

### Domestic Fundamentals:

#### **Market Outlook:**

The Gujarat cotton price stood weaker at Rs.4695/q, down by Rs.45/q. In Adoni market of Andhra Pradesh, the price was firm at Rs. 4659/q, with higher arrivals of 178q while the MCX cotton stood firm at Rs.15860/bale on Monday. ICE cotton futures fall when USDA reduced its projection for global production and ending stocks for the 2020-21 crop year.

**News:** With the good amount of rainfall across India, around 104.82 lakh ha area has been sown under cotton till 10<sup>th</sup> July'20 for 2020-21 marketing year, up by around 35% during the same period of time last year. The cotton sowing in the northern part of India has been almost completed (covering 18.89 lakh ha). In Gujarat and Maharashtra, the acreage increased to 18.25 lakh ha and 33.09 lakh ha. The sowing under cotton in Telangana and AP reached around 18.22 lakh ha and 1.90 lakh ha, respectively.

**The arrivals in North India including Punjab, Haryana and Rajasthan reached around 66 lakh bales in the 2019-20 season.** The current season arrivals are around 8-10% higher compared to the corresponding period last season. According to the trade sources, the arrivals of 9.53 lakh bales, 24.26 lakh bales and 33.11 lakh bales in Punjab, Haryana and Rajasthan was reported till June end.

**The areas such as Fazilka, Muktsar, and Bhatinda, the main cotton growing belts share the boundary with Rajasthan, therefore, they were vulnerable to locusts attack.** According to the government sources, the locusts did not enter these areas and thus no loss was reported. While, the abrupt invasion of locusts was witnessed two times in last two months in Ganganagar district of Rajasthan. The attack in May affected the crop as the sowing was in progress in some areas while the crop was in vegetative phase in other areas. Therefore, farmers had re-sown the crop in around 500-600 ha in the district. Thus, no major loss was reported in both the states.

**According to the sources, around 94.71 lakh ha area has been sown under cotton till 6<sup>th</sup> July'20 for 2020-21 marketing year, up by around 78% during the same period of time last year.** The cotton sowing in the northern part of India has been almost completed (covering 18.75 lakh ha). In Gujarat and Maharashtra, with the arrival of good rainfall the acreage increased to 18.25 lakh ha and 33.08 lakh ha. The sowing under cotton in Telangana and AP reached around 15.8 lakh ha and 0.90 lakh ha, respectively.

**The cotton demand from the spinning mills has been hit due to Covid-19 lockdown.** Although the mills have started functioning, there would be gradual improvement in the demand in the coming months. CCI has offered bulk discounts to encourage cotton sales during June month and also reduced the base prices. CCI is offering around 8 lakh bales (2019-20 crop) cotton per day for sale. So far, about 60,000 bales have been sold under the bulk discount scheme. According to the market sources, the ginnerers are having enough stock with them, therefore, the sale is slow and the ginnerers are not participating the CCI auctions.

**Imports and exports of goods through trucks have resumed at West Bengal-Bangladesh land border** after traders started agitating at the border since 1<sup>st</sup> July'20. As the trade (No exports from Bangladesh to India) was stopped since March following fears of the spread of Covid.

**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.

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

Heavy to very heavy rainfall likely at isolated places over East Uttar Pradesh, Assam & Meghalaya and Coastal Karnataka and heavy rainfall at isolated places over Uttarakhand, West Uttar Pradesh, Madhya Pradesh, Vidarbha, Chhattisgarh, Bihar, Jharkhand, West Bengal & Sikkim, Odisha, Andaman & Nicobar Islands, Arunachal Pradesh, Nagaland, Manipur, Mizoram & Tripura, Gujarat State, Madhya Maharashtra, Konkan & Goa, Coastal Andhra Pradesh & Yanam, Telangana, Rayalaseema, Interior Karnataka, Kerala & Mahe and Tamilnadu, Puducherry & Karaikal.

### **International Fundamentals:**

**Cotton futures closed the Friday session with gains of 33 to 42 points, Oct 20 Cotton closed at 64.71, up 37 points.** The July 9 Cotlook A index was up by 70 points to 70.15 c/lb. The AWP for cotton for this week is up 135 points to 51.48 cents/lb.

**According to the latest WASDE report released by USDA, the U.S. 2020-21 production forecast was revised, which fell 2.0 million bales to 17.5 million bales.** Also, the U.S. export forecast for 2020-21 was lowered to 15.0 million bales, down one million bales from June. 2019-20 exports were increased 2 lakh bales, so 2020-21 beginning stocks declined to 7.1 million bales. In total, the USDA reduced expected ending stocks for 2020-21 by 1.2 million bales to 6.8 million.

**According to USDA, the global production is reduced by around 5.5% y-o-y to 116.25 million bales in 2020-21 marketing year.** Also, the world imports and exports were reduced by 2% to 41.84 million bales and 41.81 million bales, respectively from the previous month's estimate. With the reduction in world cotton production and lowering the imports & exports, the ending stocks were reduced by 1.8% to 102.77 million bales in the 2020-21 marketing year. Production is lowered for the United States, Turkey, and Tanzania, and a small rise in Pakistan. Consumption is lowered by only 1.2 lakh bales to 114.29 million bales.

**China is likely to be the world's largest cotton lint importer in 2019-20.** Although there is a decline of 12% in cotton imports compared to the previous season but it is estimated that China would import around 10.5 million bales, according to ICAC. US cotton exports to China decreased from 31 lakh bales in 2018 to 21 lakh bales in 2019, down by 32%. Due to the trade tensions between US and China, market share in China shifted over this period from Brazil. Through April'20, Brazil has exported an estimated 31 lakh bales to China, a 30 per cent increase from the previous period.

**In the Crop Progress report released by USDA, showed 47% planted U.S. cotton was in good condition** in the week ending on 5<sup>th</sup> July'20, little changed from last week. Cotton was 47% squared, which is 1% point lagging of the 5-yr average and increased from 34% in the prior week, up by 8% points.

**China sold 8,042 tonnes of cotton, 100% of total offer, at auction of state reserves on Monday.** The Average price of the cotton sold was 11,533 yuan per tonne (Rs. 43750/Candy), according to China Cotton Association. The industry has also set floor price of cotton auction at 11,895 yuan per tonne for the week starting 6<sup>th</sup> July'20.

**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.

**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	-20	16080	16130	16050	16090	398	31	3708	2425
20-Aug	-50	16250	16290	16210	16260	205	-603	1011	-529

Spread	20-May	20-Jun	20-Jul	20-Aug	--	--
Spot	-				-	-
20-Jun	-	-640	-	-	-	-
20-Jul	-	-	-170	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 13<sup>th</sup> Jul @ 5.30 pm

\* Updated at as on 13-Jul- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	13-Jul-20	11-Jul-20	
Gujarat	Ahmedabad	Shankar-6	4850	4900	-50
	Gondal	Shankar-6	4605	4580	25
	Rajkot	B.T. Cotton	4695	4740	-45
	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	NA	4600	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	4659	4555	104
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	NR	NR	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	4920	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	13-Jul-20	11-Jul-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3560	3560	Unch
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	13-Jul-20	11-Jul-20	
Gujarat	Ahmedabad	Shankar-6	15300	15300	Unch
	Gondal	Shankar-6	740	275	465
	Rajkot	B.T. Cotton	1500	800	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	NA	500	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	178	78	100
Telangana	Adilabad	Un-Ginned	NR	NR	-
Karnataka	Bijapur	Bunny	NR	NR	-
	Hubli	D.C.H.	NR	NR	-
	Hubli	B.T. Cotton	NR	NR	-
	Raichur	H-44 Cotton	NR	510	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	13-Jul-20	11-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	13-Jul-20	11-Jul-20	
Gujarat	Rajkot	Rs. /10 Kg.	830	830	Unch
Delhi	New Delhi	Rs. /10 Kg.	795	795	Unch
Telangana	Hyderabad	Rs. /10 Kg.	795	795	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	840	835	5

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	13-Jul-20	11-Jul-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2165	2178	-13
Maharashtra	Akola	Rs./Qtl	2050	2065	-15

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				11-Jul-20	10-Jul-20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	36600	36500	100
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	37300	37200	100
J-34(202)	26mm	3.5 - 4.9	23	33800	33700	100
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33800	33700	100
Shankar-6(105)	29mm	3.5 - 4.9	28	34800	34700	100
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	36300	36200	100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	37200	37200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	54000	52500	1500

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

Index	Unit	13-Jul-20	10-Jul-20	Change
CCIndex(328)	RMB/Ton	12173	12131	42
CCIndex(527)	RMB/Ton	11349	11297	52
CCIndex(229)	RMB/Ton	12531	12478	53
RMB -Renminbi, 1RMB =0.16 \$U.S.				

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

Index	Unit	13-Jul-20	10-Jul-20	Change
FC Index (S)	Cents/lb	75.31	75.08	0.23
FC Index (M)	Cents/lb	71.86	71.61	0.25



FC Index (L)	Cents/lb	70.76	70.51	0.25
--------------	----------	-------	-------	------

**Cotlook Index:**

Cotlook Indices	Unit	10-Jul-20	9-Jul-20	Change
A-Index	Cents/Pound	69.7	70.15	-0.45

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		10-Jul-20	10-Jul-20	Bales
Southeast	cents/lb.	62.71	64.96	0
North Delta	cents/lb.	62.21	64.46	0
South Delta	cents/lb.	62.21	64.46	0
East TX-OK	cents/lb.	60.21	62.46	45
West Texas	cents/lb.	60.21	62.71	15083
Desert SW	cents/lb.	57.96	61.96	1500
SJ Valley	cents/lb.	58.46	67.36	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 10-Jul-2020**

(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8500	175	8675
Equivalent	40 Kgs	9109	188	9297

**Daily Futures Price Listing Fri July 10, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Oct</a>	200710	64.94	64.94	64.42	64.71	0.37	11	152	-3
<a href="#">20-Dec</a>	200710	63.89	64.60	63.15	64.31	0.42	14,243	118,769	1,575
<a href="#">21-Mar</a>	200710	64.47	65.05	63.68	64.83	0.34	3078	24509	245
<a href="#">21-May</a>	200710	64.79	65.47	64.01	65.34	0.33	1,785	6,425	261
<a href="#">21-Jul</a>	200710	65.25	65.81	64.45	65.77	0.33	1,185	7,451	90
<a href="#">21-Oct</a>	200710	64.87	64.87	64.87	64.87	0.33	0	1	0
Total Volume and Open Interest							21,210	170,877	2,391

### **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.