

Domestic Fundamentals:**Market Outlook:**

The cotton physical market showed steady trend today due to the commencement of CCI procurement on large scale. MCX cotton spot price stood higher at Rs.19, 730/bale on Thursday. ICE cotton futures closed green on Wednesday.

News: Agri experts suggest farmers to sell the fiber after January. Agriculture experts have recommended farmers to hold their cotton crop and sell it after January 2021, when the prices of the fiber are expected to rise. As Cotton prices were lower in some of the mandi against the minimum support price of Rs 5,825 per quintal.

Middlemen procure cotton from other districts in Adilabad. With the new agriculture law, which allows farmer to sell their produce anywhere in the country, the middlemen in Adilabad were procuring cotton from Nizamabad and other places on a commission of Rs 500 – Rs1000 per quintal and selling it in Adilabad, the produce bought by them from other district's has given priority in purchase while the local farmers were kept at bay. CCI is also rejecting the cotton ball with less than 30 mm of length and cotton on ground because of high moisture content.

Cotton Corporation of India has suspended purchase of cotton till November 22. The decision was taken after 2,500 cotton bales and unprocessed cotton worth Rs 5 crore were gutted on Sunday.

India's Cotton Production may be hit by rains and pink bollworm infestation. India's cotton crop output could be lower than initial estimates as it has been affected by rains and pest attack. Cotton Association of India has estimated cotton production at 356 lakh bales, although the crop has been affected by excess rains in some regions in the country besides infestation of pink bollworm. The crop has been affected in growing regions in North India, Telangana, Maharashtra and Gujarat. There are some unknown regions such as Guntur and Prakasam district in Andhra Pradesh which has also been affected.

Punjab's lone cotton cleaning, drying unit defunct since day 1. The state's first and lone cotton pre-cleaning, drying machine unit set up at the cotton market in Malout in 2014 is lying unused since its inauguration. The machine, which cost about Rs 2 crore, has been used just once and that too during its inauguration. A visit to the site revealed that most parts of the machine were turning into scrap and wires were broken. The Punjab State Agriculture Marketing Board had brought the machine from Nagpur in Maharashtra and handed over to the Malout Market Committee for the ease of cotton growers.

Farmers in Telangana will now be able to sell cotton along with maize. With the new CCI purchasing center and maize procurement center at Siddipet, farmers can now sell both of their produce. The government has announced MSP of Rs 5,775 per quintal of cotton, that have less than 8% moisture content, CCI is not willing to buy cotton that have 12% moisture content. Some farmers in Telangana have cultivated maize against the advice of state government, still government has decided to buy maize from these farmers at Rs1,800 per quintal.

In the future market, Cotton for November delivery touched an intraday high of Rs 19,720 and an interday low of Rs 19,620 per bale on the MCX. Cotton future traded weak at Rs 19,700 per bale on November 13 as participant increased their short positions as seen from open interest. In the current series, the commodity has touched a low of Rs 16,620 and a high of Rs 20, 150. Cotton futures for October delivery have also declined to Rs 70 at Rs 19,700 per bale. The same for delivery December contract slipped Rs 40 at Rs 19,940 per bale with business volume of 272 lots. The value of November and December contract traded so far is Rs 4.13 crore and Rs 0.39 crore respectively.

Cotton prices increased globally. The largest increase in the price over the past month was in China. China cotton prices increased from 88 to 100 cents/lb where else Indian cotton prices increased from 66 to 69 cents/lb. In domestic terms, value increased from 37,900 to 40,200 INR/candy. Also, Indian rupee weakened against USD from 73.2 to 74.2 INR/USD.

About 293 new ginning and spinning mills will start operating in Telangana from Monday onwards. CCI has agreed to purchase the entire cotton produced in Telangana at Minimum support Price. Also, the payment process will be Aadhar

linked and online so farmers need not to panic for selling. Although the production this year was lower because of untimely rains.

Cotton arrivals in the mandi has increased with the coming of the festival season. About 1,80,000 bales of cotton per day has been brought by the farmers in various mandi during this week. CCI procurement operations are going on MSP in various states by purchasing around 11 lakh bales so far from the total arrivals of 40 lakh bales. In various states, the daily arrivals in Punjab are around 12,000 bales, 20,000 bales in Haryana, 25,000 bales in Rajasthan, 30,000 bales in Gujarat, 38,000 bales in Maharashtra, 20,000 bales in Madhya Pradesh, 13,000 bales in Andhra Pradesh, 13,000 bales in Karnataka and 15,000 bales in Telangana.

Cotton arrivals in Punjab mandi has slowed down. According to Indian Cotton Association Limited (ICAL) 14.55 lakh bales of cotton has arrived in the mandis of Punjab, Haryana and Rajasthan till 31st October 2020 against 15.05 lakh bales during the same period last year. The unexpected rains has delayed ripening of the crop and slowed down the arrivals. A total of 3.3 lakh bales in Punjab, 5.5 lakh bales in Haryana and 8.5 lakh bales in Rajasthan is expected to have arrived in the market till 1st week of November 2020. CCI is purchasing around 60-70% of the cotton out of the total cotton arriving in the market.

Cotton Corporation of India (CCI) has slashed Minimum support price in Telangana. The cotton farmers panicked by the CCI decision to slash MSP, in Adilabad district, who were already distressed with the high natural moisture content due to foggy weather and pink boll worm infestation in the crops. CCI has started lifting the produce at Rs.5,775 per quintals as against Rs.5,825 per quintals for which the cotton was purchased till Saturday.

Cotton Market likely to remain firm. Cotton market in India has stabilized in recent weeks. As unlocking rolls out, demand prospects of Indian cotton continue to improve both in local and overseas demand. Indian cotton is being offered at around 75 cents per lb, cost and freight basis, to buyers in China, Bangladesh and Vietnam for November shipments.

According to Cotton Association of India (CAI), India's cotton exports could increase by 40% in 2020-21 season. A surge in exports is expected in the view of depreciation in Indian rupee and a rise in global cotton prices that allowed the demand for Indian cotton in the international market. Therefore, India could achieve a target of 70 lakh bales cotton exports against 50 lakh bales in 2019-20 according to the association. Most of the demand is emerging from China and Bangladesh. In October, traders have expected to have exported around 7-8 lakh bales and around 10 lakh bales contract have been signed for November month.

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.

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.

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.

Weather Forecast for tomorrow:

Thunderstorm with lightning & hail very likely at isolated places over Arunachal Pradesh and with lightning at isolated places over Assam & Meghalaya, Kerala & Mahe and Lakshadweep.

International Fundamentals:

The ICE cotton Futures ended higher by 57 point at 69.68 cents/lb. The Cotlook A index fell back 20 points to 76.45 cents/lb. This week AWP for cotton is 56.71 cents/lb.

According to USDA October report, 2020-21 world cotton supply and demand report shows lower production, higher consumption and trade, and lower ending stocks compared with last month production is lowered more than 1 million bale (1 bale equivalent to 170 kgs) with decline in Mali, Pakistan and Greece offsetting a large expected crop in Uzbekistan and Nigeria. Consumption is 1.95 million bales higher, after revision for China and India. World ending stock in 2020-21 is now projected 3.47 million bales lower than in September at 129.45 million bales.

Revival of cotton farming may help Kenya to boost economy. The cabinet has allowed farmers of Kenya to grow BT cotton in December last year. In a follow up, the government has made 16.3 tonnes of BT cotton seeds available to farmers in eastern Kenya in a project that will, ultimately spread out to cotton growing regions. Reviving this industry would also lead to the creation of thousands jobs in the cotton farms and factories.

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%.

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

| | | | | | | | | |
|-----|-------|-------|-------|-------|-----|------|------|----|
| -70 | 19720 | 19750 | 19620 | 19770 | 139 | -100 | 1527 | 34 |
| - | - | - | - | 19950 | - | - | - | - |
| - | - | - | - | - | - | - | - | - |

| | | | | | | |
|--------|--------|--------|--------|----|----|----|
| Spread | 20-Nov | 20-Dec | 20-Jan | -- | -- | -- |
| Spot | | | | - | - | - |
| 20-Aug | - | - | - | - | - | - |
| 20-Sep | - | - | - | - | - | - |

(NB: Spread Basis = Spot- Near Month Future) As updated on 10th Nov 2020 @ 5.30 pm

DOMESTIC PRICES AND ARRIVALCotton Prices at Key Spot Markets:

| Commodity | Kapas | | Prices (Rs./Quintal) | | Change |
|----------------|-------------|---------------|----------------------|-----------|--------|
| State | Centre | Variety | 19-Nov-20 | 18-Nov-20 | |
| Gujarat | Ahmedabad | Shankar-6 | 5675 | Closed | - |
| | Gondal | Shankar-6 | 5805 | Closed | - |
| | Rajkot | B.T. Cotton | 5855 | Closed | - |
| | Patan | B.T. Cotton | 5695 | Closed | - |
| | Kadi | B.T. Cotton | 5600 | 5600 | Unch |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 5200 | 5200 | Unch |
| | Bhiwani | Desi | 6000 | 6000 | Unch |
| | Adampur | B.T. Cotton | 5350 | 5320 | 30 |
| | Fatehabad | B.T. Cotton | 5350 | 5330 | 20 |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | 5725 | 5725 | Unch |
| Rajasthan | Hanumangarh | B.T. Cotton | 5400 | 5400 | Unch |
| | Rawatsar | B.T. Cotton | 5325 | 5300 | 25 |
| Madhya Pradesh | Khandwa | Mech-1 | 5600 | 5600 | Unch |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | 5500 | 5400 | 100 |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 5800 | 5800 | Unch |
| | Hathras | Desi | 5500 | 5500 | Unch |
| Andhra Pradesh | Adoni | Medium Staple | NA | 5261 | - |
| Telangana | Adilabad | Un-Ginned | 5775 | 5775 | Unch |
| Karnataka | Bijapur | Bunny | NA | 5529 | - |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 5550 | 5300 | 250 |
| Commodity | Lint | | Prices (Rs./Maund) | | Change |
| State | Centre | Variety | 19-Nov-20 | 18-Nov-20 | |
| Punjab | Bhatinda | J-34 | 4310 | 4300 | 10 |
| | Abohar | J-34 | 4320 | 4300 | 20 |
| | Mansa | J-34 | 4315 | 4280 | 35 |
| Haryana | Sirsa | J-34 | 4225 | 4200 | 25 |

| | | | | | |
|-----------|----------------|------|------|------|------|
| Rajasthan | Sri-Ganganagar | J-34 | 3911 | 3911 | Unch |
|-----------|----------------|------|------|------|------|

Cotton Arrivals in Key Centers:

| Commodity | Kapas | | Arrivals (Quintal) | | Change |
|----------------|----------------|---------------|--------------------|-----------|---------|
| State | Centre | Variety | 19-Nov-20 | 18-Nov-20 | |
| Gujarat | Ahmedabad | Shankar-6 | 42500 | Closed | - |
| | Gondal | Shankar-6 | 1027 | Closed | - |
| | Rajkot | B.T. Cotton | 2800 | Closed | - |
| | Patan | B.T. Cotton | 2933 | Closed | - |
| | Kadi | B.T. Cotton | 30000 | 35000 | -5000 |
| | Deesa | B.T. Cotton | NA | NA | - |
| | Dhrol | B.T. Cotton | NA | NA | - |
| Haryana | Bhiwani | B.T. Cotton | 7000 | 7000 | Unch |
| | Bhiwani | Desi | NA | NA | - |
| | Adampur | B.T. Cotton | 1360 | 1190 | 170 |
| | Fatehabad | B.T. Cotton | 300 | 250 | 50 |
| | Jind | B.T. Cotton | NA | NA | - |
| | Uchana | B.T. Cotton | NA | NA | - |
| | Dabwali | B.T. Cotton | 2500 | 1450 | 1050 |
| Rajasthan | Hanumangarh | B.T. Cotton | 200 | 200 | Unch |
| | Rawatsar | B.T. Cotton | 350 | 300 | 50 |
| Madhya Pradesh | Khandwa | Mech-1 | 2000 | 1200 | 800 |
| | Khargaon | Mech-1 | NA | NA | - |
| Maharashtra | Amravati | Mech-1 | 8000 | 6000 | 2000 |
| | Jamner | Medium Staple | NA | NA | - |
| Uttar Pradesh | Hathras | B.T. Cotton | 100 | 100 | Unch |
| | Hathras | Desi | 10 | 10 | Unch |
| Andhra Pradesh | Adoni | Medium Staple | NA | 14960 | - |
| Telangana | Adilabad | Un-Ginned | 1967928 | 2777457 | -809529 |
| Karnataka | Bijapur | Bunny | NA | 6522 | - |
| | Hubli | D.C.H. | NA | NA | - |
| | Hubli | B.T. Cotton | NA | NA | - |
| | Raichur | H-44 Cotton | 337 | 345 | -8 |
| Commodity | Lint | | Arrivals (Quintal) | | Change |
| State | Centre | Variety | 19-Nov-20 | 18-Nov-20 | |
| Punjab | Bhatinda | J-34 | 10200 | 13600 | -3400 |
| | Abohar | J-34 | 340 | 340 | Unch |
| | Mansa | J-34 | 850 | 1360 | -510 |
| Haryana | Sirsa | J-34 | 2040 | 1020 | 1020 |
| Rajasthan | Sri-Ganganagar | J-34 | 2000 | 2000 | Unch |

Cotton Seed Oil Prices:

| Commodity | Cotton Seed Oil | | Price | | Change |
|-------------|-----------------|-------------|-----------|-----------|--------|
| State | Centre | Unit | 19-Nov-20 | 18-Nov-20 | |
| Gujarat | Rajkot | Rs. /10 Kg. | 1065 | Closed | - |
| Delhi | New Delhi | Rs. /10 Kg. | 1020 | 1020 | Unch |
| Telangana | Hyderabad | Rs. /10 Kg. | 1055 | 1035 | 20 |
| Maharashtra | Mumbai | Rs. /10 Kg. | 1065 | 1030 | 35 |

Cotton Seed Oil Seed Cake Prices:

| Commodity | Cotton Seed Oil Seed Cake | | Price | | Change |
|-------------|---------------------------|---------|-----------|-----------|--------|
| State | Centre | Unit | 19-Nov-20 | 18-Nov-20 | |
| Gujarat | Mahesana (Kadi) | Rs./Qtl | 1943 | 1917 | 26 |
| Maharashtra | Akola | Rs./Qtl | 1983 | 1965 | 18 |

INTERNATIONAL PRICES AND INDICESChina Cotton Index:

| Index | Unit | 19-Nov-20 | 17-Nov-20 | Change |
|----------------------------------|---------|-----------|-----------|--------|
| CCIndex(328) | RMB/Ton | 14450 | 14473 | -23 |
| CCIndex(527) | RMB/Ton | 13607 | 13612 | -5 |
| CCIndex(229) | RMB/Ton | 14742 | 14762 | -20 |
| RMB -Renminbi, 1RMB =0.16 \$U.S. | | | | |

China Foreign Cotton (FCE) Index :

| Index | Unit | 19-Nov-20 | 17-Nov-20 | Change |
|--------------|----------|-----------|-----------|--------|
| FC Index (S) | Cents/lb | 81.83 | 81.47 | 0.36 |
| FC Index (M) | Cents/lb | 79.89 | 79.56 | 0.33 |
| FC Index (L) | Cents/lb | 78.76 | 78.37 | 0.39 |

Cotlook Index:

| Cotlook Indices | Unit | 17-Nov-20 | 16-Nov-20 | Change |
|-----------------|-------------|-----------|-----------|--------|
| A-Index | Cents/Pound | 77.8 | 76.45 | 1.35 |

USDA Cotton Spot Rates:

| Growth Area | Unit | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|-----------|---------------------|---------------------|----------|
| | | 17-Nov-20 | 17-Nov-20 | Bales |
| Southeast | cents/lb. | 69.05 | 71.3 | 1658 |
| North Delta | cents/lb. | 68.05 | 70.3 | 455 |
| South Delta | cents/lb. | 68.05 | 70.3 | 0 |
| East TX-OK | cents/lb. | 65.3 | 67.8 | 3461 |



| | | | | |
|------------|-----------|-------|-------|-------------|
| West Texas | cents/lb. | 65.3 | 68.3 | 9348 |
| Desert SW | cents/lb. | 63.55 | 67.8 | 731 |
| SJ Valley | cents/lb. | 64.05 | 72.95 | 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 18-Nov-2020 | | | | (in Pakistan Rupees) |
|---|----------|--------------|------------------|----------------------|
| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
| Cotton | 37.32Kgs | 9400 | 180 | 9430 |
| Equivalent | 40 Kgs | 10074 | 193 | 10160 |

| Daily Futures Price Listing Wednesday November 18, 2020 | | | | | | | | | |
|---|--------|-------|-------|-------|-------|--------|--------------|----------|--------|
| Most Recent Information | | | | | | | Previous Day | | |
| Mth | Date | Open | High | Low | Close | Change | Volume | Open Int | Change |
| Cotton(ICE) | | | | | | | | | |
| 20-Dec | 201118 | 68.96 | 69.76 | 68.92 | 69.68 | +0.57 | 14,210 | 18,767 | -6,020 |
| 21-Mar | 201118 | 71.11 | 71.95 | 71.11 | 71.83 | +0.53 | 23,287 | 131,378 | +3,828 |
| 21-May | 201118 | 72.04 | 72.80 | 72.04 | 72.70 | +0.52 | 3,068 | 30,277 | +1,132 |
| 21-Jul | 201118 | 72.82 | 73.49 | 72.80 | 73.38 | +0.51 | 745 | 17,918 | +250 |
| 21-Oct | 201118 | 70.00 | 70.78 | 70.00 | 70.78 | +0.36 | 0 | 5 | +0 |
| 21-Dec | 201118 | 69.69 | 70.40 | 69.69 | 70.33 | +0.59 | 633 | 20,946 | +389 |
| Total Volume and Open Interest | | | | | | | 41,948 | 221,832 | -421 |

Source: MRCI

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