

Domestic Fundamentals:

Market Outlook:

MCX Feb contract on Monday closed down -80 (-0.40%) as compared to previous day. 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:

CCI procured about 7 lakh bales of cotton mostly from Telangana (80-85%) as prices slipped below MSP. Of the total quantity of 70k bales have been procured in Maharashtra while another 35k to 40k bales have been bought in Madhya Pradesh.

Domestic cotton prices have been weaker tracking bearish cues from overseas market and supply pressure across major trading centers. All India cotton arrivals registered around 160'000 bales (each bale 170 kg) lint equivalent on an average per day basis, during the week.

The ongoing trade tensions between the US and China is creating uncertainty in the global cotton market, affecting the economy. Based on the positive statements from the recent negotiations, National Cotton Council (NCC) assumes that the additional tariffs being imposed by the 2 countries will be removed in advance of the 2019 marketing year.

Cotton prices are expected to remain firm this year due to lower production in the country, apart from rising consumption in both the domestic and overseas markets. Prices may rise by March end, when market despatches will reduce. A weakening of the rupee will also help overseas demand for India's cotton exports. According to trade sources, export business was reported for China, Indonesia and Bangladesh markets. However, export sales volume still remains nominal. Total cotton exports for 2018-19 season (October-September period) reached around 2.5million bales till December 2018. Agriwatch have kept a target to export 53lakh bales.

The CAI in its latest estimates the cotton crop for 2018-19 season is expected at 330 lakh bales of 170 kgs. each which is lower by 5 lakh bales than its previous estimate of 335 lakh bales made during last month. The CAI has reduced the crop estimate for Telangana by 2.50 lakh bales, Andhra Pradesh by 50,000 bales and Karnataka by 2 lakh bales. The main reason for lower crop is that in the Southern Zone farmers have uprooted their cotton plants due to moisture deficiency as a result of which there is no scope further pickings.

Cotton output in Gujarat is seen declining nearly 50% on year to 5.2 mln bales in 2018-19 (Jul-Jun), according to the second advance estimate of the state farm department. In its first advance estimate in September, the government had projected cotton output in the state at 8.83 mln bales. Below-normal rainfall in key growing regions has resulted in a sharp fall in cotton yield, which is seen falling to 326 kg per ha from 660 kg last year.

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 ginneries 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.

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:

Light to moderate rain and snow with isolated heavy spells are expected over Jammu and Kashmir, Himachal Pradesh and Uttarakhand. Light to moderate rain with thundershower activities is a possibility over parts of Punjab, Haryana, northwest Uttar Pradesh and isolated spells can be seen over North and West Rajasthan and Delhi. Scattered rain and snow would continue over Arunachal Pradesh. Rain and thundershower activities were seen over Assam and parts of Meghalaya. Isolated spells can be seen over pockets of North Nagaland. Isolated light rain might occur over Coastal Andhra Pradesh and Interior Tamil Nadu.

International Fundamentals:

The cotton production in Pakistan up to Feb 15 stood short by 6.83 per cent at 10.7 million bales over the corresponding period last year. This is the seventh consecutive year the country is faced with a short crop of around 4.8m bales from a record production of around 15m bales achieved in 2011-12. According to trade sources, in order to meet the shortfall, textile spinners are likely to import up to 3.5m to 4m bales, burdening foreign exchange reserves by around \$1 to \$1.2 billion. Cotton export is unaffected so far and we don't expect Pakistan to pose hurdles as their cotton industry requires raw material from India. India is the most accessible and price-lucrative market for them, Atul Ganatra, president of the Cotton Association of India.

The US net sales of 299,800 RB for 2018/2019 were up 31 percent from the previous week and 52 percent from the prior 4-week average. Increases were reported for Pakistan (130,300 RB), India (50,000 RB), Turkey (37,100 RB), Vietnam (28,000 RB, including 6,100 RB switched from China, 3,200 RB switched from South Korea, 500 RB switched from Japan, and 400 RB switched from Hong Kong), and Malaysia (15,000 RB, including 100 RB switched from Japan). Reductions were reported for South Korea (2,700 RB) and Japan (1,800 RB). For 2019/2020, net sales of 19,400 RB were reported for Bangladesh (15,000 RB) and China (4,400 RB). Exports of 181,100 RB were down 5 percent from the previous week, but up 3 percent from the prior 4-week average.

The ongoing trade tensions between the US and China is creating uncertainty in the global cotton market, affecting the economy. ICE futures US have touched their lowest levels in more than a year at 69.68 cents per pound on last week. Cotton futures are down about 14% since the 11 June, at just before China rolled out most of its tariffs on American crops. Prices fell even as India and US production disappointed.

The forecast for the marketing-year average price received by producers is reduced 2 cents per pound, to a midpoint of 72 cents. The world 2018/19 cotton supply and demand estimates include lower production and mill use but higher trade

and stocks. Production is reduced nearly 300,000 bales, as smaller crops in Turkey, India, Burkina Faso and the United States offset increases in China, Brazil, Pakistan, and Australia.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
Feb-19	0.3	20210	20300	20080	20110	2310	757	7411	-613
Mar-19	0.44	20440	20470	20360	20390	6787	5585	6787	872

Spread	Feb-19		-	-	--	--
Spot	-170		-	-	-	-
Mar-19			-	-	-	-

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

* Updated at as on 19-Feb- 2019 @5pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	19-Feb-19	18-Feb-19	
Gujarat	Ahmedabad	Shankar-6	5550	5500	50
	Gondal	Shankar-6	5530	5545	-15
	Rajkot	B.T. Cotton	5500	5575	-75
	Patan	B.T. Cotton	5475	5480	-5
	Kadi	B.T. Cotton	5500	5500	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5230	5195	35
Haryana	Bhiwani	B.T. Cotton	5650	5650	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5450	5475	-25
	Fatehabad	B.T. Cotton	5425	5440	-15
	Jind	B.T. Cotton	5650	5620	30
	Uchana	B.T. Cotton	5451	NA	-
	Dabwali	B.T. Cotton	5370	5330	40
Rajasthan	Hanumangarh	B.T. Cotton	5500	5500	Unch
	Rawatsar	B.T. Cotton	5450	5470	-20
Madhya Pradesh	Khandwa	Mech-1	5530	5520	10
	Khargaon	Mech-1	5470	5450	20
Maharashtra	Amravati	Mech-1	5390	5435	-45
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-

Telangana	Adilabad	Un-Ginned	5450	5450	Unch
Karnataka	Bijapur	Bunny	5659	5659	Unch
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5400	5400	Unch
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	19-Feb-19	18-Feb-19	
Punjab	Bhatinda	J-34	4370	4400	-30
	Abohar	J-34	4390	4410	-20
	Mansa	J-34	4360	4375	-15
Haryana	Sirsa	J-34	4346	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4113	4136	-23

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	19-Feb-19	18-Feb-19	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	505	935	-430
	Rajkot	B.T. Cotton	2100	2400	-300
	Patan	B.T. Cotton	1914	1440	474
	Kadi	B.T. Cotton	25000	20000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	221	84	137
Haryana	Bhiwani	B.T. Cotton	800	800	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	425	595	-170
	Fatehabad	B.T. Cotton	300	500	-200
	Jind	B.T. Cotton	850	1445	-595
	Uchana	B.T. Cotton	3600	NA	-
	Dabwali	B.T. Cotton	150	150	Unch
Rajasthan	Hanumangarh	B.T. Cotton	1300	1000	300
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	1725	1312	413
	Khargaon	Mech-1	3270	1200	2070
Maharashtra	Amravati	Mech-1	15000	15000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	99830	73210	26620

Karnataka	Bijapur	Bunny	1052	1792	-740
	Hubli	D.C.H.	NA	46	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	210	262	-52
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	19-Feb-19	18-Feb-19	
Punjab	Bhatinda	J-34	5100	6800	-1700
	Abohar	J-34	510	510	Unch
	Mansa	J-34	510	595	-85
Haryana	Sirsa	J-34	1020	680	340
Rajasthan	Sri-Ganganagar	J-34	2000	1500	500

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	19-Feb-19	18-Feb-19	
Gujarat	Rajkot	Rs. /10 Kg.	750	740	10
Delhi	New Delhi	Rs. /10 Kg.	745	740	5
Telangana	Hyderabad	Rs. /10 Kg.	725	715	10
Maharashtra	Mumbai	Rs. /10 Kg.	752	755	-3

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	19-Feb-19	18-Feb-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1983	1992	-9
Maharashtra	Akola	Rs./Qtl	1978	1992	-14

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				18-Feb-19	16-Feb-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39700	40400	-700
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40200	40900	-700
J-34(202)	26mm	3.5 - 4.9	23	41200	41200	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40100	40600	-500
Shankar-6(105)	29mm	3.5 - 4.9	28	41500	42200	-700
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43000	43300	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44200	44500	-300
DCH-32(107)	34mm	3.0 - 3.8	33	52100	50000	2100

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	19-Feb-19	18-Feb-19	Change
CCIndex(328)	RMB/Ton	15488	15489	-1
CCIndex(527)	RMB/Ton	14537	14542	-5
CCIndex(229)	RMB/Ton	15975	15976	-1
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	19-Feb-19	18-Feb-19	Change
FC Index (S)	Cents/lb	85.83	85.51	0.32
FC Index (M)	Cents/lb	81.21	80.85	0.36
FC Index (L)	Cents/lb	78.74	78.44	0.30

Cotlook Index:

Cotlook Indices	Unit	18-Feb-19	16-Feb-19	Change
A-Index	Cents/Pound	80.05	Closed	-

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		18-Feb-19	16-Feb-19	Bales
Southeast	cents/lb.	NR	Closed	Closed
North Delta	cents/lb.	NR	Closed	Closed
South Delta	cents/lb.	NR	Closed	Closed
East TX-OK	cents/lb.	NR	Closed	Closed
West Texas	cents/lb.	NR	Closed	Closed
Desert SW	cents/lb.	NR	Closed	Closed
SJ Valley	cents/lb.	NR	Closed	Closed

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 18, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190215	70.28	70.5	69.71	70.22	0.09	20,329	37,458	-12,017
May-19	190215	71.52	72.07	71.29	71.86	0.15	27,258	1,13,555	7,976
Jul-19	190215	73.37	73.43	72.68	73.24	0.17	8,120	38,155	1,718
Oct-19	190215	73.23	73.23	73.23	73.23	0.12	0	10	0
Dec-19	190215	72.62	72.93	72.27	72.8	0.09	4,477	42,949	1,760
Mar-20	190215	73.5	74	73.5	74	0.1	182	7,671	49
Total Volume and Open Interest							60,399	2,41,475	-481

Pakistan Cotton Spot rates: As on 18-feb-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8600	160	8760
Equivalent	40 Kgs	9217	171	9388

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.