

Domestic Fundamentals:**Market Outlook:**

MCX Dec cotton closed slightly higher on Wednesday, 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 Association 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.

Weather Forecast for tomorrow:

During the next 24 hours, moderate rains are expected over few places of Andaman and Nicobar Islands. Light rains are likely over few places of South Andhra Pradesh, Rayalaseema, Coastal Tamil Nadu, Kerala, parts of Coastal Karnataka and Arunachal Pradesh. Moderate to dense fog is expected over Bihar, West Bengal, East Uttar Pradesh, Odisha, Chhattisgarh, North Andhra Pradesh, Vidarbha and northeastern states. Shallow to moderate fog will continue over North Rajasthan, West Uttar Pradesh, Haryana, Punjab and Delhi. Subzero temperatures during the morning hours are likely over North Rajasthan and West Haryana in Northwest India.

International Fundamentals:

ICE cotton futures fell more than 1 percent on Wednesday to their lowest in nearly 11 weeks, on lack of demand from top consumer China, ahead of a weekly export sales report by the U.S. Department of Agriculture (USDA). The most active cotton contract on ICE Futures U.S., the March contract fell 1.16 cent, or 1.49 percent, at 76.69 cents per lb. at 1:55 p.m. EST (1855 GMT). The contract touched its lowest since Oct. 4 at 76.66 cents.

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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Dec-18	-1.07	21450	21510	21300	21310	1138	234	4134	-156
Jan-19	-1.1	21680	21740	21500	21520	2342	1617	3877	505

Spread	Dec-18		-	-	--	--
Spot	-230			-	-	-
Jan-19				-	-	-

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

* Updated at as on 20-Dec- 2018

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	20-Dec-18	19-Dec-18	
Gujarat	Ahmedabad	Shankar-6	5650	5700	-50
	Gondal	Shankar-6	5605	5600	5
	Rajkot	B.T. Cotton	5600	5660	-60
	Patan	B.T. Cotton	5655	5640	15
	Kadi	B.T. Cotton	5750	5700	50

	Deesa	B.T. Cotton	5360	5350	10
	Dhrol	B.T. Cotton	5370	5375	-5
Haryana	Bhiwani	B.T. Cotton	5700	5680	20
	Bhiwani	Desi	5900	5900	Unch
	Adampur	B.T. Cotton	5450	5450	Unch
	Fatehabad	B.T. Cotton	5425	5425	Unch
	Jind	B.T. Cotton	5580	5720	-140
	Uchana	B.T. Cotton	5435	5470	-35
	Dabwali	B.T. Cotton	5340	5375	-35
Rajasthan	Hanumangarh	B.T. Cotton	5400	5350	50
	Rawatsar	B.T. Cotton	5325	5350	-25
Madhya Pradesh	Khandwa	Mech-1	5519	5577	-58
	Khargaon	Mech-1	5505	5477	28
Maharashtra	Amravati	Mech-1	5600	5575	25
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	6000	6000	Unch
	Hathras	Desi	5000	5000	Unch
Telangana	Adilabad	Un-Ginned	5420	5420	Unch
Karnataka	Bijapur	Bunny	NR	5989	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5680	5650	30
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	20-Dec-18	19-Dec-18	
Punjab	Bhatinda	J-34	4410	4430	-20
	Abohar	J-34	4410	4430	-20
	Mansa	J-34	4390	4405	-15
Haryana	Sirsa	J-34	4380	4410	-30
Rajasthan	Sri-Ganganagar	J-34	4136	4089	47

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	20-Dec-18	19-Dec-18	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	2608	3484	-876
	Rajkot	B.T. Cotton	7000	7100	-100
	Patan	B.T. Cotton	11250	10610	640
	Kadi	B.T. Cotton	25000	30000	-5000
	Deesa	B.T. Cotton	50	40	10

	Dhrol	B.T. Cotton	390	532	-142
Haryana	Bhiwani	B.T. Cotton	3000	5000	-2000
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	680	680	Unch
	Fatehabad	B.T. Cotton	900	1000	-100
	Jind	B.T. Cotton	1401	1530	-129
	Uchana	B.T. Cotton	3655	3765	-110
	Dabwali	B.T. Cotton	750	1000	-250
Rajasthan	Hanumangarh	B.T. Cotton	2500	2500	Unch
	Rawatsar	B.T. Cotton	5000	6000	-1000
Madhya Pradesh	Khandwa	Mech-1	5250	4185	1065
	Khargaon	Mech-1	8520	7900	620
Maharashtra	Amravati	Mech-1	12000	12000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	50	20	30
	Hathras	Desi	12	4	8
Telangana	Adilabad	Un-Ginned	7553	3078	4475
Karnataka	Bijapur	Bunny	NR	3735	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	525	660	-135
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	20-Dec-18	19-Dec-18	
Punjab	Bhatinda	J-34	9350	9350	Unch
	Abohar	J-34	1190	1360	-170
	Mansa	J-34	850	1020	-170
Haryana	Sirsa	J-34	1700	2040	-340
Rajasthan	Sri-Ganganagar	J-34	4000	4000	Unch

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	20-Dec-18	19-Dec-18	
Gujarat	Rajkot	Rs. /10 Kg.	700	698	2
Delhi	New Delhi	Rs. /10 Kg.	680	680	Unch
Telangana	Hyderabad	Rs. /10 Kg.	710	700	10
Maharashtra	Mumbai	Rs. /10 Kg.	715	715	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	20-Dec-18	19-Dec-18	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1892	1874	18
Maharashtra	Akola	Rs./Qtl	1910	1900	10

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				19-Dec-18	18-Dec-18	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40900	-500
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	41400	-500
J-34(202)	26mm	3.5 - 4.9	23	41700	42000	-300
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	42700	42800	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	44100	44200	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	45200	45300	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	46000	46100	-100
DCH-32(107)	34mm	3.0 - 3.8	33	57900	57900	Unch

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	20-Dec-18	19-Dec-18	Change
CCIndex(328)	RMB/Ton	15408	15406	2
CCIndex(527)	RMB/Ton	14435	14443	-8
CCIndex(229)	RMB/Ton	15913	15907	6

RMB -Renminbi, 1RMB =0.16 \$U.S.

China Foreign Cotton (FCE) Index :

Index	Unit	20-Dec-18	19-Dec-18	Change
FC Index (S)	Cents/lb	89.24	90.38	-1.14
FC Index (M)	Cents/lb	85.56	86.76	-1.20
FC Index (L)	Cents/lb	82.68	83.93	-1.25

Cotlook Index:

Cotlook Indices	Unit	19-Dec-18	18-Dec-18	Change
A-Index	Cents/Pound	86.05	86.8	-0.75

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		19-Dec-18	19-Dec-18	Bales
Southeast	cents/lb.	74.71	76.96	0
North Delta	cents/lb.	73.96	75.71	0
South Delta	cents/lb.	73.96	75.71	0
East TX-OK	cents/lb.	70.96	73.46	1063
West Texas	cents/lb.	70.96	73.71	1884
Desert SW	cents/lb.	70.46	74.71	0
SJ Valley	cents/lb.	70.96	79.86	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.): Ason19-Dec-2018

Contract	Open	High	Low	Last	Time	Chg	Vol
Mar'19	76.67	77	76.56	76.95	06:43 Dec-20	0.24	18118
May'19	78.01	78.31	77.92	78.26	06:37 Dec-20	0.25	4237
Jul'19	79.13	79.36	79.06	79.3	06:45 Dec-20	0.17	2313
Oct'19	-	-	-	76.78 *	06:32 Dec-20	-	-
Dec'19	76.26	76.45	76.26	76.42	06:32 Dec-20	0.09	1782

Pakistan Cotton Spot rates: As on19-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

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