

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

*The kapas prices in Rajkot market stood slightly firm at Rs. 4805/q. In Adoni market of Andhra Pradesh also the prices stood slightly down at Rs. 4315/q with 210 q of arrivals while the MCX spot price stood at Rs.15670/bale. U.S.-China tension seems to have returned with President Trump apparently regretting dealing with China at all, despite a resumption of China purchasing U.S. agricultural goods.*

**News:** *Cotton prices in India have fallen significantly and is ranging near 54-55 cents/lbs while ICE cotton ranging between 57-58 cents/lbs gaining strength because china still buying us cotton despite increasing tensions with USA despite of tensions between the two in last week. The Indian cotton is cheaper in the international market making a way for good exports. The industry already have signs of good demand from Bangladesh and China. It is possible that more contracts India might receive from Bangladesh, Vietnam and China in the coming days supporting the prices and rise over the expected range.*

**With subdued demand for yarn after the pandemic, India expects the yarn exports to fall by 18-20% in FY 2021, following with 25% decline in FY 2020.** *Starting from March, cotton yarn remained uncompetitive in global markets during much of the previous year. While the pickup in demand in yarn would be gradual in several months. China consumes 8- 10% of India's cotton yarn production, there is a supply glut that is likely to result in an increase in inventory in China due to the lack of demand. Of the total cotton yarn manufactured by India, 70-75% is consumed domestically, while 25-30% is exported to other countries; with China and Bangladesh (accounting for 50%).*

**The revival of textile industry seems very slow as all the labour force have been headed to their homes.** *The ginning mills are not working in its full capacity. Only 10% mills in Gujarat and around 20-25% mills in Maharashtra are working during the lockdown for 8-10 hours per day. And ginning mills are facing in the piling inventories due to the shortage of storage spaces and the stock is not being sold in the market due to the lack of demand. As 4th phase of lockdown is going to start after 18th May'20, if the government announces some ease in lockdown then there is possibility that purchasing power increases in the market and thus results in the liquidity of cotton in the industry.*

**The Cotton Corporation of India (CCI) has announced bulk discount for cotton bales with it from 2018-2019 and 2019-2020 cotton seasons.** *The discount scheme will be applicable for purchase of cotton pertaining to crop year 2018-19 & 2019-20 for the sales made from 4<sup>th</sup> May'20 till 31<sup>st</sup> May'20. The incentive for export could receive another boost as these incentives are implemented. The Cotton Association of India is requesting a 5-10% duty drawback on both yarn and fiber exports. The challenge is to provide incentive for spinners at a time of very uncertain demand. The fall in INR against USD and strength in ICE cotton futures has continued to increase the advantage of Indian cotton exports.*

**CCI continued buying cotton from the farmers while the demand for cotton remained very low in in the market.** *The functioning of ginning mills remained halted in many districts across India. Only few mills are working that falls under CCI. The mills are unable to operate with its fill capacity due to lack of availability of labour around 20- 30% mills are working in Maharashtra while only 10% mills are working in Gujarat for around 8-10 hours. While only few mills are working in Adilabad of Telangana after the cotton procurement started in the district last week. Some ginners in Gujarat are able to get the export contracts form Vietnam, Bangladesh and China due to cheaper Indian cotton prices against the international cotton.*

**The farmers in Vidarbha region are in distress after the isolated rains were reported in the region in the last few days and is expected to continue in the coming days also.** *The farmers are facing problems in selling the cotton due to the unseasonal rains in the area. The farmers would likely to face difficulty as CCI buys only FAQ grade cotton while the rains are deteriorating the quality of cotton and the moisture content could exceed over 12%. The sowing time for cotton is likely arrive for which farmers need sufficient money to commence the sowing and CCI procurement is very sluggish. Therefore, farmers are forced to sell their produce to local traders and private ginners.*

**Cotton area in Tamil Nadu is expected to increase but the farmers are uncertain that they will be paid a reasonable price** or not in the coming season. One of the reasons, all the textile mills are in financial crisis and all the factories have shut production of yarn came to halt. So, this would definitely affect the raw cotton procurement from the farmers until CCI gives assurance. The cost of production is cheaper while the returns in growing cotton is higher compared to paddy. Total cost would come around Rs. 30,000 per acre, while the return is Rs. 1.5 lakh.

**CCI purchased around 7.5 lakh bales this season at MSP so far Gujarat**, highest purchases in past 12 years in the state. CCI has supported the farmers in the time of need as the kapas prices are hovering around Rs.4500-4900/q currently in the state due to less demand in the pandemic situation. Also, the cotton production is expected higher in Gujarat by around 5-7% in 2019-20 season from the previous year to around 90-92 lakh bales according to Agriwatch estimates.

**In Maharashtra, CCI has activated around 34 centres across the state in the lockdown for procurement.** Also the centres that are under red zone, likely to pick up procurement pace by the 2<sup>nd</sup> week of May. Before lockdown, CCI procured around 18 lakh bales and in last 15 days during the lockdown, CCI purchased around 6,900 bales. Out of total procurement value of Rs. 4,995 crore, a sum of Rs. 4,987 crore has already reached the farmers. In Maharashtra around 15-17% cotton crop is still with farmers and yet to arrive.

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

Thunderstorm accompanied with lightning & gusty winds (speed reaching 40-50 kmph) likely at isolated places over Odisha, Gangetic West Bengal; with lightning & gusty winds (speed reaching 30-40 kmph) at isolated places over Chhattisgarh, Jharkhand, Sub-Himalayan West Bengal & Sikkim, Andaman & Nicobar Islands, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Tamilnadu, Puducherry & Karaikal and Kerala & Mahe and with lightning at isolated places over Jammu & Kashmir, Ladakh, Gilgit-Baltistan, Himachal Pradesh, Bihar, Arunachal Pradesh and Coastal & South Interior Karnataka.

### **International Fundamentals:**

**Cotton futures ended with 13 to 49 point gains on Friday, Jul 20 Cotton closed at 58.25, up 40 points.** The May 14th Cotlook A index was 65.90c/lb, down by 75 points. The Adjusted World Price for cotton is up 135 points this week to 47.36 cents/lb.

**The world cotton market is suppressed after the rapid spread of Covid-19 has become pandemic.** There has been a decline in demand from across the world due to the closure of all non-essential businesses. China has commenced its spinning operations but the recovery rate is not satisfactory enough due to the lack of demand. The forecast for 2019-20 world cotton consumption dropped further by 5% to 104 million bales in May' 20 compared to April'20. USDA increased world consumption by 11 percent for the 2020-21 season to 116.46 million bales. The current forecast of world cotton demand is at 250 million bales, while the world cotton supply is at a relatively high level of 242 million bales. The ICE futures dropped to 55 cents/lbs in first week of May'20 from around 63 cents/lbs in March'20 first week.

**US textile and apparel total import was down by 12.6% year on year in Mar'20.** Imports from China were impacted as well from the port closures in February and March as the virus stormed through China. US imports from China fell 22.6%, and apparel imports only fell 42.6%. COVID-19 pandemic outbreak has affected on foreign trade, and the amount and quantity of China's textile and apparel imported by the United States have declined sharply. While an improvement in sale of cotton is seen as China has started buying US cotton in the first week of May'20 that would help gain the cotton prices globally.

**Imported cotton yarn arrivals to China in Apr'20 are estimated at 132 kilo tonnes (kt), down 27.07% year on year and 27.47% month on month.** The shipments of Vietnamese cotton yarn are estimated at 62.7 kt, followed by Indian cotton yarn at 53.9 kt, Pakistani cotton yarn 23.6 kt, Uzbekistan cotton yarn at 7kt, Indonesian cotton yarn at 4 kt, in April month but not delivered as expected due to the breach of contracts. According to USDA, the total Demand decline to 34 million bales in May estimates compared to 35 mln bales in April estimates. Due to the reduced domestic as well as international

demand, China is troubled facing dealing with huge inventory in the warehouses. Increase in the stock reserves China likely to end the year with higher ending stock at 36.25 million bales in 2019-20 MY.

**The US Export Sales report from USDA showed 370,300 RB for 2019-2020 in week ending 30<sup>th</sup> Apr'20 were down by 15% compared to previous week.** Increases primarily for China 217,500 RB, Vietnam 102,600 RB, Taiwan 18,300 RB, Bangladesh 10,900 RB, Turkey 10,300 RB and offset by reductions primarily from Mexico 7,000 RB, El Salvador 3,200 RB, Pakistan 2,800 RB. For 2020-2021, net upland sales of 55,900 RB were primarily for China 22,000 RB, Vietnam 11,400 RB, Turkey 6,600 RB, Mexico 5,000 RB. Net Upland Shipment for Exports of 370,300 RB were primarily to Vietnam 125,100 RB, China 56,500 RB, Turkey 51,500 RB, Pakistan 32,200 RB, Taiwan 23,700 RB.

**According to USDA, the total Demand decline to 35 million bales in April estimates compared to 36.5 mln bales in March estimates.** While the imports also has been hit badly that declined to 7.5 mln bales in April estimate from 8.25 mln bales in March'20. Due to the the reduced domestic as well as international demand, China is troubled facing dealing with huge inventory in the warehouses. Despite the stock reserves China likely to end the year with lower ending stock at 35.24 million bales due to lower imports and lower crop in 2019-20 from 35.67 mln bales in 2018-20.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-May	-60	15780	15860	15570	15830	707	227	3864	1701
20-Jun	-50	16050	16060	15810	16030	345	-22	1272	-11
20-Jul	-20	16150	16200	16040	16220	6	-802	114	-1426

Spread	20-Apr	20-May	20-Jun	20-Jul	--	--
Spot	-				-	-
19-Dec	-	-200	-	-	-	-
20-Jan	-	-	-140	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 18<sup>th</sup> May @ 5.30 pm

\* Updated at as on 18-May- 2019 @ 5:00 PM

#### DOMESTIC PRICES AND ARRIVAL

##### Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	18-May-20	16-May-20	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	4805	4800	5
	Patan	B.T. Cotton	4105	4810	-705
	Kadi	B.T. Cotton	4750	4800	-50
	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	5390	NA	-
	Fatehabad	B.T. Cotton	5405	5405	Unch
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	5450	5405	45
Rajasthan	Hanumangarh	B.T. Cotton	Closed	NA	-
	Rawatsar	B.T. Cotton	Closed	Closed	-
Madhya Pradesh	Khandwa	Mech-1	Closed	Closed	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	4500	NA	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	NA	4625	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	4529	4439	90
	Hubli	D.C.H.	NA	4000	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	4725	-
Commodity		Lint	Prices (Rs./Maund)		Change
State	Centre	Variety	18-May-20	16-May-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3520	3490	30
Rajasthan	Sri-Ganganagar	J-34	Closed	Closed	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	18-May-20	16-May-20	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NR	NR	-
	Rajkot	B.T. Cotton	2600	2970	-370
	Patan	B.T. Cotton	808	1095	-287
	Kadi	B.T. Cotton	12500	3000	9500
	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	510	NA	-
	Fatehabad	B.T. Cotton	NA	NA	-
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	2100	1200	900
Rajasthan	Hanumangarh	B.T. Cotton	Closed	NA	-
	Rawatsar	B.T. Cotton	Closed	Closed	-
Madhya Pradesh	Khandwa	Mech-1	Closed	Closed	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	2000	NA	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	NA	210	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	1046	817	229
	Hubli	D.C.H.	NA	50	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	450	-
Commodity		Lint	Arrivals (Quintal)		Change
State	Centre	Variety	18-May-20	16-May-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	1020	680	340
Rajasthan	Sri-Ganganagar	J-34	Closed	Closed	-

**Cotton Seed Oil Prices:**

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	18-May-20	16-May-20	
Gujarat	Rajkot	Rs. /10 Kg.	820	820	Unch
Delhi	New Delhi	Rs. /10 Kg.	785	785	Unch
Telangana	Hyderabad	Rs. /10 Kg.	825	825	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	825	825	Unch

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	18-May-20	16-May-20	

Gujarat	Mahesana (Kadi)	Rs./Qtl	2348	2304	44
Maharashtra	Akola	Rs./Qtl	2168	2123	45

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				16-May-20	15-May-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	34600	34600	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35000	35000	Unch
J-34(202)	26mm	3.5 - 4.9	23	33500	33500	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	34400	34400	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	34600	34600	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35600	35600	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35300	35300	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	35800	35800	Unch

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

Index	Unit	18-May-20	15-May-20	Change
CCIndex(328)	RMB/Ton	11541	11515	26
CCIndex(527)	RMB/Ton	10755	10746	9
CCIndex(229)	RMB/Ton	11855	11839	16

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

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

Index	Unit	18-May-20	15-May-20	Change
FC Index (S)	Cents/lb	72.09	72.06	0.03
FC Index (M)	Cents/lb	68.52	68.67	-0.15
FC Index (L)	Cents/lb	67.19	67.19	Unch

**Cotlook Index:**

Cotlook Indices	Unit	15-May-20	14-May-20	Change
A-Index	Cents/Pound	66.3	65.9	0.40

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		15-May-20	15-May-20	Bales
Southeast	cents/lb.	56.25	58.5	0



North Delta	cents/lb.	55.5	57.75	0
South Delta	cents/lb.	55.5	57.75	0
East TX-OK	cents/lb.	53.5	55.75	1146
West Texas	cents/lb.	53.5	56	326
Desert SW	cents/lb.	51	55	0
SJ Valley	cents/lb.	51.5	60.4	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 16-May-2019				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8600	160	8760
Equivalent	40 Kgs	9217	171	9388

Daily Futures Price Listing Fri May 15, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Jul</a>	200515	57.85	58.86	57.35	58.25	0.40	18,961	87,822	-852
<a href="#">20-Oct</a>	200515	57.30	58.00	57.30	57.95	0.49	21	40	2
<a href="#">20-Dec</a>	200515	57.80	58.60	57.32	58.17	0.41	12522	58836	824
<a href="#">21-Mar</a>	200515	58.64	59.30	58.06	58.87	0.25	1,753	14,160	133
<a href="#">21-May</a>	200515	59.40	59.95	58.81	59.53	0.13	1,108	3,731	43
<a href="#">21-Jul</a>	200515	60.30	60.38	59.34	60.01	0.03	746	4,237	240
Total Volume and Open Interest							35,800	176,919	726

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