

## **Domestic Fundamentals:**

### **Market Outlook:**

Cotton spot market prices expected to trade remain sideways to weak tone due to sluggish demand. Arrivals are also down an further expectation to be in slow pace as sellers want better prices. In long run, prices may get support to rise after export demand from China, Bangladesh, Vietnam and opening up of Pakistan market.

### **In the News:**

**Daily arrivals are around 160'000 bales. Trading activities remained lackluster with slow demand from the export market and domestic mills.** The Cotton Corporation of India has procured about 51'000 bales at the minimum Support Price in the current season.

**In AP and Telanagana states cotton yields have fallen significantly, in red soil states, yields have fallen by up to 60 Per cent, while in black soil areas, it is a 50 per cent drop.** Against the average of 8-10 quintals an acre, farmers have got 2-6 quintals depending on the availability of water and the intensity of the Pink bollworm attack. Poor yields have resulted in reduction in cotton arrivals at markets.

**India's cotton exports, which had slowed in November due to adverse currency movements and volatile prices. Since October, deals for the export of over 2.5 million bales of cotton have been signed, of this total quantity around 1.5 mln bales have already shipped, while the rest will be exported in Dec-Jan.** The deals struck at 84-86 cents per pound, are for exports to Bangladesh, Vietnam, Indonesia, Pakistan and China.

**The country has exported close to 10 lakh bales of cotton so far to Bangladesh, Vietnam and Indonesia this kharif season, according to industry experts.** The total exports are likely to touch 65 lakh bales even as cotton purchases made by the Cotton Corporation of India remain tepid on weak arrivals. The cotton prices are hovering around minimum support prices (MSP) of Rs 5,150 per quintal for medium staple variety and Rs.5,450 per quintal for long staple variety. The MSP for this season is Rs 1,130 per quintal higher as compared to last year.

**At Akola, the crop is 135 to 140 days old at boll development and bursting stage. No infestation of weeds. Due to early withdrawal of rains, flowering and growth development stages of cotton was affected.** Overall season was not good for cotton crop due to excess rainfall and heavy incidence of sucking pest in the region resulted heavy reduction of yield. Pickings are in progress.

**In Maharashtra, cotton prices are hovering near minimum support prices, procurement by the Cotton Corp of India has so far received tepid response.** "Farmers have held back produce on belief that prices will rise for sure after Makar Sankranti festival (which falls around mid-January) due to a smaller crop," said an official at Maharashtra State Co-Operative Cotton Growers Marketing Federation. The minimum support price for medium-staple variety of cotton is 5,150 rupees per 100 kg, and that for long staple at 5,450 rupees per 100 kg, both 1,130 rupees higher on year. Prices at Cotton Corp's procurement centres in Aurangabad and Akola had been at intervention levels over the last couple of days. However, Cotton Corp could procure just a couple of hundred of bales so far at both the centres. "Arrivals in most centres in Maharashtra have not picked up as expected as farmers are hoarding the crop or selling it to private ginners and millers at higher prices," a senior official at Cotton Corp said.

**In Adoni cotton prices are trading in the range of 4800-5700 Rs/ Qtls, due to deficient of rainfall for the season the bolls has not developed properly, crop yields around 3qtls per acre.** Daily arrivals were witnessed around 3000 qtls and arrivals are expected to till feb in the market.

**In the WTO's Committee on Agriculture on November 26-27, 2018, India rejects the allegation of U.S that the country provides substantial market price for cotton well in excess of India's WTO (World Trade Organization) spending limits.** India says that market price support will help to the poor growers of crop.

**According to the Cotton Advisory board, the cotton production of India is placed 2 to 3% lower to 36 mln bales in 2018-19 as compared to its estimates of 2017-18 followed by lower production estimates in Gujarat and Maharashtra on account of scanty rains. As per IMD, Gujarat got 484.6 mm rainfall, 28% below the normal, while Maharashtra got 925.8 mm rainfall, 8% below normal during the July-September 2018.**

**Cotton Corporation of India (CCI) has started procurement of cotton at Minimum Support Price (MSP) from farmers in Warangal district and Mehboob Nagar of Telangana. The process is yet to pick up pace with cotton prices already hovering over Minimum Support Price (MSP). The procurement operations have just started and the Corporation has purchased nearly 3,000 bales from Warangal and 50 bales from Mehboob Nagar. Some bales are also procured from Akola in Maharashtra. The cotton prices are ruling above MSP in most cotton producing regions and arrivals are yet to pick up.**

**In Karnataka early sown crop is 140 -150 days old, but in majority area the crop is 135 days old. The crop is at boll opening stage in majority areas. First kapas picking is completed in early sown crop. Desi cotton crop is in growing vegetative stage. Dry spell prevailed during this week in all cotton growing districts with lower night temperature and dry weather during day time. Karnataka cotton prices of 29<sup>+</sup> mm sold between 44500 to 47,000 Rs./Candy during the week.**

**As prevailing weather conditions and water scarcity hit cotton yields in key growing regions, trade body Cotton Association of India (CAI) has further trimmed its crop estimate to 343.25 lakh bales (each of 170 kg) for the season 2018-19 beginning from October 1. Earlier CAI, at the Cotton India 2018 meet in Aurangabad last month, had projected the crop size at 348 lakh bales for the year 2018-19, 365 lakh bales lower than 2017-18. CAI cited water shortage and climatic adversities as factors affecting the crop in the key growing regions of Gujarat, Maharashtra and Karnataka. The CAI has revised downwards the crop estimate for Gujarat by 2 lakh bales, Maharashtra by 1 lakh bales, Karnataka by 1 lakh bales and Orissa by 75 thousand bales than compared to its previous estimate due to unfavourable weather conditions.**

**The Chinese are substituting their cotton imports from US with India. India's cotton exports to China may see a fivefold jump to 4 million bales in the marketing year 2018-19 starting Oct 1 against 0.8 million tonnes in 2017-18, after China slapped a 25% additional duty on imports of the fibre from the US. India's forward export contracts of cotton have more than doubled from about 7 lakh bales in Sep 2017.**

#### Weather Update:

**11.12. 2018:** Heavy rain very likely at isolated places over Andaman & Nicobar Islands. Squally weather is very likely to prevail over Equatorial Indian Ocean and adjoining central parts of south Bay of Bengal.

#### International Fundamentals:

**In the international cotton market, cotton prices have dropped from 84 to 79 cents on New York futures in last 15 days. The candy rates (356 kg) for the commodity have come down to 44,000 from 47,500. However, the prices of the commodity in AP, Maharashtra, Telangana, Madhya Pradesh are stable on poor arrivals.**

**ICE cotton futures rose about 2 percent on Wednesday, after prices broke past a key technical resistance level and on expectations of new buying of the natural fiber by China, after the recent G-20 summit. The most active cotton contract on ICE Futures U.S., the March contract settled up 1.34 cents, or 1.70 percent, at 81.15 cents per lb.**



*From a fundamental point of view we see no reason for the market to rally. There is plenty of cotton around at the moment and the fact that we have such a large amount of tenderable 41 style cotton should keep a lid on the market. It would help if China were able to come back into the market to absorb some of these lower qualities, which is why traders are keenly awaiting the outcome of the US-China trade talks at the G-20 meeting this weekend.*

*As per Reuter news, USDA expect that Uzbekistan's cotton planting area and production for marketing year (MY) 2018/19 will stand 1.17 million hectares and 3.35 million bales (480 pound bales) which is 730,000 MT. Yield are estimated down due to adverse growing conditions in almost all regions. There has been rapid expansion of the new "cotton-textile cluster" project, driving investment and modernization of each stage of production from cotton to textiles. Domestic cotton consumption is increasing year by year with new investments that are reducing cotton availability for exports. Accordingly, MY 2018/19 domestic consumption is estimated at about 2.66 million bales (580,000 MT) and exports at 1.05 million bales (230,000 MT).*

*As per sources, cotton production in Zimbabwe for the 2017/18 increased by 73.1 million kg to 142.7 million kg. in October 2018 against last year record during the same period last year. In the 2018 marketing season, farmers were paid minimum prices ranging from 51.7 cents to 55 cents per kg before grade adjustments.*

*As per the recent USDA Recent Report, 15 states of the world have picked total 98% of the 2017 cotton area so far. As on November 26, 2018. Farmers have picked total 70% of cotton which is lower than previous year record i.e. 78% in the corresponding period of time due adverse weather condition. While, current harvested crop size is more than last week record i.e. 59%. It has reported average 77% of total picked cotton crop size during 2013 to 2017 period of time.*

| MCX Cotton Futures*: (Prices in Rs/170 kgs) |        |       |       |       |       |        |        |      |        |
|---|--------|-------|-------|-------|-------|--------|--------|------|--------|
| Contract                                    | +/-    | Open  | High  | Low   | Close | Volume | Change | OI   | Change |
| Dec-18                                      | 0.59   | 21950 | 22160 | 21950 | 22040 | 1270   | 852    | 5568 | -77    |
| Jan-19                                      | 0.77   | 22220 | 22400 | 22200 | 260   | 698    | 457    | 2000 | 209    |
| Spread                                      | Dec-18 |       |       | -     | -     | --     | --     |      |        |
| Spot  | -240   |       |       |       | -     | -      | -      |      |        |
| Jan-19                                      |        |       |       |       | -     | -      | -      |      |        |

(NB: Spread Basis = Spot- Near Month Future)  
\* Updated at as on 10-Dec- 2018

### DOMESTIC PRICES AND ARRIVALS

#### Cotton Prices at Key Spot Markets:

| Commodity | Kapas     |             | Prices (Rs./Quintal) |          | Change |
|-----------|-----------|-------------|----------------------|----------|--------|
| State     | Centre    | Variety     | 10-Dec-18            | 8-Dec-18 |        |
| Gujarat   | Ahmedabad | Shankar-6   | 5700                 | 5650     | 50     |
|           | Gondal    | Shankar-6   | 5705                 | 5620     | 85     |
|           | Rajkot    | B.T. Cotton | 5725                 | 5650     | 75     |
|           | Patan     | B.T. Cotton | 5725                 | 5685     | 40     |
|           | Kadi      | B.T. Cotton | 5800                 | 5750     | 50     |

|                | Deesa          | B.T. Cotton   | 5350                 | 5275     | 75     |
|----------------|----------------|---------------|----------------------|----------|--------|
|                | Dhrol          | B.T. Cotton   | 5545                 | 5505     | 40     |
| Haryana        | Bhiwani        | B.T. Cotton   | 5700                 | 5650     | 50     |
|                | Bhiwani        | Desi          | 5800                 | 5800     | Unch   |
|                | Adampur        | B.T. Cotton   | 5540                 | 5480     | 60     |
|                | Fatehabad      | B.T. Cotton   | 5525                 | 5450     | 75     |
|                | Jind           | B.T. Cotton   | 5780                 | 5660     | 120    |
|                | Uchana         | B.T. Cotton   | 5520                 | 5480     | 40     |
|                | Dabwali        | B.T. Cotton   | 5480                 | 5390     | 90     |
| Rajasthan      | Hanumangarh    | B.T. Cotton   | 5500                 | 5500     | Unch   |
|                | Rawatsar       | B.T. Cotton   | 5500                 | Closed   | -      |
| Madhya Pradesh | Khandwa        | Mech-1        | 5450                 | 5450     | Unch   |
|                | Khargaon       | Mech-1        | 5555                 | 5615     | -60    |
| Maharashtra    | Amravati       | Mech-1        | 5700                 | 5650     | 50     |
|                | Jamner         | Medium Staple | NA                   | NA       | -      |
| Uttar Pradesh  | Hathras        | B.T. Cotton   | 5900                 | 5900     | Unch   |
|                | Hathras        | Desi          | 4900                 | 4900     | Unch   |
| Telangana      | Adilabad       | Un-Ginned     | NR                   | NR       | -      |
| Karnataka      | Bijapur        | Bunny         | NR                   | NR       | -      |
|                | Hubli          | D.C.H.        | NR                   | 5725     | -      |
|                | Hubli          | B.T. Cotton   | NR                   | 6640     | -      |
|                | Raichur        | H-44 Cotton   | 5700                 | 5680     | 20     |
| Commodity      | Lint           |               | Prices (Rs./Maunder) |          | Change |
| State          | Centre         | Variety       | 10-Dec-18            | 8-Dec-18 |        |
| Punjab         | Bhatinda       | J-34          | 4460                 | 4420     | 40     |
|                | Abohar         | J-34          | 4450                 | 4425     | 25     |
|                | Mansa          | J-34          | 4450                 | 4400     | 50     |
| Haryana        | Sirsa          | J-34          | 4460                 | 4410     | 50     |
| Rajasthan      | Sri-Ganganagar | J-34          | 4136                 | 4136     | Unch   |

Cotton Arrivals in Key Centers:

| Commodity | Kapas     |             | Arrivals (Quintal) |          | Change |
|-----------|-----------|-------------|--------------------|----------|--------|
| State     | Centre    | Variety     | 10-Dec-18          | 8-Dec-18 |        |
| Gujarat   | Ahmedabad | Shankar-6   | 51000              | 42500    | 8500   |
|           | Gondal    | Shankar-6   | 2910               | 2755     | 155    |
|           | Rajkot    | B.T. Cotton | 5800               | 5400     | 400    |
|           | Patan     | B.T. Cotton | 11130              | 14740    | -3610  |
|           | Kadi      | B.T. Cotton | 20000              | 35000    | -15000 |
|           | Deesa     | B.T. Cotton | 135                | 135      | Unch   |
|           | Dhrol     | B.T. Cotton | 585                | 687      | -102   |
| Haryana   | Bhiwani   | B.T. Cotton | 4000               | 3000     | 1000   |

|                |                |               |                    |          |        |
|----------------|----------------|---------------|--------------------|----------|--------|
|                | Bhiwani        | Desi          | NA                 | NA       | -      |
|                | Adampur        | B.T. Cotton   | 850                | 850      | Unch   |
|                | Fatehabad      | B.T. Cotton   | 900                | 1100     | -200   |
|                | Jind           | B.T. Cotton   | 1400               | 980      | 420    |
|                | Uchana         | B.T. Cotton   | 4665               | 3560     | 1105   |
|                | Dabwali        | B.T. Cotton   | 1250               | 1000     | 250    |
| Rajasthan      | Hanumangarh    | B.T. Cotton   | 7000               | 1800     | 5200   |
|                | Rawatsar       | B.T. Cotton   | 2000               | Closed   | -      |
| Madhya Pradesh | Khandwa        | Mech-1        | 4100               | 4140     | -40    |
|                | Khargaon       | Mech-1        | 6680               | 11060    | -4380  |
| Maharashtra    | Amravati       | Mech-1        | 7500               | 8000     | -500   |
|                | Jamner         | Medium Staple | NA                 | NA       | -      |
| Uttar Pradesh  | Hathras        | B.T. Cotton   | 95                 | 200      | -105   |
|                | Hathras        | Desi          | 100                | 100      | Unch   |
| Telangana      | Adilabad       | Un-Ginned     | NR                 | NR       | -      |
| Karnataka      | Bijapur        | Bunny         | NR                 | NR       | -      |
|                | Hubli          | D.C.H.        | NR                 | 112      | -      |
|                | Hubli          | B.T. Cotton   | NR                 | 28       | -      |
|                | Raichur        | H-44 Cotton   | 1102               | 555      | 547    |
| Commodity      | Lint           |               | Arrivals (Quintal) |          | Change |
| State          | Centre         | Variety       | 10-Dec-18          | 8-Dec-18 |        |
| Punjab         | Bhatinda       | J-34          | 7650               | 7650     | Unch   |
|                | Abohar         | J-34          | 1020               | 1190     | -170   |
|                | Mansa          | J-34          | 1020               | 850      | 170    |
| Haryana        | Sirsa          | J-34          | 1700               | 1700     | Unch   |
| Rajasthan      | Sri-Ganganagar | J-34          | 2000               | 2500     | -500   |

#### Cotton Seed Oil Prices:

| Commodity   | Cotton Seed Oil |             | Price     |          | Change |
|-------------|-----------------|-------------|-----------|----------|--------|
| State       | Centre          | Unit        | 10-Dec-18 | 8-Dec-18 |        |
| Gujarat     | Rajkot          | Rs. /10 Kg. | 710       | 695      | 15     |
| Delhi       | New Delhi       | Rs. /10 Kg. | 680       | 680      | Unch   |
| Telangana   | Hyderabad       | Rs. /10 Kg. | 705       | 675      | 30     |
| Maharashtra | Mumbai          | Rs. /10 Kg. | 705       | 700      | 5      |

#### Cotton Seed Oil Seed Cake Prices:

| Commodity   | Cotton Seed Oil Seed Cake |         | Price     |          | Change |
|-------------|---------------------------|---------|-----------|----------|--------|
| State       | Centre                    | Unit    | 10-Dec-18 | 8-Dec-18 |        |
| Gujarat     | Mahesana (Kadi)           | Rs./Qtl | 1925      | 1888     | 37     |
| Maharashtra | Akola                     | Rs./Qtl | 1915      | 1900     | 15     |

**Cotton Association of India Spot Rates:**

| Trade Name                            | Staple     | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|---------------|---------------|---------------|--------|
|                                       |            |            |               | 8-Dec-18      | 7-Dec-18      |        |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0  | 15            | 41300         | 41300         | Unch   |
| Bengal Deshi (SG)(201)                | Below 22mm | 5.0 - 7.0  | 15            | 41800         | 41800         | Unch   |
| J-34(202)                             | 26mm       | 3.5 - 4.9  | 23            | 42000         | 41900         | 100    |
| H-4/ MECH-1(105)                      | 28mm       | 3.5 – 4.9  | 27            | NA            | NA            | -      |
| Shankar-6(105)                        | 29mm       | 3.5 – 4.9  | 28            | 44400         | 44300         | 100    |
| Bunny/ Brahma(105)                    | 31mm       | 3.5 - 4.9  | 30            | 45500         | 45500         | Unch   |
| MCU-5/ Surabhi(106)                   | 32mm       | 3.3 - 4.9  | 31            | 46400         | 46400         | Unch   |
| DCH-32(107)                           | 34mm       | 3.0 - 3.8  | 33            | 58200         | 58200         | Unch   |

**INTERNATIONAL PRICES AND INDICES**

**China Cotton Index:**

| Index                            | Unit    | 10-Dec-18 | 8-Dec-18 | Change |
|----------------------------------|---------|-----------|----------|--------|
| CCIndex(328)                     | RMB/Ton | 15403     | Closed   | -      |
| CCIndex(527)                     | RMB/Ton | 14447     | Closed   | -      |
| CCIndex(229)                     | RMB/Ton | 15893     | Closed   | -      |
| RMB -Renminbi, 1RMB =0.16 \$U.S. |         |           |          |        |

**China Foreign Cotton (FCE) Index :**

| Index        | Unit     | 10-Dec-18 | 8-Dec-18 | Change |
|--------------|----------|-----------|----------|--------|
| FC Index (S) | Cents/lb | 92.64     | Closed   | -      |
| FC Index (M) | Cents/lb | 88.85     | Closed   | -      |
| FC Index (L) | Cents/lb | 85.94     | Closed   | -      |

**Cotlook Index:**

| Cotlook Indices | Unit        | 8-Dec-18 | 7-Dec-18 | Change |
|-----------------|-------------|----------|----------|--------|
| A-Index         | Cents/Pound | Closed   | 87.25    | -      |

**USDA Cotton Spot Rates:**

| Growth Area | Unit      | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|-----------|---------------------|---------------------|----------|
|             |           | 8-Dec-18            | 8-Dec-18            | Bales    |
| Southeast   | cents/lb. | Closed              | Closed              | Closed   |
| North Delta | cents/lb. | Closed              | Closed              | Closed   |
| South Delta | cents/lb. | Closed              | Closed              | Closed   |
| East TX-OK  | cents/lb. | Closed              | Closed              | Closed   |
| West Texas  | cents/lb. | Closed              | Closed              | Closed   |

|  |           |        |        |               |
|--|-----------|--------|--------|---------------|
| Desert SW  | cents/lb. | Closed | Closed | <b>Closed</b> |
| SJ Valley  | cents/lb. | Closed | Closed | <b>Closed</b> |
| 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.): Ason07-Dec-2018**

| Contract      | Open  | High  | Low   | Close | Change      |
|---------------|-------|-------|-------|-------|-------------|
| <b>18-Dec</b> | 78.90 | 80.93 | 78.80 | 80.23 | <b>1.15</b> |
| <b>19-Mar</b> | 80.09 | 81.91 | 79.98 | 81.17 | <b>0.91</b> |
| <b>19-May</b> | 80.96 | 82.55 | 80.90 | 81.73 | <b>0.61</b> |
| <b>19-Jul</b> | 78.81 | 78.81 | 78.81 | 78.81 | <b>0.53</b> |
| <b>19-Oct</b> | 77.40 | 78.35 | 77.35 | 78.03 | <b>0.55</b> |
| <b>19-Dec</b> | 78.20 | 78.85 | 78.20 | 78.63 | <b>0.46</b> |

**Pakistan Cotton Spot rates: As on08-Dec-2018**

(in Pakistan Rupees)

| Product           | Rate for         | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|------------------|--------------|------------------|-------------------|
| <b>Cotton</b>     | <b>37.32 Kgs</b> | 8800         | 160              | 8960              |
| <b>Equivalent</b> | <b>40 Kgs</b>    | 9431         | 171              | 9602              |

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