

### Domestic Fundamentals:

**Market Outlook:** Cotton prices are expected to Range-bound. Due to improving acreage and weather conditions in top cotton growing states - Gujarat and Maharashtra and incidence of pest attack and increase in MSP by government may keep the prices supported going ahead.

**In the News:** Rainfall in Gujarat was 21% below normal during Jun 1-Sep 10, with the major cotton growing regions of Saurashtra and Kutch reporting a 28% deficit, according to data from the India Meteorological Department. During the same period, the rainfall in Patan, Mehsana, and Banaskantha districts in north Gujarat was 58% below normal. In Gujarat, production of cotton in 2018-19 is estimated to be 88.28 lakh bales, which is 14% lower than last year's production, last year 102 lakh bales of cotton were produced. Despite the increase in the cotton crop in Gujarat, the production of per hectare reduced by less rain.

**Domestic cotton prices are expected to test the highs hit barely a month ago, as low carryover stocks, likely delay in arrivals of the new crop, and chances of a smaller harvest next season may send mills scurrying for supplies over the next couple of months.**

**This kharif season, cotton was sown late in Maharashtra due to delay in arrival of monsoon rains in the state, and also to avoid another attack of pink bollworm, which had eaten into 20-25% of the state's cotton output last year. In Gujarat, too, most cotton growing areas recorded poor rainfall till early August. Though rains have improved over the last three weeks, late sowing is likely to delay cotton picking by more than a month to November.**

**India's cotton output for the 2018-19 season is estimated at 35.0 mln bales, down 4% from 36.5 mln bales harvested a year ago, due to lower acreage and a likely fall in yields, said Atul Ganatra, managing director of Radha Laxmi Group. "September rains will be very crucial for cotton in Gujarat. Any shortfall in rainfall this month will hit the state's (crop) yield.**

**According to first advance estimate shared by State Farm Department, The Cotton output in Telangana is seen falling 7% on year to 4.7 mln bales in 2018-19 (Jul-Jun) due to lower acreage and below-normal rains in the key growing regions So far, in the Jun-Sep monsoon season, Telangana has received 666.1 mm of rainfall, only 2% above normal, according to India Meteorological Department.**

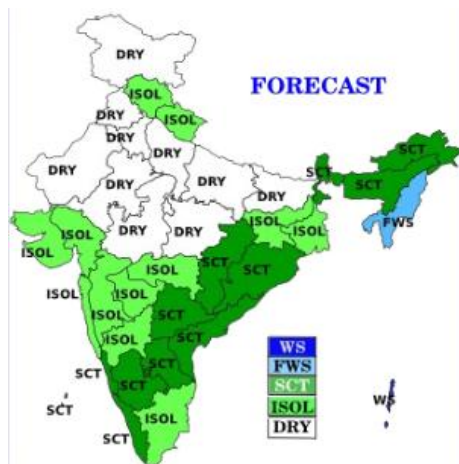
**Punjab cotton farmers are all set for bumper yield this season with a significant jump in price realization, which is expected to be much higher than the government-fixed minimum support price (MSP) of Rs 5,150 per quintal. They have already started getting a price of Rs 5,830 per quintal as was seen in the Abohar subdivision of Fazilka district last week. The gain is almost 30 per cent more than the Rs 4,510 per quintal price they fetched for the same crop last year, said sources in the Market Committee. The arrival of cotton has started picking up in Fazilka district, one of the largest cotton-producing belts. After the commencement of the cotton arrival season on September 1, the district saw arrival of more than 2,400 quintals of cotton last week,**

**The CAI has retained its cotton crop estimate for the ongoing crop year 2017-18 at 365 lakh bales of 170 kgs. each i.e. at the same level as in its estimate made in the previous month. Statements containing the state-wise estimate of the cotton crop and the Balance Sheet for the crop year 2017-18 with the corresponding data for the previous year are enclosed.**

**This kharif cotton harvest season is set to begin on strong price not when compared with last year. Coupled with lower carry over stock and better export prospects, cotton prices have firmed up in the domestic market. As on last Friday, prices in the domestic market hovered around Rs 22,400 for a bale of cotton this is more than Rs 2000 higher from 2015 on the same day last year. Similarly, on the NCDEX of India, cotton prices were at Rs 22800 per bale of the Oct contract. Future price is remained higher by about Rs 3500 per bale from last year levels.**

**Gujarat is India's largest cotton producer, accounting for 108 lakh bales (of 170 kg each) out of the total 365 lakh bales of lint output in 2017-18.** Within Gujarat, over 70 per cent of production is from the Saurashtra region. This year, cotton acreage in the state has risen to 27.03 lakh hectares (lh), compared to 26.17 lh in 2017-18. Of the 27 lh, 19.26 lh has been sown in the 11 districts of Saurashtra as on 03-Oct-2017

### Weather Update:



**17<sup>th</sup> Sep:** Heavy to very heavy rain at isolated places very likely over Andaman & Nicobar Islands and heavy rain at isolated places over Odisha and Coastal Andhra Pradesh.

Overall, the monsoon till August 30 has been 6 per cent less than normal, with several districts of north interior Karnataka, Rayalaseema, Bihar, Jharkhand, Saurashtra and Kutch staring at a shortfall. The rainfall, according to agriculture ministry officials, has been well-distributed, though overall quantum might have been low in some regions. This they said won't have any impact on the overall production of kharif crops in 2018, which is poised for another record.

| SPATIAL DISTRIBUTION (% of Stations reporting) |                                      |            |                               |
|--|--------------------------------------|------------|-------------------------------|
| % Stations                                     | Category                             | % Stations | Category                      |
| 76-100   | Widespread (WS/ Most Places)         | 26-50      | Scattered (SCT/ A Few Places) |
| 51-75  | Fairly Widespread (FWS/ Many Places) | 1-25       | Isolated (ISOL)               |
| Dry (No station reported Rainfall)             |                                      |            |                               |

### International Fundamentals:

**ICE cotton futures settled up on Friday as investors bought after prices fell in the previous three sessions, and posted a weekly loss for the second time in a row.** The most active cotton contract on ICE Futures U.S., the second-month December contract CTc2 CTZ8, settled up 0.32 cent, or 0.39 percent, at 81.83 cents per lb.

**The 2018/19 U.S. cotton estimates include larger production, exports, and ending stocks relative to last month.** Production is raised 447,000 bales, with increases in the Southwest, Delta, and Southeast. Beginning stocks are revised 100,000 bales lower based on indicated stocks as of July 31, 2018, while domestic mill use is reduced slightly in 2017/18 based on recent activity. The forecast range for the marketing-year average farm price is unchanged at 70 to 80 cents per pound.

**On September 12, the China reserve sales of reserve cotton was 30,719.2,395 tons, the actual turnover was 20714.9774 tons, and the turnover rate was 67.43%.** The average transaction price was 14,964 yuan/ton (down 57 yuan/ton from the previous day); the price of 3128 was 16,467 yuan/ton (down 38 yuan/ton from the previous day). From March 12 to September 12, the cumulative turnover of reserve cotton was 2,278,600 tons, and the turnover rate was 58.63%.

**Uzbekistan has planned to stop the export of cotton fiber and to ensure its full processing in the domestic market by 2025,** RIA Novosti reported referring to Head of the Department of Strategic Forecasting of UzTekstilProm (Uzbek Textile Industry). According to her forecasts, in 2018, the industry will be able to process about 520,000 tons of cotton fiber with the current design capacity of 720,000 tons. Every year, the country produces about 3.5 million tons of raw cotton and 1-1.2 million tons of cotton fiber. About 50 percent of the produced cotton fiber is exported.

**Vietnam spent more than US\$2 billion on importing cotton in the first eight months of 2018 – the biggest amount ever spent by the garment and textile sector.** Of the total, imports from the US exceeded \$1 billion, according to the General Department of Vietnam Customs. The increase in spending on cotton imports was attributed to growth in garment and textile exports, as Vietnam depends on nearly 100 per cent imported cotton materials. It estimates it will buy more than \$3 billion worth of cotton this year, up \$700-800 million against the previous year. The country has also set a target of

earning \$34-35 billion from garment and textile exports. Last year, the textile and garment industry gained a year-on-year increase of 10.23 per cent in export value to \$31 billion, beating its target set at the beginning of the year of \$30 billion.

**China Cotton Association released its latest 2018/19 crop forecast at 6.01 million tons**, up 60,000 tons from last month and versus USDA's August estimate at 5.77 million, while other industry sources are pointing to an even higher crop. Favorable moisture with warm weather are benefiting the crop and improving cotton yields across Xinjiang.

**MY 2018/19 cotton area forecast to 11.8 million hectares, 100,000 hectares lower than the official USDA estimate.** The reduction in area is primarily in the two major cotton growing states of Gujarat and Maharashtra. Deficit rains and pest pressures have prompted farmers to either plant alternate crops, or delay/abandon planting altogether

**This month's 2018/19 U.S. cotton forecast includes higher beginning stocks, production, exports, and ending stocks relative to last month.** Production for the 2018 crop is raised 4 percent to 19.2 million bales, on this season's first survey-based production forecast. Beginning stocks are raised 0.4 million bales due to lower-than-expected 2017/18, exports are 0.5 million bales higher, at 15.5 million bales. Ending stocks are 0.6 million bales higher this month. Projected world 2018/19 ending stocks are down 1 percent this month, due to a combination of lower beginning stocks and higher consumption offsetting higher production. Beginning stocks are reduced 0.45 million bales, reflecting both lower production and higher consumption estimates for 2017/18. Production in 2018/19 is increased 0.4 million bales, with higher expected crops in the United States, Argentina, and Turkey offsetting reduced crops in Uzbekistan, Australia, and Turkmenistan. Consumption is raised 660,000 bales, led by a 300,000-bale increase for Pakistan, with smaller increases in Indonesia, Turkey, and other countries.

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

| Contract   | +/-   | Open | High | Low  | Close | Volume | Change | OI   | Change |
|------------|-------|------|------|------|-------|--------|--------|------|--------|
| Oct-18(C1) | -0.65 | 1153 | 1152 | 1150 | -7    | 996    | -78    | 3553 | 127    |

|        |            |  |  |   |   |    |    |
|--------|------------|--|--|---|---|----|----|
| Spread | Oct 18(C1) |  |  | - | - | -- | -- |
| Spot   | 150        |  |  | - | - | -  | -  |
| Oct-18 |            |  |  | - | - | -  | -  |

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

\* Updated at as on 18-Sep 2018

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

| Contract | +/-   | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
|----------|-------|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-18   | -0.18 | 22580 | 22580 | 22440 | 22540 | 833    | 180    | 3471 | 200    |
| Nov-18   | -0.27 | 22560 | 22590 | 22460 | 22520 | 421    | -331   | 2731 | 91     |

|        |        |  |  |   |   |    |    |
|--------|--------|--|--|---|---|----|----|
| Spread | Oct 18 |  |  | - | - | -- | -- |
| Spot   | 220    |  |  | - | - | -  | -  |
| Oct-18 |        |  |  | - | - | -  | -  |

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

\* Updated at as on 18-Sep 2018

Cotton Prices at Key Spot Markets:

| Commodity      | Kapas         |               | Prices (Rs./Quintal) |           | Change |
|----------------|---------------|---------------|----------------------|-----------|--------|
| State          | Centre        | Variety       | 20-Sep-18            | 19-Sep-18 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | NA                   | NA        | -      |
|                | Gondal        | Shankar-6     | NA                   | NA        | -      |
|                | Rajkot        | B.T. Cotton   | 6060                 | 6160      | -100   |
|                | Patan         | B.T. Cotton   | NA                   | NA        | -      |
|                | Kadi          | B.T. Cotton   | NA                   | NA        | -      |
|                | Deesa         | B.T. Cotton   | NA                   | NA        | -      |
|                | Dhrol         | B.T. Cotton   | NA                   | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                   | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NR                   | NR        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 5400                 | 5400      | Unch   |
|                | Bhiwani       | Desi          | NA                   | NA        | -      |
|                | Adampur       | B.T. Cotton   | NA                   | NA        | -      |
|                | Fatehabad     | B.T. Cotton   | 5260                 | 5250      | 10     |
|                | 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                   | NA        | -      |
| Maharashtra    | Amravati      | Mech-1        | NA                   | NA        | -      |
|                | Jamner        | Medium Staple | NA                   | NA        | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 5600                 | 5600      | Unch   |
|                | Hathras       | Desi          | 5200                 | 5200      | Unch   |
| Telangana      | Adilabad      | Un-Ginned     | 5450                 | 5450      | Unch   |
| 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         | 5350                 | 5525      | -175   |
|                | Hubli         | D.C.H.        | NA                   | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                   | NA        | -      |
|                | Raichur       | H-44 Cotton   | 5701                 | 5750      | -49    |
| Commodity      | Lint          |               | Prices (Rs./Maund)   |           | Change |
| State          | Centre        | Variety       | 20-Sep-18            | 19-Sep-18 |        |
| Punjab         | Bhatinda      | J-34          | 4585                 | 4600      | -15    |
|                | Abohar        | J-34          | 4590                 | 4580      | 10     |
|                | Mansa         | J-34          | 4575                 | 4575      | Unch   |
|                | Muktsar       | J-34          | NR                   | NR        | -      |

|           |                |      |      |      |      |
|-----------|----------------|------|------|------|------|
|           | Fazilika       | J-34 | NR   | NR   | -    |
| Haryana   | Sirsa          | J-34 | 4580 | 4580 | Unch |
| Rajasthan | Sri-Ganganagar | J-34 | NA   | NA   | -    |

#### Cotton Arrivals in Key Centers:

| Commodity      | Kapas         |               | Arrivals (Quintal) |           | Change |
|----------------|---------------|---------------|--------------------|-----------|--------|
| State          | Centre        | Variety       | 20-Sep-18          | 19-Sep-18 |        |
| Gujarat        | Ahmedabad     | Shankar-6     | NA                 | NA        | -      |
|                | Gondal        | Shankar-6     | NA                 | NA        | -      |
|                | Rajkot        | B.T. Cotton   | 385                | 260       | 125    |
|                | Patan         | B.T. Cotton   | NA                 | NA        | -      |
|                | Kadi          | B.T. Cotton   | NA                 | NA        | -      |
|                | Deesa         | B.T. Cotton   | NA                 | NA        | -      |
|                | Dhrol         | B.T. Cotton   | NA                 | NA        | -      |
| Punjab         | Fazilika      | B.T. Cotton   | NR                 | NR        | -      |
|                | Muktsar       | B.T. Cotton   | NR                 | NR        | -      |
| Haryana        | Bhiwani       | B.T. Cotton   | 14000              | 15000     | -1000  |
|                | Bhiwani       | Desi          | NA                 | NA        | -      |
|                | Adampur       | B.T. Cotton   | NA                 | NA        | -      |
|                | Fatehabad     | B.T. Cotton   | 400                | 700       | -300   |
|                | 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                 | NA        | -      |
| Maharashtra    | Amravati      | Mech-1        | NA                 | NA        | -      |
|                | Jamner        | Medium Staple | NA                 | NA        | -      |
| Uttar Pradesh  | Hathras       | B.T. Cotton   | 150                | 150       | Unch   |
|                | Hathras       | Desi          | 30                 | 30        | Unch   |
| Telangana      | Adilabad      | Un-Ginned     | NA                 | NA        | -      |
| 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         | 5                  | 21        | -16    |
|                | Hubli         | D.C.H.        | NA                 | NA        | -      |
|                | Hubli         | B.T. Cotton   | NA                 | NA        | -      |
|                | Raichur       | H-44 Cotton   | 22                 | 7         | 15     |
| Commodity      | Lint          |               | Arrivals (Quintal) |           | Change |
| State          | Centre        | Variety       | 20-Sep-18          | 19-Sep-18 |        |
| Punjab         | Bhatinda      | J-34          | 3400               | 1700      | 1700   |
|                | Abohar        | J-34          | 1020               | 383       | 638    |

|                  |                |      |      |      |      |
|------------------|----------------|------|------|------|------|
|                  | Mansa          | J-34 | 425  | 255  | 170  |
| <b>Haryana</b>   | Sirsa          | J-34 | 1360 | 1530 | -170 |
| <b>Rajasthan</b> | Sri-Ganganagar | J-34 | NA   | NA   | -    |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/<br>GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|--------|
|                                       |            |            |                  | 20-Sep-18     | 18-Sep-18     |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15               | 43700         | 43700         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15               | 44200         | 44200         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23               | 44200         | 44500         | -300   |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 - 4.9  | 27               | 44700         | 45100         | -400   |
| Shankar-6(105)                        | 29mm       | 3.5 - 4.9  | 28               | 47000         | 47200         | -200   |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30               | 47400         | 47700         | -300   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31               | 49700         | 49900         | -200   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33               | 58000         | 58700         | -700   |

| Centre    | Unit        | Price     |           | Change |
|-----------|-------------|-----------|-----------|--------|
|           |             | 20-Sep-18 | 19-Sep-18 |        |
| Rajkot    | Rs. /10 Kg. | 770       | 780       | -10    |
| New Delhi | Rs. /10 Kg. | 750       | 750       | Unch   |
| Hyderabad | Rs. /10 Kg. | 780       | 780       | Unch   |
| Mumbai    | Rs. /10 Kg. | 795       | 790       | 5      |

| Centre          | Unit    | Price     |           | Change |
|-----------------|---------|-----------|-----------|--------|
|                 |         | 20-Sep-18 | 19-Sep-18 |        |
| Mahesana (Kadi) | Rs./Qtl | 1847      | 1839      | 8      |
| Akola           | Rs./Qtl | 1738      | 1750      | -12    |

**INTERNATIONAL PRICES AND INDICES**

| <b>China Cotton Index: As on 21-Sep-2018</b> |         |        |
|--|---------|--------|
| Index  | RMB/Ton | Change |
| CCIndex(328)                                 | 16337   | -2     |
| CCIndex(527)                                 | 15142   | 0      |
| CCIndex(229)                                 | 17000   | -5     |
| RMB -Renminbi, 1RMB =0.16 \$U.S.             |         |        |

**China Foreign Cotton (FCE) Index : As on 21-Sep-2018**

| Index        | Cents/lb | Change |
|--------------|----------|--------|
| FC Index (S) | NR       | NR     |
| FC Index (M) | NR       | NR     |
| FC Index (L) | NR       | NR     |

**Cotlook Index: As on 21-Sep-2018**

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index         | 88.30       | 0.15   |

USDA-20.09.2018

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
|             | cents/lb.           |                     | Bales    |
| Southeast   | 78.22               | 80.47               | 0        |
| North Delta | 77.22               | 78.97               | 0        |
| South Delta | 77.22               | 78.97               | 247.0    |
| East TX-OK  | 72.47               | 74.97               | 0        |
| West Texas  | 72.47               | 74.97               | 0        |
| Desert SW   | 72.72               | 76.72               | 0        |
| SJ Valley   | 73.22               | 82.12               | 0        |

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

**Pakistan Cotton Spot rates: As on 20-Sep-2018**

|            |           |              |                  | (in Pakistan Rupees) |
|------------|-----------|--------------|------------------|----------------------|
| Product    | Rate for  | Ex-Gin Price | Up Country Sales | Spot Rate Karachi    |
| Cotton     | 37.32 Kgs | 8200         | 160              | 8360                 |
| Equivalent | 40 Kgs    | 8788         | 171              | 8959                 |

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