

Domestic Fundamentals:**Market Outlook:**

FEB MCX cotton on Wednesday closed down -80 (-0.38%). Cotton Prices have seen in range – bound from last few weeks. The hike in MSP and the great disturbances in the global currency, the trade war between the US and China has led to disparity in domestic and global prices, and has put the Indian cotton industry at a significant disadvantage. Since December, cotton prices in the domestic market are trading much higher than in the global market. This has Indian cotton mills worried over the high cost of raw material in a high volume-low profit business. However the Cotton spot market prices have been higher this season on account of bullish global cues. Also, pace of arrivals in India has been slow as farmers await better prices. Prices may strengthen gradually over the next few months as arrivals are expected to remain slow and demand might improve significantly from China, Vietnam, Bangladesh and Pakistan.

News:

Cotton from India has been consistently trading higher by 2-3 cents per pound than the benchmark price in the US. The spread between the two prices is due to the sharp increase in minimum support price that has cushioned the downside here even as global prices have fallen. Currently, Indian cotton is quoted around 83 cents while US cotton is around 80 cents.

Indian physical market gained nearly 500 Rs. Per candy during this week. In Gujarat ginners have big disparity so ginning is running in slow pace. Some ginners closed ginning operation for festival week. Kapas prices for BT cotton traded lower on week on week at Adoni market, last reported around INR 5556 per quintal. Cotton supplies reported slowly during the week, mainly due to festival holidays in key cotton growing regions. All India cotton daily arrivals are stated around 150 K bales. Demand from the export market remains slow, domestic buying is reported to be hand to mouth. Total arrivals reached approximately 13.70 million bales by now.

Domestic prices continue to remain at elevated levels due to hoarding by farmers on expectation of spike in prices in coming days as domestic consumption remains bullish and output seen lower. MCX, cotton prices have risen almost 3% , since mid-December and had hit a three week high of 21,280 rupees a bale.

According AP Agricultural Department, Cotton output in the state, in the 2018-19 season is seen declining 6% on year to 1.91 mln bales. Yield is seen at 525 kg per ha compared with 580 kg per ha in 2017-18. Agriwatch is expecting cotton output for the season for the state it will be around 1.65 mln bales.

As per the latest estimates by Agriwatch, cotton output in country during the season 2018-19 would be around 338.22 lakh bales (of 170 kg each) which is lower compared to 365 lakh bales of last season. AW has reduced the crop estimate for Gujarat to around 92.82 lakh bales (from 108 lakh bales last year), Maharashtra to around 72 lakh bales (83 lakh last year), Telangana and AP by 52.00 lakh and 16.50 lakh bales respectively. The main reason for reduction in cotton crop is that farmers have uprooted more than 50% of their cotton crop after second picking and foregone the third and fourth pickings due to moisture deficiency and pest attacks. Dry spells in the initial stages of the crop, too, led to stunted growth of bolls, were the major reasons to decline in cotton yield in India.

Agriwatch expects imports of cotton during current year may reach 27 lakh bales as against last year's of 15 lakh bales. This is supported by weak global prices, which have touched their lowest levels in more than a year at 72.1 cents per pound for ICE futures by December. The volatility in exchange rate, and expectation of lower output this year leads to higher imports of cotton. Although imports are higher than last year, importers are finding it difficult to locate quality material as good quality cotton of the US, Australia and Brazil has already been sold. Also, exports have declined to 53 lakh bales compared to 70 lakh bales during corresponding period of last year. The reduction in exports is mainly due to stronger Indian Rupee, lower production and weak international prices.

Weather Forecast for tomorrow:

Thunderstorm accompanied with hailstorm at isolated places very likely over East Madhya Pradesh, East Uttar Pradesh, Vidarbha and Bihar.

Dense to very dense fog at a few places very likely over north Rajasthan; at isolated places over Haryana, Chandigarh & Delhi & Dense fog at isolated places very likely over West Madhya Pradesh and Punjab

International Fundamentals:

The Pakistan is likely to import 3.5-4 million bales - costing up to \$1.2 billion -as the crop size for season 2018-19 is estimated at 10.8m bales, against the annual demand of around 15m bales. According to figures issued by Pakistan Cotton Ginners Association, Pakistan's cotton production up to Jan 15 fell by 7.74 per cent or 877,800 bales to 10.456m bales. India's cotton exports to Pakistan are unlikely to see a sharp jump, despite the neighbouring country scraping import duty, as high domestic prices have made exports uncompetitive. Indian cotton is currently available around 43,000 rupees a candy (1 candy = 356 kg), while prices in Pakistan are at sub 43,500 rupees making it (exports) unviable so far.

U.S. cotton production is estimated at nearly 18.6 million bales- around 2.3 million bales (11 percent) below the 2017 crop. Planted and harvested area this season are estimated at 14.0 million and 10.4 million acres, respectively; detrimental weather conditions in the Southwest and Southeast this season pushed the national abandonment rate to 26 percent, the highest in 5 years. The 2018 national yield is forecast at 860 pounds per harvested acre, below last season's record of 905 pounds but above the 3-year average of 846 pounds. Upland cotton production is estimated at 17.8 million bales, the second largest in a decade. The extra-long staple (ELS) crop is forecast at 771,000 bales, the largest since 2012's 780,000 bales.

For China, 2018/19 cotton production is projected at 27.0 million bales, 500,000 bales (2 percent) below a year earlier, with both harvested area and yield forecast lower. Most of China's cotton is produced in the western region of Xinjiang, where yields are significantly higher and have resulted in record yields for China in recent years as Xinjiang's share of the crop has risen. However, the national yield in 2018/19 is expected to dip below the 2017/18 record of 1,761 kg per hectare to 1,755 kg per hectare.

Pakistan's production in 2018/19 is forecast at 7.4 million bales, 800,000 bales (10 percent) below 2017/18 and the smallest crop there in 3 years. An 11-percent reduction in area is largely responsible for this season's decline, as yield is projected to rise slightly to the 5-year average of 671 kg per hectare. For Australia, lower area and yield are reducing the crop by nearly 50 percent to 2.5 million bales, the lowest in 4 years.

Cotton production in Brazil is forecast to reach 11.0 million bales in 2018/19, 1.8 million bales (19 percent) above last season. Excellent growing conditions, in addition to favourable prices, are expected to push plantings—which largely occur in December and January—to 1.4 million hectares, the highest since a similar amount was harvested in 2011/12. Brazil's yield is also forecast higher in 2018/19, reaching a record of 1,711 kg per hectare and eclipsing 2017/18's high of 1,708 kg per hectare.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-19	0	20710	20770	20600	20680	2494	413	2906	-990
Feb-19	0.05	21010	21090	20910	21000	2434	390	7452	1060

Spread	Dec-18		-	-	--	--
Spot	-320		-	-	-	-
Feb-19			-	-	-	-

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

* Updated at as on 24-Jan- 2019 @5.00pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	24-Jan-19	23-Jan-19	
Gujarat	Ahmedabad	Shankar-6	5600	5600	Unch
	Gondal	Shankar-6	5560	5590	-30
	Rajkot	B.T. Cotton	5545	5575	-30
	Patan	B.T. Cotton	5570	5635	-65
	Kadi	B.T. Cotton	5750	5800	-50
	Deesa	B.T. Cotton	NA	5125	-
	Dhrol	B.T. Cotton	5305	5345	-40
Haryana	Bhiwani	B.T. Cotton	5600	5700	-100
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5450	5535	-85
	Fatehabad	B.T. Cotton	5450	5550	-100
	Jind	B.T. Cotton	5650	5700	-50
	Uchana	B.T. Cotton	5458	5489	-31
	Dabwali	B.T. Cotton	5385	5450	-65
Rajasthan	Hanumangarh	B.T. Cotton	5460	5525	-65
	Rawatsar	B.T. Cotton	5400	5410	-10
Madhya Pradesh	Khandwa	Mech-1	5500	5550	-50
	Khargaon	Mech-1	5520	5510	10
Maharashtra	Amravati	Mech-1	5450	Closed	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5250	5800	-550
	Hathras	Desi	4800	4800	Unch
Telangana	Adilabad	Un-Ginned	5320	NR	-

Karnataka	Bijapur	Bunny	5909	NR	-
	Hubli	D.C.H.	5821	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	NR	-
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	24-Jan-19	23-Jan-19	
Punjab	Bhatinda	J-34	4420	4410	10
	Abohar	J-34	4445	4455	-10
	Mansa	J-34	4410	4410	Unch
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4136	4113	24

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	24-Jan-19	23-Jan-19	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	2108	8194	-6086
	Rajkot	B.T. Cotton	6800	NR	-
	Patan	B.T. Cotton	6144	6492	-348
	Kadi	B.T. Cotton	50000	50000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	229	356	-127
Haryana	Bhiwani	B.T. Cotton	1500	1500	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	553	510	43
	Fatehabad	B.T. Cotton	550	400	150
	Jind	B.T. Cotton	850	451	400
	Uchana	B.T. Cotton	4400	4400	Unch
	Dabwali	B.T. Cotton	360	300	60
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	2500	2730	-230
	Khargaon	Mech-1	6560	6650	-90
Maharashtra	Amravati	Mech-1	13000	12000	1000
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	1	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	12564	11864	700
Karnataka	Bijapur	Bunny	3942	5304	-1362

	Hubli	D.C.H.	220	80	140
	Hubli	B.T. Cotton	NR	74	-
	Raichur	H-44 Cotton	NR	1155	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	24-Jan-19	23-Jan-19	
Punjab	Bhatinda	J-34	6800	5100	1700
	Abohar	J-34	850	680	170
	Mansa	J-34	1020	595	425
Haryana	Sirsa	J-34	850	340	510
Rajasthan	Sri-Ganganagar	J-34	3000	2500	500

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	24-Jan-19	23-Jan-19	
Gujarat	Rajkot	Rs. /10 Kg.	730	730	Unch
Delhi	New Delhi	Rs. /10 Kg.	720	720	Unch
Telangana	Hyderabad	Rs. /10 Kg.	735	735	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	750	745	5

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	24-Jan-19	23-Jan-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1976	1993	-17
Maharashtra	Akola	Rs./Qtl	1980	1985	-5

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				23-Jan-19	22-Jan-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40900	40900	Unch
J-34(202)	26mm	3.5 - 4.9	23	41500	41700	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41100	41200	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42600	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44400	44400	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45500	45500	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	55200	55200	Unch

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	24-Jan-19	23-Jan-19	Change
CCIndex(328)	RMB/Ton	15488	15479	9
CCIndex(527)	RMB/Ton	14543	14527	16
CCIndex(229)	RMB/Ton	15959	15938	21
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	24-Jan-19	23-Jan-19	Change
FC Index (S)	Cents/lb	86.88	86.51	0.37
FC Index (M)	Cents/lb	82.95	82.59	0.36
FC Index (L)	Cents/lb	79.91	79.46	0.45

Cotlook Index:

Cotlook Indices	Unit	23-Jan-19	22-Jan-19	Change
A-Index	Cents/Pound	82.55	83.3	-0.75

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		23-Jan-19	22-Jan-19	Bales
Southeast	cents/lb.	71.27	73.13	0
North Delta	cents/lb.	70.77	72.13	0
South Delta	cents/lb.	70.77	72.13	0
East TX-OK	cents/lb.	68.27	70.38	2688
West Texas	cents/lb.	68.27	70.63	8507
Desert SW	cents/lb.	67.52	71.38	28
SJ Valley	cents/lb.	68.02	76.53	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

Daily Futures Price Listing Wed January 23, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190123	73.13	74.28	72.98	73.52	0.39	12,292	1,22,621	-348
May-19	190123	74.59	75.6	74.37	74.85	0.32	5,846	42,933	517
Jul-19	190123	75.87	76.82	75.69	76.11	0.28	2,650	27,853	440



Oct-19	190123	74.96	74.96	74.65	74.65	0.2	2	10	0
Dec-19	190123	74.34	74.77	74	74.2	0.01	1,073	35,771	475
Mar-20	190123	75.22	75.35	75.09	75.09	-0.04	155	2,469	3
Total Volume and Open Interest							22,111	2,33,234	1,143

Pakistan Cotton Spot rates: As on 23-Jan-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8700	160	8860
Equivalent	40 Kgs	9324	171	9495

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 © 2019 Indian Agribusiness Systems Pvt. Ltd.