

Domestic Fundamentals:

Market Outlook:

The cotton physical market showed mixed trend today in the market. MCX cotton November contract stood lower at Rs.19, 300/bale on Thursday. ICE cotton futures closed green on Thursday.

News:Government gave assurance to farmers that it will procure all the cotton produced in Telangana by paying MSP of Rs. 5,825 per quintal. Due to heavy rains in Telangana the moisture content in cotton crop has been increased. The Government officials have requested CCI to purchase cotton of more than 12 percent moisture. CCI has lifted only 9.2 lakh bales of cotton out of 40.56 lakh bales of cotton stored in godowns so far. So to create enough spaces cotton needs to be lifted from these godowns.

Government has increased Cotton Procurement under MSP Scheme five of the growing states. The Center procurement operations will help in cotton prices recovery.

Cotton arrival in Punjab's has mandi doubled this season compared with the corresponding period last season. A total of 10.92 lakh quintals were brought by the farmers to various purchase centers, for the same period in 2019 the arrival was 5.71 lakh quintals. Traditionally farmers used to hold back the harvested crop and bring them back to mandi's after paddy harvest phase. But due to ongoing farmers agitation panicked cotton growers and they rushed to mandi's. Although, CCI purchases are going smooth and the payments are being released in farmer's bank account within a week.

New cotton purchasing centre has been inaugurated in Warangal at Bhagyalakshmi Cotton Mill and state will buy cotton at reasonable price to support farmers. As per the CCI, the government's MSP is 5,825 per quintal. Cotton would be procured if its moisture content would be between 8-12%. For moisture content above 12%, Rs.58.25 would be deducted for every 1% and for moisture content below 8%, CCI would provide 5,825/quintal and Rs.58.25 incentives per quintal.

The exponential rise in raw cotton and fiber demand from the overseas has led to the rise in the cotton exports. According to Cotton Association of India, India have exported around 6 lakh bales and 25,000 to 50,000 bales of cotton are lined up at the Indian ports from the beginning of the new season (October'20). But the lack of availability of containers at the port is causing delay in exports. The traders claim that groundnut oil and castor shipments are getting priority against cotton because of higher demand from China.

According to the trade sources, India is expected to have exported around 5 lakh bales in September 2020. China and Bangladesh has imported notable quantity of raw cotton from India of around 2 lakh bales each at an average FOB of \$1.41/kg and \$1.49/kg, respectively. Vietnam was also a major importing country after China & Bangladesh buying around 54,000 bales at \$1.34/kg FOB followed by Mauritius (3,500 bales at \$1.42/kg), and Oman (2,450 bales at \$1.42/kg). The demand from China has increased significantly in September surpassing the demand from Bangladesh. The demand for organic cotton has also risen during September especially from Bangladesh, China and Indonesia.

Cotton Corporation of India (CCI) procurement under MSP has been increased gradually in North India (Punjab, Haryana, and Rajasthan). According to the sources, CCI procured a total of 2.36 lakh bales of cotton till 20th October 2020.

The crop in Khammam district of Telangana has been adversely affected with the recent rains that resulted in high moisture content in the produce brought by the farmers in the procurement centers. Even there are issues with the colour of the cotton not meeting the standards of CCI procurement. Therefore, the farmers are forced to sell their produce to the private traders below MSP. Some farmers brought the cotton that was kept in cold storage last year and are selling it at Rs 4,825 per quintal. The farmers claim that they can get MSP price if the moisture content is reduced if the mandi officials could provide a space for drying cotton.

CCI is planning to expand buying but remains limited by the high moisture content of seed cotton. The Shankar-6 1 1/8 ex-gin is back near 68.75 cents/lbs from the high of 71 cents/lbs during the month. But CCI has continuously raising floor prices in its auctions by around Rs.500 to 1000 per candy. The price weakness has again aided the attraction of Indian cotton for export. Chinese mills have purchased Indian cotton that is at large discounts to domestic cotton. Bangladesh and Vietnam were also active buyers of Indian cotton.

According to Cotton Association of India (CAI), the cotton production in 2019-20 is expected to have reached 360 lakh bales up from 354.5 lakh bales as estimated earlier and declined imports by 50,000 bales to 15.5 lakh bales from the previous estimates. The exports and consumption figures remained unchanged at 50 lakh bales and 250 lakh bales, respectively. Till 6th October'20, 3.12 lakh bales of new crop of raw cotton had arrived in the market. Out of which, CCI could procure 2,311 bales in Haryana, Punjab and Rajasthan as against zero procurement in the corresponding period of last year.

Weather Forecast for tomorrow:

Heavy rainfall very likely at isolated places over Tamilnadu, Puducherry & Karaikal and Kerala & Mahe & Thunderstorm with lightning very likely at isolated places over Coastal Andhra Pradesh & Yanam, Rayalaseema, South Interior Karnataka, Kerala & Mahe and Tamilnadu, Puducherry & Karaikal.

International Fundamentals:

The cotton Futures ended lower by 1 point at 70.23 cents/lbs. The Cotlook A index fell another 15 points to 75.60 cents/lb on 11/03. The AWP for cotton is 57.37.

The Cotton Supply Chain Continues to Suffer from COVID, Trade Tension and a Sluggish Global Economy. The Production in 2020-21 is expected to be 146 million bales and is projected to outpace consumption by 500,000 tonnes. Many major producers are expected to see their total drop in coming years such as USA, Brazil, Pakistan and West Africa. Inclement weather and trade conflicts would compound the challenges in some region like USA which is experiencing a hurricane season and is also engaged in trade war with china. However, India and China world's top two producers are expected to increase their total in the coming season.

The China cotton fiber imports have reached 9.65 lakh bales and the import volume has driven with the arrival of US Reserve purchases amounting to 6.70 lakh bales. Similarly, cotton yarn imports have reached equivalent to more than 9 lakh bales of cotton fiber. Such a surge in imports was driven by the revival of domestic demand and the attraction of cotton yarn imports because China enjoy quota free status and a small duty rates.

Lower demand in the textile and garment sector as a result of COVID-19 had a bad impact on Indonesia's economy. As a result, capacity utilization of the textile industry from March to June 2020 reached only 50%, down from a normal range of 70-80%. Similarly, utilization in Indonesia's garment sector declined to 80% from a normal utilization of 90%.

Iran's cotton production is estimated to reach 16 lakh bales, from which about 4 lakh bales of refined cotton are expected to be produced in the current fiscal year started in March 2020, a 15.71% increase compared with last year. Iran will be able to meet 68% of its domestic demand this year against 58% last year. Iran imports around 3.5-4.5 lakh bales of cotton every year from the world.

Despite the increasing kapas arrivals, active procurement of CCI could support the market in coming days. At present, CCI is procuring around 60% of the total arrival in north India per day. As of 20th Oct'20, CCI purchases were reported around 2.3 lakh bales in the Northern India. In Telangana, CCI has announced that the MSP will be paid only for 8%

moisture, with premiums for 6% and 7% moisture levels. Purchases will be made to a maximum of 12%, with discounts for each 1% of moisture above 8%.

Bangladesh cotton imports for September were 4.57 tonnes, an increase of 43% from the prior month, but a decline of 22% year over year. During August to September the imports were 7.76 tonnes, down from the last two years, a 30% reduction.

U.S. Export Sales were 51% from the prior 4- week average. Net UPLAND sales of 2,27,800 RB for 2020- 2021 primarily sold to Pakistan 93,300 RB, China 47,500 RB, Mexico 33,800 RB, Vietnam 30,100 RB, Bangladesh 9,000 RB and reductions were from Japan 1,000 RB and Indonesia 800 RB.

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

Contract	+/-	Open	High	Low	Close	Volume	Change	OI	Change
20-Nov	70	19710	19790	19630	19650	456	10	1311	112
20-Dec	-	-	-	-	19950	-	-	-	-
21-Jan	-	-	-	-	-	-	-	-	-

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

(NB: Spread Basis = Spot- Near Month Future) As updated on 4thNov 2020 @ 5.30 pm

DOMESTIC PRICES AND ARRIVAL

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Prices (Rs./Quintal)		Change
State	Centre	Variety	05-Nov-20	04-Nov-20	
Gujarat	Ahmedabad	Shankar-6	5500	5500	Unch
	Gondal	Shankar-6	5605	5580	25
	Rajkot	B.T. Cotton	5485	5385	100
	Patan	B.T. Cotton	5345	NR	30
	Kadi	B.T. Cotton	5300	5300	Unch
	Deesa	B.T. Cotton	NA	NA	
	Dhrol	B.T. Cotton	5260	5340	-80
Haryana	Bhiwani	B.T. Cotton	5150	5150	Unch
	Bhiwani	Desi	6000	6000	Unch
	Adampur	B.T. Cotton	5300	5300	Unch
	Fatehabad	B.T. Cotton	5275	5250	25
	Jind	B.T. Cotton	NA	NA	

	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	5725	5700	25
Rajasthan	Hanumangarh	B.T. Cotton	5300	5300	Unch
	Rawatsar	B.T. Cotton	5300	5200	100
Madhya Pradesh	Khandwa	Mech-1	5600	5600	Unch
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	5000	5000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	6000	6000	Unch
	Hathras	Desi	5200	5300	-100
Andhra Pradesh	Adoni	Medium Staple	5040	5016	24
Telangana	Adilabad	Un-Ginned	5825	5825	Unch
Karnataka	Bijapur	Bunny	NA	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	
	Raichur	H-44 Cotton	4900	5000	100
Commodity	Lint		Prices (Rs./Maund)		Change
State	Centre	Variety	05-Nov-20	04-Nov-20	
Punjab	Bhatinda	J-34	4210	4200	10
	Abohar	J-34	4210	4200	10
	Mansa	J-34	4190	4200	-10
Haryana	Sirsa	J-34	4150	4150	Unch
Rajasthan	Sri-Ganganagar	J-34	Closed	3788	-

Cotton Arrivals in Key Centers:

Commodity	Kapas		Arrivals (Quintal)		Change
State	Centre	Variety	05-Nov-20	04-Nov-20	
Gujarat	Ahmedabad	Shankar-6	42500	42500	Unch
	Gondal	Shankar-6	4062	4787	-725
	Rajkot	B.T. Cotton	2650	3800	-1150
	Patan	B.T. Cotton	9123	12905	-3782
	Kadi	B.T. Cotton	20000	20000	Unch
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	91	74	17
Haryana	Bhiwani	B.T. Cotton	50000	50000	Unch
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	1360	850	510
	Fatehabad	B.T. Cotton	300	500	-200
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-

	Dabwali	B.T. Cotton	2350	3000	-650
Rajasthan	Hanumangarh	B.T. Cotton	200	150	50
	Rawatsar	B.T. Cotton	500	300	200
Madhya Pradesh	Khandwa	Mech-1	1300	1000	300
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	5000	5000	Unch
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	30	60	-30
	Hathras	Desi	20	50	-30
Andhra Pradesh	Adoni	Medium Staple	15520	NA	990
Telangana	Adilabad	Un-Ginned	3415736	288148	3127588
Karnataka	Bijapur	Bunny	NA	NA	-
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	NA	NA	-
	Raichur	H-44 Cotton	300	345	-45
Commodity	Lint		Arrivals (Quintal)		Change
State	Centre	Variety	05-Nov-20	04-Nov-20	
Punjab	Bhatinda	J-34	8500	17000	-8500
	Abohar	J-34	1360	5100	-3740
	Mansa	J-34	NA	2550	-
Haryana	Sirsa	J-34	1700	2550	-850
Rajasthan	Sri-Ganganagar	J-34	Closed	3000	-

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				04-Nov-20	03-Nov-20	
Bengal Deshi (RG)/Assam Comilla	Below 22mm	5.0 - 7.0	15	38500	38500	Unch
Bengal Deshi (SG)	Below 22mm	5.0 - 7.0	15	39000	39000	Unch
J-34	27mm	3.5 - 4.9	23	39000	38900	100
H-4/ MECH-1	28mm	3.5 - 4.9	27	38500	38400	100
Shankar-6	29mm	3.5 - 4.9	28	40100	38400	100
Bunny/ Brahma	31mm	3.5 - 4.9	30	40900	40000	200
MCU-5/ Surabhi	32mm	3.3 - 4.9	31	41700	41500	200
DCH-32	34mm	3.0 - 3.8	33	56000	56000	Unch

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

Index	Unit	05-Nov-20	02-Nov-20	Change
CCIndex(328)	RMB/Ton	14593	14600	-7
CCIndex(527)	RMB/Ton	13603	13607	-4
CCIndex(229)	RMB/Ton	14863	14866	-3
RMB -Renminbi, 1RMB =0.16 \$U.S.				

China Foreign Cotton (FCE) Index :

Index	Unit	05-Nov-20	02-Nov--20	Change
FC Index (S)	Cents/lb	80.09	78.61	1.48
FC Index (M)	Cents/lb	78.03	76.54	1.49
FC Index (L)	Cents/lb	76.82	75.32	1.50

Cotlook Index:

Cotlook Indices	Unit	04-Nov-20	03-Nov--20	Change
A-Index	Cents/Pound	77.5	75.6	1.90

USDA Cotton Spot Rates:

Growth Area	Unit	Leaf 4 to Staple 34	Leaf 3 to Staple 35	Arrivals
		04-Nov-20	04-Nov-20	Bales
Southeast	cents/lb.	68.23	70.48	0
North Delta	cents/lb.	67.48	69.73	0
South Delta	cents/lb.	67.48	69.73	0
East TX-OK	cents/lb.	64.98	67.48	1131
West Texas	cents/lb.	64.98	67.73	2787
Desert SW	cents/lb.	62.98	66.98	0
SJ Valley	cents/lb.	63.48	72.38	0

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB.

Pakistan Cotton Spot rates: As on 4-Nov-2020

(in Pakistan Rupees)

Product	Rate for	Ex-Gin Price	Up Country Sales	Spot Rate Karachi
Cotton	37.32Kgs	9700	180	9880
Equivalent	40 Kgs	10395	193	10588

Daily Futures Price Listing Wed November 04, 2020

Most Recent Information							Previous Day		
Mth	Date	Open	High	Low	Close	Change	Volume	Open Int	Change
Cotton(ICE)									
20-Dec	201104	69.95	70.72	69.63	70.23	-0.01	17,855	108,636	-3,340
21-Mar	201104	70.88	71.68	70.63	71.19	-0.01	11622	85119	-224
21-May	201104	71.71	72.44	71.41	71.95	-0.05	3,119	16,793	763
21-Jul	201104	72.41	73.05	72.04	72.55	-0.15	1,382	11,697	152
21-Oct	201104	70.15	70.15	70.15	70.15	-0.15	1	6	0
21-Dec	201104	69.83	70.15	69.39	69.63	-0.07	455	19,930	-13
Total Volume and Open Interest							34,494	244,806	-2,653

Source: MRCI

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.