

Domestic Fundamentals:**Market Outlook:**

The Rajkot mandi price for variety Shankar 6 stood Rs.41,900/per candy (74.84 cents/lbs). The crop for 2019-20 season is expected to increase by 11-15% compared to previous year this time on the advancement of rainfall and increase in area.

News: ICE cotton futures declining continuously since last 3-4 months on the prolonged inconclusive trade war between US & China. Prices have fallen 13.8% this month since June'19, Oct contract settled at 59.05 cents per lbs yesterday from 68.57 cents per lbs in June'19. Also the recent rains in Texas, a major crop-producing state, are giving a boost to crop conditions which previously was impacted by extreme heat last month causing the fall in prices.

As on 30th Aug'19, the cotton area has been increased this year by 7.24 lakh ha and stood at 124.91 lakh ha till now higher than 117.66 lakh ha last year. The sowing is lagging behind in Gujarat by 1% and stood at 26.52 lakh ha followed by Madhya Pradesh behind by 1% covering 6.09 lakh ha area. Whereas all other states are now ahead compared to previous year. So far, the total area of cotton expanded this year by around 6.1%. The advancement in rainfall is favoring the cotton crop for a healthy growth all over India.

Monthly cotton yarn exports fell by 24% at a 5 year low during April- July. The data released by the textile industry for the first three weeks of August also showed a decline of 25 per cent month-on-month while garment and made-up exports have shown a growth. Exports to major markets such as China has halved, and exports to Bangladesh and Korea has fallen 38 per cent and 45 per cent. While Vietnam has increased its exports of cotton yarn to China by 17 per cent during the last four months, India's share has declined by 16 per cent in the same period. Due to which many production units are shutting down and need urgent policy support. Cotton Textile Export Promotion Council has requested the government to extend the 3 per cent interest equalization to cotton yarn. These measures might help the cotton yarn sector and the spinning industry at large to minimize their losses and regain their competitiveness.

According to the AP government, cotton sowing as on 28th Aug'19, area remained 5.74 lakh ha which is 0.69 lakh ha higher than 5.05 lakh ha of last year and also higher than 5.25 lakh ha of normal area. Cotton has covered around 80-100% area to season normal. Sucking pest is reported till now in AP in traces (<5%) in Kurnool district.

Punjab and Haryana is expecting to get 10-15% higher production as per the increased area in both the states this year. The new crop is expected to arrive from 2nd week of September from few districts of Punjab and Haryana. Few 5-10 quintals arrival have been reported till now from Adampur district of Punjab and 30-40 quintals of cotton from UP (Hathras). Cotton crop in Gujarat has been observed healthy as per date but if excess rainfall occurs after 15th of September it might damage the crop.

The domestic market currently has gained some support due to lower arrivals against the demand. But the domestic market seems to show mixed trend in the coming days due to higher imports and increase in sowing progress with estimated higher crop production in 2019-20 season which is going to commence from the end of September. The trend in International market has fallen last week where the cotton futures is trading lower amid poor export sales report last week by USDA, higher world cotton estimated by USDA and increasing pressure between US and China.

The pressure originating from higher domestic prices of cotton and weak export demand made India uncompetitive in the textile industry. As a result, the yarn exports of India declined and got weaker in the passage of time since June this year. India's cotton yarn export quantity declined by 33% in first quarter of FY20 (41% in May and June 2019) and stood at a seven-year low of 59 million kg in June 2019. As a result, multiple textile associations across the country have reported stock pile-ups and production cuts by spinning mills in recent months, eventually, lakhs of people have lost their jobs in the cotton textile industry.

The rainfall in Gujarat might affect to the cotton crop as on an average 5-10% loss in production in the cotton growing areas like Rajkot, Patan, Ahmedabad and in Saurashtra region might be reported. Although the loss in area is noticed in Gujarat in the current period (2019-20) and till now no loss is observed in Gujarat. As on 16th Aug'19, Total area sown was reported at 25.99 lakh ha less than 26.71 lakh ha in the corresponding period of previous season.

The data released by Ministry of Agriculture on 20th August, the 4th advance estimate shows that India is likely to produce 287.08 lakh bales, 12.4% less against last year production of 328.05 lakh bales (2017-18). The arrivals for this year is soon to be finished before the crop year ends in September due to the lower output. The crop for next year (2019-20) is expected to surge as the crop across India is healthier against 2018-19 as of now.

Weather Forecast for tomorrow:

During the next 24 hours, light to moderate rains with one or two heavy rains is likely over Gujarat, East Rajasthan, Madhya Pradesh, Vidarbha, parts of Chhattisgarh, parts of Odisha, North Coastal Andhra Pradesh, parts of Telangana, Marathwada, Konkan and Goa, Coastal Karnataka, North coast of Gujarat and Andaman and Nicobar Islands. Meanwhile, scattered light to moderate rains are expected over parts of Uttar Pradesh, Himachal Pradesh, Uttarakhand, Gangetic West Bengal, Sub-Himalayan West Bengal, and Sikkim, and parts of Assam. Light rains will be seen over the rest of the country.

International Fundamentals:

Cotton futures were down 5 to 11 points in most contracts, with Oct up 15 points on Monday. The Cotlook A Index was up 80 points on August 29 at 70.10 cents/lb. The weekly AWP is now 51.45, below loan rate.

Indonesian Textile Association attended a Cotton USA special trade mission (2019) through which the Indonesian group was educated on many advantages of US cotton and developed business relationships between the foreign trade and US cotton industry to help increase business opportunities. After the event, Indonesian delegates has said that the might purchase an additional 1,94,000 bales of US cotton in the coming year. After a steep fall in exports from USA, the country is finding its new alternative countries after China.

From May 5 to Sep 2, the cumulative turnover of reserve cotton was 781,100 tons, and the turnover rate was 84.11%. On 3rd Sep, 87.61% Of Total Put Auction at 10226.9373 tons for sales. Average Transaction price was 11,551 Yuan/ton (Down by 83 Yuan/ton from the previous day). The discounted 3128 price was 12,775 yuan/ton (Down by 228 yuan/ton from the previous day).

The Export Sales report from USDA showed 146,000 RB of 2019-20 upland cotton sold in the week of August 22nd, with Turkey buying 46,100 RB followed by Vietnam (27,800 RB) and India (20,800 RB) and reductions were from China (4,600 RB) followed by Philippines (2,600 RB) and Colombia (2,200RB). For 2020-21, net sales of 23,200 RB were primarily for Mexico (17,000 RB) and Peru (5,300 RB). Total upland export commitments are now 50% of USDA's full year projection, with most of that being unshipped sales. The average pace for this time of year is 45%, with last year at 66%.

The US crop is improved slightly, NASS Crop Progress data showed 90% of the crop setting bolls (91% avg) against 90% in the same time last year, with 28% of the crop with bolls opening (19% avg) higher than 20% in the corresponding period last year. Around 33-44% crop is noticed to be in good to excellent condition in the current season increased from previous week. Although the crop received some relief from hot and dry conditions, but the largest portion of dryland acreage south of Lubbock continues to suffer as the crop needs rainfall for better growth at this stage of the crop. The US crop is likely to get smaller than the USDA's current 22.5M bale projection, but the US will still likely produce a significantly larger crop than it did in 2018.

The international prices are backed by the announcement made by trump on late Friday, the US hit back by increasing the tariff on Chinese imports after China announced addition tariffs on several US agri goods in retaliation to the US tariff implementation on \$300 billion in Chinese goods in September and December. Of those cotton was included with

5% in tariffs added to US goods on 1st September. President Trump imposed on the current 25% tariff on 300 billion USD of imports to be increased to 30%, and the 10% tariff on most remaining imports which will go in effect September 1st is increased to 15%. The cotton industry is going to get renewed buying interest from countries such as Iran, Vietnam and Bangladesh, though quantities are small.

The cotton is trending low, OCT'19 closed at 59.24, down 63 points after the poor Export Sales report from USDA for the week ending 15th Aug'19, showed net upland sales of 2019-20, net sales of only 1,64,000 RB were primarily for Vietnam (36,100 RB) followed by 24,000 RB and Turkey (10,900 RB) and reductions were from Hong Kong (8,600 RB) and China (600 RB). For 2020-21, net sales of 500 RB were primarily for China (117,900 RB), Mexico (16,300 RB) and Vietnam (14,500 RB).

World cotton consumption in 2019-20 is projected at 123.1 million bales, compared with an estimated 120.6 million bales in 2018-19. Cotton mill use in China is projected at 40.0 million bales in 2019-20, up 1 percent (500,000 bales) from last season. Increased imports of raw cotton in recent years, along with domestic supplies from China's State Reserve, have helped sustain China's spinning industry during a period of stable production. Followed by India, Vietnam and Bangladesh also where 2% to 7% increase in mill consumption is estimated in 2019-20.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|------|-------|-------|-------|-------|--------|--------|------|--------|
| 19-Aug | -140 | 20870 | 21120 | 20410 | 20950 | 2384 | 0 | 1598 | 0 |
| 19-Oct | -100 | 19570 | 19610 | 19360 | 19620 | 673 | 356 | 2059 | 147 |
| 19-Dec | 50 | 19200 | 19290 | 19130 | 19230 | 225 | 191 | 758 | 0 |

| Spread | 19-Jun | 19-Jul | 19-Aug | 19-Sep | -- | -- |
|--------|--------|--------|--------|--------|----|----|
| Spot | | | | | - | - |
| 19-Aug | - | 1510 | - | - | - | - |
| 19-Oct | - | - | 320 | - | - | - |

(NB: Spread Basis = Spot- Near Month Future) As updated on 3rd Sep @ 5.30 pm

* Updated at as on 3-Sep- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVAL

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|-----------|-----------|-------------|----------------------|----------|--------|
| State | Centre | Variety | 3-Sep-19 | 2-Sep-19 | |
| Gujarat | Ahmedabad | Shankar-6 | NA | NA | - |
| | Gondal | Shankar-6 | Closed | 6105 | - |
| | Rajkot | B.T. Cotton | Closed | Closed | - |
| | Patan | B.T. Cotton | NA | NA | - |
| | Kadi | B.T. Cotton | NA | NA | - |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | NA | NA | - |

| Haryana | Bhiwani | B.T. Cotton | NA | NA | - |
|----------------|----------------|---------------|--------------------|----------|--------|
| | Bhiwani | Desi | NA | NA | - |
| | Adampur | B.T. Cotton | 5500 | 5500 | Unch |
| | Fatehabad | B.T. Cotton | NA | NA | - |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | NA | NA | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | NA | NA | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | NA | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 5500 | 5400 | 100 |
| | Hathras | Desi | NA | NA | - |
| Telangana | Adilabad | Un-Ginned | NR | NR | - |
| Karnataka | Bijapur | Bunny | 6089 | NA | - |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | NA | - |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 3-Sep-19 | 2-Sep-19 | |
| Punjab | Bhatinda | J-34 | 4350 | 4350 | Unch |
| | Abohar | J-34 | 4350 | 4350 | Unch |
| | Mansa | J-34 | 4350 | 4340 | 10 |
| Haryana | Sirsa | J-34 | 4300 | 4290 | 10 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|-----------|-----------|-------------|--------------------|----------|--------|
| State | Centre | Variety | 3-Sep-19 | 2-Sep-19 | |
| Gujarat | Ahmedabad | Shankar-6 | NA | NA | - |
| | Gondal | Shankar-6 | Closed | 63 | - |
| | Rajkot | B.T. Cotton | Closed | Closed | - |
| | Patan | B.T. Cotton | NA | NA | - |
| | Kadi | B.T. Cotton | NA | NA | - |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | NA | NA | - |

| | Bhiwani | Desi | NA | NA | - |
|----------------|----------------|---------------|--------------------|----------|--------|
| | Adampur | B.T. Cotton | 340 | 102 | 238 |
| | Fatehabad | B.T. Cotton | NA | NA | - |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | NA | NA | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | NA | NA | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | NA | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 50 | 50 | Unch |
| | Hathras | Desi | NA | NA | - |
| Telangana | Adilabad | Un-Ginned | NR | NR | - |
| Karnataka | Bijapur | Bunny | 156 | NA | - |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | NA | - |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 3-Sep-19 | 2-Sep-19 | |
| Punjab | Bhatinda | J-34 | NA | NA | - |
| | Abohar | J-34 | NA | NA | - |
| | Mansa | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | NA | NA | - |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Seed Oil Prices:

| Commodity | Cotton Seed Oil | | Price | | Change |
|-------------|-----------------|-------------|----------|----------|--------|
| State | Centre | Unit | 3-Sep-19 | 2-Sep-19 | |
| Gujarat | Rajkot | Rs. /10 Kg. | 780 | 780 | Unch |
| Delhi | New Delhi | Rs. /10 Kg. | 751 | 751 | Unch |
| Telangana | Hyderabad | Rs. /10 Kg. | Unq | Closed | - |
| Maharashtra | Mumbai | Rs. /10 Kg. | 806 | Closed | - |

Cotton Seed Oil Seed Cake Prices:

| Commodity | Cotton Seed Oil Seed Cake | | Price | | Change |
|-------------|---------------------------|---------|----------|----------|--------|
| State | Centre | Unit | 3-Sep-19 | 2-Sep-19 | |
| Gujarat | Mahesana (Kadi) | Rs./Qtl | 3248 | Closed | - |
| Maharashtra | Akola | Rs./Qtl | 3218 | Closed | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 2-Sep-19 | 31-Aug-19 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | NR | 40200 | - |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | NR | 40700 | - |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | NR | 41000 | - |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | NR | 41600 | - |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | NR | 42300 | - |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | NR | 44200 | - |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | NR | 45300 | - |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | NR | 53900 | - |

INTERNATIONAL PRICES AND INDICES**China Cotton Index:**

| Index | Unit | 3-Sep-19 | 2-Sep-19 | Change |
|----------------------------------|---------|----------|----------|--------|
| CCIndex(328) | RMB/Ton | 12931 | 12982 | -51 |
| CCIndex(527) | RMB/Ton | 11925 | 11991 | -66 |
| CCIndex(229) | RMB/Ton | 13279 | 13349 | -70 |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | | | |

China Foreign Cotton (FCE) Index :

| Index | Unit | 3-Sep-19 | 2-Sep-19 | Change |
|--------------|----------|----------|----------|--------|
| FC Index (S) | Cents/lb | 74.79 | 74.86 | -0.07 |
| FC Index (M) | Cents/lb | 69.97 | 70 | -0.03 |
| FC Index (L) | Cents/lb | 67.69 | 67.69 | Unch |

Cotlook Index:

| Cotlook Indices | Unit | 2-Sep-19 | 31-Aug-19 | Change |
|-----------------|-------------|----------|-----------|--------|
| A-Index | Cents/Pound | #N/A | #N/A | - |

USDA Cotton Spot Rates:

| Growth Area | Unit | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|-----------|------------------------|------------------------|----------|
| | | 2-Sep-19 | 2-Sep-19 | Bales |
| Southeast | cents/lb. | #N/A | #N/A | #N/A |

| | | | | |
|-------------|-----------|------|------|------|
| North Delta | cents/lb. | #N/A | #N/A | #N/A |
| South Delta | cents/lb. | #N/A | #N/A | #N/A |
| East TX-OK | cents/lb. | #N/A | #N/A | #N/A |
| West Texas | cents/lb. | #N/A | #N/A | #N/A |
| Desert SW | cents/lb. | #N/A | #N/A | #N/A |
| SJ Valley | cents/lb. | #N/A | #N/A | #N/A |

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

| Pakistan Cotton Spot rates: As on 3-Sep-2019 | | | | (in Pakistan Rupees) |
|--|-----------|--------------|------------------|----------------------|
| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
| Cotton | 37.32 Kgs | 8000 | 160 | 8160 |
| Equivalent | 40 Kgs | 8574 | 171 | 8745 |

Daily Futures Price Listing Mon September 02, 2019

| Most Recent Information | | | | | | | Previous Day | | |
|--------------------------------|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Cotton(ICE) | | | | | | | | | |
| 19-Oct | 190830 | 58.74 | 59.08 | 58.73 | 59.05 | 0.17 | 4 | 233 | -3 |
| 19-Dec | 190830 | 58.96 | 59.3 | 58.46 | 58.83 | -0.17 | 12,798 | 139,873 | 1,401 |
| 20-Mar | 190830 | 59.7 | 59.94 | 59.18 | 59.44 | -0.21 | 3,157 | 47,143 | -6 |
| 20-May | 190830 | 60.41 | 60.66 | 59.99 | 60.28 | -0.14 | 841 | 8,989 | 75 |
| 20-Jul | 190830 | 61.21 | 61.32 | 60.78 | 61.13 | -0.08 | 704 | 8,048 | 171 |
| 20-Oct | 190830 | 61.73 | 61.73 | 61.73 | 61.73 | -0.01 | | | |
| Total Volume and Open Interest | | | | | | | 18,179 | 221,262 | 1,887 |

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