

### Domestic Fundamentals:

#### **Market Outlook:**

The Gujarat cotton price stood weak at Rs.4725/q, down by Rs.70/q. In Adoni market of Andhra Pradesh, the price was steady at Rs. 4796/q. MCX cotton stood firm at Rs.15920/bale on Monday. ICE cotton futures rose after easing to their lowest level in three weeks on Monday, ahead of a U.S. crop progress report that is anticipated to take into account the negative factors of adverse weather in Texas, a major growing state.

**News:** According to the ICRA's forecast, revenue of India's cotton spinning sector will decline by 25-30% during 2020-21 due to the virus, and recovery will be slow. The reason behind it is that the demand has been sluggish after the pandemic affected the global economy. Also, the reduced offtake of cotton yarn and fibre exports reduced as a result of the China and India dispute.

**On 20<sup>th</sup> Jul'20, CCI sold around 4.5 lakh bales of cotton in three phases of auction.** In North India, Punjab purchased 44,000 bales followed by Haryana (12,500 bales) and Rajasthan (16,000 bales). In Central India, the maximum purchase was reported from Maharashtra (2.17 lakh bales), followed by Gujarat (0.715 bales) and Madhya Pradesh (8,500 bales). In South India, CCI sold 20,000 bales in Telangana, 8,900 bales in Karnataka and 1200 bales in Guntur, AP.

**Telangana covered an area of around 20.4 lakh ha so far till 15<sup>th</sup> Jul'20, up by 76%.** The government targets to cover another 4.5 lakh ha in the coming days which will be higher by around 30% compared to the previous year. The crop is in vegetative phase and few sucking pests were reported in few areas in Adilabad and Nagarkurnool district but no harm to the crop so far. The area covered by cotton in Andhra Pradesh is 2.74 lakh ha till 15<sup>th</sup> July'20 higher by 122% compared to the previous year during the same time. Sucking pests in about 20 ha was reported in Kadapa district but treated with pesticides on time.

**The Cotton Corporation of India have sold around 50,000 bales so far from the procured cotton in 2019-20.** The reserve sale price ranged between Rs. 35,200/candy and Rs. 36,400/candy, on which further discounts is offered on bulk purchases. In the 2019-20 (Oct-Sep) season, the agency has procured around 12 mln bales of the fibre. Last season, it had bought only 900,000 bales as spot prices of the fibre were mostly higher than its support prices.

**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 ginners are having enough stock with them, therefore, the sale is slow and the ginners 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.

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

Heavy to very heavy rainfall at isolated places over Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura and Lakshadweep and heavy rainfall at isolated places over Uttarakhand, East Uttar Pradesh, East Madhya Pradesh, Chhattisgarh, Bihar, Jharkhand, Sub-Himalayan West Bengal & Sikkim, Odisha, Arunachal Pradesh, Madhya Maharashtra, Telangana, Rayalaseema, South Interior Karnataka and Kerala & Mahe.

### **International Fundamentals:**

**The front month cotton contracts traded higher on Monday, and closed with 91 to 98 point gains, Oct and Dec closed at 62.99 and 62.88 cents/lb respectively.** The July 17 Cotlook A index came back 30 points to 68.20 c/lb. The AWP for cotton is 50.26 cents/lb.

**The demand at the Chinese Reserve auctions has remained good, with sales now exceeding 100,000 tons** since the auctions begun in first week this month, which implies increased mill use. A survey shows Chinese spinners were operating at more than 60% of capacity. Cotton use has recovered slightly and is steady, but the yarn and fabric sector are still suffering from weak apparel exports due to which the cotton yarn prices are weak.

**The Pakistan kapas prices stood slightly firm compared to the previous week but less than 1%.** The kapas supply has increased in the market. The supply of Kapas was coming from the lower areas of Sindh while it has been also started in limited amount from some areas of Punjab. The kapas in Sindh was affected due to the rains in some cotton producing areas a week ago. A new spell of rains in many cotton producing areas of Sindh may affect the quality and picking of the

cotton. However, rains are beneficial for the crop at this stage, but if there will be more rains, water accumulated in the fields may damage the crop.

**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.**

#### 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	16210	16570	16010	16220	1054	687	2685	1402
20-Aug	-30	16420	16770	16230	16430	580	-228	1453	-87

Spread	20-Jul	20-Aug	20-Sep	--	--	--
Spot					-	-
20-Jul	-770	-	-	-	-	-
20-Aug	-	-210	-	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 21<sup>st</sup> Jul @ 5.30 pm

\* Updated at as on 21-Jul- 2019 @ 5:00 PM

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	21-Jul-20	20-Jul-20	
Gujarat	Ahmedabad	Shankar-6	4850	4850	Unch
	Gondal	Shankar-6	4605	4605	Unch
	Rajkot	B.T. Cotton	4725	4795	-70
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	4340	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	NA	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	NA	4796	-
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	NR	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	21-Jul-20	20-Jul-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3540	3530	10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	21-Jul-20	20-Jul-20	
Gujarat	Ahmedabad	Shankar-6	20400	13600	6800
	Gondal	Shankar-6	1094	1308	-214
	Rajkot	B.T. Cotton	1630	1610	20
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	72	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	NA	-
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	NA	-
	Hathras	Desi	NA	NA	-
Andhra Pradesh	Adoni	Medium Staple	NA	253	-
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	NR	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	21-Jul-20	20-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	21-Jul-20	20-Jul-20	
Gujarat	Rajkot	Rs. /10 Kg.	860	860	Unch
Delhi	New Delhi	Rs. /10 Kg.	805	810	-5
Telangana	Hyderabad	Rs. /10 Kg.	815	815	Unch
Maharashtra	Mumbai	Rs. /10 Kg.	865	845	20

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	21-Jul-20	20-Jul-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	2125	2127	-2
Maharashtra	Akola	Rs./Qtl	2010	2019	-9

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				20-Jul-20	17-Jul-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	33500	33500	Unch
H-4/ MECH-1(105)	28mm	3.5 - 4.9	27	33800	33800	Unch
Shankar-6(105)	29mm	3.5 - 4.9	28	34500	34500	Unch
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	36300	36400	-100
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	37200	37200	Unch
DCH-32(107)	34mm	3.0 - 3.8	33	52500	52500	Unch

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

Index	Unit	21-Jul-20	20-Jul-20	Change
CCIndex(328)	RMB/Ton	12162	12162	Unch
CCIndex(527)	RMB/Ton	11343	11348	-5
CCIndex(229)	RMB/Ton	12552	12546	6

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

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

Index	Unit	21-Jul-20	20-Jul-20	Change
FC Index (S)	Cents/lb	73.37	72.37	1.00
FC Index (M)	Cents/lb	69.76	68.76	1.00



FC Index (L)	Cents/lb	68.86	67.86	1.00
--------------	----------	-------	-------	------

**Cotlook Index:**

Cotlook Indices	Unit	20-Jul-20	17-Jul-20	Change
A-Index	Cents/Pound	67.45	68.2	-0.75

**USDA Cotton Spot Rates:**

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		20-Jul-20	20-Jul-20	Bales
Southeast	cents/lb.	60.99	63.24	0
North Delta	cents/lb.	59.99	62.24	0
South Delta	cents/lb.	59.99	62.24	0
East TX-OK	cents/lb.	58.49	60.74	7
West Texas	cents/lb.	58.49	60.99	25
Desert SW	cents/lb.	56.24	60.24	0
SJ Valley	cents/lb.	56.74	65.64	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 20-Jul-2020**

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8350	175	8525
Equivalent	40 Kgs	8949	188	9134

**Daily Futures Price Listing Mon July 20, 2020**

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Oct</a>	200720	62.59	63.06	62.59	62.99	0.98	5	154	-1
<a href="#">20-Dec</a>	200720	61.94	63.10	61.60	62.88	0.94	8024	120695	307
<a href="#">21-Mar</a>	200720	62.83	63.76	62.33	63.61	0.98	1,713	26,084	444
<a href="#">21-May</a>	200720	63.21	64.35	63.11	64.23	0.96	367	7,163	71
<a href="#">21-Jul</a>	200720	63.84	64.85	63.84	64.75	0.91	147	8,058	25
<a href="#">21-Oct</a>	200720	63.59	63.59	63.59	63.59	0.67	0	1	0
Total Volume and Open Interest							10,335	175,062	875

### **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.