AGRIWATCH

Cotton-Daily-Fundamental-Report
25th May, 2020

Domestic Fundamentals:

Market Outlook:

The kapas prices in Rajkot market stood slightly firm at Rs. 4860/q. In Adoni market of Andhra Pradesh also the prices stood steady firm at Rs. 4615/q with 426 q of arrivals while the MCX spot price stood at Rs.15750/bale. ICE cotton futures fell again today amid mounting tensions between US and China.

News: ***According to CCI, 92 lakh bales of cotton has been procured till 20th May'20*** *across India. Of the total crop of 360 lakh bales, around 297-300 lakh bales have arrived in the market so far. Currently, CCI is procuring some 45000 bales a day. In Maharashtra, CCI is procuring about 15,000 bales a day where the ginners are strictly advised to re-open the ginning mills as the ginners in the state were reluctant to start their units due to shortage of labour and the fear of contracting coronavirus.*

The area under cotton in Gujarat seems to decrease and likely to shift to groundnut in 2020-21 season. *As the better returns in groundnut has attracted farmers against the critical situation that is prevailing in the cotton market and decline in demand in the apparel and textile industry. Groundnut prices hovered in the range of Rs.5,250-6,495 per quintal in Rajkot market above MSP while kapas prices, on the other hand, hovered around Rs. 3,350-4,875 per quintal at Rajkot lower than MSP (Rs.5550/q). Also, every year cotton is prone pink bollworm attack that always hampers the yield.*

An alert has been issued by the government that a possible attack of locust pest can damage the crops *including cotton. The areas at borders of Punjab, Haryana and Rajasthan are likely to be more affected by this pest. Fazilka (villages of Roopnagar), Muktsar, Bhatinda and few areas of Abohar in Punjab followed by Barmer, Jaipur, Jaisalmer and Sriganganagar in Rajasthan and is likely to spread in Haryana also. If it is not controlled, then the pest attack would decline the yield of the crop.*

The pace of cotton sowing in Punjab is in its peak as around 60-65% of cotton *have already sown against the target of 5 lakh ha. The sowing likely to continue till May end but the late sown crop is prone to pest infestation. Around 3 lakh ha is already sown including 90,400 ha in Bhatinda followed by Fazilka 72,000 ha, Mansa 69,795 ha, Muktsar 65,600 ha and others contributing the area of 3,456 ha so far till 17th May.*

Telangana is planning to increase cotton area by 50-55% this year in 2020-21 season. *Last year Telangana produced cotton on area about 18 lakh ha while the CM told farmers to increase the area to around 28 lakh ha in 2020-21. The step is likely to be taken to discourage farmers to opt for excess water consuming crop paddy. While the huge surge in cotton area is difficult in such a short term as there should be sufficient supply of good quality seeds. Also, the farmers are not getting good returns as the prices (FAQ grade) are hovering around Rs. 4200-4700/q much below the MSP.*

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 4th May'20 till 31st 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.*

Weather Forecast for tomorrow:

Thunderstorm accompanied with lightning & gusty winds (speed reaching 30-40 kmph) likely at isolated places over Jammu & Kashmir, Ladakh, Gilgit-Baltistan, Muzaffarabad, Himachal Pradesh and Assam & Meghalaya and with lightning at isolated places over Punjab, Haryana, Chandigarh & Delhi, Bihar and Kerala & Mahe. Heat wave conditions likely in isolated pockets over Uttar Pradesh, Rajasthan, Madhya Pradesh, Vidarbha, Coastal Andhra Pradesh & Yanam, Telangana and Rayalseema.

International Fundamentals:

After Friday's trading, cotton futures were down 45 to 89 points, Jul 20 Cotton closed at 57.61, down 45 points. *The 05/21 Cotlook A index was down a penny to 66.35c/lb. The updated AWP for the week is 48.01 cents/lb.*

The cotton trading has slightly improved after easing down the lockdown in Pakistan. *The demand has increased but the trading of yarn and cotton will fully resume after Ramazan and Eid holidays. A threat of locust infestation is prevailing on cotton in Pakistan. The sowing has completed in lower areas of Sindh while sowing is going on in upper areas of Sindh and many areas of Punjab. The farmers reported that the seed quality was not good that showed only 30 percent to 50 percent germination level.*

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 30th 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.*

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-May	-310	15720	15720	15450	15810	2258	1778	1073	-1090
20-Jun	-260	15920	15920	15680	16000	2474	2107	3732	2449
20-Jul	-330	16050	16060	15920	16250	117	-691	285	-1255

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 22nd May @ 5.30 pm

* Updated at as on 22–May- 2019 @ 5:00 PM

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DOMESTIC PRICES AND ARRIVAL

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	**Centre**	**Variety**	**23-May-20**	**22-May-20**	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	4860	4885	-25
	Patan	B.T. Cotton	4650	3750	900
	Kadi	B.T. Cotton	NA	NA	-
	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	NA	NA	-
	Fatehabad	B.T. Cotton	5405	5405	Unch
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	5405	5405	Unch
Rajasthan	Hanumangarh	B.T. Cotton	Closed	Closed	-
	Rawatsar	B.T. Cotton	Closed	Closed	-
Madhya Pradesh	Khandwa	Mech-1	Closed	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	Closed	Closed	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	4615	4456	159
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	4609	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	**Lint**		**Prices (Rs./Maund)**		**Change**
State	**Centre**	**Variety**	**23-May-20**	**22-May-20**	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3530	3560	-30
Rajasthan	Sri-Ganganagar	J-34	Closed	Closed	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	23-May-20	22-May-20	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	2800	2600	200
	Patan	B.T. Cotton	5180	936	4244
	Kadi	B.T. Cotton	NA	NA	-
	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	NA	NA	-
	Fatehabad	B.T. Cotton	NA	NA	-
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	1700	1400	300
Rajasthan	Hanumangarh	B.T. Cotton	Closed	Closed	-
	Rawatsar	B.T. Cotton	Closed	Closed	-
Madhya Pradesh	Khandwa	Mech-1	Closed	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	Closed	Closed	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	426	109	317
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	362	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	**Lint**		**Arrivals (Quintal)**		**Change**
State	**Centre**	**Variety**	**23-May-20**	**22-May-20**	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	850	1020	-170
Rajasthan	Sri-Ganganagar	J-34	Closed	Closed	-

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	23-May-20	22-May-20	
Gujarat	Rajkot	Rs. /10 Kg.	810	810	Unch
Delhi	New Delhi	Rs. /10 Kg.	760	770	-10
Telangana	Hyderabad	Rs. /10 Kg.	815	815	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	825	820	5

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	23-May-20	22-May-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2297	2306	-9
Maharashtra	Akola	Rs./Qtl	2091	2100	-9

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				22-May-20	21-May-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	35300	34900	400
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	35700	35300	400
J-34(202)	26mm	3.5 - 4.9	23	33400	33600	-200
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	33500	33800	-300
Shankar-6(105)	29mm	3.5 – 4.9	28	34600	34900	-300
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35000	35300	-300
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34700	35000	-300
DCH-32(107)	34mm	3.0 - 3.8	33	35100	35400	-300

INTERNATIONAL PRICES AND INDICES

China Cotton Index:

Index	Unit	23-May-20	22-May-20	Change
CCIndex(328)	RMB/Ton	Closed	11900	-
CCIndex(527)	RMB/Ton	Closed	10971	-
CCIndex(229)	RMB/Ton	Closed	12153	-

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

China Foreign Cotton (FCE) Index :

Index	Unit	23-May-20	22-May-20	Change
FC Index (S)	Cents/lb	Closed	71.6	-
FC Index (M)	Cents/lb	Closed	67.97	-

FC Index (L)	Cents/lb	Closed	66.82	-

Cotlook Index:

Cotlook Indices	Unit	21-May-20	20-May-20	Change
A-Index	Cents/Pound	66.35	67.35	-1.00

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		21-May-20	21-May-20	Bales
Southeast	cents/lb.	56.06	58.31	**0**
North Delta	cents/lb.	55.31	57.56	**0**
South Delta	cents/lb.	55.31	57.56	**0**
East TX-OK	cents/lb.	53.31	55.56	**199**
West Texas	cents/lb.	53.31	55.81	**74**
Desert SW	cents/lb.	50.81	54.81	**0**
SJ Valley	cents/lb.	51.31	60.21	**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 21-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 22, 2020

Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Most Recent Information							Previous Day		
Cotton(ICE)									
20-Jul	200522	58.07	58.21	57.06	57.61	-0.45	14,289	82,864	-778
20-Oct	200522	57.37	57.51	57.37	57.51	-0.86	7	31	-2
20-Dec	200522	58.80	58.80	57.45	57.81	-0.89	9471	65322	2651
21-Mar	200522	59.46	59.46	58.30	58.73	-0.74	964	14,001	-31
21-May	200522	59.40	59.73	59.00	59.57	-0.47	275	3,866	-10
21-Jul	200522	60.05	60.36	59.59	60.23	-0.17	196	4,449	97
Total Volume and Open Interest							25,451	179,784	2,092

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