</b>
FC Index (L)	84.04	<b>-1.00</b>

<u><b>Cotlook Index: As on 14-March-2017</b></u>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	86.10	<b>-0.35</b>

<u><b>USDA Cotton Spot Rates: As on 14-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>	75.90	77.15	<b>NIL</b>
<b>North Delta</b>	74.65	75.90	<b>NIL</b>
<b>South Delta</b>	74.65	75.90	<b>NIL</b>
<b>East TX-OK</b>	75.00	76.25	<b>1503</b>
<b>West Texas</b>	75.00	76.50	<b>935</b>
<b>Desert SW</b>	71.65	75.65	<b>NIL</b>
<b>SJ Valley</b>	72.65	81.55	<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 14-March-2017**

Contract	Open	High	Low	Close	Change
May-17	76.92	77.34	76.80	77.15	0.28
Jul-17	77.91	78.30	77.76	78.19	0.33
Oct-17	75.96	75.96	75.50	75.50	0.21
Dec-17	74.90	75.20	74.68	75.03	0.05
Mar-18	74.82	74.84	74.81	74.84	0.02
May-18	74.77	74.77	74.77	74.77	0.03

**Pakistan Cotton Spot rates: As on 14-March-2017**
**(in Pakistan Rupees)**

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	6800	135	6935
Equivalent	40 Kgs	7288	145	7433

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2017 Indian Agribusiness Systems Pvt. Ltd.