

Domestic Fundamentals:

Market Outlook:

MCX Dec cotton closed lower on Monday tracking weak trend in International prices. However, the prices have been higher this season compared to last season on reports of production cut by the cotton body and USDA. Cotton futures expected to trade sideways due to improving arrivals. 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: The Cotton Corporation of India (CCI) has so far procured 98,900 bales (of 170 kg) of cotton in the current season till December 10 as compared to 3.9 lakh bales purchased in the previous season. Much of this procurement made at minimum support price -86,000 bales – happened in Telangana. In the last cotton season too, Telangana accounted for 68 per cent of the cotton procured by the public sector firm.

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 seem 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 states of Telangana 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 Telangana 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 ginner and millers at higher prices," a senior official at Cotton Corp said.

Weather Forecast for tomorrow:

During the next 24 hours, sea conditions will be rough to very rough and wind speed will reach up to 80 to 100 kmph gusting to 110 kmph. Heavy to very heavy rains with few extremely heavy showers are expected over North Andhra Pradesh and Odisha. Moderate to heavy rains are likely over Telangana, Chhattisgarh, West Bengal and Jharkhand. Light rains are expected over North Tamil Nadu, northeastern states and Bihar. Fog is likely over northwestern plains.

International Fundamentals:

ICE cotton futures fell 2 percent on Monday, tracking losses in the oil market and as traders waited for more clarity on purchase of the natural fiber by China after its trade war truce with the U.S. The most active cotton contract on ICE Futures U.S., the March contract, fell 1.55 cent, or 1.95 percent, at 78.05 cents per lb at 1:27 p.m. EST (1827 GMT). It traded within a range of 77.9 and 79.8 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	-0.97	21650	21710	21530	21530	1418	-300	4271	-269
Jan-19	-1	21950	21990	21770	21780	1570	476	3155	26

Spread	Dec-18		-	-	--	--
Spot	-280		-	-	-	-
Jan-19			-	-	-	-

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

* Updated at as on 18-Dec- 2018

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	18-Dec-18	17-Dec-18	
Gujarat	Ahmedabad	Shankar-6	5650	5700	-50
	Gondal	Shankar-6	5610	5610	Unch
	Rajkot	B.T. Cotton	5700	5740	-40
	Patan	B.T. Cotton	5645	5640	5
	Kadi	B.T. Cotton	5800	5900	-100
	Deesa	B.T. Cotton	5355	5350	5
	Dhrol	B.T. Cotton	5335	5430	-95
Haryana	Bhiwani	B.T. Cotton	5700	5725	-25
	Bhiwani	Desi	5800	5900	-100
	Adampur	B.T. Cotton	5480	5525	-45
	Fatehabad	B.T. Cotton	5450	5500	-50
	Jind	B.T. Cotton	5610	5730	-120
	Uchana	B.T. Cotton	5460	5460	Unch
	Dabwali	B.T. Cotton	5400	5445	-45
Rajasthan	Hanumangarh	B.T. Cotton	5400	5450	-50
	Rawatsar	B.T. Cotton	5400	5410	-10
Madhya Pradesh	Khandwa	Mech-1	5604	5625	-21
	Khargaon	Mech-1	5510	5540	-30
Maharashtra	Amravati	Mech-1	5600	5600	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5900	5900	Unch
	Hathras	Desi	4950	4950	Unch
Telangana	Adilabad	Un-Ginned	5440	NR	-

Karnataka	Bijapur	Bunny	6005	5989	16
	Hubli	D.C.H.	NR	5801	-
	Hubli	B.T. Cotton	NR	6625	-
	Raichur	H-44 Cotton	5700	5700	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	18-Dec-18	17-Dec-18	
Punjab	Bhatinda	J-34	4445	4460	-15
	Abohar	J-34	4450	4470	-20
	Mansa	J-34	4425	4450	-25
Haryana	Sirsa	J-34	4430	4450	-20
Rajasthan	Sri-Ganganagar	J-34	4136	4136	Unch

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	18-Dec-18	17-Dec-18	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	3706	3321	385
	Rajkot	B.T. Cotton	7050	6250	800
	Patan	B.T. Cotton	12350	12382	-32
	Kadi	B.T. Cotton	25000	20000	5000
	Deesa	B.T. Cotton	25	10	15
	Dhrol	B.T. Cotton	640	872	-232
Haryana	Bhiwani	B.T. Cotton	3000	4500	-1500
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	680	510	170
	Fatehabad	B.T. Cotton	1000	1000	Unch
	Jind	B.T. Cotton	1501	2380	-879
	Uchana	B.T. Cotton	3955	3190	765
	Dabwali	B.T. Cotton	850	1650	-800
Rajasthan	Hanumangarh	B.T. Cotton	2500	4000	-1500
	Rawatsar	B.T. Cotton	7000	4000	3000
Madhya Pradesh	Khandwa	Mech-1	4335	4100	235
	Khargaon	Mech-1	13870	6760	7110
Maharashtra	Amravati	Mech-1	13000	13000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	30	30	Unch
	Hathras	Desi	10	10	Unch
Telangana	Adilabad	Un-Ginned	15004	NR	-
Karnataka	Bijapur	Bunny	3188	4216	-1028
	Hubli	D.C.H.	NR	66	-
	Hubli	B.T. Cotton	NR	16	-

	Raichur	H-44 Cotton	772	1072	-300
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	18-Dec-18	17-Dec-18	
Punjab	Bhatinda	J-34	9435	8500	935
	Abohar	J-34	1530	1530	Unch
	Mansa	J-34	1020	1360	-340
Haryana	Sirsa	J-34	2040	1700	340
Rajasthan	Sri-Ganganagar	J-34	8000	7000	1000

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	18-Dec-18	17-Dec-18	
Gujarat	Rajkot	Rs. /10 Kg.	710	710	Unch
Delhi	New Delhi	Rs. /10 Kg.	680	685	-5
Telangana	Hyderabad	Rs. /10 Kg.	700	705	-5
Maharashtra	Mumbai	Rs. /10 Kg.	720	720	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	18-Dec-18	17-Dec-18	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1881	1886	-5
Maharashtra	Akola	Rs./Qtl	1903	1906	-3

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				17-Dec-18	14-Dec-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	41000	41200	-200
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	41500	41700	-200
J-34(202)	26mm	3.5 - 4.9	23	42100	41900	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42900	42900	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	44400	44500	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45400	45400	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46200	46200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	58000	58000	Unch

INTERNATIONAL PRICES AND INDICES

China Cotton Index:

Index	Unit	18-Dec-18	17-Dec-18	Change
CCIndex(328)	RMB/Ton	15406	15406	Unch
CCIndex(527)	RMB/Ton	14448	14448	Unch
CCIndex(229)	RMB/Ton	15907	15907	Unch
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	18-Dec-18	17-Dec-18	Change
FC Index (S)	Cents/lb	91.09	92.09	-1.00
FC Index (M)	Cents/lb	87.45	88.45	-1.00
FC Index (L)	Cents/lb	84.67	85.67	-1.00

Cotlook Index:

Cotlook Indices	Unit	17-Dec-18	15-Dec-18	Change
A-Index	Cents/Pound	87.8	Closed	-

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		17-Dec-18	15-Dec-18	Bales
Southeast	cents/lb.	76.54	Closed	Closed
North Delta	cents/lb.	75.79	Closed	Closed
South Delta	cents/lb.	75.79	Closed	Closed
East TX-OK	cents/lb.	72.79	Closed	Closed
West Texas	cents/lb.	72.79	Closed	Closed
Desert SW	cents/lb.	72.29	Closed	Closed
SJ Valley	cents/lb.	72.79	Closed	Closed

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.): Ason17-Dec-2018					
Contract	Open	High	Low	Close	Change
19-Mar	79.21	79.8	77.9	78.54	-1.06
19-May	80.67	80.85	79.11	79.72	-0.95
19-Jul	81.35	81.47	80.03	80.64	-0.7
19-Oct	77.96	77.96	77.96	77.96	-0.46
19-Dec	77.66	77.84	76.84	77.29	-0.4
20-Mar	77.87	77.87	77.31	77.76	-0.32

Pakistan Cotton Spot rates: As on17-Dec-2018				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8800	160	8960
Equivalent	40 Kgs	9431	171	9602

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2018 Indian Agribusiness Systems Pvt. Ltd.