

## Domestic Fundamentals:

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

**In The News:** As per the latest report published by International Cotton Advisory Committee (ICAC), India's acreage area under cotton cultivation is expected to increase by 7% to 11.3 million hectares in 2017-18. While cotton production is projected to be around somewhat six million tonnes during the same duration. A higher cotton price and improved yield in 2016-17 has been the main contributing factors for the surge in acreage area under cotton cultivation in 2017-18.

On the other hand, India's cotton mill use is projected to increase by 2% to 5.2 million tonnes in 2017-18.

Cotton production this season has been 34 million bales compared to 33 million bales previous year. Though acreage was less, production increased amid higher productivity. In the coming season 2017-18, cotton acreage is expected to increase amid better price realizations and normal monsoon. Exact percentage increase will be clear by the amount of rainfall during south-west monsoon. In Telangana and Andhra Pradesh, farmers are likely to shift towards cotton amid decline in price of pulses and chillies. Farmers in other cotton growing states of Gujarat, Maharashtra, Haryana and Rajasthan are also likely to shift from foodgrains to cotton according to initial reports. According to industry sources, around 10-15 per cent increase in cotton acreage is expected this season.

Textile sector seeks Technology Mission On Cotton (TMC) amid decline in yield of cotton. Though India is the largest producer and net exporter of cotton, productivity declined below 500kg of lint/hectare in 2015-16 from a high of 566 kg/ha in 2013-14. During the current season, productivity has been recorded at 568 kg/ha amid good monsoon. The national average yield in Australia, Brazil, China, Turkey Mexico and Israel is more than 1,500 kg/ha. India's poor productivity is related to obsolete technology and insufficient fund support for cotton research. The textile sector wants the TMC back in a revised format. It will help to double the income of the cotton farmer and fuel the growth of the textile industry.

The Southern India Mills Association (SIMA) has advised the mills to avoid panic buying of cotton. Till date cotton arrivals in the domestic market are lower compared to previous year. Both at the global level and in India, the cotton supply position is comfortable. According to sources at SIMA, India has contracted to import 15 lakh bales of cotton from West Africa and U.S. Prices are likely to ease when Australian cotton arrives in the market around May. Reports indicate that there has been a significant increase in the Australian cotton crop — from 28 lakh bales previous year to 45 lakh bales this year and an 18 per cent increase in the US cotton crop. China has restricted cotton imports and the global cotton position is more than comfortable according to sources at SIMA.

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.

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.

### International Fundamentals:

According to the latest report published by International Cotton Advisory Committee (ICAC), world's cotton area is likely to increase by 5% to 30.8 million hectares in 2017-18. A higher cotton price in China and a stable cotton policy there, the area under cotton cultivation is expected to increase by 3% to 2.9 million hectares while cotton production is expected to increase by 1% to 4.8 million tonnes in 2017-18. While, U.S is expected to increase its cotton acreage area by 12% this year to 4.3 million hectares and its production is expected to lie somewhat around at 4 million tonnes.

On the other hand, as per the same report issued by ICAC; world cotton use is expected to increase by 2% to 24.6 million tonnes in 2017-18. Cotton use in China, which is amongst the largest consumer, is projected to increase by 1% to 7.7 million tonnes in 2017-18. Due to the various government initiative introduced to promote cotton export by Pakistan, the cotton use in the country is also expected to increase by 1% to 2.3 million tonnes in 2017-18. Mill use in Bangladesh is also projected to rise by 5% to 1.5 million tonnes in 2017-18.

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 weak in the near -term.**

#### NCDEX Kapas Futures\*: (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Con_1    | -   | -    | -    | -   | -     | -      | -      | -  | -      |
| Con_2    | -   | -    | -    | -   | -     | -      | -      | -  | -      |

| Spread | April-17 |   |   |
|--------|----------|---|---|
| Spot   | -        | - | - |
| May-17 | -        | - | - |

(NB: Kapas future contract expired)

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

| Contract | +/-     | Open     | High     | Low      | Close    | Volume | Change | OI   | Change |
|----------|---------|----------|----------|----------|----------|--------|--------|------|--------|
| May-17   | +100.00 | 20550.00 | 20710.00 | 20550.00 | 20560.00 | 1,184  | -166   | 6233 | -352   |
| Jun-17   | +70.00  | 20820.00 | 20910.00 | 20750.00 | 20770.00 | 634    | -29    | 2744 | 208    |

| Spread | May-17 | June-17 | Jul-17 | - | -- | -- |
|--------|--------|---------|--------|---|----|----|
| Spot   | ---    |         |        | - | -  | -  |
| May-17 |        | -210    |        | - | -  | -  |

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

\* Updated at 5:00 pm as on 09 -May 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |          | Change |
|----------------|---------------|---------------|----------------------|----------|--------|
| State          | Centre        | Variety       | 9-May-17             | 8-May-17 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 5500                 | 5500     | Unch   |
|                | Gondal        | Shankar-6     | 5605                 | 5580     | 25     |
|                | Rajkot        | B.T. Cotton   | 5610                 | 5610     | Unch   |
|                | Patan         | B.T. Cotton   | 5135                 | 5580     | -445   |
|                | Kadi          | B.T. Cotton   | 5500                 | 5500     | Unch   |
|                | Deesa         | B.T. Cotton   | NA                   | NA       | -      |
|                | Dhrol         | B.T. Cotton   | 5370                 | NA       | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                   | NR       | -      |
|                | Muktsar       | B.T. Cotton   | NR                   | NR       | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5800                 | 5900     | -100   |
|                | Bhiwani       | Desi          | NA                   | NA       | -      |
|                | Adampur       | B.T. Cotton   | NA                   | NA       | -      |
|                | Fatehabad     | B.T. Cotton   | NA                   | NA       | -      |
|                | Jind          | B.T. Cotton   | NA                   | NA       | -      |
|                | Uchana        | B.T. Cotton   | NA                   | NA       | -      |
|                | Dabwali       | B.T. Cotton   | NA                   | NA       | -      |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | NA                   | NA       | -      |
|                | Rawatsar      | B.T. Cotton   | NA                   | NA       | -      |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                   | NA       | -      |
|                | Khargaon      | Mech-1        | 5405                 | 5375     | 30     |
| Maharashtra    | Amravati      | Mech-1        | NA                   | NA       | -      |
|                | Jamner        | Medium Staple | 5200                 | 5211     | -11    |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | NA                   | NA       | -      |
|                | Hathras       | Desi          | NA                   | NA       | -      |
| Telangana      | Adilabad      | Un-Ginned     | 5200                 | 5200     | Unch   |
| 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         | NA                   | 5889     | -      |
|                | Hubli         | D.C.H.        | NA                   | 4851     | -      |
|                | Hubli         | B.T. Cotton   | NA                   | NA       | -      |
|                | Raichur       | H-44 Cotton   | 5650                 | 5550     | 100    |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |          | Change |
| State          | Centre        | Variety       | 9-May-17             | 8-May-17 |        |

|                  |                |      |      |      |            |
|------------------|----------------|------|------|------|------------|
| <b>Punjab</b>    | Bhatinda       | J-34 | 4610 | 4670 | <b>-60</b> |
|                  | Abohar         | J-34 | 4590 | 4670 | <b>-80</b> |
|                  | Mansa          | J-34 | NA   | NA   | -          |
|                  | Muktsar        | J-34 | NR   | NR   | -          |
|                  | Fazilika       | J-34 | NR   | NR   | -          |
| <b>Haryana</b>   | Sirsa          | J-34 | 4530 | 4570 | <b>-40</b> |
| <b>Rajasthan</b> | Sri-Ganganagar | J-34 | NA   | NA   | -          |

**Cotton Arrivals in Key Centers:**

| Commodity      | Kapas         |               | Arrivals (Quintal) |          | Change |
|----------------|---------------|---------------|--------------------|----------|--------|
| State          | Centre        | Variety       | 9-May-17           | 8-May-17 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | 25500              | 25500    | Unch   |
|                | Gondal        | Shankar-6     | 630                | 567      | 63     |
|                | Rajkot        | B.T. Cotton   | 5000               | 4000     | 1000   |
|                | Patan         | B.T. Cotton   | 1258               | 1343     | -85    |
|                | Kadi          | B.T. Cotton   | 15000              | 10000    | 5000   |
|                | Deesa         | B.T. Cotton   | NA                 | NA       | -      |
|                | Dhrol         | B.T. Cotton   | 21                 | NA       | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                 | NR       | -      |
|                | Muktsar       | B.T. Cotton   | NR                 | NR       | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | NA                 | NA       | -      |
|                | Bhiwani       | Desi          | NA                 | NA       | -      |
|                | Adampur       | B.T. Cotton   | NA                 | NA       | -      |
|                | Fatehabad     | B.T. Cotton   | NA                 | NA       | -      |
|                | Jind          | B.T. Cotton   | NA                 | NA       | -      |
|                | Uchana        | B.T. Cotton   | NA                 | NA       | -      |
|                | Dabwali       | B.T. Cotton   | NA                 | NA       | -      |
| Rajasthan      | Hanumangarh   | B.T. Cotton   | NA                 | NA       | -      |
|                | Rawatsar      | B.T. Cotton   | NA                 | NA       | -      |
| Madhya Pradesh | Khandwa       | Mech-1        | NA                 | NA       | -      |
|                | Khargaon      | Mech-1        | 450                | 450      | Unch   |
| Maharashtra    | Amravati      | Mech-1        | NA                 | NA       | -      |
|                | Jamner        | Medium Staple | 210                | 232      | -22    |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | NA                 | NA       | -      |
|                | Hathras       | Desi          | NA                 | NA       | -      |
| Telangana      | Adilabad      | Un-Ginned     | 477                | 639.1    | -162.1 |
| 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         | NA                 | 2355     | -      |

|           | Hubli          | D.C.H.      | NA                 | 2        | -      |
|-----------|----------------|-------------|--------------------|----------|--------|
|           | Hubli          | B.T. Cotton | NA                 | NA       | -      |
|           | Raichur        | H-44 Cotton | 210                | 330      | -120   |
| Commodity | Lint           |             | Arrivals (Quintal) |          | Change |
| State     | Centre         | Variety     | 9-May-17           | 8-May-17 |        |
| Punjab    | Bhatinda       | J-34        | 340                | 340      | Unch   |
|           | Abohar         | J-34        | 85                 | 85       | Unch   |
|           | Mansa          | J-34        | NA                 | NA       | -      |
| Haryana   | Sirsa          | J-34        | 170                | 340      | -170   |
| Rajasthan | Sri-Ganganagar | J-34        | NA                 | NA       | -      |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 8-May-17      | 6-May-17      |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 34500         | 34500         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 35500         | 35500         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 43100         | 43300         | -200   |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 40100         | 40100         | Unch   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 41800         | 41600         | 200    |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 43700         | 43700         | Unch   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 46000         | 46000         | Unch   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 57500         | 57500         | Unch   |

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

| Centre    | Unit        | Price    |          | Change |
|-----------|-------------|----------|----------|--------|
|           |             | 9-May-17 | 8-May-17 |        |
| Rajkot    | Rs. /10 Kg. | 630      | 630      | Unch   |
| New Delhi | Rs. /10 Kg. | 605      | 605      | Unch   |
| Hyderabad | Rs. /10 Kg. | 600      | 595      | 5      |
| Mumbai    | Rs. /10 Kg. | 630      | 625      | 5      |

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

| Centre          | Unit    | Price    |          | Change |
|-----------------|---------|----------|----------|--------|
|                 |         | 9-May-17 | 8-May-17 |        |
| Mahesana (Kadi) | Rs./Qtl | 2009     | 2005     | 4      |
| Akola           | Rs./Qtl | 1959     | 1979     | -20    |

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index: As on 9-May-2017

| Index                            | RMB/Ton | Change |
|----------------------------------|---------|--------|
| CCIndex(328)                     | 16003   | -28    |
| CCIndex(527)                     | 14950   | -7     |
| CCIndex(229)                     | 16367   | -21    |
| RMB -Renminbi, 1RMB =0.16 \$U.S. |         |        |

#### China Foreign Cotton (FCE) Index : As on 9-May-2017

| Index        | Cents/lb | Change |
|--------------|----------|--------|
| FC Index (S) | 89.03    | -0.59  |
| FC Index (M) | 86.50    | -0.52  |
| FC Index (L) | 84.41    | -0.53  |

#### Cotlook Index: As on 8-May-2017

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 87.70       | -1.10  |

#### USDA Cotton Spot Rates: As on 8-May-2017

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | Bales    |
| Southeast   | 76.44               | 77.69               | NIL      |
| North Delta | 75.69               | 76.94               | NIL      |
| South Delta | 75.69               | 76.94               | NIL      |
| East TX-OK  | 72.50               | 74.00               | 254      |
| West Texas  | 72.50               | 74.00               | 80       |
| Desert SW   | 71.69               | 75.69               | NIL      |
| SJ Valley   | 72.69               | 81.59               | 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 8-May-2017**

| Contract | Open  | High  | Low   | Close | Change |
|----------|-------|-------|-------|-------|--------|
| May-17   | 77.48 | 77.48 | 76.78 | 76.78 | -2.98  |
| Jul-17   | 77.70 | 77.77 | 77.05 | 77.19 | -0.58  |
| Oct-17   | 74.78 | 75.26 | 74.78 | 74.79 | -0.87  |
| Dec-17   | 74.15 | 74.17 | 73.27 | 73.33 | -0.79  |
| Mar-18   | 73.72 | 73.72 | 73.07 | 73.10 | -0.72  |
| May-18   | 73.73 | 73.74 | 73.26 | 73.26 | -0.54  |

**Pakistan Cotton Spot rates: As on 8-May-2017**

(in Pakistan Rupees)

| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton     | 37.32 Kgs | 6700         | 135              | 6835              |
| Equivalent | 40 Kgs    | 7180         | 145              | 7325              |

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