

**Domestic Fundamentals:****Market Outlook:**

The Rajkot mandi price for variety Shankar 6 stood Rs.39,000/per candy (69.52 cents/lb). Cotton futures extended losses on Tuesday, after touching a more than two-month low in the previous session, as a sharp rise in the new coronavirus cases outside China sparked worries of a global economic slowdown.

**News:** *The yield in Andhra Pradesh is likely to have affected due to the severe infestation caused by Pink bollworm attack in many districts.* Major area is affected in Guntur district, one of the main cotton belts in AP followed by some areas in West Godavari and Nellore district. Last year, the cotton was affected with pest in the 4th picking of the crop but this year the crop has been infested with pink bollworm from the 3rd picking onwards. Due to which the yield has been declined from 4-6 quintals/ha in the 1st and 2nd picking where as it reduced to 2-3 quintals only from 3rd picking onwards. Also the quality has been deteriorated that dipped the prices to around Rs.4000-4600/q purchased by the private traders only. CCI is rejecting the cotton that are not up to the standards required by CCI. Therefore, the farmers are selling their produce to private traders instead of CCI.

**Due to heavy moisture and sluggish demand of cotton cake, nearly 60% cotton seed crushing units are closed since November last week in Gujarat.** Of 1,000 cotton seed crushing units, nearly 400 mills are currently functional in the state as it is unviable to crush cotton seed in absence of cotton cake demand. 'In case of cotton seed crushing, millers get maximum 11% of oil, 80-85% cake and nearly 5-7% waste. Generally, cotton cake is purchased for cattle feed. As large quantity of groundnut cake is available this year, following bumper groundnut crop in the state, those who are in animal husbandry are preferring groundnut cake over cotton cake.

**According to the 2nd advance estimate released by the government recently, the total cotton production in India might reach upto 348.91 lakh bales** against the target of 357.5 lakh bales. The 2<sup>nd</sup> advance estimate is higher by around 8% compared to the first advance estimate due to the higher arrivals this year. The total cotton arrivals stood around 210 lakh bales till Feb 2<sup>nd</sup> week according to the trade sources. Another 140 lakh bales are expected to arrive in the coming months.

**Cotton imports in India have come to a standstill as weak domestic prices have made overseas purchases economically unviable.** Since start of the season on Oct 1, traders have contracted 0.9-1.0 mln bales of cotton imports. Of the total contracts signed, 600,000-700,000 bales of extra-long staple cotton have reached the Indian ports so far. Mills in north India have contracted another 150,000 bales of Egyptian cotton, the consignments would arrive in Jun-Aug. India usually takes the shipments from US, West Africa and Australia especially for extra-long staple length cotton as India does not produces locally. Imports are currently muted as there is sufficient supply in the market due to bigger crop this year. In the domestic market, cotton is currently being sold in the range of 38,500-40,000 rupees per candy. And CCI is offering cotton at 46,500-46,900 rupees per candy procured in the current season. Due to which the spinners are willing to import cotton.

**CCI has released a tender to buy cotton bales from ginneries across India (AP, Telangana, Karnataka, MP, Gujarat, Maharashtra, Orissa, West Bengal, Haryana, Punjab, Rajasthan)** under reverse e- auction high grade ready cotton bales under commercial operations. The ginneries who are interested to participate in the e-tender for purchase of ready bales by CCI, has to register itself with the Corporation. Total 10 Samples will be drawn randomly from each lot of 100 bales by Authorized representatives of the Corporation at the factory. The moisture content should not exceed 8% or the lot will be rejected.

**Cotton seed oil cake price remained steady to firm compared to the last week amid a rising demand from cattle feed makers mainly influenced cottonseed oil cake prices.** With growing animal feed prices in the country, animal feed manufacturers have called CCI to release cotton seed stock in the market. The releasing of cotton seed stock can ease the cotton oil prices as well as animal feed prices in the country, as animal feed manufacturers will get additional raw material for producing animal feed. As CCI has so far extracted over 200,000 tons of cottonseed, which has not been released on the market. Due to this aggressive behaviour of CCI, the market has been distorted. With a lower production, firm oil prices and high demand.

**Cotton output to rise in Telangana in 2019-20 due to favourable weather conditions that led to higher acreage and yields.** The cotton yield is likely to increase by 7-9% this year leading to the total rise in cotton production to around 40-43 lakh bales this year. Whereas the state has released its 2<sup>nd</sup> advance estimate recently this week projecting to increase in production around 48 lakh bales up by 13 lakh bales compared to the previous year's production.

**Cotton prices in China have fallen by 3-4% from 13,833 RMB/Ton to 13,437 RMB/Ton since 23<sup>rd</sup> Jan'20 to 7<sup>th</sup> Feb'20** while the Indian domestic prices also fallen (-1 to 2%) to Rs.39,500/ candy from Rs.40,000/candy due to the uncertainty after the outbreak of coronavirus in China. Prices are expected to remain volatile in the short-term before a clear picture emerges. Usually, India's 25% of its annual export of cotton and cotton yarn is to China. The halt in exports are the result in decline in domestic prices apart from exports to China, there is no increase in export demand from Vietnam and Bangladesh.

**CCI's activity slightly remained sluggish in last 10-15 days due to the decline in arrivals across India. In Gujarat, Maharashtra and MP,** final pickings have been started while the loss has been reported in the 3<sup>rd</sup> picking from Andhra Pradesh that overall resulted in the decline in domestic prices across India. CCI procured around 58 lakh bales so far which is around 27% of the total arrivals so far till 10<sup>th</sup> Feb'20. CCI made the maximum purchases from Telangana that procured 32.45 lakh bales (56% of the total CCI's procurement) followed by Maharashtra and Gujarat buying 10.8 lakh bales and 3.37 lakh bales respectively.

**As on 31<sup>st</sup> Jan'20 according to CAI, the cotton arrivals from all over India stood approximately 192.89 lakh bales this season so far.** The arrivals in Gujarat reached around 44.7 lakh bales even after loss caused by the untimely rains in the state. The arrivals were delayed in South India, but now Telangana is leading 2<sup>nd</sup> position with 37 lakh bales arrivals with moisture content ranging between 8-12% and CCI is procuring 95% of the cotton. Maharashtra also faced bad weather this year which affected the crop and so far 37.6 lakh bales have been arrived in the state. While the arrivals from North India declined this month in Punjab and Haryana. Rajasthan is seen to have good crop growth that received 18.7 lakh bales this year so far followed by Haryana (15.35 lakh bales) and Punjab (6.09 lakh bales).

### **Weather Forecast for tomorrow:**

During the next 24 hours, fairly widespread rains and thundershowers are likely over Northeast states. Snowfall might occur over many places over Arunachal Pradesh and at a few places over Sikkim. Scattered light to moderate rains and thundershowers are forecast for East Uttar Pradesh, Bihar, Sub-Himalayan West Bengal, coastal Odisha and Uttarakhand. Weather will remain dry over rest all places. Day temperatures of East Madhya Pradesh, Chhattisgarh, interior Odisha will increase now. We expect a further increase in pollution over Delhi NCR.

### **International Fundamentals:**

**Cotton comes out of the overnight session with 84 to 113 point losses, May contracts had posted 5 consecutive red candles for a net loss of 4.33 cents/lb.** The Cotlook A index was down another 140 points on 02/25, to 76.30 c/lb. The AWP for cotton is 59.03 c/lb.

**USDA's early projection for 2020 U.S. cotton planted acreage is 12.5 million acres, 9% below 2019 and the smallest area since 2016.** The decline is due to the effects of the Phase One trade agreement with China and the impact of the coronavirus on cotton demand. Based on regional average yields, USDA is forecasting a national average yield of 855 pounds per harvested acre up from 817 pounds in 2019 resulting in a projected crop of 19.5 million bales (3% below 2019 production).

**Coronavirus outbreak in China is leading many countries to import sugar from other countries other than China.** Several factories have been shut due to the outbreak of coronavirus. Many global buyers are finding new markets especially in sectors such as textile, garments and steel. Several buyers, especially in the textile sector, are expected to start purchasing products in Turkey after the coronavirus outbreak drove them away from China. Turkey is likely to bag the opportunity with increase in demand from textile industries. The cotton cultivation areas in Turkey increased 12% in 2019, reaching 4.8

million decares. The total production also increased by 5% in 2019, reaching up to 2.2 million tons. The Turkish cotton prices also expected to increase along with an increase in the global cotton prices.

**According to the National Cotton Council (NCC), US cotton producers are going to plant 13 million acres down by 5.5% from 2019.** Upland cotton are estimated around 12.8 million acres, down 5.6% from 2019, while extra-long staple on 224,000 acres represent a 2.7% decline. According to the survey conducted by NCC, Southeast respondents indicate a 9.3 per cent decrease in the region's upland area to 2.7 million acres. All states in the Southeast show a decline in acreage. Mid-South growers intend to plant 2.2 million acres, a decline of 6.5 per cent from the previous year. Southwest growers intend to plant 7.6 million cotton acres, a 3.4 per cent decline.

**The US Export Sales report from USDA showed 350,900 RB of 2019-20 upland cotton sold in the week ending 6th Feb'20 were up by 6% compared to previous week.** Increases primarily for Vietnam (152,000 MT, including 2,600 RB switched from South Korea), Turkey (74,000 RB), Pakistan (49,300 RB), Bangladesh (44,200 RB), and Indonesia (20,500 RB, including 1,200 RB switched from Japan), were offset by reductions primarily for China (48,400 RB). For 2020/2021, net sales of 57,300 RB were for Bangladesh (26,200 RB), Pakistan (18,500 RB), Malaysia (6,600 RB), Indonesia (5,300 RB), and Ecuador (700 RB). Exports of 400,500 RB were down 4 percent from the previous week, but up 20 percent from the prior 4-week average.

**Cotton production was reported unchanged at 20.1 million bales in Feb'20 forecast compared to the previous month by USDA.** Domestic cotton ending supply was also steady, leaving U.S. ending stocks at 5.40 mln bales. USDA also remained the U.S. cotton exports at 16.50m bales, although the Feb revision increased Brazil's cotton export estimate to 8.90m bales while Indian cotton exports reduced to 3.6 mln bales from 3.8 mln bales. Australian export estimates were lowered 5 lakh bales to 1.3 million bales due to the drought ravaged country. World ending stocks of cotton were increased by 2.53 mln bales to 82.12 mln bales. World demand for cotton was 1.21 million bales lower against the Jan forecast with World use at 119.01m bales. Australian and Indian exports were lowered. USDA's Cotton Ginning's Report showed that cotton ginned through 1st Feb'20 was 18.934 mln Running Bales, which is 14% more than 2018-19's pace.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Mar	-530	18850	18850	18360	18920	1875	1395	7766	5603
20-Apr	-550	19030	19050	18630	19200	837	470	1547	264
20-May	-480	19250	19250	19000	19480	3	-805	9	-1531

Spread	20-Feb	20-Mar	20-Apr	20-May	--	--
Spot	-				-	-
19-Dec	-	-200	-	-	-	-
20-Jan	-	-	-200	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 27<sup>th</sup> Feb @ 5.30 pm

\* Updated at as on 27-Feb- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	27-Feb-20	26-Feb-20	
Gujarat	Ahmedabad	Shankar-6	5350	5350	Unch
	Gondal	Shankar-6	5405	5405	Unch
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	5105	5110	-5
	Kadi	B.T. Cotton	5100	5150	-50
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5000	5095	-95
Haryana	Bhiwani	B.T. Cotton	5100	5200	-100
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5100	5125	-25
	Fatehabad	B.T. Cotton	5125	5125	Unch
	Jind	B.T. Cotton	5340	5340	Unch
	Uchana	B.T. Cotton	5095	5095	Unch
	Dabwali	B.T. Cotton	5450	5450	Unch
Rajasthan	Hanumangarh	B.T. Cotton	5150	5150	Unch
	Rawatsar	B.T. Cotton	5175	5175	Unch
Madhya Pradesh	Khandwa	Mech-1	5200	5200	Unch
	Khargaon	Mech-1	5322	5322	Unch
Maharashtra	Amravati	Mech-1	5100	5100	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	4830	-
Karnataka	Bijapur	Bunny	5319	5369	-50
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5150	5200	-50
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	27-Feb-20	26-Feb-20	
Punjab	Bhatinda	J-34	4000	4040	-40
	Abohar	J-34	4020	4040	-20
	Mansa	J-34	4040	4050	-10
Haryana	Sirsa	J-34	3970	3990	-20
Rajasthan	Sri-Ganganagar	J-34	3676	3690	-14

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	27-Feb-20	26-Feb-20	
Gujarat	Ahmedabad	Shankar-6	54400	54400	Unch
	Gondal	Shankar-6	2298	2679	-381
	Rajkot	B.T. Cotton	NR	NR	-
	Patan	B.T. Cotton	2028	1980	48
	Kadi	B.T. Cotton	20000	20000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	503	587	-84
Haryana	Bhiwani	B.T. Cotton	1000	1600	-600
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	340	340	Unch
	Fatehabad	B.T. Cotton	350	350	Unch
	Jind	B.T. Cotton	1020	1020	Unch
	Uchana	B.T. Cotton	4800	2000	2800
	Dabwali	B.T. Cotton	2000	1300	700
Rajasthan	Hanumangarh	B.T. Cotton	500	500	Unch
	Rawatsar	B.T. Cotton	1000	1000	Unch
Madhya Pradesh	Khandwa	Mech-1	800	1000	-200
	Khargaon	Mech-1	1875	7295	-5420
Maharashtra	Amravati	Mech-1	700	700	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	4490	-
Karnataka	Bijapur	Bunny	2817	2021	796
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	2625	2377	248
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	27-Feb-20	26-Feb-20	
Punjab	Bhatinda	J-34	6800	6800	Unch
	Abohar	J-34	2720	2550	170
	Mansa	J-34	1360	2040	-680
Haryana	Sirsa	J-34	1020	850	170
Rajasthan	Sri-Ganganagar	J-34	500	1500	-1000

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil	Price	Change
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State	Centre	Unit	27-Feb-20	26-Feb-20	
Gujarat	Rajkot	Rs. /10 Kg.	790	790	Unch
Delhi	New Delhi	Rs. /10 Kg.	760	765	-5
Telangana	Hyderabad	Rs. /10 Kg.	780	780	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	815	820	-5

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	27-Feb-20	26-Feb-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1688	1694	-5
Maharashtra	Akola	Rs./Qtl	1650	1677	-26

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				26-Feb-20	25-Feb-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35500	35500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	36000	36000	Unch
J-34(202)	26mm	3.5 - 4.9	23	37800	38000	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38400	38500	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	39200	39400	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39400	39500	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	38400	39500	-1100
DCH-32(107)	34mm	3.0 - 3.8	33	39900	40000	-100

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

Index	Unit	27-Feb-20	26-Feb-20	Change
CCIndex(328)	RMB/Ton	13323	13342	-19
CCIndex(527)	RMB/Ton	12560	12563	-3
CCIndex(229)	RMB/Ton	13689	13700	-11

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

**China Foreign Cotton (FCE) Index :**

Index	Unit	27-Feb-20	26-Feb-20	Change
FC Index (S)	Cents/lb	80.68	81.43	-0.75
FC Index (M)	Cents/lb	76.05	76.8	-0.75
FC Index (L)	Cents/lb	75.19	75.94	-0.75



**Cotlook Index:**

Cotlook Indices	Unit	26-Feb-20	25-Feb-20	Change
A-Index	Cents/Pound	75.05	76.3	-1.25

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		26-Feb-20	26-Feb-20	Bales
Southeast	cents/lb.	63.22	65.47	0
North Delta	cents/lb.	61.72	63.97	0
South Delta	cents/lb.	61.72	63.97	0
East TX-OK	cents/lb.	59.97	62.22	1233
West Texas	cents/lb.	59.47	61.97	2150
Desert SW	cents/lb.	57.22	61.22	348
SJ Valley	cents/lb.	57.72	66.62	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

**Pakistan Cotton Spot rates: As on 26-Feb-2019**

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	9000	160	9160
Equivalent	40 Kgs	9645	171	9816

**Daily Futures Price Listing Wed February 26, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Mar</a>	200226	65.68	65.73	65.55	65.55	-0.78	112	178	-299
<a href="#">20-May</a>	200226	66.84	66.85	65.37	65.47	-0.83	45,192	106,592	-1,402
<a href="#">20-Jul</a>	200226	67.04	67.39	65.99	66.08	-0.84	22,226	42,891	394
<a href="#">20-Oct</a>	200226	66	66	65.23	65.25	-1.15	2	78	0
<a href="#">20-Dec</a>	200226	66.65	67.19	65.77	65.84	-0.91	7,727	38,189	-873
<a href="#">21-Mar</a>	200226	67.46	67.73	66.59	66.66	-0.81	982	6,108	126
Total Volume and Open Interest							76,755	196,787	-1,805

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