

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mixed tone on Wednesday

In The News: The Indian govt. is planning to increase cotton MSP (Minimum Support Price) this year from Rs 3,860/quintal (medium staple cotton) & Rs 4,160/quintal (long staple cotton) in 2016-17 to Rs 4,020/quintal (medium staple cotton) & Rs 4,320/quintal (long staple cotton) in 2017-18.

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:

In a bid to discourage imports and to promote domestic sowing and harvesting of cotton, the Pakistan govt. had re-imposed import duty of 4% & sales tax of 5% on import of cotton to the country that is going to get effective from 15th July, 2017.

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.

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)	+10.00	984.00	1001.50	982.00	986.00	1,813	242	2910	97
Con_2	-	-	-	-	-	-	-	-	-

Spread	May-17		
Spot	-200	-	-
	-	-	-

(NB: Kapas future contract expired)
Updated at 05:00 pm as on 17 –May 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-17	+80.00	21080.00	21240.00	21050.00	21130.00	1,178	-256	4096	-169
Jun-17	+100.00	21270.00	21450.00	21270.00	21330.00	1,140	76	4022	222

Spread	May-17	June-17	Jul-17	-	--	--
Spot	---			-	-	-
May-17		141		-	-	-

(NB: Spread Basis = Spot- Near Month Future)
* Updated at 05:00 pm as on 17 –May 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	17-May-17	16-May-17	
Gujarat	Ahmedabad	Shankar-6	5575	5500	75
	Gondal	Shankar-6	5605	5605	Unch
	Rajkot	B.T. Cotton	5635	5690	-55
	Patan	B.T. Cotton	5075	4750	325
	Kadi	B.T. Cotton	5750	5750	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5330	5235	95
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5850	5800	50
	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	5465	5450	15
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	5160	5163	-3
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5150	5150	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	5869	5861	8
	Hubli	D.C.H.	NA	5861	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5650	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	17-May-17	16-May-17	

Punjab	Bhatinda	J-34	4715	4765	-50
	Abohar	J-34	4720	4760	-40
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4630	4680	-50
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	17-May-17	16-May-17	
Gujarat	Ahmedabad	Shankar-6	25500	25500	Unch
	Gondal	Shankar-6	766	1040	-274
	Rajkot	B.T. Cotton	1400	1200	200
	Patan	B.T. Cotton	545	550	-5
	Kadi	B.T. Cotton	15000	15000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	48	55	-7
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	200	3100	-2900
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	210	220	-10
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	226	209	17
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	1591	1241	350

	Hubli	D.C.H.	NA	1240	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	240	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	17-May-17	16-May-17	
Punjab	Bhatinda	J-34	170	170	Unch
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	170	170	Unch
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
				16-May-17	15-May-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35700	35700	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36700	36700	Unch
J-34(202)	26mm	3.5 - 4.9	23	43900	44200	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40900	41000	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42700	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44300	44400	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46200	46300	-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
		17-May-17	16-May-17	
Rajkot	Rs. /10 Kg.	630	625	5
New Delhi	Rs. /10 Kg.	610	605	5
Hyderabad	Rs. /10 Kg.	610	610	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
		17-May-17	16-May-17	
Mahesana (Kadi)	Rs./Qtl	1994	1992	2
Akola	Rs./Qtl	1934	1936	-2

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 17-May-2017

Index	RMB/Ton	Change
CCIndex(328)	16032	4
CCIndex(527)	15017	16
CCIndex(229)	16422	7
RMB -Renminbi, 1RMB =0.16 \$U.S.		

China Foreign Cotton (FCE) Index : As on 17-May-2017

Index	Cents/lb	Change
FC Index (S)	90.71	-3.76
FC Index (M)	87.96	-0.36
FC Index (L)	85.57	-4.32

Cotlook Index: As on 16-May-2017

Cotlook Indices	Cents/Pound	Change
A-Index	94.90	3.00

USDA Cotton Spot Rates: As on 16-May-2017

Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	80.57	81.82	133
North Delta	79.82	81.07	NIL
South Delta	79.82	81.07	NIL
East TX-OK	77.75	79.25	1869
West Texas	77.75	79.25	1586
Desert SW	75.82	79.82	NIL
SJ Valley	76.82	85.72	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.): Ason16-May-2017

Contract	Open	High	Low	Close	Change
Jul-17	85.14	85.18	81.32	81.32	-4.00
Oct-17	78.00	78.12	76.92	76.92	-1.85
Dec-17	74.81	75.09	74.3	74.34	-0.72
Mar-18	74.16	74.2	73.45	73.49	-0.65
May-18	74.14	74.16	73.52	73.52	-0.67
Jul-18	74.11	74.14	73.53	73.53	-0.69

Pakistan Cotton Spot rates: As on16-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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