

### Domestic Fundamentals:

#### **Market Outlook:**

The Rajkot mandi price for variety Shankar 6 stood Rs.38,300/per candy (66.10 cents/lb). ICE cotton futures hit a 5-month low on Thursday in a broader markets sell-off after the United States imposed restrictions on travel from Europe that sparked demand fears. Concerns over the coronavirus outbreak overshadowed data from the United States Department of Agriculture (USDA) that showed net sales hit a fresh marketing year high.

**News:** As per the latest report, total stock with Government organization (CCI) has crossed 90 lakh bales as CCI procured around 75 lakh bales from the current season (2019-20) along with around 11 lakh bales procured by Maharashtra federation. Also, CCI is having the stock of around 9 lakh bales procured in the previous season (2018-19). Around 35% of the total arrival have been procured by CCI. The arrivals in Punjab, Haryana and Rajasthan likely to finish in the end of March. Although the arrivals declined compared to the previous month across India.

According to the latest report released by USDA, the cotton forecast for 2019-20 showed lower production which reduced by 3,00,000 bales to 19.8 million bales of production in US. While the consumption and exports remained the same and ending stocks are lowered to 5.1 million bales. The global cotton production is up by 2.6 lakh bales as larger crop expected from Brazil. While the production estimates from other states remained unchanged compared to the previous month's estimates reported by USDA. Due to the outbreak of coronavirus in China, the trade has been disrupted and the imports of around 2.5 lakh bales are lowered so far following in the reduction in demand by 1 million bales in the February estimates. While Turkey likely to import more cotton to 4.3 million bales up by 8 lakh bales from year on year comparison.

The total cotton production in India reached around 254 lakh bales till 29<sup>th</sup> Feb'20 i.e., around 72% of the cotton have arrived in the market against the target. The maximum arrivals are reported in Gujarat producing 58.5 lakh bales followed by 55 lakh bales in Maharashtra and 45.38 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 same 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 where so far 12 lakh bales of cotton has arrived. 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.

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

During the upcoming 24 hours, fairly widespread rains and snow are likely over Western Himalayas. Fairly widespread rains and thundershowers are likely over North Punjab, North Haryana and Uttar Pradesh. Scattered light to moderate rains are also likely over East Madhya Pradesh, North Chhattisgarh and parts of Jharkhand and Bihar. Rains are likely at a few places over Odisha and Gangetic West Bengal, West Assam and Arunachal Pradesh. Isolated rains might be witnessed over Kerala and Vidarbha.

### **International Fundamentals:**

**Cotton futures are mostly 90 to 100 points higher to begin your Friday morning, May 20 Cotton closed at 61.41, down by 1.72 points.** The 03/10 Cotlook A index was down 30 points higher to 71.00 c/lb. The updated AWP for cotton was 32 points lower to 53.04 c/lb.

**The US Export Sales report from USDA showed 484,200 RB of 2019-20 upland cotton sold in the week ending 05th Mar'20 were up by 22% compared to previous week.** Increases primarily for Pakistan (161,600 RB), China (90,900 RB), Turkey (84,100 RB), Vietnam (47,400 RB), Bangladesh (32,800 RB) were offset by reductions primarily for Japan (3,900 RB) and Thailand (1,200 RB). For 2020/2021, net upland sales of 160,400 RB were for Mexico (91,600 RB), Turkey (20,100 RB), China (15,900 RB), Pakistan (11,400 RB). Net Upland Shipment for exports of 424,600 RB were down 11 percent from the previous

week, Exports were primarily to Vietnam (94,600 RB), Pakistan (86,200 RB), Turkey (60,400 RB), China (55,100 RB), Bangladesh 34,800 RB).

**Steady to bearish trend was witnessed in Pakistan cotton market. The ginnerers were not keen to sell cotton at the prevailing rates, expecting better rates in the coming days.** In fact, the ginnerers 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).

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Mar	100	17820	18450	17760	18110	1669	1189	6299	4136
20-Apr	110	18120	18650	18020	18360	785	418	2967	1684
20-May	170	18380	18870	18380	18620	187	-621	197	-1343

V

Spread	20-Feb	20-Mar	20-Apr	20-May	--	--
Spot	-				-	-
19-Dec	-	-200	-	-	-	-
20-Jan	-	-	-220	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 13<sup>th</sup> Mar @ 5.30 pm

\* Updated at as on 13-Mar- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	13-Mar-20	12-Mar-20	
Gujarat	Ahmedabad	Shankar-6	5300	5150	150
	Gondal	Shankar-6	5230	5205	25
	Rajkot	B.T. Cotton	5365	5385	-20
	Patan	B.T. Cotton	5105	5030	75
	Kadi	B.T. Cotton	5100	5000	100
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	4600	4750	-150
Haryana	Bhiwani	B.T. Cotton	5100	5150	-50
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5100	5100	Unch
	Fatehabad	B.T. Cotton	5150	5160	-10
	Jind	B.T. Cotton	5200	5200	Unch
	Uchana	B.T. Cotton	5405	5405	Unch
	Dabwali	B.T. Cotton	5450	5400	50
Rajasthan	Hanumangarh	B.T. Cotton	5100	5100	Unch
	Rawatsar	B.T. Cotton	5050	5100	-50
Madhya Pradesh	Khandwa	Mech-1	5000	5000	Unch
	Khargaon	Mech-1	NR	NR	-
Maharashtra	Amravati	Mech-1	5000	5300	-300
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Telangana	Adilabad	Un-Ginned	NR	4800	-
Karnataka	Bijapur	Bunny	NR	5359	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	5100	5200	-100
Commodity	Lint		Prices (Rs./Maunder)		Change
State	Centre	Variety	13-Mar-20	12-Mar-20	
Punjab	Bhatinda	J-34	4000	4030	-30
	Abohar	J-34	4000	4040	-40
	Mansa	J-34	4000	4050	-50
Haryana	Sirsa	J-34	3950	3990	-40
Rajasthan	Sri-Ganganagar	J-34	3690	3690	Unch

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	13-Mar-20	12-Mar-20	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	2160	1812	348
	Rajkot	B.T. Cotton	2800	2200	600
	Patan	B.T. Cotton	2000	1248	752
	Kadi	B.T. Cotton	20000	30000	-10000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	366	230	136
Haryana	Bhiwani	B.T. Cotton	1500	1200	300
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	1190	3400	-2210
	Fatehabad	B.T. Cotton	1200	400	800
	Jind	B.T. Cotton	850	510	340
	Uchana	B.T. Cotton	6450	1880	4570
	Dabwali	B.T. Cotton	500	1000	-500
Rajasthan	Hanumangarh	B.T. Cotton	700	700	Unch
	Rawatsar	B.T. Cotton	150	200	-50
Madhya Pradesh	Khandwa	Mech-1	100	100	Unch
	Khargaon	Mech-1	NR	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	NR	14430	-
Karnataka	Bijapur	Bunny	NR	2205	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	2002	2205	-203
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	13-Mar-20	12-Mar-20	
Punjab	Bhatinda	J-34	3400	3400	Unch
	Abohar	J-34	170	1190	-1020
	Mansa	J-34	1190	1700	-510
Haryana	Sirsa	J-34	850	510	340
Rajasthan	Sri-Ganganagar	J-34	200	200	Unch

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil	Price	Change
-----------	-----------------	-------	--------

State	Centre	Unit	13-Mar-20	12-Mar-20	
Gujarat	Rajkot	Rs. /10 Kg.	740	735	5
Delhi	New Delhi	Rs. /10 Kg.	700	712	-12
Telangana	Hyderabad	Rs. /10 Kg.	745	745	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	760	770	-10

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	13-Mar-20	12-Mar-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1865	1920	-56
Maharashtra	Akola	Rs./Qtl	1825	1851	-26

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				12-Mar-20	11-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	37700	37900	-200
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	37800	38000	-200
Shankar-6(105)	29mm	3.5 - 4.9	28	39000	39200	-200
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	38800	39000	-200
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	38500	38700	-200
DCH-32(107)	34mm	3.0 - 3.8	33	39100	39300	-200

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

Index	Unit	13-Mar-20	12-Mar-20	Change
CCIndex(328)	RMB/Ton	12555	12680	-125
CCIndex(527)	RMB/Ton	11969	12097	-128
CCIndex(229)	RMB/Ton	12968	13111	-143

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

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

Index	Unit	13-Mar-20	12-Mar-20	Change
FC Index (S)	Cents/lb	74.94	76.72	-1.78
FC Index (M)	Cents/lb	70.5	72.25	-1.75
FC Index (L)	Cents/lb	69.99	71.41	-1.42



**Cotlook Index:**

Cotlook Indices	Unit	12-Mar-20	11-Mar-20	Change
A-Index	Cents/Pound	71	70.7	0.30

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		12-Mar-20	12-Mar-20	Bales
Southeast	cents/lb.	57.45	59.7	0
North Delta	cents/lb.	55.95	58.2	0
South Delta	cents/lb.	55.95	58.2	0
East TX-OK	cents/lb.	54.7	56.95	615
West Texas	cents/lb.	54.2	56.7	5412
Desert SW	cents/lb.	51.45	55.45	4
SJ Valley	cents/lb.	51.95	60.85	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 12-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 Thu March 12, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-May</a>	200312	61.6	61.6	59.35	59.7	-1.85	19,931	103,885	-848
<a href="#">20-Jul</a>	200312	62.18	62.18	60.03	60.35	-1.81	10,568	46,414	1,006
<a href="#">20-Oct</a>	200312	61	61	60.75	60.75	-1.66	0	41	0
<a href="#">20-Dec</a>	200312	62.38	62.38	60.55	60.84	-1.59	4,998	48,070	-149
<a href="#">21-Mar</a>	200312	63.27	63.27	61.55	61.83	-1.49	310	8,437	60
<a href="#">21-May</a>	200312	64	64	62.48	62.59	-1.41	151	722	4
Total Volume and Open Interest							36,177	210,796	164

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should

not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2020 Indian Agribusiness Systems Pvt. Ltd.