

Domestic Fundamentals:**Market Outlook:**

The Rajkot mandi price for variety Shankar 6 stood Rs.38, 950/per candy (69.94 cents/lb). Cotton prices across India reported to showed mixed trend across. ICE cotton futures were mostly unchanged on Monday, as investors remained cautious and awaited for more details on the "phase one" US-China trade deal.

News: According to the Chandigarh government, Punjab is likely to produce 49% larger crop of around 18 lakh bales as against 12 lakh bales produced last year. The average production per acre crossing the 10 quintals per acre mark as against last year's 9.31 quintals per acre. As this year the farmers were encouraged to shift to cotton cultivation in the view to diversification of crops. Therefore, the area under cotton cultivation from 6.70 lakh acres last year to 9.80 lakh acres during this year. CCI had purchased around 4.36 lakh quintals of cotton, which is about 20% of the total arrivals so far.

India's cotton exports have slowed down in the current marketing year that began on Oct 1 due to higher domestic prices following a hike in the minimum support price and in view of the depressed global prices. So far only 6-7 lakh bales have been shipped out, and the total export contracts are yet to hit the 1-mln-bale market. The number is just about 50-60% of the normal export contracts this time than in the past few years. These export contracts were finalized at 73-74 cents per pound, of which 75% were from Bangladesh, and the rest from China and Vietnam.

As on 13th Dec'19, the cotton arrivals from all over India stood approximately 72.3 lakh bales this season so far. Although the arrivals were delayed in South India, but now Telangana is leading with 13.94 lakh bales arrivals with moisture content ranging between 8-12% and CCI is procuring 95% of the cotton. The state is followed by Gujarat, that received around 12.99 lakh bales so far after the loss caused by the untimely rains in the state. The state is expecting 10% less production from the earlier estimates of 100 lakh bales. Similarly Maharashtra also faced bad weather this year which affected the crop and so far 9.3 lakh bales have been arrived in the state. While the arrivals from North India declined this month after the sowing of wheat crop has started in the previous month (November) in Punjab and Haryana. Rajasthan is seen to have good crop growth that received 11.3 lakh bales this year so far followed by Haryana (10.86 lakh bales) and Punjab (3.42 lakh bales).

The prices increased gradually as the moisture content declined after CCI recommended farmers to dry their cotton in order to sell it to CCI. The prices in Rajkot remained around Rs.5250/q while in MP the prices stood firm around Rs.5400/q. Prices likely to surge in the coming days in other states too.

As on 12th Dec'19, CCI procured 13.78 lakh bales in total across India, buying the large quantity of 8 lakh bales from Telangana followed by 2.2 lakh bales from Punjab, Haryana and Rajasthan. Around 1.82 lakh bales were procured from Maharashtra, 71,500 bales from Gujarat and the minimum purchases of 23,000 bales were reported from Andhra Pradesh. According to the trade sources, around 64 lakh bales have been arrived in the Indian markets so far as on 13th Dec'19.

India retain its overall cotton output for the 2019-20 season at 354.5 lakh bales, according to CAI. Cotton arrivals during October and November are estimated at 56.15 lakh bales. Cotton exports shipments during 1st Oct'19 to 30th Nov'19 stood at 5 lakh bales as the country is facing problems due to higher MSP compared to international prices and quality issues. Whereas the imports are on higher side are estimated at 5 lakh bales during the same period. Domestic prices are hovering around Rs.38,000-40,000/candy and around 80-95% of the arrivals is being bought by CCI so as to stabilize the prices.

Today the arrivals in North India were far lower than previous day due to heavy rainfall in Punjab, Haryana and rawastar, ganganagar and hanumangarh in Rajasthan and Vidarbha region of Maharashtra. The rainfall at this point of time might affect the harvested cotton as the fear of high moisture increases. After one month, the cotton prices took correction during the past week. If the rain continues, the crop might be affected and the infestation of pink bollworm might increase.

US expects further decline in production by around 0.61% than the previous estimates of 20.8 US million bales to 20.2 US million bales. Although, the production is still higher than previous year that stood at 18.37 US million bales (2018-19). The exports are also expected to increase to 16.5 US million bales in 2019-20 against 14.76 US million bales in 2018-19. According to the WASDE report, cotton production also declined in India and Pakistan at 29.5 US million bales (-0.5%) and 6.2 US million bales (-0.8%) from previous month's estimates.

As per the latest data released by ICAL, total arrivals in North zone reached around 27.82 lakh bales from 1st Sep'19 till 30th Nov'19 up compared to 27.72 lakh bales in the same period last year. So far, arrivals in Rajasthan stood at 14.09 lakh bales followed by Haryana at 10.43 lakh bales and Punjab at 3.29 lakh bales in the same period. CCI procured 74,922 bales from the above three states as on 30th Nov'19. CCI procured majority of cotton from Abohar (8,456 bales) in Punjab followed by Fazilka (1,892 bales). In Haryana, CCI has not been seen much active covering only 4 centres in the state: Kalanwali (10,609 bales), Adampur (6,548 bales), Ellenabad (5,159 bales) and Sirsa (2,588 bales). Whereas CCI was active in many areas in Rajasthan supporting the prices and maintaining around MSP.

According to the Telangana state pressing report of October and November'19, Adilabad pressed 1,60,000 bales followed by Warangal (1,42,000 bales), Nalgonda (1,40,000 bales), Mahabubnagar (95,000 bales) with total pressed bales of 7,08,700 bales so far. In Adilabad district, still the farmers are facing problems in selling their produce as CCI refused to buy stating that moisture content was high and now in the name of Koudi (insect) which attacks the crop at the final stage. Farmers are worried as private traders are purchasing the cotton at a cost of Rs 4,500 per quintal. About 6.81 lakh quintals of cotton came to Adilabad market yard for sale. Of this, CCI had purchased 4.93 lakh quintals and private trades purchased 1.87 lakh quintals.

World Trade Organization (WTO) panel has determined that India's export subsidies are inconsistent with WTO requirements based on the complaint lodged by US. India has appealed against the decision. The panel decision against the Indian subsidy measures, in particular, the Merchandise Exports from India Scheme (MEIS). Government has announced two initiatives to incentivize producers and exporters in India so as to smoothen the exports as the Indian cotton prices are higher than other in the competitive countries.

Weather Forecast for tomorrow:

During the next 24 hours, Cold Day conditions are likely to continue over Punjab, Haryana, Delhi and West Uttar Pradesh. Minimum temperatures may fall further and may lead to Cold Wave at some places. Cold day conditions to even grip parts of Uttar Pradesh, Bihar, and adjoining North Madhya Pradesh. Light to moderate rain and snow is likely to affect higher reaches of Jammu and Kashmir, Himachal Pradesh and Uttarakhand. Isolated heavy rains cannot be ruled out.

International Fundamentals:

Cotton futures came back down from midday highs, but still finished with gains of 40 to 84 points, Mar 20 Cotton closed at 67.58, up 84 points. The 12/18 Cotlook A Index was down by 050 points to 75.70. The new AWP was higher by triple digits, up to 57.73 cents/lb. the previous update was a 69 point bump.

The US Export Sales report from USDA showed 249,400 RB of 2019-20 upland cotton sold in the week ending 12th Dec'19 were down by 10% compared to previous week. With major buyers including Turkey (70,400 RB), Pakistan (44,200RB), Indonesia (28,300RB), and Bangladesh (27,700RB). Reductions were from Spain (200RB). For 2020-21, net upland sales of 1,100 RB were primarily from Mexico. Net Upland Shipment for exports of 213,300 RB were up 14 percent from the previous week, but up 26 percent from the prior 4-week average. Major exports were to Vietnam (40,900RB), China (35,500RB), Pakistan (33,800 RB), Mexico (21,700 RB) and Bangladesh (14,500 RB).

Vietnam imported 104.1 thousand tons of cotton in Nov'19, down 0.2% year on year and 2.9% month on month. In Jan-Nov, 2019, cotton imports totaled 1.351 million tons, down 6% year on year. Based on current growth rate, the imports may total 1.463 million tons in 2019, a fall of 93 thousand tons from 2018. Vietnam imported 104.1kt of cotton in Nov,

2019, down 0.2% year on year and 2.9% month on month. In Jan-Nov, 2019, cotton imports totaled 1.351 million tons, down 6% year on year.

The trade agreement announced Friday leaves hope a meaningful agreement can be signed. The impact on cotton is not yet known. The US presidential comments were that China would be buying 50 billion USD of agriculture products, and they had already started buying, which was a reference to the recent soybean purchases. Regarding cotton, no details are known as to whether cotton is receiving a mention specifically in any agreement. The USDA in its earlier December forecast had estimated slightly lower crop in US 2019-20 cotton production at 20.2 million bales instead of 20.8 million bales as estimated in November.

According to the latest USDA report, Pakistan -800,000 bales to 2.50 million US bales in 2019-20. Several changes in world trade were noted, with imports increased for Pakistan, India, and Turkey, with reductions in China and Vietnam. Imports in Pakistan are estimated to increase to 4.20 million US bales compared to 2.85 million bales in 2018-19. Untimely rains in some parts of country damaged the cotton crop, keeping ginners under pressure owing to huge losses. Total of 7.44 million bales of cotton have been arrived on 1st Dec'19 in 2019-20 season.

Brazil is the second largest exporter with a 17% share of the world exports at 1.5 million tons. China's increased import needs will likely be provided by Brazil, followed by West Africa and India. Brazil exports for October have increased to 12.56 lakh bales, with 5.01 lakh bales exported to China followed by Vietnam importing 1.88 lakh bales. Brazil also shipped 1.40 lakh bales to Bangladesh in Oct'19. Harvest has finished in Oct, the 2019 crop is being ginned. In Mato Grosso, planting of the first crop cotton will occur in December. Acreage is expected to be near unchanged from last year at 155,759 hectares out of total acreage of 1,139,871 hectares, a new record.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
19-Dec	40	19090	19190	19090	19130	570	90	1306	-857
20-Jan	60	19290	19420	19290	19330	728	361	1423	140
20-Feb	60	19560	19600	19560	19540	54	-754	114	-1426

Spread	19-Oct	19-Nov	19-Dec	20-Jan	--	--
Spot	-				-	-
19-Oct	-	-230	-	-	-	-
19-Nov	-	-	-	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 20th Dec @ 5.30 pm

* Updated at as on 20-Dec- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	21-Dec-19	20-Dec-19	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	NR	5355	-
	Rajkot	B.T. Cotton	5355	5360	-5
	Patan	B.T. Cotton	NR	NR	-
	Kadi	B.T. Cotton	5400	5400	Unch
	Deesa	B.T. Cotton	4955	4905	50
	Dhrol	B.T. Cotton	5355	5310	45
Haryana	Bhiwani	B.T. Cotton	5400	5400	Unch
	Bhiwani	Desi	6400	6350	50
	Adampur	B.T. Cotton	5250	5200	50
	Fatehabad	B.T. Cotton	5200	5225	-25
	Jind	B.T. Cotton	5342	5400	-58
	Uchana	B.T. Cotton	5275	5210	65
	Dabwali	B.T. Cotton	5150	5450	-300
Rajasthan	Hanumangarh	B.T. Cotton	5200	5200	Unch
	Rawatsar	B.T. Cotton	5200	5015	185
Madhya Pradesh	Khandwa	Mech-1	5400	5450	-50
	Khargaon	Mech-1	5600	5600	Unch
Maharashtra	Amravati	Mech-1	5250	5250	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	5300	5300	Unch
	Hathras	Desi	4700	4700	Unch
Telangana	Adilabad	Un-Ginned	5000	4960	40
Karnataka	Bijapur	Bunny	NA	5137	-
	Hubli	D.C.H.	5500	5500	Unch
	Hubli	B.T. Cotton	7500	7500	Unch
	Raichur	H-44 Cotton	NA	5200	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	21-Dec-19	20-Dec-19	
Punjab	Bhatinda	J-34	4025	3990	35
	Abohar	J-34	4025	4000	25
	Mansa	J-34	4025	4000	25
Haryana	Sirsa	J-34	3980	3950	30
Rajasthan	Sri-Ganganagar	J-34	3629	3619	9

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Dec-19	19-Dec-19	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	#N/A	#N/A	-
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	#N/A	#N/A	-
J-34(202)	26mm	3.5 - 4.9	23	#N/A	#N/A	-
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	#N/A	#N/A	-
Shankar-6(105)	29mm	3.5 - 4.9	28	#N/A	#N/A	-
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	#N/A	#N/A	-
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	#N/A	#N/A	-
DCH-32(107)	34mm	3.0 - 3.8	33	#N/A	#N/A	-

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

Index	Unit	21-Dec-19	20-Dec-19	Change
CCIndex(328)	RMB/Ton	#N/A	#N/A	-
CCIndex(527)	RMB/Ton	#N/A	#N/A	-
CCIndex(229)	RMB/Ton	#N/A	#N/A	-

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

China Foreign Cotton (FCE) Index :

Index	Unit	21-Dec-19	20-Dec-19	Change
FC Index (S)	Cents/lb	#N/A	#N/A	-
FC Index (M)	Cents/lb	#N/A	#N/A	-
FC Index (L)	Cents/lb	#N/A	#N/A	-

Cotlook Index:

Cotlook Indices	Unit	20-Dec-19	19-Dec-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
		20-Dec-19	20-Dec-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 19-Dec-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8750	160	8910
Equivalent	40 Kgs	9377	171	9548

Daily Futures Price Listing Fri December 19, 2019									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
20-Mar	191219	66.74	67.88	66.69	67.58	0.84	15,404	118,785	-974
20-May	191219	67.83	68.86	67.79	68.62	0.79	4,797	42,289	1,866
20-Jul	191219	68.7	69.5	68.66	69.32	0.66	1,372	17,273	-48
20-Oct	191219	69.22	69.22	69.22	69.22	0.4	0	7	0
20-Dec	191219	68.72	69.2	68.7	69.14	0.42	484	25,737	225
21-Mar	191219	69.39	69.67	69.39	69.67	0.35	28	1,170	28
Total Volume and Open Interest							22,085	206,101	1,097

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