

## Domestic Fundamentals:

**Market Outlook:** Cotton spot markets noticed mixed tone on Thursday

**In The News:** As per the latest report published by USDA, India is expected to produce 28 million bales of cotton in 2017-18 which is 5.7% higher than the cotton produced last year in 2016-17.

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.

### International Fundamentals:

As per the latest report published by USDA, China is projected to produce 23.5 million bales of cotton in 2017-18 which is 3% higher than the cotton produced last year in 2016-17. While an increase in acreage area and improvement in yield could cause Pakistan to produce 8.5 million bales of cotton in 2017-18. Cotton production in Brazil and Australia too is projected to increase by 3% and 9% respectively in 2017-18.

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 15<sup>th</sup> 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Cont. (C1)	-5.00	990.00	995.00	988.00	996.00	1,136	-677	2930	20
Con_2	-	-	-	-	-	-	-	-	-

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

Updated at 04:50 pm as on 18 –May 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-17	-90.00	21200.00	21240.00	21120.00	21250.00	936	-242	3836	-260
Jun-17	-100.00	21400.00	21450.00	21320.00	21450.00	568	-572	4089	67

Spread	May-17	June-17	Jul-17	-	--	--
Spot	---			-	-	-
May-17		131		-	-	-

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

\* Updated at 04:50 pm as on 18 –May 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	18-May-17	17-May-17	
Gujarat	Ahmedabad	Shankar-6	5500	5575	-75
	Gondal	Shankar-6	5605	5605	Unch
	Rajkot	B.T. Cotton	5640	5635	5
	Patan	B.T. Cotton	5830	5575	255
	Kadi	B.T. Cotton	5750	5750	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5160	5330	-170
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5800	5850	-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	5560	5465	95
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	5154	5160	-6
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	5870	5869	1
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5600	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	18-May-17	17-May-17	

<b>Punjab</b>	Bhatinda	J-34	4680	4715	<b>-35</b>
	Abohar	J-34	4700	4720	<b>-20</b>
	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
<b>Haryana</b>	Sirsa	J-34	4600	4630	<b>-30</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	18-May-17	17-May-17	
<b>Gujarat</b>	Ahmedabad	Shankar-6	25500	25500	<b>Unch</b>
	Gondal	Shankar-6	712	766	<b>-54</b>
	Rajkot	B.T. Cotton	1200	1400	<b>-200</b>
	Patan	B.T. Cotton	433	545	<b>-112</b>
	Kadi	B.T. Cotton	15000	15000	<b>Unch</b>
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	52	48	<b>4</b>
<b>Punjab</b>	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
<b>Haryana</b>	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	-
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	NA	NA	-
<b>Madhya Pradesh</b>	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	300	200	<b>100</b>
<b>Maharashtra</b>	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	198	210	<b>-12</b>
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
<b>Telangana</b>	Adilabad	Un-Ginned	63	226	<b>-163</b>
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	NA	NA	-
	Kurnool	Un-Ginned	NA	NA	-
	Krishna	Un-Ginned	NA	NA	-
	East Godavari	Un-Ginned	NA	NA	-
<b>Karnataka</b>	Bijapur	Bunny	1022	1591	<b>-569</b>

	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	180	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	18-May-17	17-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
				17-May-17	16-May-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35500	35700	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36500	36700	-200
J-34(202)	26mm	3.5 - 4.9	23	43700	43900	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40900	40900	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42700	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44300	44300	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46200	46200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	56000	57000	-1000

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

Centre	Unit	Price		Change
		18-May-17	17-May-17	
Rajkot	Rs. /10 Kg.	640	630	10
New Delhi	Rs. /10 Kg.	615	610	5
Hyderabad	Rs. /10 Kg.	615	610	5
Mumbai	Rs. /10 Kg.	635	630	5

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

Centre	Unit	Price		Change
		18-May-17	17-May-17	
Mahesana (Kadi)	Rs./Qtl	1992	1994	-2
Akola	Rs./Qtl	1934	1934	Unch

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 18-May-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	16046	14
CCIndex(527)	15022	5
CCIndex(229)	16423	1
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 18-May-2017</u>		
Index	Cents/lb	Change
FC Index (S)	90.38	-0.33
FC Index (M)	87.50	-0.46
FC Index (L)	85.42	-0.15

<u>Cotlook Index: As on 17-May-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	90.80	-4.10

<u>USDA Cotton Spot Rates: As on 17-May-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	79.42	80.67	NIL
North Delta	78.67	79.92	NIL
South Delta	78.67	79.92	NIL
East TX-OK	77.25	78.75	NIL
West Texas	77.25	78.75	NIL
Desert SW	74.67	78.67	NIL
SJ Valley	75.67	84.57	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 17-May-2017**

Contract	Open	High	Low	Close	Change
<b>Jul-17</b>	81.32	83.04	79.63	80.17	<b>-1.15</b>
<b>Oct-17</b>	77.24	77.24	76.55	76.56	<b>-0.36</b>
<b>Dec-17</b>	74.35	74.98	74.19	74.46	<b>0.12</b>
<b>Mar-18</b>	73.51	74.20	73.50	73.75	<b>0.26</b>
<b>May-18</b>	73.56	74.33	73.56	73.80	<b>0.28</b>
<b>Jul-18</b>	74.18	74.25	73.70	73.79	<b>0.26</b>

**Pakistan Cotton Spot rates: As on 17-May-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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