

Domestic Fundamentals:

Market Outlook: Cotton spot markets noticed mixed tone on Tuesday

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 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Cont. (C1)	-9.00	969.00	971.00	954.00	969.50	2,491	1,663	3326	344
Con_2	-	-	-	-	-	-	-	-	-

Spread	May-17		
Spot	172.5	-	-
	-	-	-

Updated at 04:40 pm as on 23 –May 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-17	-60.00	20740.00	20770.00	20660.00	20760.00	801	52	2813	-808
Jun-17	-30.00	20980.00	21020.00	20910.00	21000.00	1,129	447	4344	198

Spread	May-17	June-17	Jul-17	-	--	--
Spot	---			-	-	-
May-17		-240		-	-	-

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

* Updated at 04:40 pm as on 23 –May 2017

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	23-May-17	22-May-17	
Gujarat	Ahmedabad	Shankar-6	5500	5575	-75
	Gondal	Shankar-6	5555	5565	-10
	Rajkot	B.T. Cotton	5710	5665	45
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5630	5625	5
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5000	4480	520
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5900	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	5600	5600	Unch
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	5162	5165	-3
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5100	5150	-50
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	NA	5830	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5550	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	23-May-17	22-May-17	
Punjab	Bhatinda	J-34	4680	4690	-10
	Abohar	J-34	4685	4680	5

	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4570	4575	-5
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	23-May-17	22-May-17	
Gujarat	Ahmedabad	Shankar-6	25500	25500	Unch
	Gondal	Shankar-6	848	714	134
	Rajkot	B.T. Cotton	1600	1225	375
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	10000	15000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	74	57	17
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	1950	1950	Unch
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	160	171	-11
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5	159	-154
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	1180	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	90	-
Commodity	Lint		Arrivals (Quintal)		Change

State	Centre	Variety	23-May-17	22-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
				22-May-17	20-May-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35800	35800	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36800	36800	Unch
J-34(202)	26mm	3.5 - 4.9	23	43500	43500	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40700	40700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42800	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44100	44300	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46000	46200	-200
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55000	Unch

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

Centre	Unit	Price		Change
		23-May-17	22-May-17	
Rajkot	Rs. /10 Kg.	660	655	5
New Delhi	Rs. /10 Kg.	640	630	10
Hyderabad	Rs. /10 Kg.	620	615	5
Mumbai	Rs. /10 Kg.	645	635	10

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

Centre	Unit	Price		Change
		23-May-17	22-May-17	
Mahesana (Kadi)	Rs./Qtl	1967	1975	-8
Akola	Rs./Qtl	1936	1943	-7

INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 23-May-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	16072	2
CCIndex(527)	15037	9
CCIndex(229)	16456	15
RMB -Renminbi, 1RMB =0.16 \$U.S.		

<u>China Foreign Cotton (FCE) Index : As on 23-May-2017</u>		
Index	Cents/lb	Change
FC Index (S)	90.66	0.75
FC Index (M)	87.89	0.85
FC Index (L)	85.77	1.10

<u>Cotlook Index: As on 22-May-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	89.00	0.25

<u>USDA Cotton Spot Rates: As on 22-May-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	77.64	78.89	NIL
North Delta	76.89	78.14	NIL
South Delta	76.89	78.14	NIL
East TX-OK	75.75	77.25	NIL
West Texas	75.75	77.25	NIL
Desert SW	72.89	76.89	NIL
SJ Valley	73.89	82.79	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 22-May-2017

Contract	Open	High	Low	Close	Change
Jul-17	79.50	79.50	78.30	78.39	-1.06
Oct-17	74.65	74.65	74.65	74.65	-1.16
Dec-17	73.45	73.70	72.82	73.01	-0.44
Mar-18	72.95	73.31	72.54	72.66	-0.34
May-18	73.21	73.44	73.00	73.03	-0.23
Jul-18	73.45	73.55	73.09	73.21	-0.19

Pakistan Cotton Spot rates: As on 22-May-2017
(in Pakistan Rupees)

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

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