

Domestic Fundamentals:**Market Outlook:**

The Gujarat cotton physical market featured mixed trend after good pace of arrivals in the market. MCX cotton October contract stood higher at Rs.18010/bale on Thursday. ICE cotton futures closed in red on Wednesday.

News: *According to the sources, the cotton crop in Khandesh region have been affected due to the excess rainfall. The crop planted in late May and early June has been most affected. The cotton bolls for first picking in Dhule, Jalgaona and Nandurbar (which covers 8.5 lakh ha area under cotton) were reported rotted. Also, in the further pickings, the quality of fibre likely to decline.*

According to the first advance estimate released by the Agriculture Ministry, cotton production is estimated to be at 371.2 lakh bales (of 170 kg each) is higher by 16.3 lakh bales than the production of 354.91 lakh bales during 2019-20. The estimated production might fall lower than expected because of heavy rainfall as already the crop damage have been reported in Punjab, Haryana, Gujarat and Maharashtra.

The new cotton have started arriving in the Malwa region (Bhatinda and Mansa) of Punjab. The farmers are getting very low price at around Rs.4600/q which is very low below MSP of Rs. 5825/q. The mandi officers have recommended the farmers to bring cotton from 1st Oct'20 when CCI begins the procurement and must ensure that their produce contains between 8 to 12% moisture content to get remunerative prices.

CCI sales declined as the mills already have excess stock due to the lower demand and only limited stock of quality cotton is available. However, Indian spinning mills are getting good overseas demand for yarn and that has supported the domestic market, during last week. In fact, Chinese exporters are complaining that many of their orders were being switched to India and Pakistan. The delay in arrivals could led to only a slight surge in prices in October, as there is already excess stock with CCI and mills.

The hike in raw cotton MSP for the 2020-21 season by the government would eventually result in an increase in the production cost of cotton lint by the ginning mills. If the ginner sells cotton at higher prices to spinning mills, the cost of yarn production would increase. Hence, the entire chain of the cotton industry would incur a higher cost of production. The demand for cotton and its by-products is already lower in the domestic and international markets. At the higher price of yarn, fabrics and garments would discourage the Indian exports. Also, CCI's cotton selling policy is very uncertain because of no specification in the price and timing of cotton sales in the market. The whole cotton industry cannot make long-term business commitments regarding exports.

Earlier during this week, US has imposed restrictions on some textile imports from Xinjiang region of China. This move of US could benefit Indian textile industry as apart from China, India has been one of the major exporters of yarn and fabrics. Industry sources said that India has started receiving increased orders or are in active discussions with large international buyers, looking at increasing their sourcing from India.

As the advancement of rainfall in Maharashtra, Karnataka, Gujarat (Saurashtra), few areas in Madhya Pradesh & Telangana, and coastal AP is expected by IMD in the coming 2 weeks, therefore, the arrivals from the central & South India likely to be delayed by 10-15 days in Oct'20. Telangana is the CCI's largest procurement destination, if CCI commences the procurement on time in the state then full-fledged arrivals could be expected from Telangana if the weather favours. CCI expects that the agency would get extra days for exporting more if the arrivals get delayed and could reach to 55 lakh bales in the current season.

Weather Forecast for tomorrow:

Heavy to very heavy rainfall at isolated places over Bihar and heavy rainfall at isolated places over East Uttar Pradesh, West Bengal & Sikkim, Odisha, Assam & Meghalaya and Telangana. Thunderstorm with lightning at isolated places very likely over East Uttar Pradesh, Odisha, Coastal Andhra Pradesh & Yanam and Rayalseema. Strong Wind (speed reaching 45-55 kmph) very likely over Southwest Arabian Sea. Fishermen are advised not to venture into these areas.

International Fundamentals:

Cotton Futures ended Wednesday session lower by 0.08 points Oct 20, Cotton is at 63.76. The Cotlook index closed higher by 0.15 points to 70.85 cents/lb against 70.70 cents/lb in previous day.

The Brazilian cotton started flowing in the market and the new crop is expected to fulfill export orders in the Asian markets by late October and November. Both Brazilian and Indian cotton is expected to arrive in the market at the same time. Spinners have recently moved to focus on Brazilian and US for contamination improvement and better contract performance. But the improved quality of the CCI offers in India could compete over Brazil in the interests of Chinese mills.

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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Oct	+0.00	17980	18080	17930	18010	135	4	777	10
20-Nov	+0.17	17900	18030	17900	17970	39	7	388	22
20-Dec	-	-	-	-	-	-	-	-	-

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

(NB: Spread Basis = Spot- Near Month Future) As updated on 24th Sep 2020 @ 5.30 pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	24-Sep-20	23-Sep-20	
Gujarat	Ahmedabad	Shankar-6	5125	5125	Unch
	Gondal	Shankar-6	4955	5030	-75
	Rajkot	B.T. Cotton	5035	4975	60
	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	5100	5100	Unch
	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	Closed	Closed	-
	Hathras	Desi	Closed	Closed	-
Andhra Pradesh	Adoni	Medium Staple	5193	5188	5
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	5269	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	5300	5300	Unch
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	24-Sep-20	23-Sep-20	
Punjab	Bhatinda	J-34	NA	NA	-
	Abohar	J-34	NA	NA	-
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3800	3750	50
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		NA
State	Centre	Variety	24-Sep-20	23-Sep-20	-
Gujarat	Ahmedabad	Shankar-6	4250	3400	850
	Gondal	Shankar-6	642	744	-102
	Rajkot	B.T. Cotton	1300	1450	-150
	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	170	170	Unch
	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	Closed	Closed	-
	Hathras	Desi	Closed	Closed	-
Andhra Pradesh	Adoni	Medium Staple	3792	3431	361
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	985	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	285	157	128
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	24-Sep-20	23-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	24-Sep-20	23-Aug-20	
Gujarat	Rajkot	Rs. /10 Kg.	950	960	-10
Delhi	New Delhi	Rs. /10 Kg.	930	935	-5
Telangana	Hyderabad	Rs. /10 Kg.	945	960	-15
Maharashtra	Mumbai	Rs. /10 Kg.	990	990	Unch

Cotton Seed Oil Seed Cake Prices:

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	24-Sep-20	23-Aug-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1855	1865	-10
Maharashtra	Akola	Rs./Qtl	1959	1954	5

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				23-Sep-20	22-Aug-20	
Bengal Deshi (RG)/Assam Comilla	Below 22mm	5.0 - 7.0	15	35600	35600	Unch
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	36300	36300	Unch
J-34	27mm	3.5 - 4.9	23	35800	35500	300
H-4/ MECH-1	28mm	3.5 - 4.9	27	35800	35600	200
Shankar-6	29mm	3.5 - 4.9	28	36900	36800	100
Bunny/ Brahma	31mm	3.5 - 4.9	30	38300	38200	100
MCU-5/ Surabhi	32mm	3.3 - 4.9	31	38700	38400	300
DCH-32	34mm	3.0 - 3.8	33	54000	54000	Unch

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	24-Sep-20	23-Sep-20	Change
CCIndex(328)	RMB/Ton	12871	12871	Unch
CCIndex(527)	RMB/Ton	11917	11920	-3
CCIndex(229)	RMB/Ton	13198	13199	-1
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	24-Sep-20	23-Sep-20	Change
FC Index (S)	Cents/lb	74.15	74.4	-0.25
FC Index (M)	Cents/lb	71.28	71.53	-0.25
FC Index (L)	Cents/lb	70.17	70.43	-0.26

Cotlook Index:

Cotlook Indices	Unit	23-Sep-20	22-Sep-20	Change
A-Index	Cents/Pound	70.85	70.7	0.15

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		23-Sep-20	23-Sep-20	Bales
Southeast	cents/lb.	62.25	64.5	-
North Delta	cents/lb.	61.25	63.5	-
South Delta	cents/lb.	61.25	63.5	-
East TX-OK	cents/lb.	59	61.25	279
West Texas	cents/lb.	58.25	60.75	2597
Desert SW	cents/lb.	57.5	61.5	109
SJ Valley	cents/lb.	58	66.9	-

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 23-Sep-2020

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8800	180	8980
Equivalent	40 Kgs	9431	193	9624

Daily Futures Price Listing Wed Sep 23, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
20-Oct	200923	63.38	63.76	63.38	63.76	-0.08	11	95	-3
20-Dec	200923	65.31	65.46	64.8	65.25	-0.29	15,155	125,051	363
21-Mar	200923	66.33	66.36	65.75	66.14	-0.33	3,181	54,959	-65
21-May	200923	67.02	67.14	66.56	66.93	-0.35	1,328	12,405	368
21-Jul	200923	67.85	67.86	67.34	67.64	-0.34	413	10,479	31
21-Oct	200923	66.85	66.85	66.85	66.85	-0.09	0	4	0
Total Volume and Open Interest							20,362	221,105	581

Source: MRCI

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