

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mostly weak tone on Wednesday.

**In The News:** Cotton acreage in the northern states of Punjab, Haryana and Rajasthan are expected to increase in the forthcoming kharif season. Cotton growers are likely to switch back to cotton from cereals mainly paddy following higher price of cotton. According to cottonseed makers, farmers and traders, acreage under the crop will increase by around 20-25 per cent in 2017 -18 kharif season over last year's acreage of 11.96 lakh hectares.

India's textiles exports declined by around 4.5 per cent to \$26 billion during April-December this fiscal year. The exports of textiles during April -December (2016 -17) were recorded at \$26 billion compared to \$27.2 billion during the same period previous year.

Cotton acreage in North India, which stood at a high of 15.55 lakh hectares in 2014-15, declined to 13.90 lakh ha in the following year and reached a low of 11.96 lakh ha in 2016-17 amid rising pest attacks and declining yields. Cotton prices are ruling firm in the country on lower availability and steady demand in the domestic market. Cotton has yielded better returns in 2016-17 compared with other competing crops.

The agriculture ministry has decided to retain last year's maximum sale price (MSP) of Bt Cottonseed at Rs.800 per 850 gm packet for the 2017-18 kharif season. The share of Bt variety in total cotton area sown declined to 83% in 2016-17 from 91% in the previous season.

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 February. Consumption is expected at 295 lakh bales same as compared to previous estimate. Total arrivals of cotton in the country as on February 28, 2017 is reported at to be 226.30 lakh bales. The projected balance sheet drawn by the CAI estimated total supply for cotton season 2016-17 at 407 lakh bales. Considering the domestic consumption of 295 lakh bales as stated above, the total available surplus for the season is estimated at 112 lakh bales.

A scientist from the Central Institute for Cotton Research (CICR) has developed the shortest-duration cotton variety in the world. This variety requires 100-120 days for maturity and could be solution to the problems of dryland cotton farmers in regions like Vidarbha and Telangana. The new variety is likely to give higher yields in a shorter time duration.

A Committee empowered by the Textiles Commissioner of India has proposed a uniform unit of weight for the domestic and international cotton trade. The committee comprising of 7-8 representatives from the cotton trade, stakeholders, exporters and Cotton Corporation of India has recommended a uniform weight for cotton trading in kilos or tonnes. This step will ensure more uniformity and transparency in the cotton trade according to traders.

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.

### 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	+4.50	1051	1062.5	1051	1058.50	3088	-1262	11233	-117
Con_2	-	-	-	-	-	-	-	-	-

Spread	April-17		
Spot	116.50	-	-
May-17	-	-	-

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

\*Updated at 5:43 pm as on 22 –Mar 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Mar-17	190	21170	21380	21160	21350	1280	586	2967	-426
Apr-17	180	21120	21530	21120	21490	1945	964	7152	160

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

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

\* Updated at 5:43 pm as on 22 –Mar 2017

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

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	22-Mar-17	21-Mar-17	
Gujarat	Ahmedabad	Shankar-6	5900	5900	Unch
	Gondal	Shankar-6	5925	5815	110
	Rajkot	B.T. Cotton	5875	5950	-75
	Patan	B.T. Cotton	5905	5930	-25
	Kadi	B.T. Cotton	5900	6000	-100
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5775	5930	-155
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	6250	6350	-100
	Bhiwani	Desi	5500	5500	Unch
	Adampur	B.T. Cotton	6030	6110	-80
	Fatehabad	B.T. Cotton	6080	6175	-95
	Jind	B.T. Cotton	6100	6235	-135
	Uchana	B.T. Cotton	6150	6211	-61
	Dabwali	B.T. Cotton	6035	6030	5
Rajasthan	Hanumangarh	B.T. Cotton	6050	6180	-130
	Rawatsar	B.T. Cotton	5900	5900	Unch
Madhya Pradesh	Khandwa	Mech-1	NR	5800	-
	Khargaon	Mech-1	5920	6000	-80
Maharashtra	Amravati	Mech-1	5550	5675	-125
	Jamner	Medium Staple	5528	5531	-3
Uttar Pradesh	Hathras	B.T. Cotton	0	NA	-
	Hathras	Desi	0	NA	-
Telangana	Adilabad	Un-Ginned	5310	5340	-30
Andhra Pradesh	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	5250	NA	-
	East Godavari	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	6164	6164	Unch
	Hubli	D.C.H.	NA	5829	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	6011	6080	-69
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	22-Mar-17	21-Mar-17	
Punjab	Bhatinda	J-34	4770	4825	-55

	Abohar	J-34	4770	4825	-55
	Mansa	J-34	4765	4820	-55
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4720	4770	-50
Rajasthan	Sri-Ganganagar	J-34	4912	4959	-47

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	22-Mar-17	21-Mar-17	
Gujarat	Ahmedabad	Shankar-6	51000	52700	-1700
	Gondal	Shankar-6	2751	NA	-
	Rajkot	B.T. Cotton	4400	4600	-200
	Patan	B.T. Cotton	5144	5670	-526
	Kadi	B.T. Cotton	25000	40000	-15000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	601	567	34
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	1000	2000	-1000
	Bhiwani	Desi	50	50	Unch
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	1000	600	400
	Jind	B.T. Cotton	12	80	-68
	Uchana	B.T. Cotton	260	140	120
	Dabwali	B.T. Cotton	210	150	60
Rajasthan	Hanumangarh	B.T. Cotton	800	400	400
	Rawatsar	B.T. Cotton	400	500	-100
Madhya Pradesh	Khandwa	Mech-1	NR	2000	-
	Khargaon	Mech-1	3350	NA	-
Maharashtra	Amravati	Mech-1	4000	3500	500
	Jamner	Medium Staple	316	320	-4
Uttar Pradesh	Hathras	B.T. Cotton	0	NA	-
	Hathras	Desi	0	NA	-
Telangana	Adilabad	Un-Ginned	8145	7813	332
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	2149	2149	Unch
	Hubli	D.C.H.	NA	4	-

	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1267	1372	-105
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	22-Mar-17	21-Mar-17	
Punjab	Bhatinda	J-34	1700	1700	Unch
	Abohar	J-34	510	425	85
	Mansa	J-34	340	340	Unch
Haryana	Sirsa	J-34	850	850	Unch
Rajasthan	Sri-Ganganagar	J-34	310	231	79

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				21-Mar-17	20-Mar-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35300	35300	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36300	36300	Unch
J-34(202)	26mm	3.5 - 4.9	23	44800	44900	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41900	42000	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	43300	43400	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45200	45200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45900	45900	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58000	Unch

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

Centre	Unit	Price		Change
		22-Mar-17	21-Mar-17	
Rajkot	Rs. /10 Kg.	660	657	3
New Delhi	Rs. /10 Kg.	635	640	-5
Hyderabad	Rs. /10 Kg.	635	635	Unch
Mumbai	Rs. /10 Kg.	650	650	Unch

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

Centre	Unit	Price		Change
		22-Mar-17	21-Mar-17	
Mahesana (Kadi)	Rs./Qtl	2195	2200	-5
Akola	Rs./Qtl	2189	2219	-30

**INTERNATIONAL PRICES AND INDICES**

<b>China Cotton Index: As on 22-March-2017</b>		
<b>Index</b>	<b>RMB/Ton</b>	<b>Change</b>
CCIndex(328)	15932	<b>-11</b>
CCIndex(527)	14923	<b>-27</b>
CCIndex(229)	16338	<b>-5</b>
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<b>China Foreign Cotton (FCE) Index : As on 22-March-2017</b>		
<b>Index</b>	<b>Cents/lb</b>	<b>Change</b>
FC Index (S)	89.06	<b>-0.32</b>
FC Index (M)	86.14	<b>-0.25</b>
FC Index (L)	84.09	<b>-0.50</b>

<b>Cotlook Index: As on 21-March-2017</b>		
<b>Cotlook Indices</b>	<b>Cents/Pound</b>	<b>Change</b>
A-Index	86.85	<b>-0.85</b>

<b>USDA Cotton Spot Rates: As on 21-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>	75.59	76.84	<b>NIL</b>
<b>North Delta</b>	74.34	75.59	<b>NIL</b>
<b>South Delta</b>	74.34	75.59	<b>2</b>
<b>East TX-OK</b>	74.50	75.75	<b>2923</b>
<b>West Texas</b>	74.50	76.00	<b>1949</b>
<b>Desert SW</b>	71.34	75.34	<b>NIL</b>
<b>SJ Valley</b>	72.34	81.24	<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 21-March-2017**

Contract	Open	High	Low	Close	Change
<b>May-17</b>	77.33	77.48	76.68	76.84	<b>-0.49</b>
<b>Jul-17</b>	78.62	78.7	77.99	78.09	<b>-0.45</b>
<b>Oct-17</b>	75.8	75.82	75.48	75.48	<b>-0.70</b>
<b>Dec-17</b>	75.52	75.62	74.82	74.88	<b>-0.79</b>
<b>Mar-18</b>	75.17	75.17	74.55	74.65	<b>-0.86</b>
<b>May-18</b>	75.02	75.02	74.54	74.57	<b>-0.89</b>

**Pakistan Cotton Spot rates: As on 21-March-2017**
**(in Pakistan Rupees)**

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

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