

### Domestic Fundamentals:

#### **Market Outlook:**

The Rajkot mandi price for variety Shankar 6 stood Rs.38,800/per candy (67.49 cents/lb). There were no arrivals in Punjab, Haryana and Rajasthan due to heavy continuous rainfall since yesterday. But due to good quality arrival along with the CCI support the prices are recovering slowly. ICE cotton futures fell over 1% on Friday, after a plunge in financial markets, with oil dropping over 7% and equities tumbling, as investors were unnerved by the rapid spread of the novel coronavirus outside China.

**News:** The total cotton production in India reached around 245 lakh bales with maximum arrivals are reported in Gujarat producing 54.25 lakh bales followed by 51.75 lakh bales in Maharashtra and 45.5 lakh bales in Telangana. Agriwatch estimates the total cotton production of 351.8 lakh bales this year with an average yield of 466.62 kg/ha up by 4% year on year basis. Whereas, Cotton Association of India projected the cotton production of around 354 lakh bales. The production is expected to decline in Andhra Pradesh due to decline in yield from 4-5q/ha to 2-3q/ha in Guntur district majorly. Overall 10-12% increase in production is expected this year in India.

According to the trade sources, the Indian cotton exports for the January'20 were reported higher at 9.86 lakh bales against 5.36 lakh bales in the previous month. In January'20 also, China was the largest importer, importing 4.4 lakh bales with an average FOB of 1.61 \$/Kg followed by Bangladesh at an average FOB \$1.67/kg for 3.96 lakh bales, Indonesia importing 77,394 bales at 1.51 \$/Kg and Vietnam (32,690 bales at an average FOB \$1.57/kg). China has started importing cotton from India and the quantity of purchasing is increasing gradually while the scenario is likely to reverse due to the halted export contracts in February month due to the outbreak of coronavirus. Vietnam, Mauritius, Iran, Philippines, Turkey & Thailand also imported raw cotton from India in January contributing to the Indian exports of around 69,570 bales at an average FOB between 1.48 and 1.72\$/kg.

CCI purchased around 70 lakh bales this year till last week of Feb'20 along with CCI purchased 10,000 bales of cotton under commercial operations due to lower market prices. Last year, CCI purchased cotton under commercial operations in the March end. The agency has floated a tender to purchase cotton at Rs. 39,400-39,500 per candy from the open market through an electronic auction. Nearly 65% of the cotton arrivals have come into the market. P. Alli rani said CCI could even buy up to 96 lakh bales subject to market conditions under MSP. CCI is having 9 lakh bales of stock of previous year and 70 lakh bales of cotton procured this season so far. Nearly 53% of cotton procured so far this season is from Telangana.

CCI launched its own new cotton brand 'Hira' in Mumbai. The launch of this new premium quality of cotton aims to provide a good and reliable quality input for spinning and further value addition. CCI-Hira has the benefits of minimal trash (below 1.7 %), low moisture (below 8%), best grade (Rd 78 plus), optimal micronaire value (3.8-4.2) and strength (29 g/tex plus) which would result in good realization. CCI is maintaining the high quality standards so far this season. CCI likely to procure the target of 100 lakh bales this season till October 2020. The procurement is likely to stretch till March end to mid-April across India. And the trade and textile industry is waiting for a reasonable rate of CCI's sale which is yet to be started.

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 ginners 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 ginners 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.

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

During the next 24 hours, fairly widespread rain and snow may continue in Jammu and Kashmir, Himachal Pradesh, Uttarakhand and Ladakh. Fairly widespread rain and thundershowers with hailstorm activities may occur in a few parts of Punjab, Haryana, Delhi, Uttar Pradesh and North Rajasthan. Odisha, Bihar, Jharkhand and West Bengal may also observe light to moderate rain and thundershowers along with hailstorm activities. While scattered rain is likely in Chhattisgarh. A few parts of Kerala, Telangana, Andhra Pradesh and Tamil Nadu may experience scattered light to moderate rain and thundershowers. Scattered light to moderate rain is also expected in Andaman and Nicobar island, and Lakshadweep area.

### **International Fundamentals:**

**Cotton futures fell 52 to 57 points on Friday, Mar 20 Cotton closed at 62.97, down 56 points.** The Cotlook A index was 25 points higher to 72.30 c/lb on 03/06. The AWP for cotton for the week is 53.36 c/lb.

**The US Export Sales report from USDA showed 395,500 RB of 2019-20 upland cotton sold in the week ending 27<sup>th</sup> Feb'20 were up by 84% compared to previous week.** Increases primarily for Vietnam (102,500 RB), Turkey (77,500 RB), Pakistan (62,300 RB), China (58,400 RB), and Bangladesh (44,000 RB) were offset by reductions primarily for Japan (19,700 RB) and Malaysia (2,000 RB). For 2020/2021, net upland sales of 53,200 RB were for Malaysia (16,700RB), Turkey (13,200 RB), Peru (7,000 RB) and Vietnam (5,700 RB). Net Upland Shipment for exports of 478,200 RB were up 48 percent from the previous week, Exports were primarily to Vietnam (107,400 RB), Pakistan (87,400 RB), Turkey (77,000 RB), and China (73,400 RB).

**Steady to bearish trend was witnessed in Pakistan cotton market. The ginners were not keen to sell cotton at the prevailing rates, expecting better rates in the coming days.** In fact, the ginners are not interested to sell unsold cotton, anticipating a rise in the rates. Also, the steps announced by the government failed to provide any sooth to the textile sector, instead withdrawal of subsidy on electricity, will affect the sector and growers are under pressure as cotton seeds are not available easily in the market. The government had unilaterally increased power tariff from 7.5 cents to 13 cents

per kWh to cover its inefficiency. The Pakistani exporters cannot compete with China, Bangladesh and India where power tariffs are lower.

**US cotton dipped significantly by around 5% compared to the previous even after good sales report in the last week of Feb'20.** The virus has now spread to South Korea, Italy, and Iran this week and no one has a cure. The spread created new fears about the health of the world economy and that meant the potential for less demand for US Cotton. The number of new cases being reported inside China continues to drop, but the number of new cases outside of China is increasing. U.S. factory manufacturing activity slowed as new orders contracted, likely due to supply chain disruptions related to the fast-spreading coronavirus outbreak.

**Cotton futures slumped more than 4 percent on Thursday** to their lowest level in over four months as fears about the economic impact of the spreading coronavirus dented risk sentiment among investors. Cotton contracts for May settled down 2.97 cent, or 4.5%, at 62.5 cents per lb. It traded within a range of 62.47 and 65.47 cents a lb. Investors are ignoring the good fundamentals for cotton and are trading on the panic of the coronavirus. The export sales were positive, especially with China being one of the major buyers this time.

**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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Mar	-120	18880	18880	18490	18760	901	421	7013	4850
20-Apr	-140	18930	18940	18740	19020	150	-217	2356	1073
20-May	-90	19000	19140	19000	19220	32	-776	92	-1448

Spread	20-Feb	20-Mar	20-Apr	20-May	--	--
Spot	-				-	-
19-Dec	-	-60	-	-	-	-
20-Jan	-	-	-200	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 6<sup>th</sup> Mar @ 5.30 pm

\* Updated at as on 06-Mar- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	7-Mar-20	6-Mar-20	
Gujarat	Ahmedabad	Shankar-6	5350	5400	-50
	Gondal	Shankar-6	NR	5430	-
	Rajkot	B.T. Cotton	5300	5315	-15
	Patan	B.T. Cotton	5145	5160	-15
	Kadi	B.T. Cotton	5250	5200	50
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5070	5120	-50
Haryana	Bhiwani	B.T. Cotton	5250	5200	50
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5150	NA	-
	Fatehabad	B.T. Cotton	5200	NA	-
	Jind	B.T. Cotton	5150	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	5400	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	5200	5200	Unch
Madhya Pradesh	Khandwa	Mech-1	Closed	5000	-
	Khargaon	Mech-1	5355	NR	-
Maharashtra	Amravati	Mech-1	5300	5350	-50
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	4880	4870	10
Karnataka	Bijapur	Bunny	NR	5359	-
	Hubli	D.C.H.	5325	5325	Unch
	Hubli	B.T. Cotton	6850	6850	Unch
	Raichur	H-44 Cotton	5200	5200	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	7-Mar-20	6-Mar-20	
Punjab	Bhatinda	J-34	4080	4070	10
	Abohar	J-34	4080	4080	Unch
	Mansa	J-34	4080	4070	10
Haryana	Sirsa	J-34	4030	4040	-10
Rajasthan	Sri-Ganganagar	J-34	3666	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	7-Mar-20	6-Mar-20	
Gujarat	Ahmedabad	Shankar-6	42500	47600	-5100
	Gondal	Shankar-6	NR	2694	-
	Rajkot	B.T. Cotton	4000	4850	-850
	Patan	B.T. Cotton	2055	1165	890
	Kadi	B.T. Cotton	20000	30000	-10000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	560	440	120
Haryana	Bhiwani	B.T. Cotton	1200	1000	200
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	3400	NA	-
	Fatehabad	B.T. Cotton	100	NA	-
	Jind	B.T. Cotton	502	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	1000	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	200	NA	-
Madhya Pradesh	Khandwa	Mech-1	Closed	200	-
	Khargaon	Mech-1	2120	NR	-
Maharashtra	Amravati	Mech-1	2000	2500	-500
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	3510	3650	-140
Karnataka	Bijapur	Bunny	NR	2303	-
	Hubli	D.C.H.	7	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	1702	1905	-203
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	7-Mar-20	6-Mar-20	
Punjab	Bhatinda	J-34	1700	6800	-5100
	Abohar	J-34	170	NA	-
	Mansa	J-34	340	NA	-
Haryana	Sirsa	J-34	85	NA	-
Rajasthan	Sri-Ganganagar	J-34	500	NA	-

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil	Price	Change
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State	Centre	Unit	7-Mar-20	6-Mar-20	
Gujarat	Rajkot	Rs. /10 Kg.	770	780	-10
Delhi	New Delhi	Rs. /10 Kg.	750	750	Unch
Telangana	Hyderabad	Rs. /10 Kg.	800	810	-10
Maharashtra	Mumbai	Rs. /10 Kg.	805	805	Unch

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	7-Mar-20	6-Mar-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1983	2000	-17
Maharashtra	Akola	Rs./Qtl	1900	1886	14

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				6-Mar-20	5-Mar-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35400	35400	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35900	35900	Unch
J-34(202)	26mm	3.5 - 4.9	23	38300	38100	200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	38200	38200	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	39400	39400	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	39200	39200	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	38900	38900	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	39500	39500	Unch

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

Index	Unit	7-Mar-20	6-Mar-20	Change
CCIndex(328)	RMB/Ton	Closed	12996	-
CCIndex(527)	RMB/Ton	Closed	12388	-
CCIndex(229)	RMB/Ton	Closed	13399	-

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

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

Index	Unit	7-Mar-20	6-Mar-20	Change
FC Index (S)	Cents/lb	Closed	78.52	-
FC Index (M)	Cents/lb	Closed	74.05	-
FC Index (L)	Cents/lb	Closed	73.21	-



**Cotlook Index:**

Cotlook Indices	Unit	6-Mar-20	3-Mar-20	Change
A-Index	Cents/Pound	NR	72.4	-

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		6-Mar-20	6-Mar-20	Bales
Southeast	cents/lb.	NR	NR	NR
North Delta	cents/lb.	NR	NR	NR
South Delta	cents/lb.	NR	NR	NR
East TX-OK	cents/lb.	NR	NR	NR
West Texas	cents/lb.	NR	NR	NR
Desert SW	cents/lb.	NR	NR	NR
SJ Valley	cents/lb.	NR	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

**Pakistan Cotton Spot rates: As on 05-Mar-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 Fri March 06, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Mar</a>	200306	62.97	62.97	62.97	62.97	-0.56	0	30	0
<a href="#">20-May</a>	200306	63.01	63.27	62.35	62.79	-0.56	16,832	104,411	894
<a href="#">20-Jul</a>	200306	63.69	63.97	63.06	63.51	-0.52	10,382	44,764	-71
<a href="#">20-Oct</a>	200306	63.67	64.01	63.67	64.01	-0.52	13	61	-2
<a href="#">20-Dec</a>	200306	64.05	64.29	63.45	63.81	-0.57	5,745	44,511	2,496
<a href="#">21-Mar</a>	200306	64.84	64.9	64.31	64.61	-0.54	646	8,229	372
Total Volume and Open Interest							33,807	205,428	3,685

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