

## 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:*** Arrivals of cotton this year during Oct-Nov stood at 65.79 lakh bales, about 31% lower than the 95.09 lakh bales in the corresponding period last year. However this huge drop does not seems to have triggered a demand. Despite lower arrivals, prices have dropped due to slack demand from textile mills and multinational traders. Arrivals are likely to increase pace from middle of this month since the assembly elections got over in the sates of Telnagana and Rajasthan.

The cotton prices in Gujarat are at Rs 44300-44700 per candy of 355 kg during the week as compared to Rs 38000-38700 per candy in the corresponding period last year. However the MCX 29mm contract for December month is trading in the range of 21'500 to 22'300. Prices are likely to consolidate in the short term and the overall trend remains bearish.

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 starches, 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.*

### **Weather Forecast for tomorrow:**

*During the next 24 hours, scattered rains with isolated snowfall are expected to continue over Jammu and Kashmir, Himachal Pradesh and Uttarakhand. Isolated rains are likely over Northwest Uttar Pradesh, Jharkhand, Telangana and Kerala. Scattered rains are expected over Odisha and Andaman and Nicobar Islands. Day and night temperatures are expected to fall over entire Northwest and Central India. Delhi pollution is expected to improve further.*

### **International Fundamentals:**

***ICE cotton futures were a touch weaker on Wednesday in light trading on concerns of global demand for the natural fiber, especially after a U.S. government data raised production estimates for the local crop.*** The most active cotton contract on ICE Futures U.S., the March contract, fell 0.12 cent, or 0.15 percent, at 79.90 cents per lb at 1:30 p.m. EST (1830 GMT). The contract traded in an extremely tight range between 79.57 and 80.3 cents a lb.

***This month's 2018/19 U.S. cotton forecasts include slightly higher production and ending stocks. Production is raised 180,000 bales due mainly to a 300,000-bale increase in Texas.*** Domestic mill use and exports are unchanged. Ending stocks, forecast at 4.4 million bales in 2018/19, are 100,000 bales above both last month and the 2017/18 estimate. The forecast range for the marketing year average price received by producers is unchanged from November, 71 to 77 cents per pound, with a midpoint of 74 cents.

***The global 2018/19 forecasts compared with last month include lower production, lower consumption, higher trade, and slightly higher ending stocks.*** Global production is 645,000 bales lower with smaller crops in Pakistan, China, India, Turkmenistan, and Turkey. These changes more than offset a 1.0-million-bale increase in Brazil and smaller increases in the United States and Cote d'Ivoire. Global consumption is 1.3 million bales lower largely due to a 1.0-million-bale decline for China, but consumption is also lower in Pakistan, Turkey, and Uzbekistan. Global trade is 600,000 bales higher, with imports up in Pakistan, India, and Malaysia, while exports are higher from Brazil, Argentina, Cote d'Ivoire, India and Uzbekistan. Projected 2018/19 global ending stocks are nearly 600,000 bales higher this month, but at 73.2 million bales are down 7.3 million bales from the year before.

***ICE cotton futures recoiled on Tuesday having fallen earlier in the day after a global supply and demand data projected a slight increase in U.S. stocks for the natural fiber.*** The contract for March fell briefly, immediately following the release of the monthly World Agriculture Supply and Demand Estimates (WASDE) data by the U.S. government, before settling up 0.14 cent, or 0.18 percent, at 80.02 cents per lb. It traded within a range of 79.11 and 80.66 cents a 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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-18	0.46	21800	21980	21750	21920	1206	102	4896	-202
Jan-19	0.45	22020	22240	22000	22170	878	267	2805	381

Spread	Dec-18		-	-	--	--
Spot	-260		-	-	-	-
Jan-19			-	-	-	-

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

\* Updated at as on 14-Dec- 2018

**Cotton Prices at Key Spot Markets:**

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	14-Dec-18	13-Dec-18	
Gujarat	Ahmedabad	Shankar-6	5600	5650	-50
	Gondal	Shankar-6	5595	5620	-25
	Rajkot	B.T. Cotton	5650	5750	-100
	Patan	B.T. Cotton	5625	5665	-40
	Kadi	B.T. Cotton	5800	5750	50
	Deesa	B.T. Cotton	5450	5450	Unch
	Dhrol	B.T. Cotton	5430	5500	-70
Haryana	Bhiwani	B.T. Cotton	5700	5700	Unch
	Bhiwani	Desi	5800	5800	Unch
	Adampur	B.T. Cotton	5475	5500	-25
	Fatehabad	B.T. Cotton	5430	5475	-45
	Jind	B.T. Cotton	5630	5730	-100
	Uchana	B.T. Cotton	5570	5575	-5
	Dabwali	B.T. Cotton	5390	5400	-10
Rajasthan	Hanumangarh	B.T. Cotton	5450	5500	-50
	Rawatsar	B.T. Cotton	5400	5410	-10
Madhya Pradesh	Khandwa	Mech-1	5620	5660	-40
	Khargaon	Mech-1	5550	5555	-5
Maharashtra	Amravati	Mech-1	5640	5650	-10
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5700	5400	300
	Hathras	Desi	4900	4800	100
Telangana	Adilabad	Un-Ginned	NR	5450	-

Karnataka	Bijapur	Bunny	5989	5978	11
	Hubli	D.C.H.	5650	5701	-51
	Hubli	B.T. Cotton	6725	6725	Unch
	Raichur	H-44 Cotton	5690	5700	-10
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	14-Dec-18	13-Dec-18	
Punjab	Bhatinda	J-34	4425	4470	-45
	Abohar	J-34	4440	4475	-35
	Mansa	J-34	4425	4450	-25
Haryana	Sirsa	J-34	4420	4460	-40
Rajasthan	Sri-Ganganagar	J-34	4136	4136	Unch

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	14-Dec-18	13-Dec-18	
Gujarat	Ahmedabad	Shankar-6	51000	59500	-8500
	Gondal	Shankar-6	2950	2994	-44
	Rajkot	B.T. Cotton	5450	6000	-550
	Patan	B.T. Cotton	11053	9975	1078
	Kadi	B.T. Cotton	25000	30000	-5000
	Deesa	B.T. Cotton	60	60	Unch
	Dhrol	B.T. Cotton	526	501	25
Haryana	Bhiwani	B.T. Cotton	4500	4000	500
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	850	340	510
	Fatehabad	B.T. Cotton	800	300	500
	Jind	B.T. Cotton	1400	451	949
	Uchana	B.T. Cotton	2165	2500	-335
	Dabwali	B.T. Cotton	1200	700	500
Rajasthan	Hanumangarh	B.T. Cotton	3000	4000	-1000
	Rawatsar	B.T. Cotton	400	1000	-600
Madhya Pradesh	Khandwa	Mech-1	3456	2610	846
	Khargaon	Mech-1	7780	6690	1090
Maharashtra	Amravati	Mech-1	11000	11000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	30	60	-30
	Hathras	Desi	12	30	-18
Telangana	Adilabad	Un-Ginned	NR	6674	-

Karnataka	Bijapur	Bunny	3151	3628	-477
	Hubli	D.C.H.	22	222	-200
	Hubli	B.T. Cotton	26	112	-86
	Raichur	H-44 Cotton	712	570	142
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	14-Dec-18	13-Dec-18	
Punjab	Bhatinda	J-34	8500	8500	Unch
	Abohar	J-34	1360	1190	170
	Mansa	J-34	1190	850	340
Haryana	Sirsa	J-34	1020	1020	Unch
Rajasthan	Sri-Ganganagar	J-34	7000	5000	2000

#### Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	14-Dec-18	13-Dec-18	
Gujarat	Rajkot	Rs. /10 Kg.	710	710	Unch
Delhi	New Delhi	Rs. /10 Kg.	685	685	Unch
Telangana	Hyderabad	Rs. /10 Kg.	705	705	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	725	735	-10

#### Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	14-Dec-18	13-Dec-18	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1879	1904	-25
Maharashtra	Akola	Rs./Qtl	1900	1924	-24

#### Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				13-Dec-18	12-Dec-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	41200	41400	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41700	41900	-200
J-34(202)	26mm	3.5 - 4.9	23	42200	42400	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	43000	43200	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	44400	44600	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45400	45600	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46200	46400	-200
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58200	-200

### INTERNATIONAL PRICES AND INDICES

#### China Cotton Index:

Index	Unit	14-Dec-18	13-Dec-18	Change
CCIndex(328)	RMB/Ton	NR	15405	-
CCIndex(527)	RMB/Ton	NR	14440	-
CCIndex(229)	RMB/Ton	NR	15893	-
RMB -Renminbi, 1RMB =0.16 \$U.S.				

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

Index	Unit	14-Dec-18	13-Dec-18	Change
FC Index (S)	Cents/lb	NR	92.52	-
FC Index (M)	Cents/lb	NR	88.71	-
FC Index (L)	Cents/lb	NR	85.89	-

#### Cotlook Index:

Cotlook Indices	Unit	13-Dec-18	12-Dec-18	Change
A-Index	Cents/Pound	88.25	88.3	-0.05

#### USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		13-Dec-18	13-Dec-18	Bales
Southeast	cents/lb.	77.41	79.66	503
North Delta	cents/lb.	76.66	78.41	0
South Delta	cents/lb.	76.66	78.41	0
East TX-OK	cents/lb.	73.66	76.16	2293
West Texas	cents/lb.	73.66	76.41	3573
Desert SW	cents/lb.	73.16	77.41	525
SJ Valley	cents/lb.	73.66	82.56	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

#### ICE Cotton Futures (Prices in cents/lb.): Ason13-Dec-2018

Contract	Open	High	Low	Close	Change
19-Mar	79.94	79.97	78.95	79.41	-0.56
19-May	80.87	80.99	80.04	80.43	-0.58
19-Jul	81.46	81.52	80.70	81.02	-0.53
19-Oct	78.10	78.10	78.10	78.10	-0.45
19-Dec	77.65	77.66	77.19	77.43	-0.30
20-Mar	78.10	78.29	78.03	78.09	-0.32

<b>Pakistan Cotton Spot rates: As on 13-Dec-2018</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>	<b>37.32 Kgs</b>	8800	160	8960
<b>Equivalent</b>	<b>40 Kgs</b>	9431	171	9602

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