

## Domestic Fundamentals:

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

**In The News:** As per the latest data released by Indian govt., cotton plantation in the country rose by 32% as 8.93 lakh hectares of land has been brought under cotton cultivation till 19<sup>th</sup> May, 2017 compared to 6.75 lakh hectares of land cultivated last year during the same interval.

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.

### 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)	+3.00	956.50	966.00	955.00	959.00	2,017	-474	3523	197
Con_2	-	-	-	-	-	-	-	-	-

Spread	May-17		
Spot	171	-	-
	-	-	-

Updated at 04:40 pm as on 24 –May 2017

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
May-17	+130.00	20670.00	20840.00	20640.00	20700.00	898	97	2300	-513
Jun-17	+130.00	20980.00	21140.00	20920.00	20980.00	1,219	90	4706	362

Spread	May-17	June-17	Jul-17	-	--	--
Spot	---			-	-	-
May-17		-280		-	-	-

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

\* Updated at 04:40 pm as on 24 –May 2017

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	24-May-17	23-May-17	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	5500	5555	-55
	Rajkot	B.T. Cotton	5650	5710	-60
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	5625	5630	-5
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	4875	5000	-125
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5850	5900	-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	NA	5600	-
Maharashtra	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	5174	5162	12
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5100	5100	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	NA	NA	-
	Hubli	D.C.H.	5509	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5600	5600	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	24-May-17	23-May-17	
Punjab	Bhatinda	J-34	4680	4680	Unch
	Abohar	J-34	4665	4685	-20

	Mansa	J-34	NA	NA	-
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
<b>Haryana</b>	Sirsa	J-34	4560	4570	<b>-10</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	24-May-17	23-May-17	
<b>Gujarat</b>	Ahmedabad	Shankar-6	22100	25500	<b>-3400</b>
	Gondal	Shankar-6	1168	848	<b>320</b>
	Rajkot	B.T. Cotton	1600	1600	<b>Unch</b>
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	15000	10000	<b>5000</b>
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	52	74	<b>-22</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	NA	1950	-
<b>Maharashtra</b>	Amravati	Mech-1	NA	NA	-
	Jamner	Medium Staple	155	160	<b>-5</b>
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
<b>Telangana</b>	Adilabad	Un-Ginned	NA	5	-
<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	NA	NA	-
	Hubli	D.C.H.	174	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	135	232	<b>-97</b>
<b>Commodity</b>	<b>Lint</b>		<b>Arrivals (Quintal)</b>		<b>Change</b>

State	Centre	Variety	24-May-17	23-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
				23-May-17	22-May-17	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35600	35800	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36500	36800	-300
J-34(202)	26mm	3.5 - 4.9	23	43300	43500	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40700	40700	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42400	42500	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44100	44100	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46000	46000	Unch
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
		24-May-17	23-May-17	
Rajkot	Rs. /10 Kg.	650	660	-10
New Delhi	Rs. /10 Kg.	640	640	Unch
Hyderabad	Rs. /10 Kg.	615	620	-5
Mumbai	Rs. /10 Kg.	642	645	-3

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

Centre	Unit	Price		Change
		24-May-17	23-May-17	
Mahesana (Kadi)	Rs./Qtl	1942	1967	-25
Akola	Rs./Qtl	1924	1936	-12

### INTERNATIONAL PRICES AND INDICES

<u>China Cotton Index: As on 24-May-2017</u>		
Index	RMB/Ton	Change
CCIndex(328)	16076	4
CCIndex(527)	15049	12
CCIndex(229)	16462	6
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 23-May-2017</u>		
Cotlook Indices	Cents/Pound	Change
A-Index	88.05	-0.95

<u>USDA Cotton Spot Rates: As on 23-May-2017</u>			
Growth Area	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
	cents/lb.		Bales
Southeast	76.47	77.72	NIL
North Delta	75.72	76.97	NIL
South Delta	75.72	76.97	NIL
East TX-OK	74.50	76.00	NIL
West Texas	74.50	76.00	NIL
Desert SW	71.72	75.72	NIL
SJ Valley	72.72	81.62	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			

<u>ICE Cotton Futures (Prices in cents/lb.): As on 23-May-2017</u>					
Contract	Open	High	Low	Close	Change
Jul-17	78.40	78.43	77.10	77.22	-1.17
Oct-17	73.77	73.77	73.59	73.73	-0.92
Dec-17	73.1	73.10	72.22	72.37	-0.64
Mar-18	72.65	72.70	72.00	72.13	-0.53

<b>May-18</b>	72.46	72.46	72.46	72.46	<b>-0.57</b>
<b>Jul-18</b>	72.96	72.96	72.48	72.63	<b>-0.58</b>

<b>Pakistan Cotton Spot rates: As on 23-May-2017</b>				<b>(in Pakistan Rupees)</b>
<b>Product</b>	<b>Rate for</b>	<b>Ex-Gin Price</b>	<b>Up Country Sales</b>	<b>Spot Rate Karachi</b>
<b>Cotton</b>	37.32 Kgs	6750	135	6885
<b>Equivalent</b>	40 Kgs	7234	145	7379

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