

Domestic Fundamentals:**Market Outlook:**

FEB MCX cotton on Tuesday closed up +100(0.48%). 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:

US-China trade relations have started to hurt India's cotton yarn exports and there is a chance of more damage. Chinese importers have renegotiated orders of Indian cotton yarn worth \$400-500 million in the past few weeks. The US-China tariff war had benefited India. Between June and September 2018, the US announced high customs duties on several Chinese goods and China retaliated by increasing levies on US goods. India exported \$892.4 million worth of cotton yarn to China in April-November, up 2.5% from \$870.2 million in 2017-18.

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.

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 settled higher on Tuesday, as the market looked forward to developments in the trade talks between top exporter the United States and China, the biggest consumer of the natural fiber. The most active cotton contract on ICE Futures U.S. - the March contract – settled up 0.3 cent, or 0.41 percent, at 74.15 cents per lb. It traded within a range of 73.5 and 74.45 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	-0.19	20690	20740	20580	20600	548	-191	1562	-67
Feb-19	-0.19	20900	21070	20890	20920	1390	318	9512	522
Spread	Dec-18			-	-	--	--		
Spot	-330				-	-	-		
Feb-19					-	-	-		

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

* Updated at as on 30-Jan- 2019 @5.00pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	30-Jan-19	29-Jan-19	
Gujarat	Ahmedabad	Shankar-6	5600	5600	Unch
	Gondal	Shankar-6	5575	5575	Unch
	Rajkot	B.T. Cotton	5575	5525	50
	Patan	B.T. Cotton	5600	5560	40
	Kadi	B.T. Cotton	5700	5775	-75
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5250	5300	-50
Haryana	Bhiwani	B.T. Cotton	5700	5650	50
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5500	5485	15
	Fatehabad	B.T. Cotton	5500	5500	Unch
	Jind	B.T. Cotton	5700	5650	50
	Uchana	B.T. Cotton	5480	5505	-25
	Dabwali	B.T. Cotton	5400	5385	15
Rajasthan	Hanumangarh	B.T. Cotton	5550	5520	30
	Rawatsar	B.T. Cotton	5480	5480	Unch
Madhya Pradesh	Khandwa	Mech-1	5555	5560	-5
	Khargaon	Mech-1	5505	5505	Unch
Maharashtra	Amravati	Mech-1	5550	5450	100
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5300	5300	Unch
	Hathras	Desi	4800	4800	Unch
Telangana	Adilabad	Un-Ginned	5370	5330	40
Karnataka	Bijapur	Bunny	5859	5901	-42
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5560	5570	-10
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	30-Jan-19	29-Jan-19	
Punjab	Bhatinda	J-34	4450	4420	30
	Abohar	J-34	4460	4455	5
	Mansa	J-34	4455	4410	45
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4136	4183	-47

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	30-Jan-19	29-Jan-19	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	2061	1844	217
	Rajkot	B.T. Cotton	3800	4050	-250
	Patan	B.T. Cotton	6400	6030	370
	Kadi	B.T. Cotton	35000	35000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	319	323	-4
Haryana	Bhiwani	B.T. Cotton	2500	1400	1100
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	510	680	-170
	Fatehabad	B.T. Cotton	500	550	-50
	Jind	B.T. Cotton	1250	451	799
	Uchana	B.T. Cotton	4865	4210	655
	Dabwali	B.T. Cotton	250	270	-20
Rajasthan	Hanumangarh	B.T. Cotton	2500	2500	Unch
	Rawatsar	B.T. Cotton	3000	3000	Unch
Madhya Pradesh	Khandwa	Mech-1	2048	3060	-1012
	Khargaon	Mech-1	5610	7170	-1560
Maharashtra	Amravati	Mech-1	12000	14000	-2000
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	8380	5827	2553
Karnataka	Bijapur	Bunny	3145	3203	-58
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	787	570	217
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	30-Jan-19	29-Jan-19	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	1020	1190	-170
	Mansa	J-34	1190	1190	Unch
Haryana	Sirsa	J-34	1700	850	850
Rajasthan	Sri-Ganganagar	J-34	2000	2000	Unch

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	30-Jan-19	29-Jan-19	
Gujarat	Rajkot	Rs. /10 Kg.	740	750	-10
Delhi	New Delhi	Rs. /10 Kg.	740	738	2
Telangana	Hyderabad	Rs. /10 Kg.	750	745	5
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	30-Jan-19	29-Jan-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2047	2035	12
Maharashtra	Akola	Rs./Qtl	2048	2033	15

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				29-Jan-19	28-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	41900	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	41000	41200	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	42500	42700	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43900	44300	-400
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45300	45600	-300
DCH-32(107)	34mm	3.0 - 3.8	33	55000	55200	-200

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	30-Jan-19	29-Jan-19	Change
CCIndex(328)	RMB/Ton	15499	15499	Unch
CCIndex(527)	RMB/Ton	14546	14543	3
CCIndex(229)	RMB/Ton	15968	15966	2

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

China Foreign Cotton (FCE) Index :

Index	Unit	30-Jan-19	29-Jan-19	Change
FC Index (S)	Cents/lb	87.5	87.28	0.22
FC Index (M)	Cents/lb	83.09	83.35	-0.26

FC Index (L)	Cents/lb	80.43	80.45	-0.02
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Cotlook Index:

Cotlook Indices	Unit	29-Jan-19	28-Jan-19	Change
A-Index	Cents/Pound	83.35	83.6	-0.25

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		29-Jan-19	28-Jan-19	Bales
Southeast	cents/lb.	71.65	73.85	35
North Delta	cents/lb.	70.9	72.85	0
South Delta	cents/lb.	70.9	72.85	0
East TX-OK	cents/lb.	68.9	71.1	2622
West Texas	cents/lb.	68.9	71.35	10740
Desert SW	cents/lb.	68.15	72.1	330
SJ Valley	cents/lb.	68.65	77.25	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 Tue January 29, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190129	73.66	74.45	73.5	74.15	0.3	13,846	1,15,798	-2,037
May-19	190129	75.12	75.85	74.97	75.48	0.16	7,858	46,311	1,849
Jul-19	190129	76.4	77.15	76.32	76.77	0.13	1,925	28,958	191
Oct-19	190129	74.82	74.82	74.82	74.82	-0.13	0	9	0
Dec-19	190129	74	74.43	73.84	74.23	-0.05	1,345	35,674	95
Mar-20	190129	75.25	75.35	75.12	75.17	-0.04	78	2,476	0
Total Volume and Open Interest							25,052	2,30,811	98

Pakistan Cotton Spot rates: As on 29-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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