

Domestic Fundamentals:**Market Outlook:**

FEB MCX cotton on Monday closed down -60 (-0.29%). 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 arrivals in the domestic markets have picked up but still below the expectation. All India cotton supplies reported about 1,70,000 bales on per day basis against 1,50,000 bales week earlier. Ginning and Spinning mills buying remained slow, mainly due to sluggish off take in yarn market and financial constraint. Prices of Shankar-6(29mm) cotton remained in the range of cotton INR 42'600-42'800 per candy during the week, while the most active cotton contract on ICE Futures U.S. - the March contract – settled down 0.38 cent, or 0.52 percent, at 73.14 cents per lb. It traded within a range of 73.03 and 73.91 cents a lb.

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.

Weather Forecast for tomorrow:

Cold wave conditions at isolated pockets very likely over Madhya Pradesh, Vidarbha and Odisha.

◆Cold day conditions at isolated pockets very likely over Madhya Pradesh and Vidarbha.

◆Thunderstorm accompanied with hailstorm very likely over Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana and West Rajasthan.

◆Strong wind speed reaching 35-45 kmph likely along & off south Tamilnadu coast, Gulf of Mannar and Comorin area.

International Fundamentals:

ICE cotton futures fell on Monday as concerns over slowing Chinese economy rattled global equities and a drop in oil prices drove investors away from riskier assets. The most active cotton contract on ICE Futures U.S. - the March contract – fell 0.60 cent, or 0.81 percent, at 73.53 cents per lb by 1:43 p.m. EST (1843 GMT). It traded within a range of 73.15 to 74.13 cents a lb..

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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Jan-19	0.1	20510	20590	20510	20560	739	-25	1629	-273
Feb-19	0.1	20850	20910	20820	20880	1072	-136	8990	487
Spread	Dec-18				-	-	--	--	--
Spot	-320					-	-	-	-
Feb-19						-	-	-	-

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

* Updated at as on 29-Jan- 2019 @5.00pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	29-Jan-19	28-Jan-19	
Gujarat	Ahmedabad	Shankar-6	5600	5600	Unch
	Gondal	Shankar-6	5575	5600	-25
	Rajkot	B.T. Cotton	5525	NR	-
	Patan	B.T. Cotton	5560	5520	40
	Kadi	B.T. Cotton	5775	5700	75
	Deesa	B.T. Cotton	NA	5155	-
	Dhrol	B.T. Cotton	5300	NR	-
Haryana	Bhiwani	B.T. Cotton	5650	5650	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5485	5500	-15
	Fatehabad	B.T. Cotton	5500	5500	Unch
	Jind	B.T. Cotton	5650	Closed	-
	Uchana	B.T. Cotton	5505	5467	38
	Dabwali	B.T. Cotton	5385	5385	Unch
Rajasthan	Hanumangarh	B.T. Cotton	5520	5500	20
	Rawatsar	B.T. Cotton	5480	5500	-20
Madhya Pradesh	Khandwa	Mech-1	5560	5565	-5
	Khargaon	Mech-1	5505	5504	1
Maharashtra	Amravati	Mech-1	5450	5425	25
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5300	5300	Unch
	Hathras	Desi	4800	4800	Unch
Telangana	Adilabad	Un-Ginned	5330	NR	-
Karnataka	Bijapur	Bunny	5901	5899	2
	Hubli	D.C.H.	NR	5801	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5570	5600	-30
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	29-Jan-19	28-Jan-19	
Punjab	Bhatinda	J-34	4420	4440	-20
	Abohar	J-34	4455	4465	-10
	Mansa	J-34	4410	4425	-15
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4183	4089	94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	29-Jan-19	28-Jan-19	
Gujarat	Ahmedabad	Shankar-6	51000	42500	8500
	Gondal	Shankar-6	1844	1897	-53
	Rajkot	B.T. Cotton	4050	NR	-
	Patan	B.T. Cotton	6030	4475	1555
	Kadi	B.T. Cotton	35000	35000	Unch
	Deesa	B.T. Cotton	NA	10	-
	Dhrol	B.T. Cotton	323	355	-32
Haryana	Bhiwani	B.T. Cotton	1400	1800	-400
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	680	510	170
	Fatehabad	B.T. Cotton	550	500	50
	Jind	B.T. Cotton	451	Closed	-
	Uchana	B.T. Cotton	4210	3705	505
	Dabwali	B.T. Cotton	270	475	-205
Rajasthan	Hanumangarh	B.T. Cotton	2500	2200	300
	Rawatsar	B.T. Cotton	3000	700	2300
Madhya Pradesh	Khandwa	Mech-1	3060	3405	-345
	Khargaon	Mech-1	7170	6090	1080
Maharashtra	Amravati	Mech-1	14000	15000	-1000
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	5827	NR	-
Karnataka	Bijapur	Bunny	3203	4077	-874
	Hubli	D.C.H.	NR	270	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	570	1117	-547
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	29-Jan-19	28-Jan-19	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	1190	850	340
	Mansa	J-34	1190	1190	Unch
Haryana	Sirsa	J-34	850	1360	-510
Rajasthan	Sri-Ganganagar	J-34	2000	2500	-500

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
	State	Centre	Unit	29-Jan-19	
Gujarat	Rajkot	Rs. /10 Kg.	750	750	Unch
Delhi	New Delhi	Rs. /10 Kg.	738	735	3
Telangana	Hyderabad	Rs. /10 Kg.	745	745	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	760	760	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
	State	Centre	Unit	29-Jan-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2035	1988	47
Maharashtra	Akola	Rs./Qtl	2033	1989	44

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				28-Jan-19	25-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	41900	41500	400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41200	41100	100
Shankar-6(105)	29mm	3.5 - 4.9	28	42700	42600	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	44300	44200	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45600	45500	100
DCH-32(107)	34mm	3.0 - 3.8	33	55200	55200	Unch

China Cotton Index:

Index	Unit	29-Jan-19	28-Jan-19	Change
CCIndex(328)	RMB/Ton	15499	15498	1
CCIndex(527)	RMB/Ton	14543	14546	-3
CCIndex(229)	RMB/Ton	15966	15966	Unch

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

China Foreign Cotton (FCE) Index :

Index	Unit	29-Jan-19	28-Jan-19	Change
FC Index (S)	Cents/lb	87.28	87.53	-0.25
FC Index (M)	Cents/lb	83.35	83.6	-0.25
FC Index (L)	Cents/lb	80.45	80.7	-0.25

Cotlook Index:

Cotlook Indices	Unit	28-Jan-19	25-Jan-19	Change
A-Index	Cents/Pound	83.6	82.6	1.00

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		28-Jan-19	25-Jan-19	Bales
Southeast	cents/lb.	71.6	74.13	225
North Delta	cents/lb.	71.1	73.13	0
South Delta	cents/lb.	71.1	73.13	0
East TX-OK	cents/lb.	68.6	71.38	2983
West Texas	cents/lb.	68.6	71.63	10677
Desert SW	cents/lb.	67.85	72.38	225
SJ Valley	cents/lb.	68.35	77.53	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 Mon January 28, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190128	74	74.13	73.15	73.85	-0.28	10,129	1,17,835	-1,921
May-19	190128	75.57	75.57	74.64	75.32	-0.25	5,602	44,462	664
Jul-19	190128	76.7	76.8	75.98	76.64	-0.23	2,035	28,767	349
Oct-19	190128	74.95	74.95	74.95	74.95	-0.36	0	9	0
Dec-19	190128	74.44	74.45	73.81	74.28	-0.15	519	35,579	-36
Mar-20	190128	74.9	75.21	74.78	75.21	-0.12	10	2,476	6
Total Volume and Open Interest							18,295	2,30,713	-938

Pakistan Cotton Spot rates: As on 28-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

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