

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

The Gujarat cotton price was weak at Rs.4775/q. In Adoni market of Andhra Pradesh, the price remained low at Rs. 4726/q, with lower arrivals of 212q while the MCX cotton stood low at Rs.15760/bale on Friday. The USDA Planted Acreage report came in at the lower end of expectations at 12.2 million acres.

**News:** Bangladesh is the largest importer of Indian cotton, so the Indian cotton exporters are largely dependent on this neighboring country. But recently the traders from Bangladesh started agitation demanding that India should allow imports from them. The agitators blocked the entry of Indian trucks for several hours, claimed that the border will remain sealed until India allows import of their goods. This has led to the halt in Indian raw cotton and yarn exports since last 2-3 days. After 7<sup>th</sup> June'20, India resumed the trade between the two countries but does not allowed to import Bangladeshi goods amid maintaining the safety measures during this pandemic. Indian cotton industry would be facing with much higher ending by the end of this year, if the situation doesn't normalize.

**The cotton market during June had few obstacles with arrivals in the domestic market ranged between 55,000 bales and 70,000 bales per day.** CCI stopped purchasing cotton from the farmers during the last week of June but assured the farmers to continue procurement till September end. CCI recently reduced the base price of auctioned cotton, along with revising the bulk discount scheme for buyers. The country is still facing the weaker demand in the textile industry with higher levels of unsold stocks with the mills, limited government support, operational issues faced by mills (limited staff and labor etc.), and lockdown measures imposed by state governments.

**CCI increased the Bulk discount on larger purchases of cotton to attract buyers.** Also, increased the number of days for lifting cotton from the centre, with the effect from 1st July'20 till 31st July'20. Today CCI offered to sell 2018-19 old stock 3.82 Lakh Bales & 2019-20 Crop 8.143 Lakh Bales.

**Maharashtra is likely to have produced around 80 lakh bales of cotton lint in 2019-20 season.** Both CCI (198 lakh q) and Maharashtra Cotton Federation (200 lakh q) together had procured around 398 lakh quintals of kapas from the farmers so far till end of June. Around 10-11 lakh quintals of kapas is still left with farmers which is likely to be purchased by the federation and CCI in the coming days. CCI was operating 84 procurement centres and 181 processing units, increased it to 85 and 231 respectively in the period of lockdown.

**The areas such as Fazilka, Muktsar, and Bhatinda, the main cotton growing belts share the boundary with Rajasthan, therefore, they are vulnerable to locusts attack.** The swarms of locusts were reported to enter in the area about 200 km far from the cotton belt in last week. The sowing in these areas is almost completed and the attack of locusts at this point of time can affect the crop. Although, the area under cotton in Punjab has been increased significantly this year (up by 25%) the abrupt invasion of locusts can affect the yield of cotton. So far no damage in Punjab has reported and if the wind direction does not change, they may hit Uttar Pradesh soon.

**The locusts travelling from Pakistan and Rajasthan invaded in around 36 villages in Mahendergarh, Haryana last Saturday.** Only one or two villages were affected where the locusts were settled on the standing crops. Cotton in these regions are in vegetative phase and no major damage has been reported so far. The insects just passed through the remaining villages without causing any damage. The nearby areas are also on high alert taking necessary precautions by spraying pesticides.

**According to the sources, around 71.69 lakh ha area has been sown under cotton till 26th June'20 for 2020-21 marketing year,** up by around 70% during the same period of time last year. In Punjab, around 25% increase in area is seen to 5.01 lakh ha followed by Haryana, up by 9% to 7.37 lakh ha compared to the previous year during the same time. In Rajasthan, the 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 during the 2<sup>nd</sup> week of June and around 11.67 lakh ha is sown. The sowing also started in Telangana and AP covering the area around 10.68 lakh ha and 0.45lakh ha, respectively.

**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.

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

Heavy to very heavy rainfall at a few places with extremely heavy falls at isolated places likely over Konkan & Goa; Heavy to very heavy rainfall with extremely heavy falls at isolated places over Madhya Maharashtra; heavy to very heavy rainfall at isolated places over Uttarakhand, East Uttar Pradesh, Madhya Pradesh, Vidarbha, Odisha and Gujarat state and heavy rainfall at isolated places over West Uttar Pradesh, East Rajasthan, Chhattisgarh, Bihar, Jharkhand, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Marathwada, Telangana, Coastal Karnataka and Kerala & Mahe.

### **International Fundamentals:**

**Cotton futures closed 19 to 47 points higher in the front months, Jul 20 Cotton closed at 63.05, up 47 points.** The Cotlook A index was 90 points stronger at 68.85 c/lb. The AWP for cotton was 53 points stronger at 50.13 cents/lb.

**The China's cotton sales auction has been started since 1<sup>st</sup> of July'20 that will continue till September end, with the total quantity of about 5 lakh tons.** The base selling price will be related with international cotton prices regularly. The state cotton reserves policy may be implemented according to the actual state cotton auction and market supply and demand. The monthly auction volumes are about 30% of cotton consumption in April or May that was affected by the COVID-19 pandemic.

**CONAB expected crop might be up to 13.5 million bales in 2020-21 but in the recent estimates it is reduced to 13.26 million bales.** Cotton consumption was reduced by 10,000 tons to 2.94 million bales, Ending stocks were raised to 9.09 million bales, up sharply from last season. The average yield was estimated at a record 1,727 kg per ha. The country's new crop has started to arrive in the market since 2<sup>nd</sup> week of June. May export shipments reached 3 lakh bales, with Turkey the largest destination at 78,000 bales followed by Vietnam at 71,000 bales. Brazilian cotton has become very popular in both countries due to the cheaper rates. According ICAC, Brazil is expected to export over 8.64 million bales globally and through April, has exported an estimated 2.52 million bales to China, a 30% increase from the previous period.

**In the Crop Progress report released by USDA, cotton was planted under 12.2 million acres, down by 11% from 2019 cotton acreage.** While the acreage is down compared to that USDA projected a total of 13.7 million cotton acres for 2020 in March'20. New crop cotton was 35% squared, which is 1% point lagging of the 5-yr average and increased from 27% in the prior week, up by 8% points. Cotton condition was 35% in good condition and was down by 10 points compared to the previous year during the same time.

**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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Jun	140	15590	15590	15590	15450	14	-466	182	-1981
20-Jul	110	15950	16030	15850	15880	335	-32	4254	2971
20-Aug	100	16130	16190	16050	16070	114	-694	616	-924

Spread	20-May	20-Jun	20-Jul	20-Aug	--	--
Spot	-				-	-
20-Jun	-	-440	-	-	-	-
20-Jul	-	-	-160	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 3<sup>rd</sup> Jul @ 5.30 pm

\* Updated at as on 03-Jul- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	4-Jul-20	3-Jul-20	
Gujarat	Ahmedabad	Shankar-6	4900	4900	Unch
	Gondal	Shankar-6	4600	4605	-5
	Rajkot	B.T. Cotton	4775	4875	-100
	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	4600	50
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	4726	4862	-136
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	NR	4626	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	4989	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	4-Jul-20	3-Jul-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3540	3500	40
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	4-Jul-20	3-Jul-20	
Gujarat	Ahmedabad	Shankar-6	22100	22100	Unch
	Gondal	Shankar-6	600	684	-84
	Rajkot	B.T. Cotton	1380	1450	-70
	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	700	600	100
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	212	152	60
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	NR	1125	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	555	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	4-Jul-20	3-Jul-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	4-Jul-20	3-Jul-20	
Gujarat	Rajkot	Rs. /10 Kg.	825	825	Unch
Delhi	New Delhi	Rs. /10 Kg.	790	770	20
Telangana	Hyderabad	Rs. /10 Kg.	800	800	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	830	835	-5

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	4-Jul-20	3-Jul-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2148	2157	-9
Maharashtra	Akola	Rs./Qtl	2063	2055	8

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				3-Jul-20	2-Jul-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	36500	36500	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37200	37200	Unch
J-34(202)	26mm	3.5 - 4.9	23	34000	34000	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33500	33500	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	34800	34800	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	34900	34900	Unch
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	34700	34700	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	35500	35500	Unch

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

Index	Unit	4-Jul-20	3-Jul-20	Change
CCIndex(328)	RMB/Ton	Closed	12003	-
CCIndex(527)	RMB/Ton	Closed	11180	-
CCIndex(229)	RMB/Ton	Closed	12336	-

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

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

Index	Unit	4-Jul-20	3-Jul-20	Change
FC Index (S)	Cents/lb	Closed	74.24	-

FC Index (M)	Cents/lb	Closed	70.51	-
FC Index (L)	Cents/lb	Closed	69.4	-

**Cotlook Index:**

Cotlook Indices	Unit	3-Jul-20	2-Jul-20	Change
A-Index	Cents/Pound	70.7	70.45	0.25

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		3-Jul-20	3-Jul-20	Bales
Southeast	cents/lb.	NR	NR	NR
North Delta	cents/lb.	NR	NR	NR
South Delta	cents/lb.	NR	NR	NR
East TX-OK	cents/lb.	NR	NR	NR
West Texas	cents/lb.	NR	NR	NR
Desert SW	cents/lb.	NR	NR	NR
SJ Valley	cents/lb.	NR	NR	NR

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 03-Jul-2020**

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8400	175	8575
Equivalent	40 Kgs	9002	188	9190

**Daily Futures Price Listing Fri July 03, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Jul</a>	200702	63.05	63.05	63.05	63.05	0.47	37	173	-37
<a href="#">20-Oct</a>	200702	63.33	63.55	62.70	63.55	0.47	6	155	-2
<a href="#">20-Dec</a>	200702	62.63	62.98	62.30	62.95	0.19	16480	115558	455
<a href="#">21-Mar</a>	200702	63.25	63.69	63.01	63.67	0.22	3,264	22,626	368
<a href="#">21-May</a>	200702	63.83	64.25	63.46	64.24	0.43	934	5,384	136
<a href="#">21-Jul</a>	200702	64.10	64.67	63.76	64.63	0.56	767	5,756	357
Total Volume and Open Interest							22,164	161,481	1,762

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