

Domestic Fundamentals:

Market Outlook:

MCX Feb contract on Thursday closed up by+150 (+0.75%) 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:

Cotton procurement by the Cotton Corporation of India (CCI) has crossed 8.5 lakh bales in the ongoing 2018-19 cotton season as prices remained below the minimum support prices (MSP) due to weak global prices and low exports. The Corporation expects procurement to touch 15 lakh bales by the end of the season. A majority of the stock had been procured from Telangana and Maharashtra where farmers are now coming forward to sell to the CCI instead of approaching traders.

For the current year sharp 26% hike in minimum support price for cotton in the ongoing season hitting the textile industry to some extent, traders and government agencies have recommended a further 10-15% increase in support price for 2019-20 (Oct-Sep), to ensure farmers don't shift to other crops. The Cotton Association of India has recommended a 10% increase in support price for 2019-20. However, the association has also urged a strong linkage of price with quality, and called for stricter implementation of quality parameters during intervention programmes. Currently the S&D of this high value crop is fairly balanced, so market can absorb higher production as Agriwatch recommending a decent hike on current year MSP so, that farmers cannot shift to other crops.

The Cotton Association of India has pegged India's exports of the commodity in Oct-Jan at 2.4 mln bales (1 bale = 170 kg), around 25% lower on year. The association attributed the decline to higher domestic prices. Higher prices in domestic markets during Nov-Dec made overseas sales economically unviable. Despite arrivals being at their peak, domestic prices of cotton were high in Nov-Dec. This was because farmers hoarded the produce, expecting a spike in prices due to lower output estimates for the current season.

In Rajkot, Gujarat, the Shankar-6 variety was traded in the range of 44,000-46,000 rupees per candy (1 candy = 356 kg) in Nov-Dec. According to trade officials, India exported 2.7-2.8 mln bales of cotton during Oct-Jan. The demand, was mainly from Bangladesh. Vietnam, Bangladesh, Pakistan, and China are the top cotton importers in the world.

Weather Forecast for tomorrow:

Light to moderate rain and snow with few heavy spells would continue over Jammu and Kashmir, Himachal Pradesh and Uttarakhand. Scattered light to moderate rain and thundershowers with isolated hailstorm are likely over North Punjab, North Haryana, foothills of Uttar Pradesh, Northeast Madhya Pradesh, North Chhattisgarh and adjoining parts of Southeast Uttar Pradesh.

International Fundamentals:

ICE cotton futures on Thursday jumped more than 2 percent to hit their highest level in two-weeks on a report about a potential breakthrough in the U.S.-China trade dispute. The most active cotton contract on ICE Futures U.S., the May contract, settled up 1.85 cent, or 2.56 percent, at 74.01 cents per lb.

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	1.24	20290	20600	20280	20480	3472	1808	3848	-1756
Mar-19	1.27	20590	20920	20590	20800	5005	3061	10028	1233

Spread	Feb-19		-	-	--	--
Spot	-320		-	-	-	-
Mar-19			-	-	-	-

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

* Updated at as on 22-Feb- 2019 @5pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	22-Feb-19	21-Feb-19	
Gujarat	Ahmedabad	Shankar-6	5500	5550	-50
	Gondal	Shankar-6	5530	5520	10
	Rajkot	B.T. Cotton	5600	5500	100
	Patan	B.T. Cotton	5550	5510	40
	Kadi	B.T. Cotton	5600	5500	100
	Deesa	B.T. Cotton	NA	NA	-

	Dhrol	B.T. Cotton	5225	5225	Unch
Haryana	Bhiwani	B.T. Cotton	5700	5650	50
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5520	5500	20
	Fatehabad	B.T. Cotton	5450	5450	Unch
	Jind	B.T. Cotton	5659	5615	44
	Uchana	B.T. Cotton	5430	5420	10
	Dabwali	B.T. Cotton	5400	5370	30
Rajasthan	Hanumangarh	B.T. Cotton	5460	5470	-10
	Rawatsar	B.T. Cotton	5470	5470	Unch
Madhya Pradesh	Khandwa	Mech-1	5420	5410	10
	Khargaon	Mech-1	5455	5455	Unch
Maharashtra	Amravati	Mech-1	5400	5425	-25
	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	5619	5589	30
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5400	5350	50
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	22-Feb-19	21-Feb-19	
Punjab	Bhatinda	J-34	4405	4410	-5
	Abohar	J-34	4405	4415	-10
	Mansa	J-34	4370	4385	-15
Haryana	Sirsa	J-34	#N/A	#N/A	-
Rajasthan	Sri-Ganganagar	J-34	4061	4108	-47

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	22-Feb-19	21-Feb-19	
Gujarat	Ahmedabad	Shankar-6	51000	51000	Unch
	Gondal	Shankar-6	649	848	-199
	Rajkot	B.T. Cotton	2220	2200	20
	Patan	B.T. Cotton	2335	2160	175
	Kadi	B.T. Cotton	25000	25000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	100	74	26

Haryana	Bhiwani	B.T. Cotton	2000	1500	500
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	425	510	-85
	Fatehabad	B.T. Cotton	125	60	65
	Jind	B.T. Cotton	451	451	Unch
	Uchana	B.T. Cotton	930	1190	-260
	Dabwali	B.T. Cotton	70	50	20
Rajasthan	Hanumangarh	B.T. Cotton	800	1000	-200
	Rawatsar	B.T. Cotton	1000	500	500
Madhya Pradesh	Khandwa	Mech-1	1120	1808	-688
	Khargaon	Mech-1	2970	4010	-1040
Maharashtra	Amravati	Mech-1	14000	14000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	77720	84210	-6490
Karnataka	Bijapur	Bunny	1453	1148	305
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	262	307	-45
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	22-Feb-19	21-Feb-19	
Punjab	Bhatinda	J-34	4250	3400	850
	Abohar	J-34	340	170	170
	Mansa	J-34	510	850	-340
Haryana	Sirsa	J-34	510	170	340
Rajasthan	Sri-Ganganagar	J-34	1000	1000	Unch

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	22-Feb-19	21-Feb-19	
Gujarat	Rajkot	Rs. /10 Kg.	740	740	Unch
Delhi	New Delhi	Rs. /10 Kg.	742	740	2
Telangana	Hyderabad	Rs. /10 Kg.	720	725	-5
Maharashtra	Mumbai	Rs. /10 Kg.	750	752	-2

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	22-Feb-19	21-Feb-19	

Gujarat	Mahesana (Kadi)	Rs./Qtl	1999	1993	6
Maharashtra	Akola	Rs./Qtl	1998	1992	6

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				21-Feb-19	20-Feb-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39500	40400	-900
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40000	40900	-900
J-34(202)	26mm	3.5 - 4.9	23	40800	41200	-400
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	40000	40600	-600
Shankar-6(105)	29mm	3.5 - 4.9	28	41400	42200	-800
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 INDICES**China Cotton Index:**

Index	Unit	22-Feb-19	21-Feb-19	Change
CCIndex(328)	RMB/Ton	15501	15493	8
CCIndex(527)	RMB/Ton	14553	14537	16
CCIndex(229)	RMB/Ton	15979	15969	10

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

China Foreign Cotton (FCE) Index :

Index	Unit	22-Feb-19	21-Feb-19	Change
FC Index (S)	Cents/lb	88.02	86.17	1.85
FC Index (M)	Cents/lb	83.37	81.61	1.76
FC Index (L)	Cents/lb	81.26	79.26	2.00

Cotlook Index:

Cotlook Indices	Unit	21-Feb-19	20-Feb-19	Change
A-Index	Cents/Pound	80.3	80.3	Unch

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		21-Feb-19	20-Feb-19	Bales

Southeast	cents/lb.	70.76	71.16	232
North Delta	cents/lb.	69.51	69.41	0
South Delta	cents/lb.	69.51	69.41	0
East TX-OK	cents/lb.	67.51	68.16	2702
West Texas	cents/lb.	67.51	68.41	7937
Desert SW	cents/lb.	66.51	68.91	375
SJ Valley	cents/lb.	67.01	74.06	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 Thu February 21, 2019

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
Mar-19	190221	70.37	72.3	70.05	72.19	1.91	12,345	13,626	-9,689
May-19	190221	72.13	74.35	71.9	74.01	1.85	30,732	1,22,982	1,968
Jul-19	190221	73.35	75.42	73.1	74.99	1.65	8,148	39,938	-55
Oct-19	190221	74.45	74.45	74.45	74.45	1.09	0	10	0
Dec-19	190221	73.06	73.99	72.8	73.94	0.85	2,125	44,446	533
Mar-20	190221	75.72	75.72	74.16	74.97	0.72	38	7,689	13
Total Volume and Open Interest							53,388	2,30,413	-7,230

Pakistan Cotton Spot rates: As on 21-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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