

Domestic Fundamentals:**Market Outlook:**

The Gujarat cotton physical market showed steady to firm tone today amid mixed supplies in the market. MCX cotton October contract stood higher at Rs.17920/bale on Monday. ICE cotton futures closed in green on Friday.

News: Cotton has been sown across India in around 129.29 lakh ha as of 10th Aug'20 for 2020-21, up by 0.9% to the total acreage under cotton last year. The cotton sowing in the northern part of India (Punjab, Haryana & Rajasthan) covered an area of 19.06 lakh ha. The yield loss is expected in Punjab and Haryana amid continuous rainfall and whitefly attack on the crop. In Maharashtra, around 42.24 lakh ha and in Gujarat the area under 22.79 lakh ha is covered by cotton sowing, down by -4.7% and -14.6%, respectively compared to last year's total acreage. The area in Andhra Pradesh is still lagging behind by 11.9% covering 5.64 lakh ha as of 10th Sep'20 and Telangana has reported the maximum surge of 29.7% (24.13 lakh ha) in area this year.

The area under cotton was expected to decline from the beginning kharif sowing earlier in June'20 as the farmers shifted to groundnut. Also, it is estimated that the Gujarat ginners have around 1-1.5 lakh bales of unsold cotton and around 70-75 thousand bales unsold raw cotton with the farmers. In the past one month, the weather was not playing a good role in the cotton growth in the state. Around 50,000-60,000 ha of area in Amreli of Saurashtra region which covers around 15% of total cotton area in the state was damaged followed by 10-15% crop loss in other districts (Jamnagar, Morbi, Surendernagar, Kutch & Sabarkantha). This year, area is not likely to cross 24 lakh ha against 26 lakh ha last year.

The agriculture officials have found the presence of Pink Bollworm (PBW) in cotton in Bhatinda, Punjab on around 100 acres so far. It seems to have originated from the empty cotton bolls that were discarded from the ginning mills after removing fiber that were in close proximity to the cotton fields. Earlier, PBW has appeared in some parts of Maharashtra in Nanded, Parbhani, Vidarbha and Khandesh and Telangana to some extent. The PBW infestation has not yet crossed ETL levels. The pest infestation was observed in the regions where the farmers opted for early planting. However, the extent of damage could be recorded with a clearer picture when the rain stops.

The cotton belts in Gujarat have received a prolonged spell of rain that caused a threat to affect the crop yield. Cotton is at the flowering stage and continuous rainfall can cause serious damage in the next stage of the crop growth in boll formation as the crop at this stage needs sunny days. The coming days are very crucial for the good yield, therefore, continuous rainfall can delay the crop harvesting and even results in poor yield.

Coronavirus has hit hard on the global cotton textile industry. According to the statistics from the Vietnam Chamber of Commerce and Industry, the country's yarn exports declined 20.9 percent from January to July 2020. Fabric exports decreased by 40% while the export of processed textiles dropped 12.1%. And the Vietnamese textile exports are likely to decline further by 14% in the second half of 2020. The Indian raw cotton exports to Vietnam in the first half of the year (Jan'20- June'20) declined by 33.6% compared to the same period last year.

Cotton harvesting in Punjab especially in Malwa region is likely to be delayed by 15 days from usual time. Amid the shortage of farm labour due to the coronavirus outbreak this year. Few areas were affected with excess rains earlier in this month and still few regions are struggling to drain out extra water. Farmers have to bring cotton in the mandis with 8-12% moisture for the best prices that is going to be purchased by Cotton Corporation of India (CCI).

According to the trade sources, the Indian cotton exports for the July'20 were reported higher around 5 lakh bales, compared to the prior month. In July'20, the Indian cotton prices were still cheaper in the international market, therefore, the exports were increased during July. Although the exports to China declined to around 48,500 bales but Bangladesh remained the largest importer of Indian cotton purchasing around 2.72 lakh bales at an average FOB of \$1.37/kg. Exports to Vietnam (61,600 bales at \$1.22/kg), Turkey (27,800 bales at \$1.19/kg) and Indonesia (24,400 bales at \$1.29/kg) were also increased during the month. The other export destinations of India were Oman, Taiwan, and Thailand.

In India the domestic demand improved for CCI Cotton. MNCs, mills and traders remained active to purchase CCI and Maharashtra Federation cotton. Yarn demand also picked up so mills remained active buyers where the running capacity of spinning mills increased to around 80%. Exporters also remained active buyers in domestic market. Current arrivals remained low, therefore, ginner are holding the stock.

Cotton Corporation of India (CCI) has increased the cotton sales floor price by Rs.500-600/candy to maximum price at Rs.38700/ candy (30mm) within one week with the increase in sales. CCI has sold around 50 lakh bales so far till 23rd Aug'20. Mills have purchased around 23 lakh bales followed by MNCs purchasing 19 lakh bales, 12 lakh bales stock is with the mediators and only 3 lakh bales were purchased by the exporters. The functioning of the spinning mills has improved that are running with 80% capacity. The hike in domestic prices during last week were attributing to the factors of weather risk and stocking of cotton by the MNCs and traders.

According to Agriwatch, India is likely to end this year (2019-20) with record of around 104 lakh bales of cotton as closing stock. Cotton Corporation of India (CCI) has decided to sell a part of the surplus stock of about 15 to 20 lakh bales to Bangladesh, that would take place on a government-to-government basis and the shipments could start from next month onwards. Export prices will be decided by the two governments using the Cotlook index. As the current season is likely to end soon in one month, therefore, as soon as the exports starts India likely to ship around 5-7 lakh only and rest of the quantity would be off the ports in the coming season starting in October'20.

The heavy rains from the last 3-4 days in Telangana has hit the cotton crop especially in Warangal. The crop is in prolonged waterlogging conditions where the cotton has been sown on around 2 lakh ha in the district. But the estimates according to the state government reports there has been a damage in around 10,000 ha so far in Warangal. According to IMD forecast, Telangana is likely to receive widespread and scattered rainfall, thus the crop might not get damaged further. The state has covered 24 lakh ha area under cotton, up by 35% y-o-y.

In the recent report published by Cotton Association of India (CAI), the agency increased its cotton crop estimate for 2019-20 to 354 lakh bales compared to its previous estimate of 335.5 lakh bales. The Agriwatch estimates that the production for the current season might reach to around 362 lakh bales out of which around 11 lakh bales might be carried forward in the coming season. The estimate of the cotton imports has been increased by the CAI at 16.00 lakh bales, up by 1 lakh bales from previous estimates. CAI also increased the estimated exports to 50 lakh bales from 47 lakh bales for 2019-20. According to market sources, Indian cotton arrivals during the months of October 2019 to July 2020 are estimated at 337 lakh bales.

The continuous heavy rainfall in Punjab and Haryana left the cotton fields under submerged condition. Crop on nearly 50,000 acres in Haryana has been reported under 2 feet stagnant water condition for 2-3 days. Cotton crop on 5,000 to 6,000 acres had got destroyed in Hisar district as reported by the state official. The other districts: Bhiwani and Jind are also likely to have affected due to rains. Also, the presence of sucking pest has been reported in some parts of Mansa, and Fazilka district of Punjab.

With the context of favourable weather in India and increased area, USDA has increased the India's production estimates 38.04 million bales (170kg per bale) in 2020-21, up by 4% from previous month's estimates. While the import trade has been reduced to 1.28 million bales from 1.41 million bales in the previous month. As the recovery in revival of the cotton industry has been sluggish, the domestic use was also declined to 28.8 million bales in Aug'20 estimates from 29.46 million bales (Jul'20 estimates). Therefore, the assumptions are made that there would be higher ending stock 28.83 million bales compared to previous month's estimates (27.29 million bales) as well as from 2019-20 (24.60 million bales).

CCI sold around 16 lakh bales in August month so far and totaling to around 22 - 23 lakh bales (2019-20 crop) this season. Due to the weak logistic system by CCI, therefore, the buyers are facing delay in delivery. If the frequency of sales continues with the present trend, then there is possibility that CCI could sale another 25 lakh bales by the end of September'20, hence improving the liquidity in the market.

Although the country is expecting an increase in cotton area by 5% but there are possibilities in decline in the yield. The continuous rainfall across the country could cause damage as cotton crop does not sustain for more than two days of stagnating water. Also, the cotton crop in Marathwada and Vidarbha region (41.8 lakh ha) in Maharashtra has started flowering that was sown in early June. Thus, the early signs of pink bollworm infestation was noticed in the fields. Aurangabad, Jalna and Beed, the main cotton growing areas (over 15.9 lakh hectare area is under cotton cultivation) in the Marathwada region have found some traces of pink bollworm as the bud formation has started. The government has issued an alert to the farmers to take precautionary measures against the attack of pink bollworm on the cotton crop.

According to the trade sources, the Indian cotton exports for the June'20 were reported higher around 4.5 lakh bales, doubled compared to the prior month. In June'20, the Indian cotton prices were cheaper in the international market, therefore, the exports were increased during June. Bangladesh was the largest importer of Indian cotton purchasing around 2 lakh bales at an average FOB of \$1.46/kg followed by China (71,747 bales at \$1.29/kg), Vietnam (43,000 bales at \$1.25/kg) and Indonesia (20,000 bales at \$1.32/kg). The other export destinations of India were Korea, Turkey, Thailand & Italy.

The immense rainfall in Punjab, seems to have destroyed over 4,000 ha area. The reports said, 15-17% crop loss was reported in around 60 villages. The final assessment is yet to be done which will reveal the exact damage caused to cotton and other crops in Abohar, Fazilka and nearby areas. Although the area under cotton has increased by around 25% this year, but the continuous rains would decrease the cotton yield for the crop 2020-21.

The Maharashtra government has procured over 7 lakh bales of cotton from 1.37 lakh farmers in the five districts of Nashik division under MSP. After procurement, the state government has stocked 12,000 bales of cotton in Nashik district. Around 5 lakh bales of cotton were procured from Jalgaon district, followed by 98,000 bales from Ahmednagar district, 87,300 bales from farmers in Dhule and 86,100 lakh bales of cotton in Nandurbar district.

Cotton Corporation of India (CCI) gave the priority in procuring cotton at guaranteed prices this year, thus, CCI's maximum cotton procurement in Maharashtra was reported in Yavatmal district. A total of 55.695 lakh quintals of cotton has been procured from 2,69,534 farmers in Yavatmal district this season. 11.48 lakh quintals of cotton has been procured from 49,056 farmers in the district after the lockdown. Before the outbreak of corona, 44.21 lakh quintals of cotton was purchased from 2, 20,478 lakh farmers in the district.

Weather Forecast for tomorrow:

Heavy rainfall at isolated places over Northwest & Southeast Madhya Pradesh, Vidarbha, Bihar, Sub-Himalayan West Bengal & Sikkim, Andaman & Nicobar Islands, Assam & Meghalaya, Gujarat Region, Madhya Maharashtra, Marathwada, Konkan & Goa, Coastal Andhra Pradesh & Yanam, Telangana, Coastal & North Interior Karnataka and Kerala & Mahe.

International Fundamentals:

Cotton Futures ended Monday session at higher by 0.1 points Oct 20, Cotton is at 64.06.

In the latest report released by USDA in Sep'20, decreased the production estimates from 23.14 million bales (170kg per bale) in 2020-21 to 21.84 million bales, -6% compared to the previous estimates reflecting the poor crop health in the cotton belts after storms hit the areas amid hurricane. Along with the 0.7% increase in beginning stocks, the total supply declined to 31.12 million bales, down by 3.8% compared to the previous months' estimates (m-o-m). While, the total demand in the country is expected to decline by 3.3% to 21.91 million bales due to the estimated significant fall in consumption to 3.2 million bales from 3.46 million bales m-o-m.

In Pakistan, due to the starting of spell of rains in many areas of Punjab and Sindh the supply of kapas will be decreased as well as the quality will also be effected. The production of cotton crop might be effected in the cotton producing areas

of Sindh because of rains. If rainwater collects in the field, it will damage the crops. Rains also increase the risk of attack of viruses and insects on the crop.

China cotton yarn imports are estimated to increase by 7.4% to 1.51 LT in Jul'20 compared to the previous month. According to foreign shipment data in June, cotton yarn imports of China from Vietnam in Jul are estimated at 70,400 tonnes followed by India 20,000 tonnes, from Pakistan 25,200 tonnes, Uzbekistan 15,000 tonnes, and from other regions and countries at 20,000 tonnes. It is expected that the demand in August likely to remain stagnant as the operating rate of fabric mills declined. The high inventory and lack of demand may put pressure on yarn prices in the country.

The United States Department of Agriculture's weekly crop progress report showed 45% of the crop in good/excellent condition, compared with 54% a year ago. Hot temperatures returned in West Texas on Tuesday with most of the region above 100 degrees Fahrenheit, according to a National Weather Service bulletin.

Australia is facing with continuous dry conditions since last year. The 2020-21 forecast is for a recovery in cotton production to 1.7 million bales, from a revised estimate of 0.625 million bales in 2019-20. As, the drought affected cotton growing States have received above average rainfall this year. However, it will still be the second smallest crop in a decade. As an advantage, Australia the only country that was spared stockpiling pressure due to the pandemic which is expected around 0.512 million bales in 2019-20, down by 64% y-o-y. China is the main export market for Australia which so far in 2019-20 has accounted for nearly two-thirds (65%) of total exports.

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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Oct	+0.45	17810	17980	17610	17920	265	156	724	11
20-Nov	+1.14	17620	17790	17450	17790	41	20	233	18
20-Dec	-	-	-	-	-	-	-	-	-

Spread	20-Aug	20-Sep	20-Oct	--	--	--
Spot				-	-	-
20-Aug	-	-	-	-	-	-
20-Sep	-	-	-	-	-	-

(NB: Spread Basis = Spot- Near Month Future) As updated on 14th Sep 2020 @ 5.30 pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	14-Sep-20	12-Sep-20	
Gujarat	Ahmedabad	Shankar-6	5000	5000	Unch
	Gondal	Shankar-6	5005	4980	25
	Rajkot	B.T. Cotton	5135	5085	50
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	4500	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	5100	5000	100
	Hathras	Desi	4000	4000	Unch
Andhra Pradesh	Adoni	Medium Staple	5125	5071	54
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5183	5120	63
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	14-Sep-20	12-Sep-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3740	3740	Unch
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		NA
State	Centre	Variety	14-Sep-20	12-Sep-20	-
Gujarat	Ahmedabad	Shankar-6	3400	3400	Unch
	Gondal	Shankar-6	198	384	-186
	Rajkot	B.T. Cotton	850	1351	-501
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	3	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	300	350	-50
	Hathras	Desi	125	60	65
Andhra Pradesh	Adoni	Medium Staple	1783	999	784
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	45	165	-120
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	14-Sep-20	12-Sep-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	14-Sep-20	12-Aug-20	
Gujarat	Rajkot	Rs. /10 Kg.	950	920	30
Delhi	New Delhi	Rs. /10 Kg.	930	895	35
Telangana	Hyderabad	Rs. /10 Kg.	960	925	35
Maharashtra	Mumbai	Rs. /10 Kg.	935	920	15

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	14-Sep-20	12-Aug-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1981	1984	-3
Maharashtra	Akola	Rs./Qtl	1899	1902	-3

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				12-Sep-20	11-Aug-20	
Bengal Deshi (RG)/Assam Comilla	Below 22mm	5.0 - 7.0	15	35700	35700	Unch
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	36400	36400	Unch
J-34	27mm	3.5 - 4.9	23	35000	35000	Unch
H-4/ MECH-1	28mm	3.5 - 4.9	27	35400	35300	100
Shankar-6	29mm	3.5 - 4.9	28	36600	36400	200
Bunny/ Brahma	31mm	3.5 - 4.9	30	37900	37900	Unch
MCU-5/ Surabhi	32mm	3.3 - 4.9	31	38300	38300	Unch
DCH-32	34mm	3.0 - 3.8	33	53700	53700	Unch

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

Index	Unit	14-Sep-20	11-Sep-20	Change
CCIndex(328)	RMB/Ton	12649	12636	13
CCIndex(527)	RMB/Ton	11681	11658	23
CCIndex(229)	RMB/Ton	12985	12973	12
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	14-Sep-20	11-Sep-20	Change
FC Index (S)	Cents/lb	73.85	73.85	Unch
FC Index (M)	Cents/lb	70.84	70.84	Unch
FC Index (L)	Cents/lb	69.81	69.81	Unch

Cotlook Index:

Cotlook Indices	Unit	12-Sep-20	11-Sep-20	Change
A-Index	Cents/Pound	0	70.5	-70.50

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		10-Sep-20	10-Sep-20	Bales
Southeast	cents/lb.	60.46	62.71	553
North Delta	cents/lb.	59.46	61.71	-
South Delta	cents/lb.	59.46	61.71	-
East TX-OK	cents/lb.	58.96	61.21	5825
West Texas	cents/lb.	58.46	60.96	765
Desert SW	cents/lb.	56.71	60.71	-
SJ Valley	cents/lb.	57.21	66.11	-

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 12-Sep-2020

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8550	180	8730
Equivalent	40 Kgs	9163	193	9356

Daily Futures Price Listing Fri Sep 11, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
20-Oct	200911	64.71	64.72	64.06	64.06	0.1	16	121	-4
20-Dec	200911	64.81	65.61	64.61	64.81	unch	15,481	122,642	-838
21-Mar	200911	65.84	66.58	65.62	65.78	-0.04	5,278	53,312	836
21-May	200911	66.65	67.35	66.43	66.56	-0.07	1,886	12,424	-509
21-Jul	200911	67.37	68	67.12	67.22	-0.12	921	10,291	115
21-Oct	200911	66.42	66.42	65.85	65.85	-0.36	0	2	0
Total Volume and Open Interest							24,011	216,692	-522

Source: MRCI

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