

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

*The Gujarat cotton physical market showed mixed trend amid mixed sentiments in the market. MCX cotton October contract stood higher at Rs.18150/bale on Monday. ICE cotton futures closed in green on Friday.*

**News: The Haryana State government has announced that the cotton procurement would start from 1st Oct'20 at MSP** through CCI (Cotton Corporation of India). The state announced that the number of procurement centers would be increased to 40 this time where were only 20 centers were active last year. Last year, only 30 per cent of the total crop was procured by CCI but during 2020-21, the government assured that 100 per cent of the total arrivals will be procured.

**The cotton prices recovered to around Rs. 36,500- Rs.37,000 per candy from Rs. 31,000 per candy in April.** The good demand from the exporters and cotton yarn makers also from the reviving of the domestic mills have supported the prices. As the season is going to end within a week, therefore, provided well support to the prices. According to All Gujarat Spinner's Association (AGSA), yarn exports rose 10% in the past 2 months and the yarn prices surged to Rs.186 per kg from Rs.160-162 per kg during the lockdown.

**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.

### Weather Forecast for tomorrow:

Heavy rainfall likely at isolated places over Andaman & Nicobar Islands, Coastal Andhra Pradesh & Yanam, Telangana, Rayalaseema, North Interior Karnataka and Tamilnadu, Puducherry & Karaikal. Thunderstorm with lightning at isolated places likely over Vidarbha, Chhattisgarh, Odisha, Coastal Andhra Pradesh & Yanam, Telangana, Rayalaseema, Interior Karnataka and Tamilnadu, Puducherry & Karaikal.

### International Fundamentals:

**Cotton Futures ended Friday session higher by 0.69 points Oct 20, Cotton is at 64.66.**

**Pakistan is facing shortage of cotton but with the increasing number of cases of coronavirus in India is shifting the international yarn market towards Pakistan.** However, due to the shortage of cotton in Pakistan, there has been a rise in raw cotton import on month on month basis, which grew by 30 percent since July 2020. The pandemic has affected the textile industries in India and Bangladesh, therefore, the sudden rise in garment export orders were reported as the neighboring countries are not able to produce and deliver goods to European and American markets on time. But the challenge to the country is to combat the shortage of raw material, especially yarn.

**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.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Oct	+0.72	17880	18180	17880	18150	263	127	791	23
20-Nov	+0.89	17960	18120	17900	18120	44	38	411	19
20-Dec	-	-	-	-	-	-	-	-	-

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

(NB: Spread Basis = Spot- Near Month Future) As updated on 28<sup>th</sup> Sep 2020 @ 5.30 pm

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	28-Sep-20	26-Sep-20	
Gujarat	Ahmedabad	Shankar-6	5000	5125	-125
	Gondal	Shankar-6	5005	4980	25
	Rajkot	B.T. Cotton	NR	4960	-
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	4550	NA	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	5250	5250	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	5500	Closed	-
	Hathras	Desi	4300	Closed	-
Andhra Pradesh	Adoni	Medium Staple	5199	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	5203	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	28-Sep-20	26-Sep-20	
Punjab	Bhatinda	J-34	3830	3825	5
	Abohar	J-34	3835	3830	5
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	3830	3820	10
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Arrivals in Key Centers:**

Commodity	Kapas		Arrivals (Quintal)		NA
State	Centre	Variety	28-Sep-20	26-Sep-20	-
Gujarat	Ahmedabad	Shankar-6	6290	4250	2040
	Gondal	Shankar-6	684	725	-41
	Rajkot	B.T. Cotton	NR	1400	-
	Patan	B.T. Cotton	NA	NA	-
	Kadi	B.T. Cotton	NA	NA	-
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	17	NA	-
Haryana	Bhiwani	B.T. Cotton	NA	NA	-
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	340	340	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	450	Closed	-
	Hathras	Desi	100	Closed	-
Andhra Pradesh	Adoni	Medium Staple	4050	NA	-
Telangana	Adilabad	Un-Ginned	NA	NA	-
Karnataka	Bijapur	Bunny	NA	464	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	NA	NA	-
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	28-Sep-20	26-Sep-20	
Punjab	Bhatinda	J-34	850	510	340
	Abohar	J-34	1020	340	680
	Mansa	J-34	NA	NA	-
Haryana	Sirsa	J-34	510	85	425
Rajasthan	Sri-Ganganagar	J-34	NA	NA	-

**Cotton Seed Oil Prices:**

Commodity	Cotton Seed Oil		Price		Change
State	Centre	Unit	28-Sep-20	26-Aug-20	
Gujarat	Rajkot	Rs. /10 Kg.	950	955	-5
Delhi	New Delhi	Rs. /10 Kg.	925	930	-5
Telangana	Hyderabad	Rs. /10 Kg.	940	945	-5
Maharashtra	Mumbai	Rs. /10 Kg.	935	935	Unch

**Cotton Seed Oil Seed Cake Prices:**

Commodity	Cotton Seed Oil Seed Cake		Price		Change
State	Centre	Unit	28-Sep-20	26-Aug-20	
Gujarat	Mahesana (Kadi)	Rs./Qtl	1835	1853	-18
Maharashtra	Akola	Rs./Qtl	1954	1933	21

**Cotton Association of India Spot Rates:**

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				26-Sep-20	26-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	36000	36000	Unch
H-4/ MECH-1	28mm	3.5 - 4.9	27	35900	35900	Unch
Shankar-6	29mm	3.5 - 4.9	28	37200	37200	Unch
Bunny/ Brahma	31mm	3.5 - 4.9	30	38500	38500	Unch
MCU-5/ Surabhi	32mm	3.3 - 4.9	31	39000	39000	Unch
DCH-32	34mm	3.0 - 3.8	33	54500	54500	Unch

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

Index	Unit	28-Sep-20	25-Sep-20	Change
CCIndex(328)	RMB/Ton	12851	12848	3
CCIndex(527)	RMB/Ton	11895	11896	-1
CCIndex(229)	RMB/Ton	13193	13187	6

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



## China Foreign Cotton (FCE) Index :

Index	Unit	28-Sep-20	25-Sep-20	Change
FC Index (S)	Cents/lb	-	74.38	-
FC Index (M)	Cents/lb	-	71.53	-
FC Index (L)	Cents/lb	-	70.42	-

## Cotlook Index:

Cotlook Indices	Unit	26-Sep-20	25-Sep-20	Change
A-Index	Cents/Pound	-	70.75	<b>-70.75</b>

## USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		24-Sep-20	24-Sep-20	Bales
Southeast	cents/lb.	62.46	64.71	-
North Delta	cents/lb.	61.46	63.71	-
South Delta	cents/lb.	61.46	63.71	-
East TX-OK	cents/lb.	59.21	61.46	<b>938</b>
West Texas	cents/lb.	58.46	60.96	<b>1051</b>
Desert SW	cents/lb.	57.71	61.71	-
SJ Valley	cents/lb.	58.21	67.11	-

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 26-Sep-2020

				(in Pakistan Rupees)
Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32 Kgs	8850	180	9030
Equivalent	40 Kgs	9485	193	9678

Daily Futures Price Listing Fri 25, 2020									
Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
<a href="#">20-Oct</a>	200925	64.66	64.66	64.66	64.66	0.69	2	90	-1
<a href="#">20-Dec</a>	200925	65.34	66.18	65.15	65.95	0.49	12,101	125,294	-212
<a href="#">21-Mar</a>	200925	66.27	66.86	65.95	66.66	0.41	2,691	54,903	352
<a href="#">21-May</a>	200925	67.06	67.51	66.76	67.35	0.36	774	12,166	-55
<a href="#">21-Jul</a>	200925	67.87	68.13	67.43	68	0.37	517	10,769	24
<a href="#">21-Oct</a>	200925	67.36	67.36	67.36	67.36	0.4	0	4	0
Total Volume and Open Interest							16,248	221,394	74

Source: MRCI

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