

### Domestic Fundamentals:

#### **Market Outlook:**

The kapas prices in Rajkot market stood slightly weak at Rs. 4675/q. In Adoni market of Andhra Pradesh, the prices stood firm at Rs. 4755/q with 322 q of arrivals while the MCX cotton stood at Rs.15570/bale. The triple threat of the phase-one failings, the coronavirus and now the Hong Kong security law have combined to put pressure on the cotton market.

**News:** According to the trade sources, the Indian cotton exports for the April'20 were reported much lower only around 38,200 bales compared to 2.94 lakh bales in Mar'20. In April'20, most of the shipments were halted and cancelled due to the outbreak of Covid-19 virus in various countries. During the time, Bangladesh was the largest importer of 12,300 bales at an average FOB of \$1.5/kg as fulfilling the older contracts followed by China importing around 11,200 bales at an average FOB of \$1.52/kg as China started operating textile mills in March itself. The other export destinations of India were Indonesia (5,500 bales at 1.53 \$/kg), Oman (2,400 bales at \$1.53/kg), Thailand (1,660 bales at \$1.43/kg), Iran (958 bales at \$1.54/kg) and Vietnam (880 bales at \$1.51/kg).

**Around 80% cotton sowing has been completed in northern India so far.** In few areas, the crop reached near vegetative phase and few are germinating. The locust attack in the northern region of India can have a ravaging effect on the cotton crop for the coming season (2020-21). The situation is critical in Northern and western Rajasthan including the districts of Shri Ganganagar, Hanumangarh, Gharsana and Rawla. Now the farmers in Punjab and Haryana are also in fear that it might get severe in both states damaging their crop in early stages in the coming days. The swarms are likely to spread towards Gujarat, MP and Maharashtra also. Punjab, Haryana and Rajasthan all three states contribute around 17% of the total India's cotton production.

**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 1<sup>st</sup> Oct'20 to 30<sup>th</sup> 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 30<sup>th</sup> 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.5,255/q for medium staple in 2019-20 season.

**According to CCI, 92 lakh bales of cotton has been procured till 20<sup>th</sup> 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 17<sup>th</sup> May.

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

Thunderstorm accompanied with lightning, hail & squall (speed reaching 50-60 kmph) at isolated places over Assam & Meghalaya, Punjab and Haryana, Chandigarh & Delhi; with lightning, hail & gusty winds (speed reaching 30-40 kmph) at isolated places over Telangana and Himachal Pradesh; with lightning & gusty winds (speed reaching 30-40 kmph) at isolated places over Coastal Andhra Pradesh & Yanam, Vidarbha, Odisha, Jammu & Kashmir, Ladakh, Gilgit-Baltistan & Muzaffarabad, Chhattisgarh, Bihar, Jharkhand, Rayalseema and Tamilnadu, Puducherry & Karaikal and with lightning at isolated places over Madhya Maharashtra and Marathwada. Duststorm/Thunderstorm with lightning, hail & squall (speed reaching 50-60 kmph) at isolated places over north Rajasthan and West Uttar Pradesh and with lightning & gusty winds (speed reaching 30-40 kmph) at isolated places over Madhya Pradesh and East Uttar Pradesh.

### **International Fundamentals:**

**Cotton futures were 39 to 77 points lower at the closing, Jul 20 Cotton closed at 57.57, down 77 points.** The Cotlook A index was back up 50 points on May 27, to 66.15c/lb. FSA revised the weekly AWP 53 points lower to 47.48 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	-80	15750	15830	15650	15880	302	-178	3886	1723
20-Jul	-70	16010	16040	15970	16080	17	-350	321	-962
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 29<sup>th</sup> May @ 5.30 pm

\* Updated at as on 29-May- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	29-May-20	28-May-20	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	4675	4740	-65
	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	5405	5405	Unch
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	4675	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	4755	4735	20
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	4756	4709	47
	Hubli	D.C.H.	4200	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	5009	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	29-May-20	28-May-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3570	3580	-10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	29-May-20	28-May-20	
Gujarat	Ahmedabad	Shankar-6	Closed	Closed	-
	Gondal	Shankar-6	NA	NA	-
	Rajkot	B.T. Cotton	2650	2500	150
	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	1200	1200	Unch
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	600	550	50
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	322	81	241
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	771	950	-179
	Hubli	D.C.H.	180	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	607	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	29-May-20	28-May-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	1020	1700	-680
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Seed Oil Prices:**

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	29-May-20	28-May-20	
Gujarat	Rajkot	Rs. /10 Kg.	800	800	Unch
Delhi	New Delhi	Rs. /10 Kg.	760	760	Unch
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	29-May-20	28-May-20	
Gujarat	Mahešana (Kadi)	Rs./Qtl	2205	2219	-14
Maharashtra	Akola	Rs./Qtl	2092	2100	-8

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				28-May-20	27-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	29-May-20	28-May-20	Change
CCIndex(328)	RMB/Ton	NR	11848	-
CCIndex(527)	RMB/Ton	NR	10961	-
CCIndex(229)	RMB/Ton	NR	12118	-

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

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

Index	Unit	29-May-20	28-May-20	Change
FC Index (S)	Cents/lb	NR	70.85	-

FC Index (M)	Cents/lb	NR	67.06	-
FC Index (L)	Cents/lb	NR	65.98	-

**Cotlook Index:**

Cotlook Indices	Unit	28-May-20	27-May-20	Change
A-Index	Cents/Pound	66.15	66.15	Unch

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		28-May-20	28-May-20	Bales
Southeast	cents/lb.	55.57	57.82	0
North Delta	cents/lb.	54.82	57.07	0
South Delta	cents/lb.	54.82	57.07	0
East TX-OK	cents/lb.	52.82	55.07	548
West Texas	cents/lb.	52.82	55.32	37
Desert SW	cents/lb.	50.32	54.32	0
SJ Valley	cents/lb.	50.82	59.72	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 28-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 Thu May 28, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Jul</a>	200528	58.49	58.54	57.53	57.57	-0.77	11,820	82,418	-850
<a href="#">20-Oct</a>	200528	57.29	57.38	57.20	57.20	-0.43	18	32	1
<a href="#">20-Dec</a>	200528	58.03	58.17	57.43	57.54	-0.49	8039	69692	1846
<a href="#">21-Mar</a>	200528	59.12	59.12	58.40	58.52	-0.46	755	14,082	49
<a href="#">21-May</a>	200528	59.96	59.96	59.30	59.45	-0.39	430	3,924	10
<a href="#">21-Jul</a>	200528	60.65	60.65	60.09	60.26	-0.30	438	4,914	324
Total Volume and Open Interest							21,662	184,741	1,456

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