

Domestic Fundamentals:

Market Outlook:

Demand for cotton is likely to remain robust in the coming months, both in domestic and international markets. This along with minimum support price hike is likely to keep cotton prices firm. Also, China is expected to purchase large quantities of cotton from India, replacing US as its largest source of cotton which is expected to keep the prices into next season supported.

In the News: Gujarat Old Stock Cotton prices of 29 mm New Crop arrivals sold between 46,450 to 47,150 Rs./Candy.

Outstate arrivals of new Crop Kapas from Madhya Pradesh and Maharashtra have started in good quantities now. All India Daily Arrivals remained 80,000 to 85,000 bales. Gujarat Daily Pressing was approximately 20,000 bales.

Industry experts pointed out that the traders are buying cotton at Rs 50 or Rs 100 more than MSP and once arrivals peak. Cotton Corporation of India (CCI), which was gearing up for procurement operations at Minimum Support Prices (MSP) from farmers may have to wait for a while as prices have gone above the MSP. Cotton prices are ruling at Rs 5,800 per quintal and have jumped up by nearly Rs 800 per quintal in last 10-12 days, according to traders.

The depreciating rupee has made cotton prices favourable for export and countries like China are already actively purchasing the produce. The current price for a candy is between ₹ 45,000 and ₹ 46,000 which makes it feasible for purchasers at local market yards even in erstwhile Adilabad to pay the farmers above the minimum support price of ₹ 5,450 per quintal.

Cotton Corp of India, which had earlier announced launching procurement on Oct 1, is unlikely to start full operations till Diwali as prices in most markets have jumped above the minimum support price, sources said. Prices of raw cotton in the northern zone, which were below the support price at the beginning of this month, are now hovering around 5,500 rupees per 100 kg. Diwali celebrations start on Nov 7 and last for about a week.

Cotton prices are expected to remain firm in the long term with traders expecting export demand to pick up. Current delays in the arrival of crop in Gujarat and Rajasthan mandis may also support the prices. Agriwatch expect prices to move from the current Rs 5800 per Qtl of 170 kg each to Rs 6300 per Qtl in October. Increased demand from China, Bangladesh and Vietnam and the opening up of the Pakistan market for Indian cotton could firm up prices further.

Cotton Corporation of India (CCI) proposes to open 43 cotton purchase centres in the AP state to purchase cotton because cotton arrivals will start in the next 15-days. Taking demand into consideration, the Central government has fixed Rs.5,450 as minimum support price (MSP) per quintal. The MSP for cotton was Rs 4,350 per quintal during last year.

Gujarat Old Stock Cotton prices of 29 mm New Crop arrivals sold between 45,600 to 46,600 Rs./Candy. Outstate arrivals of new Crop Kapas from Madhya Pradesh and Maharashtra have started in Some quantities. All India Daily Arrivals remained 55,000 to 60,000 bales. Gujarat Daily Pressing was approximately 6,000 -7,000 bales.

Rains have damaged around 70% cotton fields in the Haryana state and crop loss in some areas may be very high. Overall, the yield may drop to around 390 kg per ha, the official said. The state, in its first estimate for 2018-19 crop output pegged cotton output at 1.70 mln bales (1 bale = 170 kg) with acreage at 669,000 ha and yield at 432 kg per ha. At a yield of 390 kg per ha, output from 669,000 ha will be a little over 1.53 mln bales. As per the preliminary survey, 51-75% crop has been damaged over 100,000 ha, 26-50% on 190,000 ha, and up to 25% on 185,000 ha. Crop over 486,000 ha, which is 70% of the total area under the crop, has been damaged anywhere between 5% and 75%, the official said. Hisar and Sirsa are major cotton producing districts that have been severely affected by the rainfall in September. Haryana is the major producer of cotton in north India.

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The Cotton Corp of India will soon commence procurement of raw cotton in Punjab, Haryana and Rajasthan, once the new crop conforms to quality norms fixed for the current season that started Monday, a senior official said. CCI keeping a close watch and awaiting quality arrivals in the market as recent rains have led to moisture above the stipulated norms for the fair-average quality material.

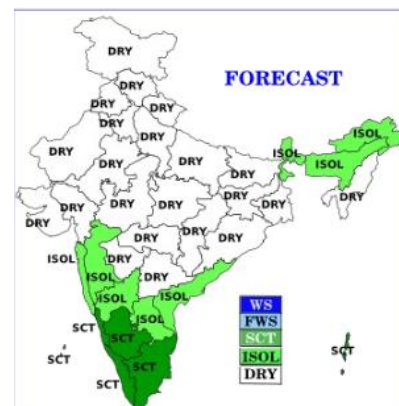
Cotton October prices were slightly up in during the week on the Multi-Commodity Exchange (MCX) on emergence of some demand after Cotton Association of India (CAI) projected a decline in output in its first cotton estimate. CAI trimmed cotton crop estimates for 2018-19 season to 34.8 million bales from 36.5 million bales in 2017-18. Cotton sowing was reported at 12.06 million hectares for 2018-19 compared to 12.17 million hectare last year, according to Central government data.

CCI has geared up for large-scale MSP operations across the country as the Centre announced an MSP increase of 26-28 per cent for the fibre crop over last year. For the long staple variety, MSP has been increased by 26.16 per cent to ₹5,450 per quintal, while for the medium staple, MSP hike has been 28 per cent to ₹5,150 per quintal. CCI have already opened 330 centres and if required, may go up to 390 said P Alli Rani, Chairman and ND, CCI. Though CCI has opened 330 procurement centres across key growing states since October 1, purchases at support price have not begun so far due to the higher moisture content of over 12 per cent in cotton offered to CCI. Last year, CCI had procured less than four lakh bales under MSP operations, since the market prices rose quickly and went above MSP rates. This year since MSP rates are much higher, the probability of higher volumes being purchased under MSP is high

Weather Update:

24th Oct. No weather warning.

The weather pattern's possible emergence and its impact on the north-west monsoon is an annual cause of concern for policymakers in India, where 60% of the crop area lacks assured irrigation. The summer-sown Kharif crop, which accounts for half of India's foodgrain output, is particularly dependent on monsoon rainfall. El Nino is part of a natural process, characterised by a warming in the Pacific Ocean, with repercussions across the globe, including higher temperatures and drought in some parts.



International Fundamentals:

December cotton closed up 200-plus points on Monday as traders finally awoken to the fact yields across the cotton belt will be greatly diminished into late harvest. After being tormented all season by droughts, rains, hurricanes and freezes, the crop will be dramatically curtailed in USDA's November supply-demand report.

The latest U.S. Department of Agriculture (USDA) cotton estimates for 2018/19 project world ending stocks to decrease 8 percent from the previous season to 74.4 million bales. With global cotton mill use forecast to exceed production, world stocks are expected to decline 6.4 million bales by season's end, as lower stocks in China in 2018/19 more than offset higher stocks outside of China.

According to customs' statistics of major exporters, arrivals of imported yarn in Sep are assessed at 142kt, down by 29% on the month. Of the total, cotton yarn containing over 85% cotton reached about 133kt. The major origins are Vietnam (50kt), India (28kt), Pakistan (28kt), Indonesia (8kt), Uzbekistan (9kt), Taiwan (7kt) and other regions and countries (12kt).

U.S. exporters struggle with a stronger dollar, cotton sales also have slowed. This week's Export Sales report showed just 70,300 bales of net new sales for 2018-19. China cancelled 50,200 bales for 2018-19 and rebooked 56,400 for 2019-20. Vietnam accounted for nearly half of this week's net new sales at 34,700 bales of new orders. However, this does not necessarily mean that demand is gone.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|------------|-----|------|--------|------|-------|--------|--------|------|--------|
| Oct-18(C1) | 0 | 1200 | 1206.5 | 1196 | 1198 | 3266 | -52 | 6286 | 453 |

| | | | | | | |
|--------|------------|--|---|---|----|----|
| Spread | Oct 18(C1) | | - | - | -- | -- |
| Spot | 1 | | - | - | - | - |
| Oct-18 | | | - | - | - | - |

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

* Updated at as on 23 Oct 2018

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-------|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-18 | -0.22 | 23200 | 23250 | 23040 | 23100 | 642 | 213 | 1592 | -611 |
| Nov-18 | -0.17 | 22940 | 23000 | 22800 | 320 | 1167 | 177 | 3935 | 240 |

| | | | | | | |
|--------|--------|--|---|---|----|----|
| Spread | Oct 18 | | - | - | -- | -- |
| Spot | 250 | | - | - | - | - |
| Oct-18 | | | - | - | - | - |

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

* Updated at as on 23-Oct- 2018

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|-----------|-----------|-------------|----------------------|-----------|--------|
| State | Centre | Variety | 23-Oct-18 | 22-Oct-18 | |
| Gujarat | Ahmedabad | Shankar-6 | 6125 | 6050 | 75 |
| | Gondal | Shankar-6 | 6055 | 6055 | Unch |
| | Rajkot | B.T. Cotton | 6125 | 6025 | 100 |
| | Patan | B.T. Cotton | 6025 | 6060 | -35 |
| | Kadi | B.T. Cotton | 6200 | 6200 | Unch |
| | Deesa | B.T. Cotton | 5700 | 5635 | 65 |
| | Dhrol | B.T. Cotton | 6005 | 5935 | 70 |
| Punjab | Fazilika | B.T. Cotton | NR | NR | - |

| | | | | | |
|-----------------------|----------------|----------------|---------------------------|------------------|---------------|
| | Muktsar | B.T. Cotton | NR | NR | - |
| Haryana | Bhiwani | B.T. Cotton | 5480 | 5450 | 30 |
| | Bhiwani | Desi | 6000 | 5900 | 100 |
| | Adampur | B.T. Cotton | 5425 | 5350 | 75 |
| | Fatehabad | B.T. Cotton | 5410 | 5350 | 60 |
| | Jind | B.T. Cotton | 5525 | 5500 | 25 |
| | Uchana | B.T. Cotton | 5510 | 5440 | 70 |
| | Dabwali | B.T. Cotton | 5345 | 5270 | 75 |
| Rajasthan | Hanumangarh | B.T. Cotton | 5450 | 5400 | 50 |
| | Rawatsar | B.T. Cotton | 5380 | 5280 | 100 |
| Madhya Pradesh | Khandwa | Mech-1 | 5600 | 5600 | Unch |
| | Khargaon | Mech-1 | 5650 | 5705 | -55 |
| Maharashtra | Amravati | Mech-1 | NA | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 6000 | 6000 | Unch |
| | Hathras | Desi | 4800 | 4700 | 100 |
| Telangana | Adilabad | Un-Ginned | 5710 | 5650 | 60 |
| 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 | 6127 | 6119 | 8 |
| | Hubli | D.C.H. | NA | 6007 | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 5925 | 5911 | 14 |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 23-Oct-18 | 22-Oct-18 | |
| Punjab | Bhatinda | J-34 | 4650 | 4585 | 65 |
| | Abohar | J-34 | 4675 | 4590 | 85 |
| | Mansa | J-34 | 4550 | 4540 | 10 |
| | Muktsar | J-34 | NR | NR | - |
| | Fazilika | J-34 | NR | NR | - |
| Haryana | Sirsa | J-34 | 4640 | 4600 | 40 |
| Rajasthan | Sri-Ganganagar | J-34 | 4371 | 4254 | 118 |

Cotton Arrivals in Key Centers:

| | | | | | |
|------------------|---------------|----------------|---------------------------|------------------|---------------|
| Commodity | Kapas | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 23-Oct-18 | 22-Oct-18 | |
| Gujarat | Ahmedabad | Shankar-6 | 17000 | 17000 | Unch |
| | Gondal | Shankar-6 | 1969 | 1849 | 120 |
| | Rajkot | B.T. Cotton | 3010 | 2800 | 210 |
| | Patan | B.T. Cotton | 27769 | 22614 | 5155 |
| | Kadi | B.T. Cotton | 10000 | 5000 | 5000 |
| | Deesa | B.T. Cotton | 35 | 15 | 20 |

| | | | | | |
|-----------------------|----------------|----------------|---------------------------|------------------|---------------|
| | Dhrol | B.T. Cotton | 194 | 224 | -30 |
| Punjab | Fazilika | B.T. Cotton | NR | NR | - |
| | Muktsar | B.T. Cotton | NR | NR | - |
| Haryana | Bhiwani | B.T. Cotton | 12000 | 18000 | -6000 |
| | Bhiwani | Desi | 200 | 200 | Unch |
| | Adampur | B.T. Cotton | 1700 | 3400 | -1700 |
| | Fatehabad | B.T. Cotton | 900 | 1000 | -100 |
| | Jind | B.T. Cotton | 1020 | 1275 | -255 |
| | Uchana | B.T. Cotton | 3335 | 3200 | 135 |
| | Dabwali | B.T. Cotton | 1125 | 1800 | -675 |
| Rajasthan | Hanumangarh | B.T. Cotton | 3000 | 5000 | -2000 |
| | Rawatsar | B.T. Cotton | 2000 | 2000 | Unch |
| Madhya Pradesh | Khandwa | Mech-1 | 269 | 2682 | -2413 |
| | Khargaon | Mech-1 | 12110 | 5200 | 6910 |
| Maharashtra | Amravati | Mech-1 | NA | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 150 | 200 | -50 |
| | Hathras | Desi | 125 | 50 | 75 |
| Telangana | Adilabad | Un-Ginned | 13966 | 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 | 1242 | 1644 | -402 |
| | Hubli | D.C.H. | NA | 26 | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 795 | 1020 | -225 |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 23-Oct-18 | 22-Oct-18 | |
| Punjab | Bhatinda | J-34 | 10200 | 11900 | -1700 |
| | Abohar | J-34 | 1700 | 2040 | -340 |
| | Mansa | J-34 | 850 | 1020 | -170 |
| Haryana | Sirsa | J-34 | 1700 | 1700 | Unch |
| Rajasthan | Sri-Ganganagar | J-34 | 700 | 1800 | -1100 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|---------------|---------------|------------|
| | | | | 22-Oct-18 | 20-Oct-18 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 43300 | 42800 | 500 |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 43800 | 43300 | 500 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | NA | NA | - |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | NA | NA | - |

| | | | | | | |
|---------------------|------|-----------|----|-------|-------|-------------|
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 46800 | 46600 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 46700 | 46500 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 48500 | 49100 | -600 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 57600 | 58100 | -500 |

Refined Cottonseeds oil (10 KG)

| Centre | Unit | Price | | Change |
|-----------|-------------|-----------|-----------|-------------|
| | | 23-Oct-18 | 22-Oct-18 | |
| Rajkot | Rs. /10 Kg. | 760 | 760 | Unch |
| New Delhi | Rs. /10 Kg. | 735 | 735 | Unch |
| Hyderabad | Rs. /10 Kg. | 760 | 760 | Unch |
| Mumbai | Rs. /10 Kg. | 780 | 785 | -5 |

Cotton seed oil cake Rs/Qtl

| Centre | Unit | Price | | Change |
|-----------------|---------|-----------|-----------|------------|
| | | 23-Oct-18 | 22-Oct-18 | |
| Mahesana (Kadi) | Rs./Qtl | 1988 | 1997 | -9 |
| Akola | Rs./Qtl | 1770 | 1786 | -16 |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 23-Oct-2018

| Index | RMB/Ton | Change |
|----------------------------------|---------|------------|
| CCIndex(328) | 15870 | -9 |
| CCIndex(527) | 14863 | -18 |
| CCIndex(229) | 16573 | -3 |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | |

China Foreign Cotton (FCE) Index : As on 23-Oct-2018

| Index | Cents/lb | Change |
|--------------|----------|-------------|
| FC Index (S) | 94.4 | 1.45 |
| FC Index (M) | 90.71 | 1.7 |
| FC Index (L) | 88.87 | 1.64 |

Cotlook Index: As on 22-Oct-2018

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|----------|
| A-Index | 87.25 | 0 |

USDA-19.10.2018

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | Bales |
| Southeast | 79.77 | 82.02 | 145 |
| North Delta | 78.77 | 80.52 | 0 |
| South Delta | 78.77 | 80.52 | 0 |
| East TX-OK | 75.02 | 77.52 | 2587 |
| West Texas | 74.52 | 77.02 | 321 |
| Desert SW | 74.27 | 78.27 | 0 |
| SJ Valley | 74.77 | 83.67 | 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 22-Oct-2018 | | | | (in Pakistan Rupees) |
|---|----------|--------------|------------------|----------------------|
| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
| Cotton | 37.32 kg | 8750 | 160 | 8910 |
| Equivalent | 40 kg | 9377 | 171 | 9548 |

| Daily Futures Price Listing Mon October 22, 2018 | | | | | | | | | |
|--|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Cotton(ICE) | | | | | | | | | |
| Dec-18 | 181022 | 77.85 | 80.14 | 77.76 | 80.02 | 2.1 | 14,282 | 1,34,739 | -2,046 |
| Mar-19 | 181022 | 79.36 | 81.57 | 79.28 | 81.45 | 2.09 | 8,061 | 73,802 | 1,750 |
| May-19 | 181022 | 80.48 | 82.51 | 80.46 | 82.39 | 1.94 | 1,990 | 16,033 | 206 |
| Jul-19 | 181022 | 81.24 | 83.09 | 81.21 | 82.97 | 1.74 | 660 | 9,617 | 194 |
| Oct-19 | 181022 | 79.6 | 79.6 | 79.6 | 79.6 | 1.43 | 1 | 4 | 1 |
| Dec-19 | 181022 | 76.69 | 77.75 | 76.69 | 77.58 | 0.9 | 260 | 26,799 | -54 |
| Total Volume and Open Interest | | | | | | | 25,254 | 2,62,749 | 51 |

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