

Domestic Fundamentals:

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

In The News: In the 2016 -17 season, Indian cotton imports have touched an all time high of 30 lakh bales compared to 20 lakh bales previous season. Imports had touched an all time high of 25 lakh bales in 2001 -02 season. According to industry sources, farmers are expected to plant 20% more cotton in 2017 -18 season following good prices fetched during this season. The domestic and international market rates of cotton have been almost on par and most cotton mills in South India have found it feasible to import.

The govt. of India targeted a cotton crop production of 14.40 million bales in 2017-18 compared to the target of 14.1 million bales of production in 2016-17.

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.

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
Cont. (C1)	+9.50	996.00	1006.50	988.50	991.50	2,730	-	3021	-
Con_2	-	-	-	-	-	-	-	-	-

Spread	May-17		
Spot	148.5	-	-
	-	-	-

(NB: Kapas future contract expired)
Updated at 04:50 pm as on 15 –May 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-17	+380.00	21100.00	21480.00	21100.00	21040.00	2,876	-1,523	4637	-399
Jun-17	+410.00	21440.00	21690.00	21340.00	21230.00	2,110	-354	3309	123

Spread	May-17	June-17	Jul-17			
Spot	---			-	-	-
May-17		-190		-	-	-

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

* Updated at 04:50 pm as on 15 –May 2017

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	15-May-17	13-May-17	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	5705	5555	150
	Rajkot	B.T. Cotton	5700	5700	Unch
	Patan	B.T. Cotton	5280	4855	425
	Kadi	B.T. Cotton	5750	5625	125
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5350	5315	35
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5900	5800	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	5480	5455	25
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	5140	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5150	5200	-50
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	5920	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5500	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	15-May-17	13-May-17	

Punjab	Bhatinda	J-34	4750	4700	50
	Abohar	J-34	4750	4680	70
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4650	4600	50
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change	
	State	Centre	Variety	15-May-17		13-May-17
Gujarat	Ahmedabad	Shankar-6		25500	25500	Unch
	Gondal	Shankar-6		1173	717	456
	Rajkot	B.T. Cotton		1720	1700	20
	Patan	B.T. Cotton		941	780	161
	Kadi	B.T. Cotton		25000	20000	5000
	Deesa	B.T. Cotton		NA	NA	-
	Dhrol	B.T. Cotton		128	83	45
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		3200	4100	-900
Maharashtra	Amravati	Mech-1		NA	NA	-
	Jamner	Medium Staple		230	NA	-
Uttar Pradesh	Hathras	B.T. Cotton		NA	NA	-
	Hathras	Desi		NA	NA	-
Telangana	Adilabad	Un-Ginned		338	349	-11
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		1927	NA	-

	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	300	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	15-May-17	13-May-17	
Punjab	Bhatinda	J-34	170	255	-85
	Abohar	J-34	NA	NA	-
	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/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-May-17	12-May-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	34800	34700	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35800	35700	100
J-34(202)	26mm	3.5 - 4.9	23	43500	43200	300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40600	40400	200
Shankar-6(105)	29mm	3.5 - 4.9	28	42300	42100	200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44200	44000	200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46100	46000	100
DCH-32(107)	34mm	3.0 - 3.8	33	57000	58000	-1000

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

Centre	Unit	Price		Change
		15-May-17	13-May-17	
Rajkot	Rs. /10 Kg.	625	623	2
New Delhi	Rs. /10 Kg.	605	605	Unch
Hyderabad	Rs. /10 Kg.	605	605	Unch
Mumbai	Rs. /10 Kg.	630	630	Unch

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

Centre	Unit	Price		Change
		15-May-17	13-May-17	
Mahesana (Kadi)	Rs./Qtl	2002	1980	22
Akola	Rs./Qtl	1952	1946	6

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 13-May-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	15999	Unch
CCIndex(527)	14987	9
CCIndex(229)	16391	5

RMB -Renminbi, 1RMB =0.16 \$U.S.

<u>China Foreign Cotton (FCE) Index : As on 12-May-2017</u>		
Index	Cents/lb	Change
FC Index (S)	90.96	2.57
FC Index (M)	88.55	2.72
FC Index (L)	86.68	3.02

<u>Cotlook Index: As on 12-May-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	88.90	2.50

<u>USDA Cotton Spot Rates: As on 11-May-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	78.43	79.68	NIL
North Delta	77.68	78.93	NIL
South Delta	77.68	78.93	NIL
East TX-OK	75.00	76.50	232
West Texas	75.00	76.50	272
Desert SW	73.68	77.68	NIL
SJ Valley	74.68	83.58	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.): Ason12-May-2017					
Contract	Open	High	Low	Close	Change
Jul-17	79.22	82.18	79.15	82.18	3.00
Oct-17	74.37	77.15	74.37	77.08	2.93
Dec-17	72.59	74.53	72.50	73.72	1.19
Mar-18	72.33	74.09	72.33	73.27	0.94
May-18	72.75	74.00	72.75	73.44	0.88
Jul-18	72.93	74.05	72.93	73.56	0.87

Pakistan Cotton Spot rates: As on13-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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