

### Domestic market summary

**Domestic market Scenario:** Cotton spot markets mostly noticed firm tone during the month. Average price of lint at Sirsa during the month was Rs.4061.20 per maund (of 37.32 Kg each), compared to the previous month's price of Rs.3955. Cotton fiber (Shankar-6) prices strengthened during the month. Average price was Rs.41000 per candy (of 355.6 kg each) during the month, up from Rs.38220 per candy previous month. Future price of cotton (at NCDEX, April contract) closed higher this month at Rs.988.50 per maund (of 20 kg each), up from Rs.936.50 a month earlier.

**Monthly Price Outlook:** In the coming month we expect Kapas price to remain range bound to weak in the price band of Rs.4500-5000 per quintal in the Rajkot market. Lint price at Sirsa is likely to be in range of Rs 4000-5000 per maund. Kapas prices at NCDEX (Continuous contract), is expected to hover in the range of Rs. 820-1100 per maund (of 20 kg each).

**Major Market Highlights:** The revised projections of cotton supply and use by the Cotton Association of India (CAI) kept total cotton production unchanged at 375 lakh bales. While production estimates of Telangana, Maharashtra and Haryana were revised lower, those for Punjab, Upper Rajasthan, Lower Rajasthan and Gujarat were revised higher.

The projected balance sheet drawn by the Cotton Association of India(CAI) estimated total cotton supply for the season at 425 lakh bales of 170 kgs each, including the opening stock of 30 lakh bales at the beginning of the season and the imports which the CAI estimates at 20 lakh bales for 2017-18 crop year. The domestic consumption is estimated to be 320 lakh bales while CAI estimates exports for the season to be 55 lakh bales.

Market arrivals of cotton in the first three months of the 2017-18 marketing season starting October are higher by around 43 per cent over corresponding period last year. Arrivals would have crossed 148 lakh bales by December 31 this year as against 108 lakh bales, based on the data gathered from each State.

Nearly 9 lakh cotton farmers have approached the Maharashtra government seeking compensation for failed crops after severe pest attack. After complaints of huge losses, the state government has deployed its machinery to survey the affected districts and has also invited applications from the farmers seeking compensation from seed companies.

Maharashtra government will provide compensation of Rs. 30,800 and Rs. 37,500 per hectare on non-irrigated and irrigated lands respectively for cotton growers whose crop was damaged by the attack of pest Pink Bollworm, Minister for Agriculture Pandurang Fundkar announced last month.

Cotton yarn export at 85.5 million kg worth US\$255 million (INR 1630 Crore) was up 12 per cent in November as 75 countries imported yarn at an average unit price realization of US \$2.98 kg, US cents 6 less than previous month and US cents 8 higher than last year.

**Domestic Cotton Balance sheet**

Particulars			Quarterly Balance Sheet 2017-18			
Supply	2016-17*	2017-18*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Opening Stock	40.3	30	48	102.3	153.0	103.4
Production	337.25	375	151.8	141.6	30.4	13.5
Imports	21.7	20	1.8	1.80	3.70	14.30
Total Supply	399.25	425	202	246	187	131
Demand						
Mill	275	275	67.1	69.2	69.8	69.0
Small mill	25	30	6.1	6.3	6.3	6.3
Non Mill	9	15	2.5	2.5	2.5	2.5
Total Consumption	309	320	75.70	78.00	78.60	77.80
Exports	45	55	23.6	14.7	5.1	1.6
Total Consumption	354	375	99.30	92.70	83.70	79.40
Ending Stocks	45.3	50.0	102.3	153.0	103.4	51.8

\*Annual Production, Imports and Export Figures estimated by Agriwatch, consumption figures are sourced from Cotton Association of India (CAI). \*\*Quarterly Balance Sheet figures estimated by Agriwatch.

A: Actual, E: Estimated

**Balance Sheet Highlight (2017-18):**

As per the latest estimates by Cotton Association of India, cotton output in country during the season 2017-18 was 375 lakh bales (of 170 kg each) it is higher compared to production of last season.

Following higher production, cotton imports will rise marginally to 21 lakh bales from 20.lakh bales in previous season.

Due to higher opening stock and imports, cotton availability would be standing higher this season at 425 lakh bales compared to 399.25 lakh bales during the previous season.

Total domestic consumption (Including mill, small mill and non-mill consumption) is 320 lakh bales compared to 375 lakh bales during the previous season.

Cotton exports are estimated at 55 lakh bales of cotton in the season and it was 45 lakh bales in the previous year.

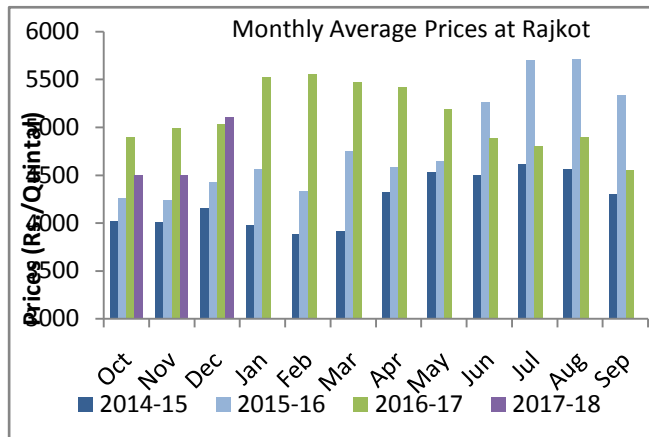
Ending stocks are 50 lakh bales, up nearly 10% from those of previous season.

## Domestic Cotton Prices Scenario

### Kapas price outlook

Kapas(seed cotton) prices in country noticed firm tone during the December month when compared to the previous month, and the same is ruling higher compared to the prices during the corresponding month of the previous season.

Monthly average price of Kapas at Rajkot remained Rs.5105 per quintal during December, which was Rs.4504 during previous month and Rs.5312 per quintal during the corresponding month last year. We expect Kapas prices to remain range –bound to firm in the coming month. The expected price range for February month is likely to be Rs.4500-5000 per quintal.

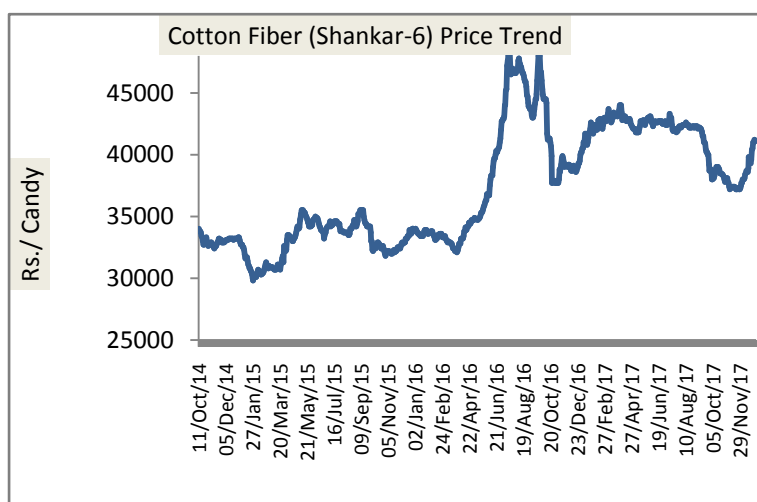


### Lint price Outlook

Lint prices remained firm during the month owing to tight tone prevailing in market. Monthly average price of Lint at Sirsa remained Rs.4061.2 per maund of 37.32 kg each, higher compared to the previous month price of Rs.3850 per maund.



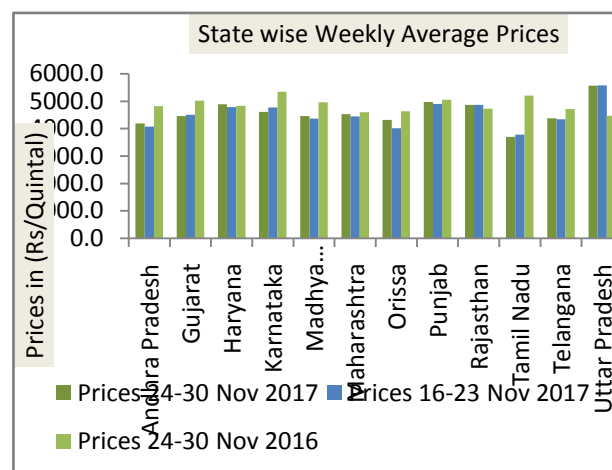
### Cotton Fiber price Outlook



Cotton fiber noticed uptrend in this month compared to the previous month amid good demand in domestic and international market. Monthly average price of Shankar-6 during December was Rs. 39295.83 per candy, which was Rs. 37461.53 previous month and around Rs 38970 per candy during the corresponding month previous season. We expect cotton fiber to remain in range of Rs 36000-40000 per candy in the coming month.

### State wise monthly Price Scenario

On month on month basis, prices are by and large showing firm trend in most of the States, highest price was recorded in Uttar Pradesh followed by Punjab this week and lowest was in Tamil Nadu followed by Andhra Pradesh.

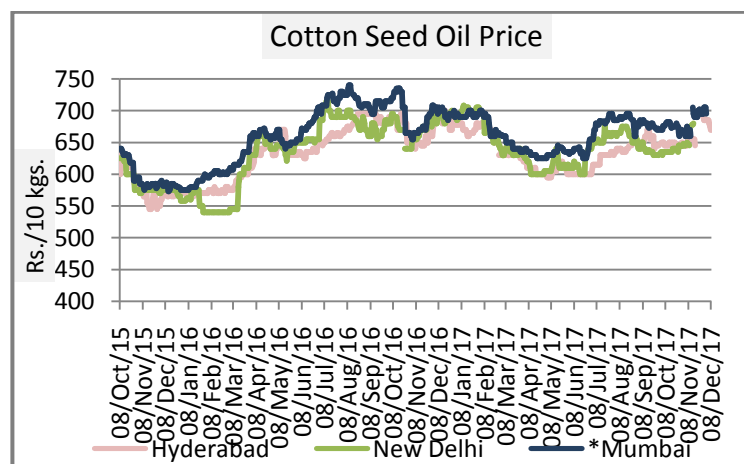


### Cotton Seed Oil and Cotton Seed Oil Cake

#### Cotton Seed Oil monthly Price Scenario

Cotton seed oil price noticed firm tone during the month. Monthly average price in New Delhi is Rs.671 per 10 kg, higher compared to the monthly average price of Rs.660 per 10 kg in previous month.

Centers	Monthly Average Price as on (Rs/10 kg.)		% Change
	Dec	Nov	
<b>New Delhi</b>	671	660	1.70
<b>Rajkot</b>	676	659	2.58
<b>Hyderabad</b>	675	668	1.05
<b>Mumbai*</b>	693	667	3.90

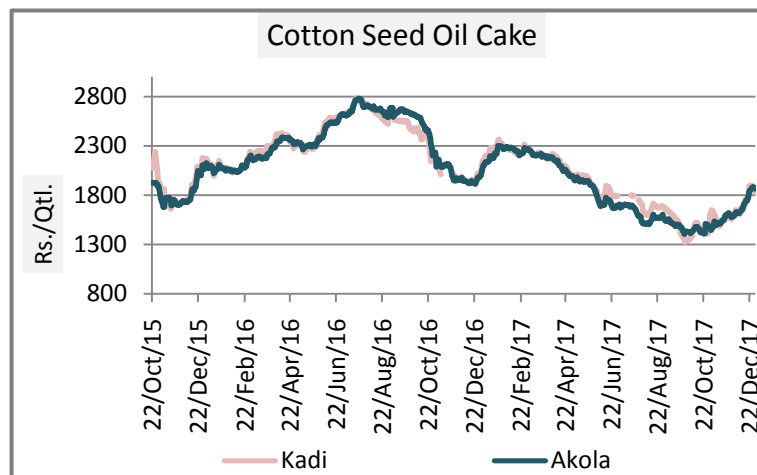


#### Cotton Seed Oil Cake Monthly Price Scenario

Cotton seed oil cake price noticed firm tone during this month. Monthly average price in Akola remained Rs.1728 per quintal, higher compared to the monthly average price of Rs.1567 per quintal in the previous month

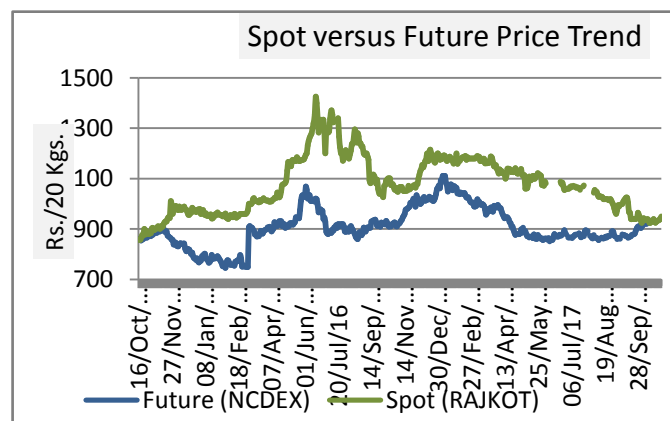
Centers	Monthly Average Price as on (Rs/quintal.)*		% Change
	Dec	Nov	
Kadi	1728	1567	10.27
Akola	1721	1540	11.75

\*Source: NCDEX



### Cotton Spot and Future Price Trend

Cotton future price closed higher this month. Kapas at NCDEX (April contract) closed at Rs 992 as on 04 January 2018, compared to 915 a month earlier. The gap between the spot and future prices has decreased. Average gap between the spot and future price during the month was Rs.38 which was Rs 18.5 a month earlier.



**Technical Analysis of Kapas Future Prices at NCDEX(Continuous Chart C1)**

**Monthly Technical Outlook:**

- Cup and Handle pattern may be under formation on the kapas weekly chart. This is a bullish continuation pattern that marks a consolidation period followed by a breakout.
- Prices are currently in the consolidation phase after the formation of “cup”. The cup & handle pattern will be confirmed by an upside breach of 1040 level on the weekly chart after another two or three weeks of consolidation.
- In case the pattern is confirmed, the prices may go all the way up to 1200
- Kapas prices and volume decreased while O.I increased.
- RSI is hovering in a neutral zone.
- MACD signal line and center line denotes neutral crossover.

**Expected Price Range During Coming month**

Expected Trend	Expected Trading Band
Range-bound To Firm Momentum	990-1100

**Expected Support and Resistance**

Support 1	Support 2	Resistance 1	Resistance 2
960	950	1160	1200

Figures in Rs/20 Kg

**International Market Scenario**

International cotton prices remained firm during the month. Cotlook A index monthly average stood at 85.12 cents/pound this month, which was 80.44 cents/pound during last month.

**Major Market Highlights:** Cotton yarn export at 85.5 million kg worth US\$255 million (INR 1630 Crore) was up 12 per cent in November as 75 countries imported yarn at an average unit price realization of US \$2.98 kg, US cents 6 less than previous month and US cents 8 higher than last year.

China reduced its import of cotton yarn from India by 4 per cent in value, but still accounted for 40 per cent of total shipment during November followed by Bangladesh and Egypt. 10 countries did not import cotton yarn from India as they did last year, that were replaced by 12 countries which imported yarn worth US\$ 12 million, Singapore, Honduras, Lithuania, Argentina and Jordan were among the fastest growing large markets for cotton yarn.

International cotton prices have continued to move upward over the last few months as the season has been underway. From the season of low of 77 cents per pound start of season, prices are at a season high at the end of this calendar year up to 88 cents per pound. The current season average of 80 cents per pound is lower than the 2016-17 average of 83 cents per pound.

The International Cotton Advisory Committee (ICAC) had raised its world's cotton output projection to 25.57 million tonnes in 2017-18 (01st October 2017 -30th September 2018).

Pakistan government had allowed cotton imports from India starting late in November, though with a set of rules which are being seen as "tough" by local importers there. A permit from the Department of Plant Protection of Pakistan's food ministry would be mandatory for any trader to import unprocessed cotton, including raw or seed cotton, cotton lint, linters, cotton waste and cotton stuffing from India.

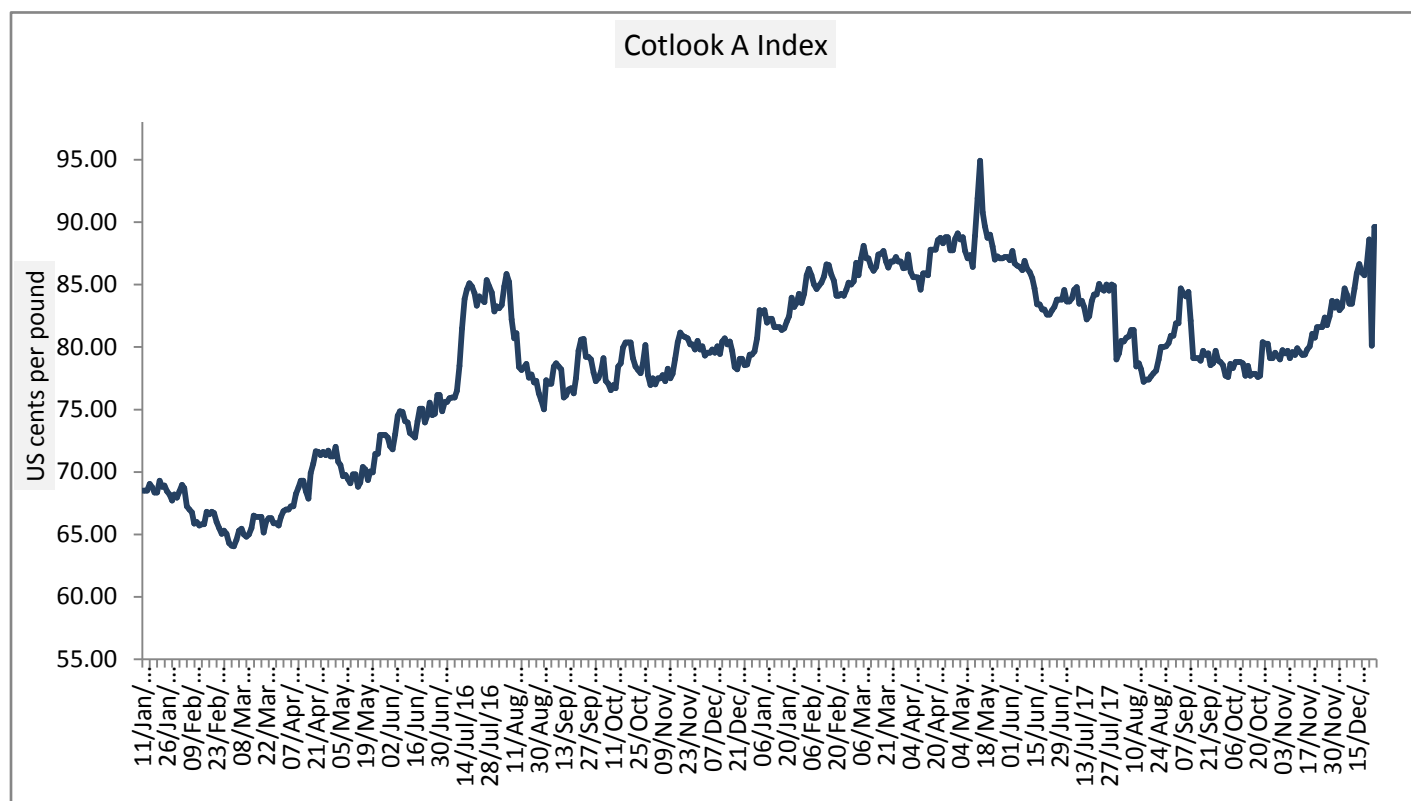
China's cotton stocks are forecast to decrease another 16% to 8.9 million tonnes, which would account for 48% of world stocks in 2017-18. Ending stocks held outside China are expected to increase by 22 per cent to 9.6 million tonnes in 2017-18.

World cotton consumption is expected to increase by 2.7% from 24.56 MMT in 2016-17 to 25.22 MMT in 2017-18. Wherein, China, the world's largest cotton consumer, is expected to consume 8.1 MMT of cotton during 2017-18 which is 1.5% higher than its cotton consumption last year.

ICAC also projected cotton export of 3.1 MMT from U.S (which is the largest cotton exporter in the world) and an import of 1.4 MMT by Bangladesh in 2017-18.

### Cotlook A Index

Cotlook A index remained firm during the month.



Cotlook A Index	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	85.12	80.25	6.1
Prices in US cents per Pound			

### China Cotton Index and Foreign Cotton Index

According to the National Bureau of Statistics, cotton production in China declined by 4.6% in 2017 to 5.34 million tons compared to the previous year. Production has declined amid decline in acreage and yields. Acreage has declined by 11.1 per cent to 3.38 million hectares. Yields of cotton declined by 260,000 tons to 5.34 million tons.

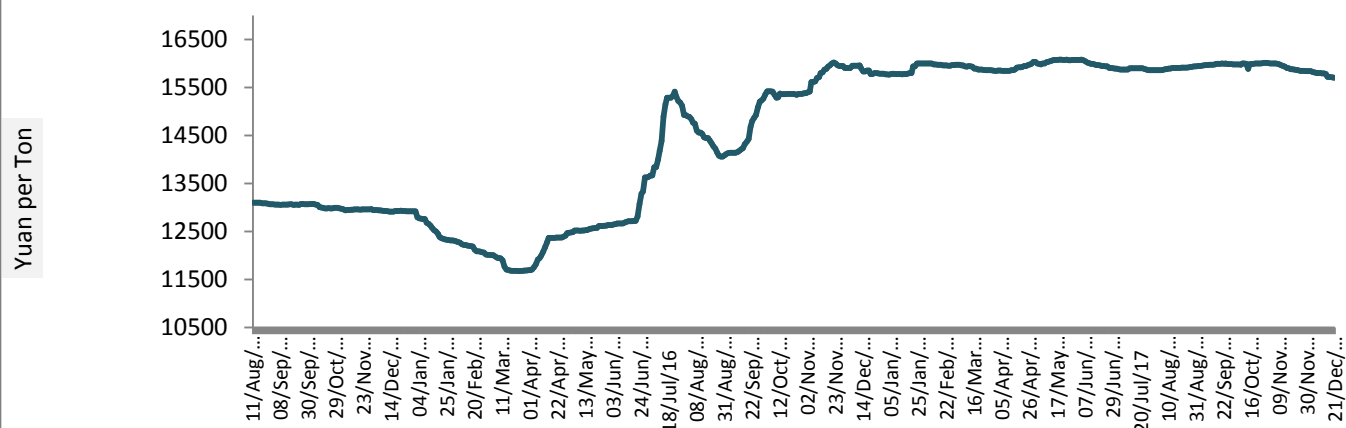
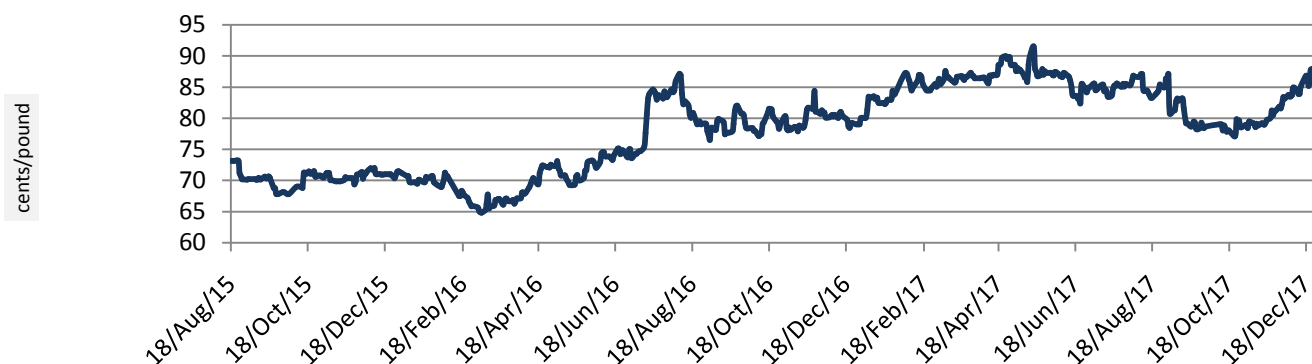
The China Cotton Index (CC Index, base grade 3128B) held to levels near 109 cents/lb in international terms. In domestic terms, the CC Index eased slightly, falling from levels near 16,000 to those near 15,800 RMB/ton.



Cotton Index	Monthly Average Price as on		% Change
	Dec	Nov	
FC (S)	88.76	84.42	5.14
FC (M)	85.48	80.05	6.78
FC (L)	83.69	78.59	6.49
Prices in US cents per Pound			

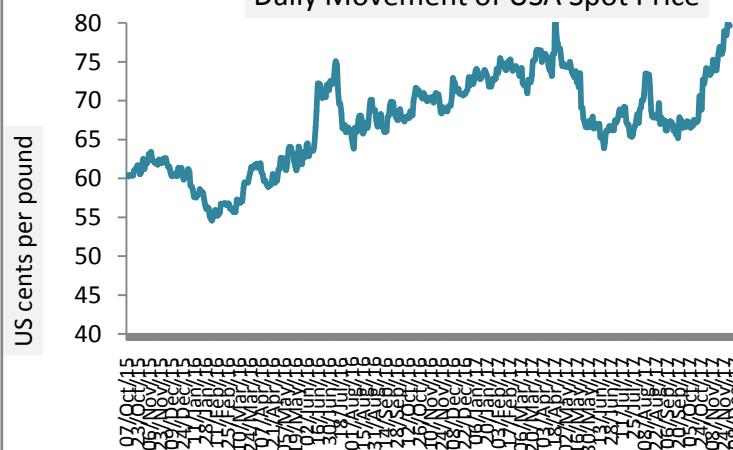
China Index remained pale during the month. CC Index (328) remained 15793 Yuan per ton during the month. Average was 15860 Yuan per ton during previous month.

Cotton Index	Monthly Average Price as on		% Change
	Dec	Nov	
CCIndex(328)	15793	15860	-0.42
CCIndex(527)	14748	14822	-0.50
CCIndex(229)	16313	16369	-0.34
Prices in Yuan per ton			

**China Cotton Index(328)**

**FC Index (M)**


## USA Spot Prices

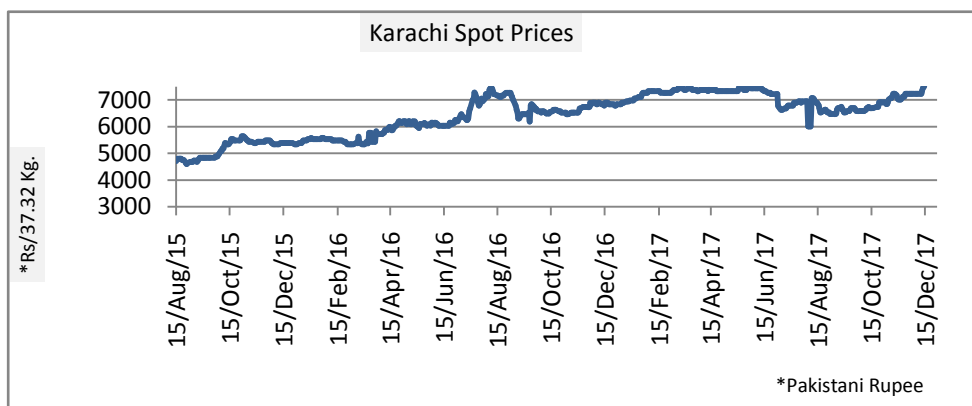
According to latest report of USDA, global 2017/18 cotton ending stocks are revised down this month. Production in China is estimated to be lower, based on arrivals at gins. World ending stocks are now projected at 92.38 million bales

**Daily Movement of USA Spot Price**


USA Spot Prices	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	76.27	68.98	10.57
Prices in US cents per Pound			

### Pakistan Spot Prices

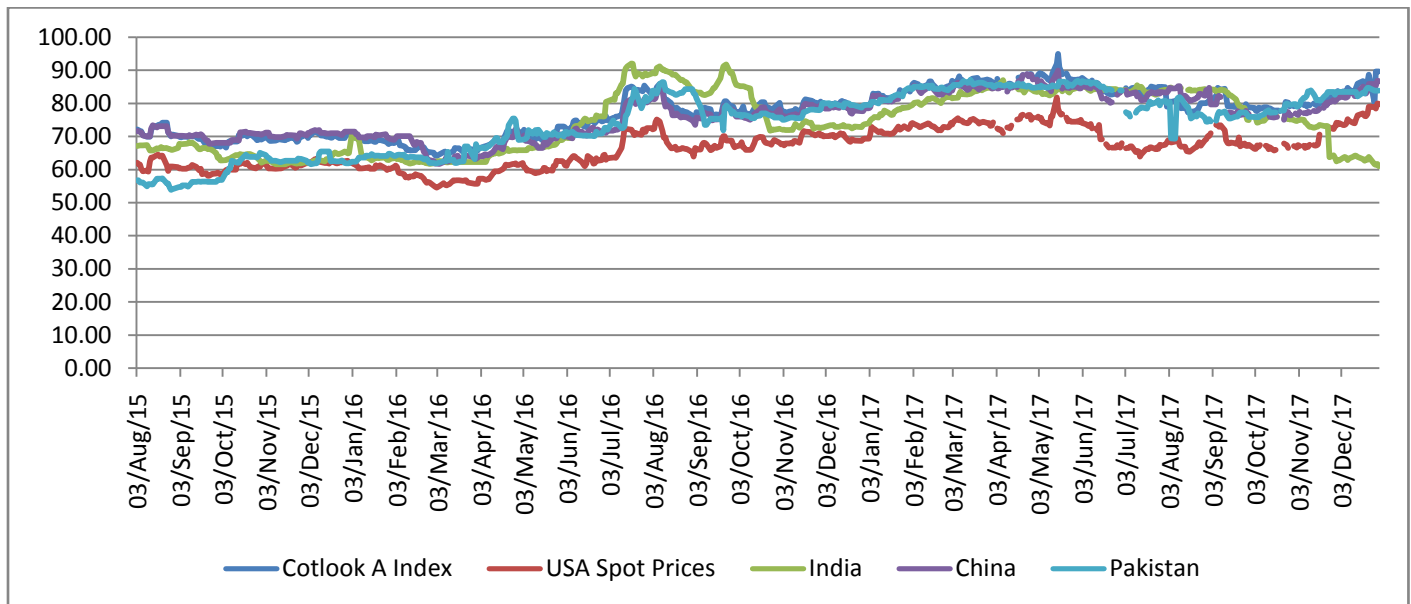
Annual growth in cotton output has slowed to 12.33% as arrivals of phutti (seed cotton) dropped during the outgoing fortnight, dimming hopes of a better cotton harvest this year. The country harvested 10.147 million bales of cotton up to Dec 15, a year-on-year growth of over 12%, according to figures released by the



Pakistan Cotton Ginners Association on Monday. However, phutti arrivals during the outgoing fortnight fell 3% to 389,490 bales.

Karachi Spot Prices	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	7471	7103	5.18
Prices in Rs per 37.32 Kg			

### International Price Comparison



### Technical Analysis of Cotton Future (Dec'17 Contract) at ICE



### Weekly Technical Outlook:

- Candlesticks denote bullish movement in the market.
- Volume decreased while Open Interest increased.
- We expect cotton prices to remain sideways to weak in the coming month.

**Expected Price Range During Coming month**

Expected Trend	Expected Trading Band
Range bound to Bearish Momentum	70.00 to 80.00

**Expected Support and Resistance**

Support 1	Support 2	Resistance 1	Resistance 2
76.50	75.00	81.00	82.00

Figures in US cents/pound

**Cotton Future Prices at ICE**

ICE Futures Cotton							
Contracts	Jan 02	Week Ago	Month ago	Year Ago	%W-o-W change	%M-o-M change	%Y-o-Y change
18-Mar	77.50	75.03	68.97	69.47	3.29	12.37	11.56
18-May	77.77	75.33	70.03		3.25	11.05	
18-Jul	78.14	75.85	70.73		3.04	10.48	
18-Oct	74.77	73.68	69.98		1.44	6.84	
18-Dec	74.13	72.61	69.83		2.06	6.16	
19-Mar	74.22	72.43			2.47		

**Domestic Cotton Prices and Arrivals at Key Centers**
**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Montly Prices Average (Rs./Quintal)		Change
State	Centre	Variety	December,2017	November,2017	
Gujarat	Ahmedabad	Shankar-6	5051	4705	347
	Gondal	Shankar-6	5097	4626	471
	Rajkot	B.T. Cotton	5077	4689	388
	Patan	B.T. Cotton	5096	4675	421
	Kadi	B.T. Cotton	5161	4782	379
	Deesa	B.T. Cotton	4927	NA	-

	Dhrol	B.T. Cotton	5073	4589	484
Punjab	Fazilika	B.T. Cotton	NR	NR	-
	Muktsar	B.T. Cotton	NR	NR	-
Haryana	Bhiwani	B.T. Cotton	5122	4815	307
	Bhiwani	Desi	5906	5194	712
	Adampur	B.T. Cotton	4959	4689	270
	Fatehabad	B.T. Cotton	5010	4755	255
	Jind	B.T. Cotton	5153	4804	349
	Uchana	B.T. Cotton	4997	4785	213
	Dabwali	B.T. Cotton	4840	4595	245
Rajasthan	Hanumangarh	B.T. Cotton	5031	4788	243
	Rawatsar	B.T. Cotton	4915	4635	280
Madhya Pradesh	Khandwa	Mech-1	4899	4580	318
	Khargaon	Mech-1	5083	4730	353
Maharashtra	Amravati	Mech-1	4777	4459	318
	Jamner	Medium Staple	NR	NR	-
Uttar Pradesh	Hathras	B.T. Cotton	5648	6036	-388
	Hathras	Desi	4543	4798	-255
Telangana	Adilabad	Un-Ginned	4752	4400	352
Andhra Pradesh	Guntur	Un-Ginned	3933	3775	158
	Kurnool	Un-Ginned	5184	4597	587
	Krishna	Un-Ginned	4320	4320	Unch
	East Godavari	Un-Ginned	4315	4319	-4
Karnataka	Bijapur	Bunny	5471	4865	607
	Hubli	D.C.H.	5327	4973	354
	Hubli	B.T. Cotton	7066	6095	970
	Raichur	H-44 Cotton	5138	4480	658
Commodity	Lint		Monthly Prices Avg. (Rs./Maund of 37.32kg each)		Change
State	Centre	Variety	December,2017	November,2017	
Punjab	Bhatinda	J-34	4072	3877	196
	Abohar	J-34	4079	3878	201
	Mansa	J-34	4044	3859	185
	Muktsar	J-34	NR	NR	-
	Fazilika	J-34	NR	NR	-
Haryana	Sirsa	J-34	4053	3864	190
Rajasthan	Sri-Ganganagar	J-34	3779	3289	490

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Monthly Sum Arrivals (Quintal)		Change
State	Centre	Variety	December,2017	November,2017	

<b>Gujarat</b>	Ahmedabad	Shankar-6	1276700	1322600	<b>-45900</b>
	Gondal	Shankar-6	52041	65769	<b>-13728</b>
	Rajkot	B.T. Cotton	92270	111800	<b>-19530</b>
	Patan	B.T. Cotton	389669	340110	<b>49559</b>
	Kadi	B.T. Cotton	1030000	1050000	<b>-20000</b>
	Deesa	B.T. Cotton	4716	NA	<b>-</b>
	Dhrol	B.T. Cotton	5267	5784	<b>-517</b>
<b>Punjab</b>	Fazilika	B.T. Cotton	NR	NR	<b>-</b>
	Muktsar	B.T. Cotton	NR	NR	<b>-</b>
<b>Haryana</b>	Bhiwani	B.T. Cotton	65500	86800	<b>-21300</b>
	Bhiwani	Desi	260	485	<b>NR</b>
	Adampur	B.T. Cotton	145088	72546	<b>NR</b>
	Fatehabad	B.T. Cotton	27900	25200	<b>2700</b>
	Jind	B.T. Cotton	26335	18513	<b>7822</b>
	Uchana	B.T. Cotton	79470	64511	<b>14959</b>
	Dabwali	B.T. Cotton	20410	21605	<b>-1195</b>
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	69000	61550	<b>7450</b>
	Rawatsar	B.T. Cotton	74000	49300	<b>24700</b>
<b>Madhya Pradesh</b>	Khandwa	Mech-1	11140	14500	<b>-3360</b>
	Khargaon	Mech-1	133950	175073	<b>-41123</b>
<b>Maharashtra</b>	Amravati	Mech-1	204000	197200	<b>6800</b>
	Jamner	Medium Staple	NR	NR	<b>-</b>
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	333	1032	<b>-699</b>
	Hathras	Desi	159	330	<b>-171</b>
<b>Telangana</b>	Adilabad	Un-Ginned	194773	481142	<b>-286369</b>
<b>Andhra Pradesh</b>	Guntur	Un-Ginned	2925	2035	<b>890</b>
	Kurnool	Un-Ginned	2621	1035	<b>1586</b>
	Krishna	Un-Ginned	NR	NR	<b>-</b>
	East Godavari	Un-Ginned	NR	NR	<b>-</b>
<b>Karnataka</b>	Bijapur	Bunny	52188	93572	<b>-41384</b>
	Hubli	D.C.H.	1627	6332	<b>-4705</b>
	Hubli	B.T. Cotton	1572	446	<b>1126</b>
	Raichur	H-44 Cotton	27437	43490	<b>-16053</b>
<b>Commodity</b>	<b>Lint</b>		<b>Monthly Sum Arrivals (Quintal)</b>		<b>Change</b>
<b>State</b>	<b>Centre</b>	<b>Variety</b>	<b>December,2017</b>	<b>November,2017</b>	
<b>Punjab</b>	Bhatinda	J-34	185300	158780	<b>26520</b>
	Abohar	J-34	29580	31280	<b>-1700</b>
	Mansa	J-34	17340	14960	<b>2380</b>
<b>Haryana</b>	Sirsa	J-34	44370	31790	<b>12580</b>
<b>Rajasthan</b>	Sri-Ganganagar	J-34	51600	41800	<b>9800</b>

**Cotton Association of India Cotton Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				December,2017	November,2017	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	41196	40454	742
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41900	41446	454
J-34(202)	26mm	3.5 - 4.9	23	38196	35900	2296
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	37658	36911	748
Shankar-6(105)	29mm	3.5 – 4.9	28	39146	37514	1632
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	40379	38843	1536
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	42671	41371	1299
DCH-32(107)	34mm	3.0 - 3.8	33	54021	50179	3842

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