

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

The Gujarat cotton price was down at Rs.4845/q. In Adoni market of Andhra Pradesh, the prices were slightly firm at Rs. 5076/q, with higher arrivals of 252 q while the MCX cotton stood weak at Rs.15820/bale. ICE cotton futures rose on Thursday on good export sales report that reassured traders of robust demand for the natural fiber, while dry weather in Texas, the largest cotton-producing state, provided further support.

**News:** According to the sources, around 39 lakh ha area has been sown under cotton till 22nd June'20 for 2020-21 marketing year, up by around 70% during the same period of time last year. In Punjab, around 22% increase in area is seen to 4.9 lakh ha followed by Haryana, up by 6% to 7.13 lakh ha compared to the previous year during the same time. In Rajasthan, the maximum increase was witnessed from 3.45 lakh ha to 5.88 lakh ha in 2020-21 compared to the previous year. In Gujarat, the sowing has started recently during the 2<sup>nd</sup> week of June and around 11.67 lakh ha is sown.

According to the trade sources, the Indian cotton exports for the May'20 were reported slightly higher around 2.5 lakh bales including organic cotton compared to the prior month. In May'20, most of the shipments that were halted were now resumed. Indian cotton being the cheapest in the international, increased the exports during May and likely to increase in June and July as well. Bangladesh was the largest importer of Indian cotton purchasing around 81,000 bales at an average FOB of \$1.5/kg followed by China (65,680 bales at \$1.36/kg), Vietnam (20,000 bales at \$1.3/kg) and Turkey (11,000 bales at \$1.3/kg). The other export destinations of India were Indonesia, Oman, Italy and Japan.

CCI has stopped purchasing cotton from 20<sup>th</sup> June due to the onset of monsoon. Even though the CCI has halted the purchases, the farmers are still bringing their produce to the mandi as they want to sell cotton eagerly or else the cotton quality would be deteriorated in the rains. But CCI promised to start purchasing cotton and continue till September in Maharashtra so that farmers need not keep waiting for a long period.

A new swarms of locusts had entered Sriganganagar district on 21<sup>st</sup> June but it is far from the cotton belts in the district. Breeding of locusts has been reported in Bikaner district amid even as the Rajasthan government augmented the means to control the invasion. FAO says, the UN body says that these infestations are expected to return to Rajasthan with the onset of the rains to rapidly mature and lay eggs.

China has given exemption for 97 per cent of Bangladeshi products effective from 1<sup>st</sup> of July. China's tariff exemption is expected to help Bangladesh the economic impact of the Covid-19 pandemic. This will boost exports of cotton with the improving relations between the two countries. China might have provided this trade boost due to the deteriorating ties between India and China amid recent clashes in Galwan valley. Most of the Indian cotton exports contracts might be affected in the future.

To reduce down the swarms of locusts in India, the government has initiated the process. India has manufactured and assembled one that can be fitted in the helicopter for spray of pesticides and insecticides to kill locusts. In next five to seven days, bordering state Rajasthan would see effective spraying of insecticides through helicopter which will remain located on the border. This would give a huge relief to farmers. Also, Uttar Pradesh government has announced financial aid of Rs. 5 lakh to each bordering districts of the state to purchase chemicals to spray on the locusts and kill them.

Texprocil urged the government to include cotton yarn under the 3 per cent Interest Equalization Scheme as exporters are passing through difficult times. Also, to cover cotton yarn and cotton fabrics under the present RoSCTL (Rebate of State and Central Taxes and Levies) Scheme and the much-awaited Refund of Duties and Taxes on Export Products (RoDTEP) Scheme. As these schemes reimburse all the duties and taxes incurred during the production process and support the export of goods and not taxes.

The cotton textile mills have slowly restarted the operation reaching to around 60-70 per cent of their operating capacity. The demand across India is still not strong but is expected to increase in July. CCI is giving bulk discounts to the

buyers to support the textile mills hardships. But CCI also as lowered the bulk discounts along with reducing the floor prices from Rs.45000- Rs.46900/candy in the first week of June'20 to Rs. 36100- Rs. 36600/ candy on 16<sup>th</sup> June'20 depending on the minimum quantity purchased per day making it practical for purchasing near the actual markets rate.

**Maharashtra cotton marketing federation claims that only 10 lakh quintals of FAQ kapas is left with the farmers in Maharashtra.** And the procurement by the federation is likely to finish by the end of June month. The federation has purchased around 76 lakh quintal of cotton while CCI has procured around 110 lakh quintal till date. As the monsoon has arrived in Maharashtra, the cotton quality has is prone to deterioration due to moisture which causes discoloration of the threads and makes ginning difficult. Therefore, the federation has decided to purchase cotton only in centres where ginning units are operational and have proper storage capacity.

**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 30<sup>th</sup> 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.

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

Heavy to very heavy rainfall at a few places with extremely heavy falls at isolated places likely over Sub-Himalayan West Bengal & Sikkim; heavy to very heavy rainfall at isolated places with extremely heavy falls at isolated places over Assam & Meghalaya and Kerala & Mahe; heavy to very heavy rainfall at isolated places over East Uttar Pradesh, Bihar, Arunachal Pradesh, Coastal & South Interior Karnataka and heavy rainfall at isolated places over Jharkhand, Gangetic West Bengal, Nagaland, Manipur, Mizoram & Tripura, Rayalaseema, North Interior Karnataka, Tamilnadu, Puducherry & Karaikal and Lakshadweep.

### **International Fundamentals:**

**Cotton futures ended session with gains of 15 to 52 points on Thursday, July futures closed at 61.81 cents/lb, up by 15 points.** The Cotlook A index was 67.95 c/lb on June 24, after a 50 point drop. FSA raised the week's AWP for cotton 73 points to 49.60 cents/lb.

**In the Crop Progress report, cotton was 96% planted as of June 21.** New crop cotton was 27% squared, which is 1% point ahead of the 5-yr average. Cotton conditions were down 15 points in a week on the Brugler 500 index. Texas ratings were down 30 points to 277. USDA's reported weekly average spot price for base quality cotton was 56.19 cents/lb, down from the previous week's 60.77. USDA reported that for the same week, ending June 18, spot sales totaled 6,220 bales. That is down 2,845 weak on weak and down 14,969 bales year on year.

**The weekly export sales reported by USDA, which showed net sales of 97,600 running bales (RB) for 2019-2020 were down 76% from the previous week and 31% from the prior 4-week average. However, exports of 348,300 RB were up 18% from the previous week and 32% from the prior 4-week average. Exports were primarily to China, at 123,500 RB, Vietnam at 89,900 RB, Turkey at 49,900 RB, Pakistan at 24,000 RB, and Bangladesh at 13,300 RB. U.S. Export Sales was better than expected. China and Vietnam were main buyers. Shipments were well above the average needed to hit the USDA's export target.**

**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 7<sup>th</sup> 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.

**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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Jun	-30	15740	15850	15710	15740	185	-295	630	-1533
20-Jul	-20	15910	16100	15890	15910	452	85	3868	2585
20-Aug	0	16150	16220	16060	16060	67	-741	173	-1367

Spread	20-May	20-Jun	20-Jul	20-Aug	--	--
Spot	-				-	-
20-Jun	-	-250	-	-	-	-
20-Jul	-	-	-120	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 26<sup>th</sup> Jun @ 5.30 pm

\* Updated at as on 26-Jun- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	26-Jun-20	25-Jun-20	
Gujarat	Ahmedabad	Shankar-6	4900	4900	Unch
	Gondal	Shankar-6	4605	4630	-25
	Rajkot	B.T. Cotton	4845	4875	-30
	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	4650	4650	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	5076	5033	43
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	4659	4709	-50
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NR	NR	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	26-Jun-20	25-Jun-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3570	3570	Unch
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	26-Jun-20	25-Jun-20	
Gujarat	Ahmedabad	Shankar-6	25500	23800	1700
	Gondal	Shankar-6	1098	588	510
	Rajkot	B.T. Cotton	2100	1400	700
	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	1000	1500	-500
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	252	233	19
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	555	831	-276
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NR	NR	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	26-Jun-20	25-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	26-Jun-20	25-Jun-20	
Gujarat	Rajkot	Rs. /10 Kg.	825	835	-10
Delhi	New Delhi	Rs. /10 Kg.	795	810	-15
Telangana	Hyderabad	Rs. /10 Kg.	810	820	-10
Maharashtra	Mumbai	Rs. /10 Kg.	845	855	-10

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	26-Jun-20	25-Jun-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2200	2196	4
Maharashtra	Akola	Rs./Qtl	2150	2142	8

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				25-Jun-20	24-Jun-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	36600	36700	-100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37300	37400	-100
J-34(202)	26mm	3.5 - 4.9	23	34100	34200	-100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33700	33800	-100
Shankar-6(105)	29mm	3.5 - 4.9	28	34900	35000	-100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	35100	35200	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34900	35000	-100
DCH-32(107)	34mm	3.0 - 3.8	33	35500	35600	-100

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	26-Jun-20	25-Jun-20	Change
CCIndex(328)	RMB/Ton	NR	NR	-
CCIndex(527)	RMB/Ton	NR	NR	-
CCIndex(229)	RMB/Ton	NR	NR	-

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

China Foreign Cotton (FCE) Index :

Index	Unit	26-Jun-20	25-Jun-20	Change
FC Index (S)	Cents/lb	NR	NR	-

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

**Cotlook Index:**

Cotlook Indices	Unit	25-Jun-20	24-Jun-20	Change
A-Index	Cents/Pound	67.7	67.95	-0.25

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		25-Jun-20	25-Jun-20	Bales
Southeast	cents/lb.	58.64	60.89	0
North Delta	cents/lb.	58.14	60.39	0
South Delta	cents/lb.	58.14	60.39	0
East TX-OK	cents/lb.	55.89	58.14	0
West Texas	cents/lb.	55.89	58.39	155
Desert SW	cents/lb.	53.64	57.64	0
SJ Valley	cents/lb.	54.14	63.04	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 25-Jun-2020**

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8000	175	8175
Equivalent	40 Kgs	8574	186	8760

**Daily Futures Price Listing Thu June 25, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Jul</a>	200625	61.50	61.81	61.5	61.81	0.15	5,025	1,031	-4,663
<a href="#">20-Oct</a>	200625	59.70	60.39	59.60	60.39	0.48	63	159	2
<a href="#">20-Dec</a>	200625	59.21	59.93	58.80	59.70	0.49	12464	115189	1368
<a href="#">21-Mar</a>	200625	59.82	60.54	59.41	60.32	0.52	2,014	22,159	80
<a href="#">21-May</a>	200625	60.19	60.96	60.06	60.73	0.45	368	4,929	47
<a href="#">21-Jul</a>	200625	60.53	61.22	60.51	61.01	0.43	117	4,909	17
Total Volume and Open Interest							20,092	159,309	-3,138

#### **Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at © 2020 Indian Agribusiness Systems Pvt. Ltd.