

Domestic Fundamentals:

Market Outlook:

MCX Feb contract on Tuesday closed up by +60 (+0.30%) 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 rain and snow with one or two moderate spells are a possibility over Jammu and Kashmir, Himachal Pradesh and Arunachal Pradesh. Isolated rains can be seen over Uttarakhand. Light rains with one or two moderate spells can be seen over West and northwest Rajasthan, Assam and Meghalaya. Isolated rains and thundershower activities can be seen over Punjab, Haryana, Delhi, Coastal Andhra Pradesh and Tamil Nadu. The minimums would remain above normal over northwest and Central India inclusive of Punjab, Haryana, Delhi, Uttar Pradesh, Rajasthan and Madhya Pradesh.

International Fundamentals:

Cotton futures were up 7 to 33 points in most contracts on Tuesday. A weaker US dollar was supportive, along with higher crude oil. First Notice day for March Cotton is on Friday. Another round of US/China trade talks are continuing this week in Washington DC, with the higher level talks taking place later in the week.

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	0.15	20120	20170	20070	20140	1963	-347	6490	-921
Mar-19	0.25	20390	20470	20360	20140	2202	-4585	6490	-297

Spread	Feb-19		-	-	--	--
Spot	-300		-	-	-	-
Mar-19			-	-	-	-

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

* Updated at as on 20-Feb- 2019 @5pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	20-Feb-19	18-Feb-19	
Gujarat	Ahmedabad	Shankar-6	5550	5550	Unch
	Gondal	Shankar-6	5505	5530	-25
	Rajkot	B.T. Cotton	5500	5500	Unch
	Patan	B.T. Cotton	5475	5475	Unch
	Kadi	B.T. Cotton	5500	5500	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5175	5230	-55
Haryana	Bhiwani	B.T. Cotton	5650	5650	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5480	5450	30
	Fatehabad	B.T. Cotton	5410	5425	-15
	Jind	B.T. Cotton	5600	5650	-50
	Uchana	B.T. Cotton	5430	5451	-21
	Dabwali	B.T. Cotton	5350	5370	-20
Rajasthan	Hanumangarh	B.T. Cotton	5490	5500	-10
	Rawatsar	B.T. Cotton	5425	5450	-25
Madhya Pradesh	Khandwa	Mech-1	5520	5530	-10
	Khargaon	Mech-1	5425	5470	-45
Maharashtra	Amravati	Mech-1	5400	5390	10
	Jamner	Medium Staple	NA	NA	-

Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	5450	-
Karnataka	Bijapur	Bunny	NA	5659	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5400	5400	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	20-Feb-19	18-Feb-19	
Punjab	Bhatinda	J-34	4400	4410	-10
	Abohar	J-34	4400	4415	-15
	Mansa	J-34	4370	4385	-15
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4136	4108	28

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	20-Feb-19	18-Feb-19	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	1046	935	111
	Rajkot	B.T. Cotton	2200	2400	-200
	Patan	B.T. Cotton	3040	1440	1600
	Kadi	B.T. Cotton	25000	20000	5000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	113	84	29
Haryana	Bhiwani	B.T. Cotton	500	800	-300
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	510	595	-85
	Fatehabad	B.T. Cotton	400	500	-100
	Jind	B.T. Cotton	551	1445	-894
	Uchana	B.T. Cotton	4035	1250	2785
	Dabwali	B.T. Cotton	80	150	-70
Rajasthan	Hanumangarh	B.T. Cotton	1500	1000	500
	Rawatsar	B.T. Cotton	100	1000	-900
Madhya Pradesh	Khandwa	Mech-1	1310	1312	-2
	Khargaon	Mech-1	7500	1200	6300
Maharashtra	Amravati	Mech-1	13000	15000	-2000
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-

	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	73210	-
Karnataka	Bijapur	Bunny	NA	1792	-
	Hubli	D.C.H.	NA	46	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	330	262	68
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	20-Feb-19	18-Feb-19	
Punjab	Bhatinda	J-34	4250	6800	-2550
	Abohar	J-34	510	510	Unch
	Mansa	J-34	510	595	-85
Haryana	Sirsa	J-34	680	680	Unch
Rajasthan	Sri-Ganganagar	J-34	2000	1500	500

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	20-Feb-19	18-Feb-19	
Gujarat	Rajkot	Rs. /10 Kg.	740	740	Unch
Delhi	New Delhi	Rs. /10 Kg.	740	740	Unch
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	20-Feb-19	18-Feb-19	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1978	1992	-14
Maharashtra	Akola	Rs./Qtl	1976	1992	-16

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				19-Feb-19	18-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	40000	40600	-600
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
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INTERNATIONAL PRICES AND INDICES

China Cotton Index:

Index	Unit	20-Feb-19	18-Feb-19	Change
CCIndex(328)	RMB/Ton	15485	15489	-4
CCIndex(527)	RMB/Ton	14535	14542	-7
CCIndex(229)	RMB/Ton	15969	15976	-7

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

China Foreign Cotton (FCE) Index :

Index	Unit	20-Feb-19	18-Feb-19	Change
FC Index (S)	Cents/lb	86.07	85.51	0.56
FC Index (M)	Cents/lb	81.45	80.85	0.60
FC Index (L)	Cents/lb	78.99	78.44	0.55

Cotlook Index:

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

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		19-Feb-19	18-Feb-19	Bales
Southeast	cents/lb.	68.94	NR	NR
North Delta	cents/lb.	67.69	NR	NR
South Delta	cents/lb.	67.69	NR	NR
East TX-OK	cents/lb.	65.69	NR	NR
West Texas	cents/lb.	65.69	NR	NR
Desert SW	cents/lb.	64.69	NR	NR
SJ Valley	cents/lb.	65.19	NR	NR

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 February 19, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									



Mar-19	190219	70.22	71.09	70.2	70.41	0.19	15,191	30,200	-7,258
May-19	190219	72.27	72.77	71.9	72.19	0.33	24,536	1,16,732	3,177
Jul-19	190219	73.45	74.1	73.27	73.48	0.24	5,049	38,934	779
Oct-19	190219	73.41	73.41	73.41	73.41	0.18	1	10	0
Dec-19	190219	72.97	73.51	72.56	72.87	0.07	2,389	43,467	518
Mar-20	190219	74.49	74.5	74.02	74.02	0.02	132	7,686	15
Total Volume and Open Interest							47,351	2,38,751	-2,724

Pakistan Cotton Spot rates: As on 19-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

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