AGRIWATCH

Cotton-Daily-Fundamental-Report
17th Jun, 2020

Domestic Fundamentals:

Market Outlook:

The kapas prices in Rajkot market stood weaker at Rs. 4665/q. In Adoni market of Andhra Pradesh, the prices stood weaker at Rs. 4787/q with 133 q of arrivals while the MCX cotton stood weaker at Rs.15940/bale. ICE cotton futures fell to their lowest in two weeks on Monday as fears of a second coronavirus wave stirred concerns about lower demand for the natural fiber in a market already pressured by high inventories.

News: ***Cotton seed oilcake spot prices were firm during the week.*** *The average prices stood up by 2-4% in Kadi and Akola. Also, 2020-21 global cottonseed production is projected at 43.7 million tons, down 3 percent from the current year. The lifting up of lockdown in many states increased the demand slightly but the consumption for 2020-21 also forecast down slightly driven mostly by crush and feed use.*

The locust's threat is still prevailing in the areas of Fazilka, Muktsar and Bathinda districts*, which are located close to Rajasthan and the main cotton belts in Punjab. But the districts are taking all the possible measures to combat with the attack of the swarms of locusts. Buffer stock of the pesticide has been kept at Bathinda, Jalandhar, Ludhiana, Fazilka and Ferozepur to meet emergency needs. So, no major loss has been reported so far in the areas but the areas need to be protected as the crop is now in vegetative phase.*

During the lockdown, around 15-20 lakh bales of cotton have been arrived in the mandi till first week of June. *According to CAI, 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 but all the harvested crop is not likely to arrive in the market as much was expected due to the weaker prices and disruption in procurement of cotton amid covid-19 pandemic and soon going to arrive monsoon in the cotton belts of India. Around 30-45 lakh bales of cotton lint is left with farmers and out of this total, only 25-30% cotton is of FAQ grade that can be purchased by CCI. The non-FAQ grade cotton would possibly be bought by the local ginners and private traders at a price lower than MSP.*

Kharif crop sowing has started from June 1st in Andhra Pradesh with the onset of monsoon. *Kharif season has been set at 39.59 lakh hectares as against the normal crop acreage of 37.54 lakh hectares. Pulses, oilseeds and sugarcane crops are at vegetative stage. The targeted area under cotton for 2020-21 season is 5.44 lakh ha against the area under normal season is 6.08 lakh ha.*

About 16 lakh ha area has been sown under cotton till 5th June'20 for 2020-21 marketing year. *In Punjab, around 12% increase in area is seen to 4.5 lakh ha followed by Haryana, up by 10% to 7.02 lakh ha. In Rajasthan, the maximum increase was witnessed from 2.46 lakh ha to 4.52 lakh ha in 2020-21 compared to the previous year. In Gujarat, the sowing has started recently during the last week and around 0.13 lakh ha is sown. The sowing also started in AP and Karnataka covering the area around 0.07 lakh ha and 0.41 lakh ha, respectively.*

Due to the heavy rainfall in the past week after the cyclone Nisarga hit Maharashtra and Gujarat, *cotton left in the open fields were damaged on small scale in Maharashtra and negligible loss in Gujarat. So far, the loss incurred in MH on the account damage is around 7 lakh quintals of lint as its quality have been deteriorated. At the start of the season, the Maharashtra government planned to open 40 ginning factories for procurement. But at present, cotton is being procured at 166 ginning and pressing factories after seeing the huge stock with the farmers. Around 30 lakh quintals kapas is left with farmers in the state out of which only 9-10 lakh quintal is of FAQ grade that would be procured by CCI. CCI have procured around 110 lakh quintals and around 73 lakh quintals have been procured by Maharashtra Federation till 7th June'20.*

The rise in MSP is favourable for farmers that encourages them to grow more for the coming season. *But the 5% hike in MSP is somewhere would be troublesome for spinners. Already northern part of India is witnessing higher cotton acreage and the southern and western cotton belts are yet start sowing. The cotton demand and trade prospects in cotton year 2020 have been severely hampered owing to the pandemic. The yarn and garment demand is impacted which is likely to* *result in a decline in cotton consumption for cotton year 2020. Therefore, the year that would end by September this year with higher ending stock. That would gradually does not support the prices in the coming year.*

***Government has increased the MSP for kharif crops in 2020-21 season by 2-13% hike.** The CCEA has approved the 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 is 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.*

***In Nagpur district, total 16,75,028 quintals of cotton has been procured from 81,648 farmers so far.** This includes 3,05,072 quintals of cotton procured by Maharashtra Marketing Federation from 12,863 farmers. Besides, CCI has procured 83,643 quintals of cotton from 2,114 farmers. And those holding marketing permit and licensed traders are procuring cotton from APMC are procuring cotton. Cotton Federation and CCI were procuring cotton at 23 ginning and pressing units in the district. It is expected that all the cotton with farmers will be procured by the onset of monsoon.*

***The cotton sowing in Punjab, Haryana and Rajasthan is almost completed by 97-99%.** The area in Rajasthan has remained near same compared to last year around 6 lakh hectare. While the significant area is increased in Punjab and around 5-10% increase in area is expected in Haryana. As the locusts have attacked severely in few areas in Rajasthan and Punjab areas that share border with Pakistan. Still the states are assessing the loss caused in those regions that are attacked by locusts but the main cotton belt near border is Sri ganganagar which covers around 30% of total area of Rajasthan that is likely to be affected more. No major loss is observed in Punjab and Haryana so far.*

Weather Forecast for tomorrow:

Thunderstorm accompanied with lightning at isolated places likely over East Uttar Pradesh. Heavy to very heavy rainfall at isolated places likely over Gujarat Region and Konkan & Goa; heavy rainfall at isolated places over Sub-Himalayan West Bengal & Sikkim, Odisha, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Saurashtra & Kutch, Madhya Maharashtra and Coastal Karnataka. Heat wave conditions likely at isolated places over West Rajasthan.

International Fundamentals:

***Cotton futures settled 67 to 88 points lower in the front months on Monday, Jul 19 Cotton closed at 58.96, down 88 points.** The Cotlook A index was 55 points lower to 67.40c/lb on June 12. The AWP for cotton is 49.60 cents/lb, good through Thursday.*

***WASDE report was bearish. World cotton balance sheet for both current and next year shows decreasing consumption and rising ending stock.** U.S. Export Sales was decent over 6 lakh bales for combined both years. Shipment is not at required pace so target for current year does not look achievable. Large commitment will be carried forward to next marketing year. US weather is not good and crop is facing problems. As per last crop progress report 43% is rated as good.*

***The ICAC's global production estimate for 2019-20 is at 154 million bales** with production for 2020-21 currently estimated at 148 million bales, a 4% decrease as global area decreases based on lower prices. Global consumption for 2019-20 is currently estimated at 13.5 million bales from the severe damage caused by the pandemic and the continual pressure of global trade tensions. With decreasing use, ending stock levels are expected to rise to 12.8 million bales at record high levels.*

***According to the USDA's weekly Crop Progress and Condition Report, cotton is 78 percent planted across the Cotton Belt,** versus a five-year average of 81 percent in the week ending on 7th Jun'20. The sowing progress was slightly higher by 4% in the previous year during the same time. The 2020-21 cotton squaring was 13%, 3% ahead of the 5-yr average. The progress of planting was 44% fair and 36% good during the season so far.*

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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	-150	16070	16160	15570	16050	906	426	3690	1527
20-Jul	-150	16300	16370	15790	16270	576	209	1248	-35
20-Aug	-410	16050	16050	16050	16460	1	-807	11	-1529

Spread	20-May	20-Jun	20-Jul	20-Aug	--	--
Spot	-				-	-
20-Jun	-	-210	-	-	-	-
20-Jul	-	-	320	-	-	-

(**NB**: Spread Basis = Spot- Near Month Future) As updated on 16th Jun @ 5.30 pm

* Updated at as on 16–Jun- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVAL

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	**Centre**	**Variety**	**16-Jun-20**	**15-Jun-20**	
Gujarat	Ahmedabad	Shankar-6	5000	5000	Unch
	Gondal	Shankar-6	4630	4630	Unch
	Rajkot	B.T. Cotton	4665	4720	-55
	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	NA	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	NA	NA	-
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	4500	4500	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	4787	4921	-134
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	4919	5149	-230
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5100	5150	-50

Commodity	Lint		Prices (Rs./Maund)		Change
State	**Centre**	**Variety**	**16-Jun-20**	**15-Jun-20**	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3660	3690	-30
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	16-Jun-20	15-Jun-20	
Gujarat	Ahmedabad	Shankar-6	25500	25500	Unch
	Gondal	Shankar-6	1272	1026	246
	Rajkot	B.T. Cotton	2000	1600	400
	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	NA	NA	-
Rajasthan	Hanumangarh	B.T. Cotton	NA	NA	-
	Rawatsar	B.T. Cotton	NA	NA	-
Madhya Pradesh	Khandwa	Mech-1	NA	NA	-
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	2200	1900	300
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	133	452	-319
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	3973	4419	-446
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	1815	1050	765
Commodity	**Lint**		**Arrivals (Quintal)**		**Change**
State	**Centre**	**Variety**	**16-Jun-20**	**15-Jun-20**	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	NA	NA	-
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Seed Oil Prices:

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	16-Jun-20	15-Jun-20	
Gujarat	Rajkot	Rs. /10 Kg.	820	800	20
Delhi	New Delhi	Rs. /10 Kg.	790	780	10
Telangana	Hyderabad	Rs. /10 Kg.	815	815	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	16-Jun-20	15-Jun-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2231	2241	-10
Maharashtra	Akola	Rs./Qtl	2134	2147	-13

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				15-Jun-20	13-Jun-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	36600	36600	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37300	37300	Unch
J-34(202)	26mm	3.5 - 4.9	23	34800	34800	Unch
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	34200	34300	-100
Shankar-6(105)	29mm	3.5 – 4.9	28	35400	35400	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35500	35600	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	35200	35300	-100
DCH-32(107)	34mm	3.0 - 3.8	33	35600	35800	-200

INTERNATIONAL PRICES AND INDICES

China Cotton Index:

Index	Unit	16-Jun-20	15-Jun-20	Change
CCIndex(328)	RMB/Ton	11950	11983	-33
CCIndex(527)	RMB/Ton	11135	11151	-16
CCIndex(229)	RMB/Ton	12242	12273	-31
RMB -Renminbi, 1RMB =0.16 $U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	16-Jun-20	15-Jun-20	Change
FC Index (S)	Cents/lb	70.78	71.57	-0.79

FC Index (M)	Cents/lb	66.85	67.64	**-0.79**
FC Index (L)	Cents/lb	65.92	66.67	**-0.75**

Cotlook Index:

Cotlook Indices	Unit	15-Jun-20	12-Jun-20	Change
A-Index	Cents/Pound	67.15	67.4	**-0.25**

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		15-Jun-20	15-Jun-20	Bales
Southeast	cents/lb.	56.76	59.01	**0**
North Delta	cents/lb.	56.26	58.51	**0**
South Delta	cents/lb.	56.26	58.51	**0**
East TX-OK	cents/lb.	54.01	56.26	**200**
West Texas	cents/lb.	54.01	56.51	**0**
Desert SW	cents/lb.	51.76	55.76	**0**
SJ Valley	cents/lb.	52.26	61.16	**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-Jun-2020 (in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8200	175	8375
Equivalent	40 Kgs	8789	186	8975

Daily Futures Price Listing Mon June 15, 2020

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
20-Jul	200615	59.80	59.80	58.69	59.01	-0.83	21,245	29,405	-7,107
20-Oct	200615	59.58	59.58	58.37	58.65	-0.93	11	86	-2
20-Dec	200615	58.97	59.00	57.75	58.35	-0.68	22037	107360	3431
21-Mar	200615	59.50	59.50	58.37	59.01	-0.57	2,007	19,564	582
21-May	200615	59.80	59.91	58.88	59.56	-0.42	943	4,872	315
21-Jul	200615	59.73	60.40	59.22	59.97	-0.31	299	5,050	-57
Total Volume and Open Interest							46,615	176,865	-2,841

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