

Domestic Fundamentals:

Market Outlook:

The price in Indian market is higher than that internationally. This is backed by higher MSP and purchases by CCI. The market may move up only through larger off take by exporters or by domestic industry. This may occur gradually over the next few months.

News:

Cotton prices have softened further, despite a lower crop, on weak demand from both yarn mills and overseas markets. Cotton prices are now hovering around Rs.42,500-44,000 levels per candy (356 kg each), a decline of about a tenth over the comparative prices in October. At the beginning of the cotton harvest season in October, cotton prices were around Rs.47,000 per candy.

So far, farmers across the country have sold about 160 lakh bales from the current crop. There's still an equal quantity of cotton that farmers will be bringing into the markets over the next couple of months. This is even as ginners are finding it hard to sell the processed cotton because of disturbances in currency and trade war.

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:

During the next 24 hours, spell of rain and snow is expected over few places of Jammu and Kashmir and higher reaches of Himachal Pradesh. Rain and thundershowers will occur over many parts of South Tamil Nadu. Isolated places of Kerala and Andaman and Nicobar Islands may also witness light rainfall activity. Light rain and snow is likely to effect isolated places over Arunachal Pradesh. Delhi will experience moderate to dense fog with pollution in poor category.

International Fundamentals:

ICE cotton futures slipped on Monday, touching their lowest level in nearly three weeks during the session, hurt by a stronger dollar and uncertainty over the U.S.-China trade deal. The most active cotton contract on ICE Futures U.S. - the March contract – fell 0.69 cent, or 0.94 percent, at 72.95 cents per lb. by 01:25 p.m. ET (1825 GMT).

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
Feb-19	0.24	20590	20650	20540	20630	965	-787	10700	-3
Mar-19	0.24	20900	20940	20840	20930	278	-41	2480	165

Spread	Dec-18		-	-	--	--
Spot	-290			-	-	-
Mar-19				-	-	-

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

* Updated at as on 05-Feb- 2019 @5.00pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	05-Feb-19	04-Feb-19	
Gujarat	Ahmedabad	Shankar-6	5550	5600	-50
	Gondal	Shankar-6	5555	5525	30
	Rajkot	B.T. Cotton	5500	5550	-50
	Patan	B.T. Cotton	5460	5480	-20
	Kadi	B.T. Cotton	5650	5700	-50
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5300	5350	-50
Haryana	Bhiwani	B.T. Cotton	5660	5650	10
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5425	5450	-25
	Fatehabad	B.T. Cotton	5440	5450	-10
	Jind	B.T. Cotton	5750	5760	-10
	Uchana	B.T. Cotton	5480	5479	1
	Dabwali	B.T. Cotton	5360	5370	-10
Rajasthan	Hanumangarh	B.T. Cotton	5450	5500	-50
	Rawatsar	B.T. Cotton	5400	5450	-50
Madhya Pradesh	Khandwa	Mech-1	5565	Closed	-
	Khargaon	Mech-1	5445	5495	-50
Maharashtra	Amravati	Mech-1	5400	Closed	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5500	5300	200
	Hathras	Desi	4900	4800	100
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	5689	5639	50
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5400	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	05-Feb-19	04-Feb-19	
Punjab	Bhatinda	J-34	4390	4420	-30
	Abohar	J-34	4400	4455	-55
	Mansa	J-34	4350	4410	-60
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4089	4183	-94

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	05-Feb-19	04-Feb-19	
Gujarat	Ahmedabad	Shankar-6	59500	59500	Unch
	Gondal	Shankar-6	1704	1651	53
	Rajkot	B.T. Cotton	3425	3025	400
	Patan	B.T. Cotton	4815	4145	670
	Kadi	B.T. Cotton	30000	35000	-5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	205	380	-175
Haryana	Bhiwani	B.T. Cotton	1300	1500	-200
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	510	510	Unch
	Fatehabad	B.T. Cotton	500	500	Unch
	Jind	B.T. Cotton	850	850	Unch
	Uchana	B.T. Cotton	1600	1651	-51
	Dabwali	B.T. Cotton	225	300	-75
Rajasthan	Hanumangarh	B.T. Cotton	3000	1500	1500
	Rawatsar	B.T. Cotton	2000	1000	1000
Madhya Pradesh	Khandwa	Mech-1	1936	2368	-432
	Khargaon	Mech-1	5325	2470	2855
Maharashtra	Amravati	Mech-1	14000	Closed	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	50	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	15110	-
Karnataka	Bijapur	Bunny	1494	1302	192
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1357	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	05-Feb-19	04-Feb-19	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	850	850	Unch
	Mansa	J-34	1190	850	340
Haryana	Sirsa	J-34	1020	1360	-340
Rajasthan	Sri-Ganganagar	J-34	1500	1500	Unch

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	05-Feb-19	04-Feb-19	
Gujarat	Rajkot	Rs. /10 Kg.	745	745	Unch
Delhi	New Delhi	Rs. /10 Kg.	745	745	Unch
Telangana	Hyderabad	Rs. /10 Kg.	735	735	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	765	765	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	05-Feb-19	04-Feb-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1997	2008	-11
Maharashtra	Akola	Rs./Qtl	2000	2019	-19

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				04-Feb-19	02-Feb-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	41300	41300	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40800	40800	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	42300	42400	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43500	43800	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	45000	45000	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	53000	54000	-1000

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	05-Feb-19	04-Feb-19	Change
CCIndex(328)	RMB/Ton	NR	15503	-
CCIndex(527)	RMB/Ton	NR	14553	-
CCIndex(229)	RMB/Ton	NR	15978	-

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

China Foreign Cotton (FCE) Index :

Index	Unit	05-Feb-19	04-Feb-19	Change
FC Index (S)	Cents/lb	NR	83.62	-
FC Index (M)	Cents/lb	NR	79.98	-

FC Index (L)	Cents/lb	NR	76.61	-
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Cotlook Index:

Cotlook Indices	Unit	04-Feb-19	01-Feb-19	Change
A-Index	Cents/Pound	83	83.75	-0.75

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		04-Feb-19	01-Feb-19	Bales
Southeast	cents/lb.	70.26	73.39	0
North Delta	cents/lb.	69.51	72.14	0
South Delta	cents/lb.	69.51	72.14	0
East TX-OK	cents/lb.	67.51	70.89	10627
West Texas	cents/lb.	67.51	71.14	8509
Desert SW	cents/lb.	66.26	71.39	650
SJ Valley	cents/lb.	66.76	76.54	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 February 04, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190204	73.75	73.87	72.66	72.76	-0.88	26,336	1,08,349	-1,310
May-19	190204	74.85	75.21	73.99	74.08	-0.85	13,592	56,241	3,928
Jul-19	190204	76.23	76.51	75.31	75.44	-0.77	3,851	29,436	536
Oct-19	190204	74.31	74.31	74.28	74.28	-0.17	0	9	0
Dec-19	190204	74.13	74.33	73.49	74	-0.12	2,531	36,176	-53
Mar-20	190204	75.54	75.54	75.22	75.27	-0.09	376	3,188	375
Total Volume and Open Interest							46,686	2,34,985	3,476

Pakistan Cotton Spot rates: As on 04-feb-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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