

Domestic Fundamentals:**Market Outlook:**

The kapas prices in Rajkot market stood steady at Rs. 4735/q. In Adoni market of Andhra Pradesh, the prices stood slightly firm at Rs. 4699/q with 342 q of arrivals while the MCX cotton stood at Rs.15640/bale. ICE cotton futures rebounded from an over one-week low on Tuesday, as projections for lower rainfall in Texas, the largest cotton-producing state, eased concerns over increased supply.

News: According to CAI, the projections for exports in this season has been increase by 5 lakh bales to 47 lakh bales from 42 lakh bales as fall in Indian rupee made the Indian cotton the cheapest in the world and attractive. The projections for imports declined to 15 lakh bales from 25 lakh bales. According to CAI, a total of 12.5 lakh bales of import shipments is expected to have reached at Indian ports and 32.5 lakh bales of cotton have been exported so far this season. Consumption by Indian spinning mills from 1st Oct'20 to 30th Apr'20 is estimated to have reached at 160 lakh bales.

In Maharashtra and Gujarat, there is about 32 lakh quintals unsold cotton stock that is remaining with farmers. And with the approaching monsoon, the farmers might face difficulty in selling their produce to CCI. Once the moisture increases with upcoming monsoon, moisture content in kapas will rise making it non FAQ grade. Kapas prices in Maharashtra and Gujarat in May, have been Rs 4,500 per quintal and Rs 4,650 per quintal respectively.

CAI has released its May'20 cotton estimates and declined the cotton crop to 330 lakh bales from 354 lakh bales from its previous estimates for 2019-20 crop year. The total of 285.09 lakh bales of cotton have been arrived so far till 30th Apr'20 from the starting of the season. Although, the production is higher compared to the previous year while CAI estimates that the harvested crop is not likely to arrive in the market as expected due to the weaker prices and disruption in procurement of cotton amid covid-19 pandemic. Due to which a lot of kapas would be carry forwarded to the upcoming season. As soon as CCI stops purchasing, the arrivals might go further down as the rates offered by the private traders are far less than MSP.

The textile mills situated in Bhilwara district in Rajasthan are prepared to commence operations. As the textile industry is slowly gaining momentum. As in Bhilwara itself, the production has started in 250 MSME units and 45 mega units apart from textile sector. In Bhilwara, 9 textile mega units has started production out of 10 mega units. Also, 25 per cent of the textile industries have started production in Balotra and 50 units in Pali.

Government is likely to increase MSP for kharif crops in 2020-21 season by 2-13% hike. The CACP has recommended the central government to take hike for the upcoming kharif crops to provide benefit to farmers. Therefore, a rise of around 5% is recommended in medium and long staple length of cotton. There will be an increase of Rs.275/q and Rs.260/q to Rs.5,825/q and Rs.5,515/q in long and medium staple length cotton respectively. The MSP for long staple length cotton was Rs.5,550/q and Rs.5255/q for medium staple in 2019-20 season.

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.

Weather Forecast for tomorrow:

Thunderstorm accompanied with squally winds (speed reaching 50-60 kmph) & lightning very likely at isolated places over Gangetic West Bengal, Bihar, Jharkhand, Uttarakhand, Haryana, Chandigarh & Delhi,; with lightning at isolated places over Telangana, Odisha, Chhattisgarh, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Arunachal Pradesh. Duststorm/Thunderstorm with squally winds (speed reaching 50-60 kmph) very likely at isolated places over Uttar Pradesh. Heavy to very heavy rainfall likely at isolated places over Assam & Meghalaya and Nagaland, Manipur, Mizoram & Tripura and heavy rainfall at isolated places over South Interior Karnataka, Tamilnadu, Puducherry & Karaikal and Kerala & Mahe.

International Fundamentals:

Cotton futures closed with 14 to 69 point gains, Jul 19 Cotton closed at 58.3, up 69 points. The Cotlook A index was down 20 points on May 22, at 66.15c/lb. The AWP for the week is 48.01 cents/lb.

Net new sales for the week ending May 14 totaled 128,900 bales for the 2019/20 marketing year and 120,200 bales for the 2020/21 marketing year that starts August 1. Once again, sales to China accounted for the bulk of new sales. In fact, sales outside China were actually reduced for 2019/20, and China was 79,200 bales of the next marketing year. However, the pace of shipments fulfilling outstanding sales continues to underperform. Combined Upland and Pima shipments were just 256,800 bales last week, and need to average just over 300,000 to hit the USDA's forecast.

According to the USDA's weekly Crop Progress and Condition Report, cotton is 44 percent planted across the Cotton Belt, versus a five-year average of 40 percent. Speaking of rains, some heavy storms and a fair amount of hail hit West Texas this week. Most producers are still glad for the moisture, but some newly emerging crops will have to be re-planted.

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.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| 20-Jun | 40 | 15900 | 15950 | 15800 | 15890 | 520 | 40 | 3812 | 1649 |
| 20-Jul | 60 | 16080 | 16160 | 16030 | 16090 | 72 | -295 | 320 | -963 |
| 20-Aug | 0 | 0 | 0 | 0 | 16290 | 0 | -808 | 3 | -1537 |

| Spread | 20-May | 20-Jun | 20-Jul | 20-Aug | -- | -- |
|--------|--------|--------|--------|--------|----|----|
| Spot | - | | | | - | - |
| 20-Jun | - | -210 | - | - | - | - |
| 20-Jul | - | - | - | - | - | - |

(NB: Spread Basis = Spot- Near Month Future) As updated on 27th May @ 5.30 pm

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

DOMESTIC PRICES AND ARRIVAL

Cotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|----------------|----------------|---------------|----------------------|-----------|--------|
| State | Centre | Variety | 27-May-20 | 26-May-20 | |
| Gujarat | Ahmedabad | Shankar-6 | Closed | Closed | - |
| | Gondal | Shankar-6 | NA | NA | - |
| | Rajkot | B.T. Cotton | 4735 | 4750 | -15 |
| | Patan | B.T. Cotton | NA | NA | - |
| | 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 | NR | NR | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | Closed | Closed | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | 4675 | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | NA | NA | - |
| | Hathras | Desi | NA | NA | - |
| Andhra Pradesh | Adoni | Medium Staple | 4699 | 4642 | 57 |
| Telangana | Adilabad | Un-Ginned | NA | NA | - |
| Karnataka | Bijapur | Bunny | 4702 | 4659 | 43 |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | 4885 | - |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 27-May-20 | 26-May-20 | |
| Punjab | Bhatinda | J-34 | NA | NA | - |
| | Abohar | J-34 | NA | NA | - |
| | Mansa | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | 3580 | 3560 | 20 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|----------------|----------------|---------------|--------------------|-----------|--------|
| State | Centre | Variety | 27-May-20 | 26-May-20 | |
| Gujarat | Ahmedabad | Shankar-6 | Closed | Closed | - |
| | Gondal | Shankar-6 | NA | NA | - |
| | Rajkot | B.T. Cotton | 3100 | 3100 | Unch |
| | Patan | B.T. Cotton | NA | NA | - |
| | 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 | NR | NR | - |
| Rajasthan | Hanumangarh | B.T. Cotton | NA | NA | - |
| | Rawatsar | B.T. Cotton | Closed | Closed | - |
| Madhya Pradesh | Khandwa | Mech-1 | NA | NA | - |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | 400 | NA | - |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | NA | NA | - |
| | Hathras | Desi | NA | NA | - |
| Andhra Pradesh | Adoni | Medium Staple | 342 | 230 | 112 |
| Telangana | Adilabad | Un-Ginned | NA | NA | - |
| Karnataka | Bijapur | Bunny | 1015 | 1202 | -187 |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | NA | 435 | - |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 27-May-20 | 26-May-20 | |
| Punjab | Bhatinda | J-34 | NA | NA | - |
| | Abohar | J-34 | NA | NA | - |
| | Mansa | J-34 | NA | NA | - |
| Haryana | Sirsa | J-34 | 1700 | 850 | 850 |
| Rajasthan | Sri-Ganganagar | J-34 | NA | NA | - |

Cotton Seed Oil Prices:

| Commodity | Cotton Seed Oil | | Price | | Change |
|-------------|-----------------|-------------|-----------|-----------|--------|
| State | Centre | Unit | 27-May-20 | 26-May-20 | |
| Gujarat | Rajkot | Rs. /10 Kg. | 800 | 800 | Unch |
| Delhi | New Delhi | Rs. /10 Kg. | 760 | 755 | 5 |
| Telangana | Hyderabad | Rs. /10 Kg. | 815 | 815 | Unch |
| Maharashtra | Mumbai | Rs. /10 Kg. | 820 | 820 | Unch |

Cotton Seed Oil Seed Cake Prices:

| Commodity | Cotton Seed Oil Seed Cake | | Price | | Change |
|-------------|---------------------------|---------|-----------|-----------|--------|
| State | Centre | Unit | 27-May-20 | 26-May-20 | |
| Gujarat | Mahešana (Kadi) | Rs./Qtl | 2227 | 2211 | 16 |
| Maharashtra | Akola | Rs./Qtl | 2089 | 2053 | 36 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|--|---------------|------------|------------------|------------------|------------------|--------|
| | | | | 26-May-20 | 25-May-20 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 35600 | 35600 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 36000 | 36000 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 33400 | 33400 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 33500 | 33500 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 34400 | 34400 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 35000 | 35000 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34700 | 34700 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 35100 | 35100 | Unch |

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

| Index | Unit | 27-May-20 | 26-May-20 | Change |
|--------------|---------|-----------|-----------|--------|
| CCIndex(328) | RMB/Ton | 11848 | 11831 | 17 |
| CCIndex(527) | RMB/Ton | 10955 | 10947 | 8 |
| CCIndex(229) | RMB/Ton | 12115 | 12113 | 2 |

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

China Foreign Cotton (FCE) Index :

| Index | Unit | 27-May-20 | 25-May-20 | Change |
|--------------|----------|-----------|-----------|--------|
| FC Index (S) | Cents/lb | 70.85 | 70.93 | -0.08 |

| | | | | |
|--------------|----------|-------|-------|-------|
| FC Index (M) | Cents/lb | 67.06 | 67.22 | -0.16 |
| FC Index (L) | Cents/lb | 65.98 | 66.12 | -0.14 |

Cotlook Index:

| Cotlook Indices | Unit | 26-May-20 | 21-May-20 | Change |
|-----------------|-------------|-----------|-----------|--------|
| A-Index | Cents/Pound | 65.65 | 66.35 | -0.70 |

USDA Cotton Spot Rates:

| Growth Area | Unit | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|-----------|---------------------|---------------------|----------|
| | | 26-May-20 | 26-May-20 | Bales |
| Southeast | cents/lb. | 56.23 | 58.48 | 0 |
| North Delta | cents/lb. | 55.48 | 57.73 | 3347 |
| South Delta | cents/lb. | 55.48 | 57.73 | 0 |
| East TX-OK | cents/lb. | 53.48 | 55.73 | 83 |
| West Texas | cents/lb. | 53.48 | 55.98 | 2 |
| Desert SW | cents/lb. | 50.98 | 54.98 | 244 |
| SJ Valley | cents/lb. | 51.48 | 60.38 | 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 23-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 Tue May 26, 2020

| Most Recent Information | | | | | | | Previous Day | | |
|--------------------------------|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Cotton(ICE) | | | | | | | | | |
| 20-Jul | 200526 | 57.80 | 59.45 | 57.66 | 58.23 | 0.62 | 15,732 | 82,796 | -68 |
| 20-Oct | 200526 | 57.91 | 58.38 | 57.74 | 57.74 | 0.23 | 2 | 31 | 0 |
| 20-Dec | 200526 | 57.93 | 58.87 | 57.76 | 58.00 | 0.19 | 9220 | 67850 | 2528 |
| 21-Mar | 200526 | 58.81 | 59.61 | 58.73 | 58.87 | 0.14 | 904 | 14,020 | 19 |
| 21-May | 200526 | 59.64 | 60.28 | 59.60 | 59.71 | 0.14 | 223 | 3,915 | 49 |
| 21-Jul | 200526 | 60.28 | 60.91 | 60.24 | 60.41 | 0.18 | 97 | 4,422 | -27 |
| Total Volume and Open Interest | | | | | | | 26,316 | 182,337 | 2,553 |

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