

Domestic market summary

Domestic Market Scenario: Cotton Corporation of India has started its procurement operations in various states like Punjab, Haryana, Rajasthan and Madhya Pradesh and had procured around 67 lakh bales till 26th December. Cotton arrivals in the mandi has also increased about 2,70,000 to 3,00,000 bales a day. Gujarat Shankar-6 variety cotton spot prices in Cotton Association of India stood firm around Rs.42,100/ candy in Dec'20.

Monthly Price Outlook : The Kapas prices likely to remain firm between Rs. 5600-5850/q in the Rajkot market and the prices of medium staple length in Adoni market are likely to hover around Rs. 5450-5900/q in the coming month.

Major Market Highlights:

Cotton farmers in Hyderabad are facing hardship as CCI is not purchasing the produce, as already a large stock has been procured. With this, the farmers are forced to sell their produce to private traders at rates much below Minimum Support Price (MSP) of Rs. 5,300 to Rs. 5,600. Small and marginal farmers are selling cotton to private traders as they pay immediately, but those who cultivate cotton in large fields are worried as selling at lower rates would cause them a huge loss. Private traders are offering Rs. 3,000 to Rs. 4,600 per quintal based on quality of cotton as against 5,000 to 6,000 last year.

Cotton growers await compensation for losses. Whitefly has caused losses to cotton crop in Hisar, Fatehabad, Sirsa and Bhiwani districts. The farmers might have suffered biggest ever losses since 2015 when whitefly had destroyed almost 70 percent of the crop in the region. Farmers who suffered losses to their cotton crop due to whitefly attack earlier this year are still waiting for compensation from the government and insurance agencies.

The Cotton Development and Research Association (CD & RA) of Southern India Mills Association (SIMA) is gearing to develop different cotton seeds. The aim of developing the seeds is to mitigate the challenges of BT Cotton, herbicides, water scarcity, high density, environmental protection, and water conservation. The Cotton Corporation of India and SIMA - CD & RA have already conducted the extra-long-staple cotton trials in Rajasthan, Madhya Pradesh, Maharashtra, and Tamil Nadu.

Cotton prices in wholesale market have firmed up due to government procurement, rains in AP and export demand. Wholesale prices are now between Rs. 5,300 and Rs. 5,400 per quintal with the trade sources not ruling out further price rise fuelled by export demand.

Cotton Association of India has revised cotton export estimate for 2020-21. Indian cotton prices have been increased from Rs. 38000 per candy of 356 kg each to Rs. 41,500 while the international prices have declined about

4%. Cotton Association of India has revised its estimates for export down by 10% to 5.4 million bales of 170 kg each.

Cotton prices increase after cyclonic rains in Guntur district of Andhra Pradesh. Due to floods and cyclones in recent months, the demand for good quality cotton has increased in the market. The exporters and traders are offering better prices for cotton in the open market and are now at Rs 5,250 per quintal, up from Rs 4,500 per quintal. With increase in prices in the open market, farmers have now started selling their cotton stock in the open market.

Pink Bollworm damages cotton crop in Gujarat. The major cotton growing areas in Gujarat such as Amreli, Rajkot, Bhavnagar, Morbi, Jamnagar and Surendarnagar has reported pink bollworm infestation, according to the official estimates up to 15 percent drop in the crop yield may occur in cotton crop in Gujarat. Some farmers are now switching to other Rabi season crops and are not going for third round of picking in cotton from their fields.

Cotton Corporation of India has slashed the Minimum Support Price. Earlier, the government had fixed the minimum support price at Rs. 5,725 per quintals, which has been cut down by Rs 60. Now the CCI is purchasing at Rs. 5,665 per quintal. The sudden slash in MSP has created panic among farmers in the region, known as Haryana's cotton belt. However, CCI has done no procurement operation due to Bharat Bandh.

Cotton Balance Sheet:

(Quantity in Lakh Bales)

Year	2017-18	2018-19	2019-20	2020-21*
State	Production			
Punjab	9.00	8.50	9.50	12.19
Haryana	23.60	23.00	25.50	27.61
Rajasthan	23.40	28.00	28.00	30.47
Gujarat	105.00	88.00	95.50	77.50
Maharashtra	83.00	74.09	87.80	87.93
Madhya Pradesh	21.50	23.05	20.00	22.00
Telangana	51.50	36.00	51.00	70.86
Andhra Pradesh	18.50	14.91	14.75	14.55
Karnataka	18.75	15.50	21.00	24.86
Tamil Nadu	5.75	5.00	5.00	3.51
Orissa	4.00	4.00	3.75	3.85
Others	1.00	1.00	1.00	0.84
TOTAL	365	321.05	362.80	376.17

As per the latest estimates by Agriwatch, cotton output in the country during the season 2019-20 would be around 362.8 lakh bales (of 170 kg each). The cotton output in the coming 2020-21 season is estimated to increase to around 376.17 lakh bales, as the area sown under cotton has increased.

Due to the good export parity in the 2019-20, exports are likely have increased to 50.7 lakh bales. Whereas, the imports in 2020-21 are likely to decline to around 10 lakh bales from 15 lakh bales in 2019-20.

The total cotton availability by the end of the season in 2019-20 is estimated at 402.4 lakh bales and even an even higher availability is expected in 2020-21 season of around 485.75 lakh bales.

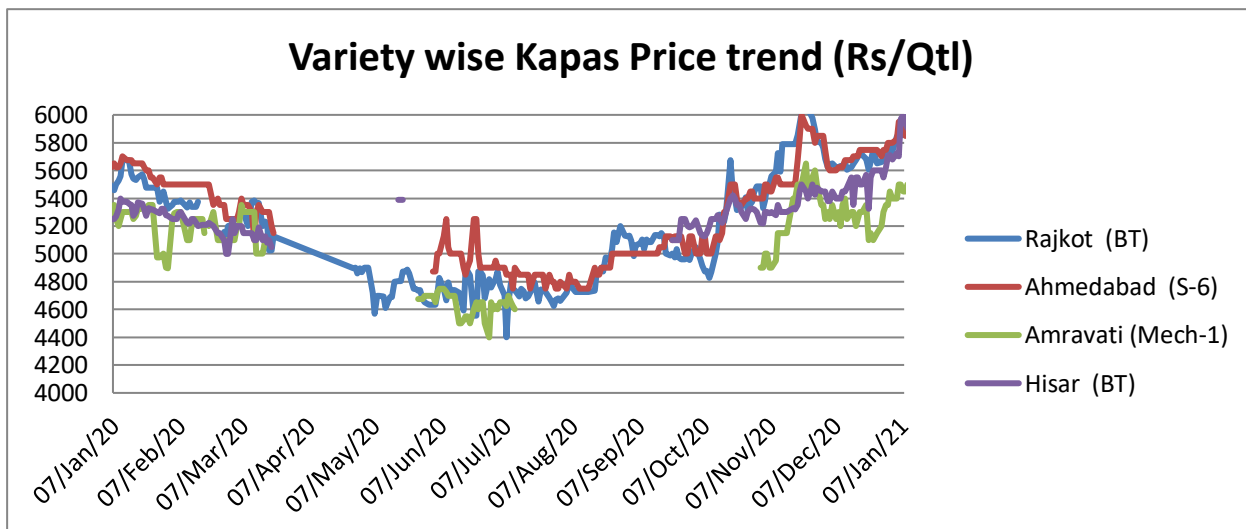
Total domestic mill consumption (excluding non- mill consumption) in 2020-21 is expected to increase by 25% to 286.46 lakh bales in 2020-21, which had significantly declined to 230 lakh bales in 2019-20 amid the spread of coronavirus.

So, the decline in consumption has result in higher ending stocks of around 102.63 lakh bales in 2019-20. The ending stocks by the end of 2020-21 season would depend on the final demand and consumption which is estimated to be 121.57 lakh bales owing to the higher crop this year.

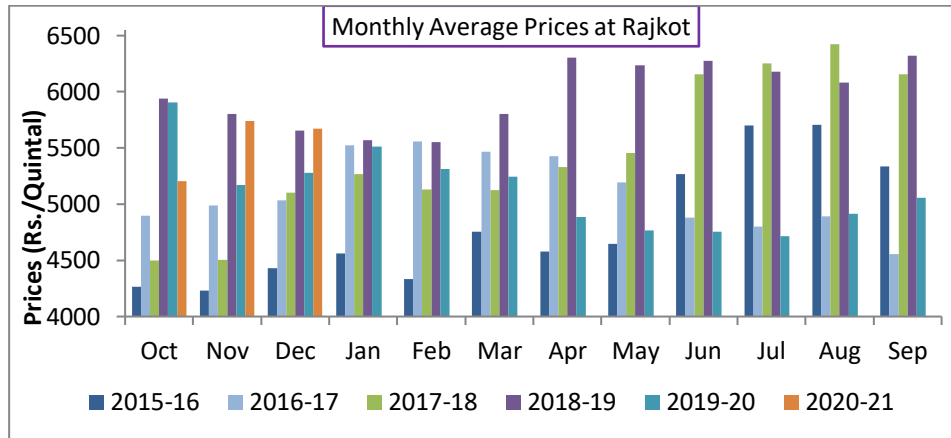
Domestic Cotton Prices Scenario

Kapas (Raw Cotton) Monthly Price Scenario

Monthly Price Review: Monthly kapas average price at Rajkot and other markets were significantly firm and stood at Rs.5665/quintal, down by INR 89 in Rajkot.



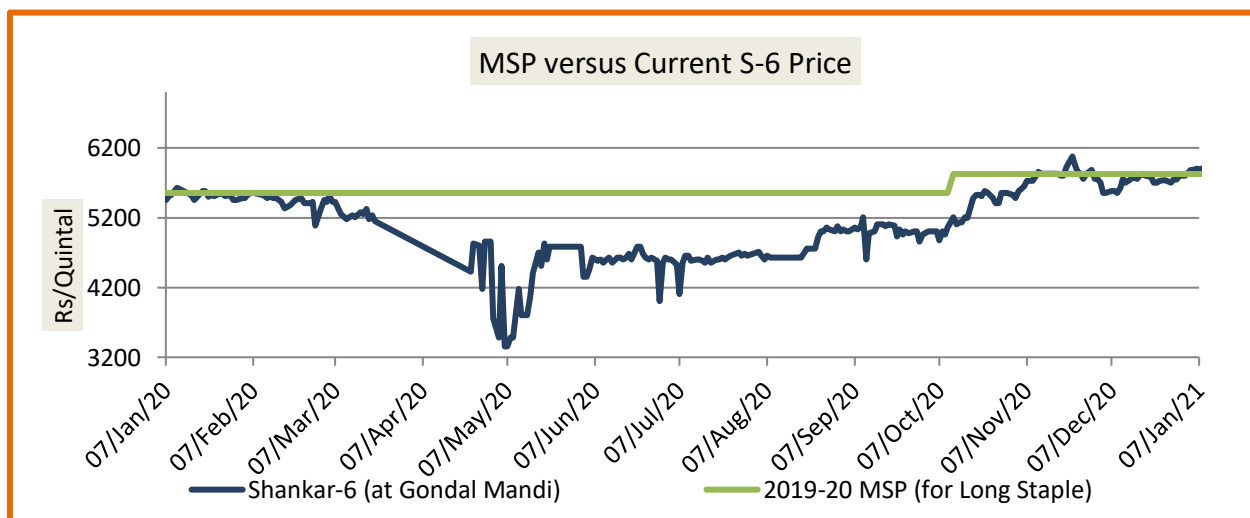
Kapas Monthly M-o-M Price Scenario



The arrivals in the month of December were high in the market and the monthly average price were also higher in December at Rs. 5674.07/q compared to the prices during the corresponding month of the previous season. (Rs. 5281/q)

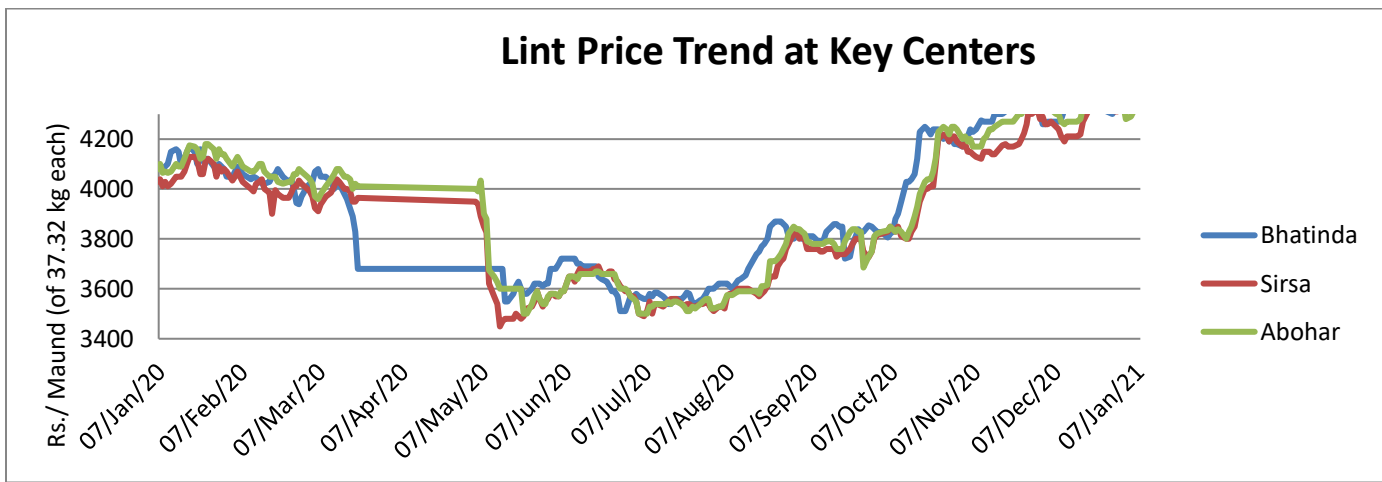
Spot Price versus MSP

The average price in the Gondal market was lower in December month at Rs.5,712/q compared to Rs. 5,784/q in November. While the arrivals increased during the month as to 57,911 quintals. The prices were down by around Rs.72/q in December compared to the previous month.



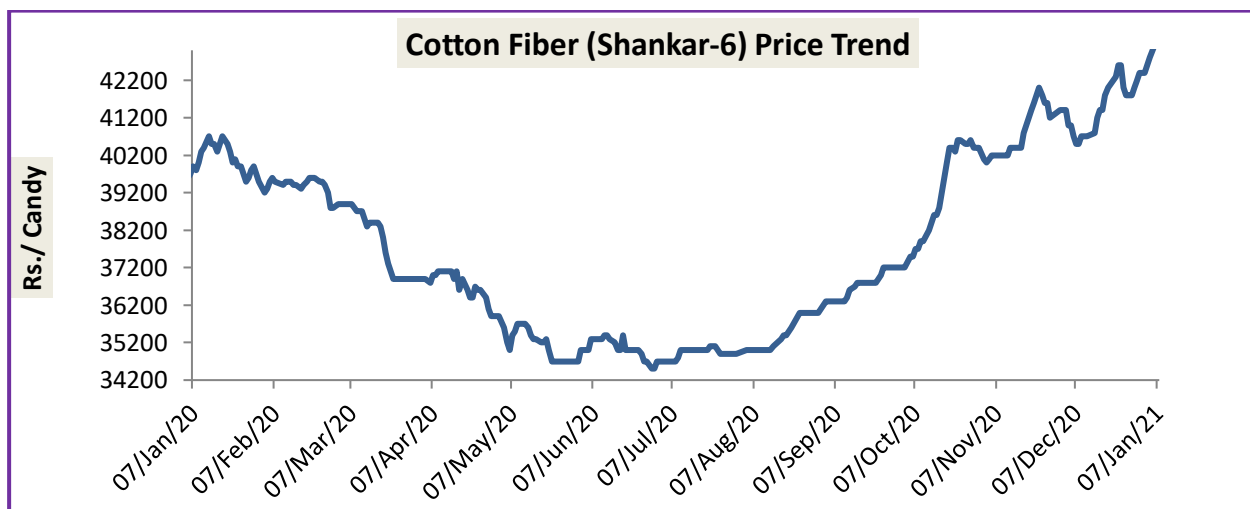
Lint price Outlook

The prices in the northern states were firm during December. Monthly average price of Lint at Sirsa stood higher at Rs.4293 per maund of 37.32 kg each in December, compared to the average monthly price of Rs. 4209 per maund in November. The prices were hovering higher around Rs. 4327 per maund in Bhatinda in the month of December.



Cotton Fiber price Outlook

CCI sales declined as soon as the arrivals in the open market increased and simultaneously the CCI's floor prices were hiked. There was good export demand from China and Bangladesh during December. However, the traders are expecting increase in exports. The average spot price quoted for Shankar-6 (29mm) by CAI was Rs.41473 per candy (of 355.6 kg each) during December, up by Rs.638 per candy from previous month. While the prices during the same month last year were firm around Rs. 39,388 per candy. Agriwatch expects cotton fiber to remain range-bound around of Rs.40,500-43,000 per candy in the coming month amid increase in kapas MSP.

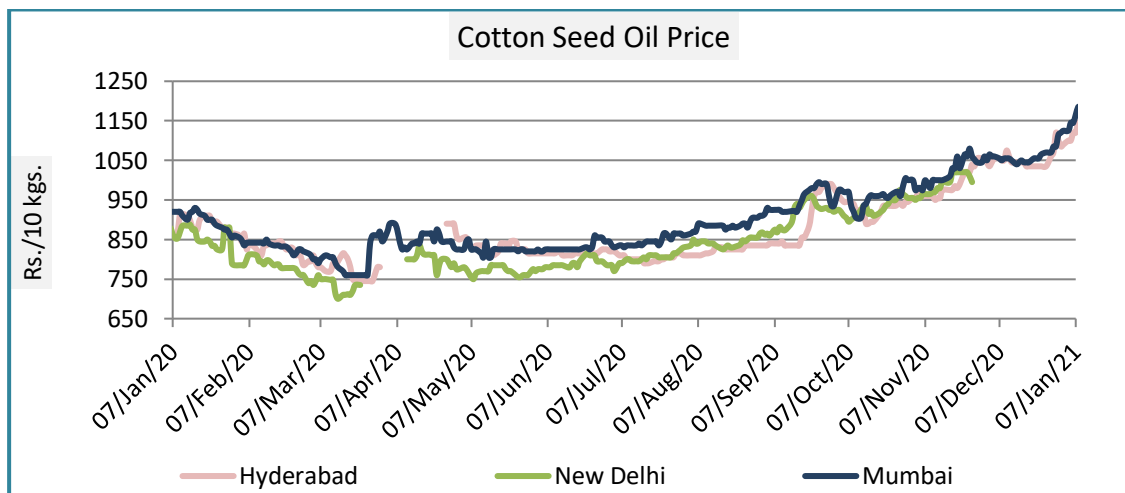


Cotton Seed Oil and Cotton Seed Oil Cake

Cotton Seed Oil monthly Price Scenario

Cotton seed oil prices showed firm trend due to the lower arrivals of quality seeds. The heavy rainfall caused the arrival of poor quality seeds. The monthly average price in Hyderabad stood at Rs.1072 per 10 Kg, and followed by Rs. 1069 kg in Rajkot and Rs.1075 per 10 kg in New Delhi.

Centers	Monthly Average Price as on (Rs/10 kg.)		% Change
	Dec	Nov	
New Delhi	1075	989	8.72
Rajkot	1069	1018	4.98
Hyderabad	1072	1016	5.47
Mumbai	1067	1028	3.77

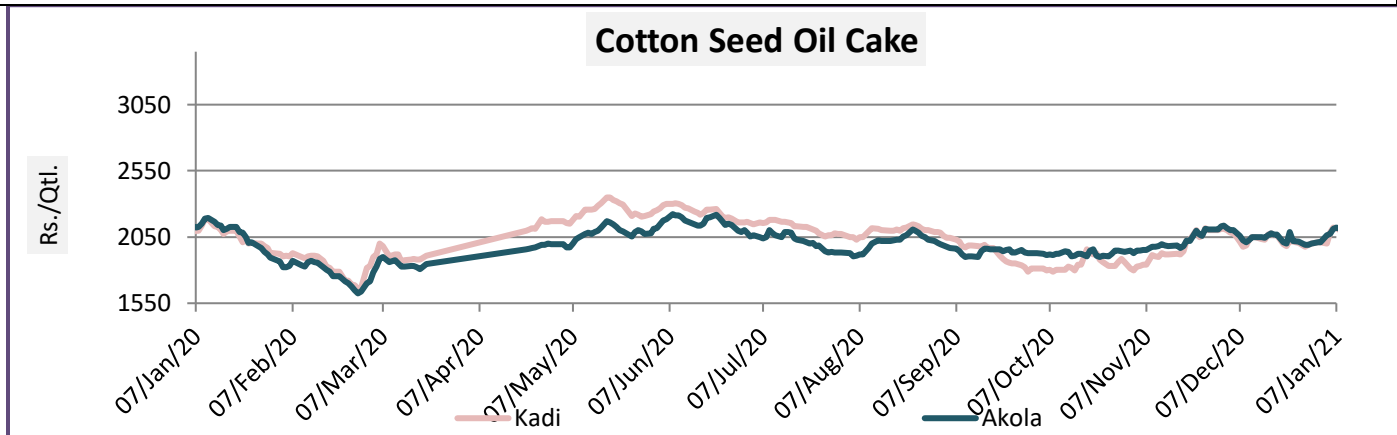


Cotton Seed Oil Cake monthly Price Scenario

The spot market traded high during December month, with the average price in Kadi up by 4.12% at Rs.2036 per quintal and 2% up around Rs.2049 per quintal in Akola. The demand for Cottonseed Oil Cakes in northern India, including Rajasthan has increased slightly due to which prices have been increasing. However, there are concerns about 50 percent of the total production that is still lying in the go-downs and warehouses. It is estimated that around 9 million tonnes of cake was produced in the country. As the moisture percentage in Cotton seed remains high, the prices will firm up, when the moisture starts decreasing.

Centers	Monthly Average Price as on (Rs/quintal.)*		% Change
	Dec	Nov	
Kadi	2036	1955	4.12
Akola	2049	2008	2.06

*Source: NCDEX



International Market Scenario

ICE front month futures rose by around 5.8 % in Nov'20 month compared in Oct'20. The average of ICE December contract stood high around 70.00 cents/lbs in November, up by 483 points compared to the average price that stood in October around 69.03 cents/lbs. The aggressive Chinese cotton imports and crop damage in US and reduction in yield across India due to the rainfall, supported the market.

Major Market Highlights:

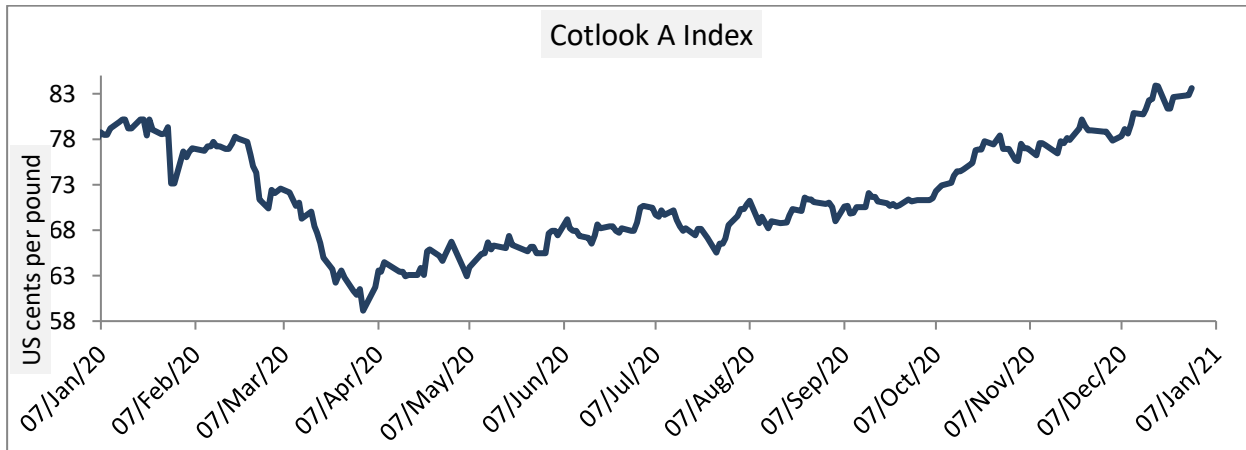
- Cotton prices fall in UK.** With the new strain of the novel corona virus that emerged in the UK spooking markets, cotton prices have fallen by Rs 600-700 per candy over the past two days. In India, the price for Shankar -6 cotton variety too fell from Rs 42,200-42,900 per candy (356 kg) to Rs 41, 400-42,200.
- Cotton production decreases in Pakistan.** The cotton production in the country has declined to about 2.8 million bales, According to Pakistan cotton ginners association more than 5 million bales were produced in the country which is 35.67 percent less as compared to more than 7 million bales produced till December 15 last year.

- **According to USDA latest report, the 2020-21 November forecast shows higher use with lower production and ending stock.** Sharply lower production in Pakistan, India and Australia is partially offset by an increase in Turkmenistan. Consumption is raised in India, China and Pakistan and lowered in Thailand. Global trade is up slightly led by Bangladesh and Thailand.
- **Cotton prices have increased in Pakistan by Rs 200 to Rs 300 per maund** under the influence of bullish trend in the international market and also due to drastic decrease in the production. There is a need of increasing the production of cotton on policy of 'Now or Never'. According to the estimates about 7 million bales of cotton worth 4 billion dollars will have to be imported from abroad due to low cotton production
- **US Cotton export shipments from the latest report were 288,700 RB.** Fears over damage to the crop due to Storm Zeta, which brought heavy rainfall in top growing states provided a slight support to the cotton market. Concerns continued to mount over the US cotton yield and fiber quality. As of October 25, the Alabama crop was behind the 5-year average at only 34% harvested, Mississippi was behind at 63% harvested, Louisiana 87%, and Texas 48%.
- **U.S. Banned cotton imports from China.** U.S has expanded its economic pressure on China's western region of Xinjiang by banning imports of cotton and cotton products from XPCC, a powerful Chinese quasi-military organization. The move, known as Withhold Release Order (WRO), covers cotton from XPCC, its subordinates and affiliated entities, as well as products derived from XPCC processed cotton.

Cotlook A Index

The average CotlookA Index stood higher at 80.84 US cents per lb in Dec month and increased by 4.14%. The Cotlook index increased during the last week of Dec'20.

Cotlook A Index	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	80.84	74.63	4.14
Prices in US cents per Pound			



Source: Cotlook

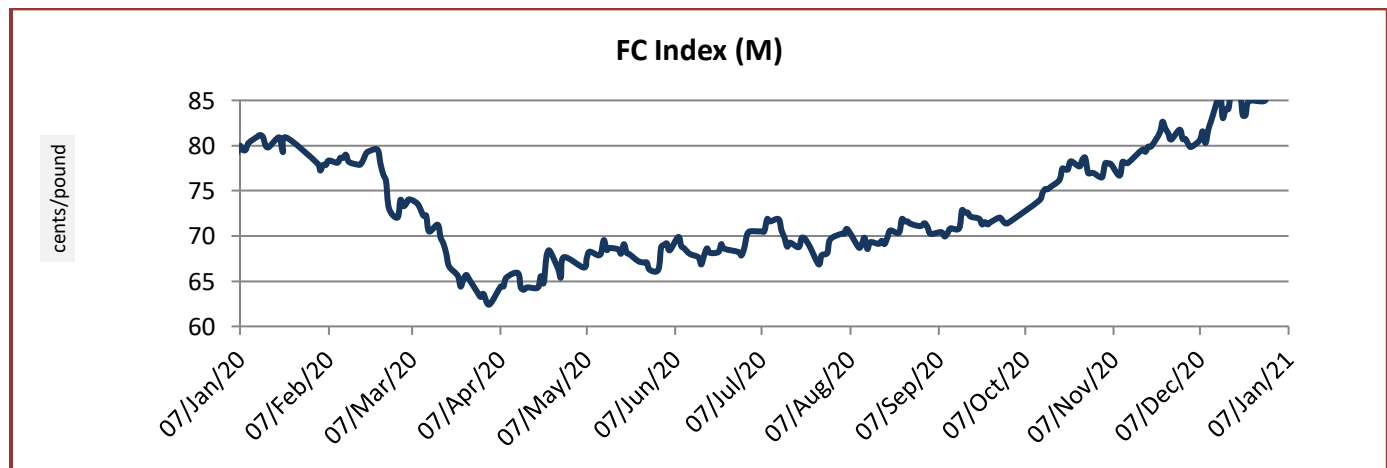
China Cotton Index and Foreign Cotton Index

The China cotton fiber imports have reached 9.65 lakh bales and the import volume has risen with the arrival of US 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.

Cotton Index	Monthly Average Price as on		% Change
	Dec	Nov	
FC (S)	85.26	81.24	4.94
FC (M)	83.12	79.29	4.83
FC (L)	81.20	78.12	3.94

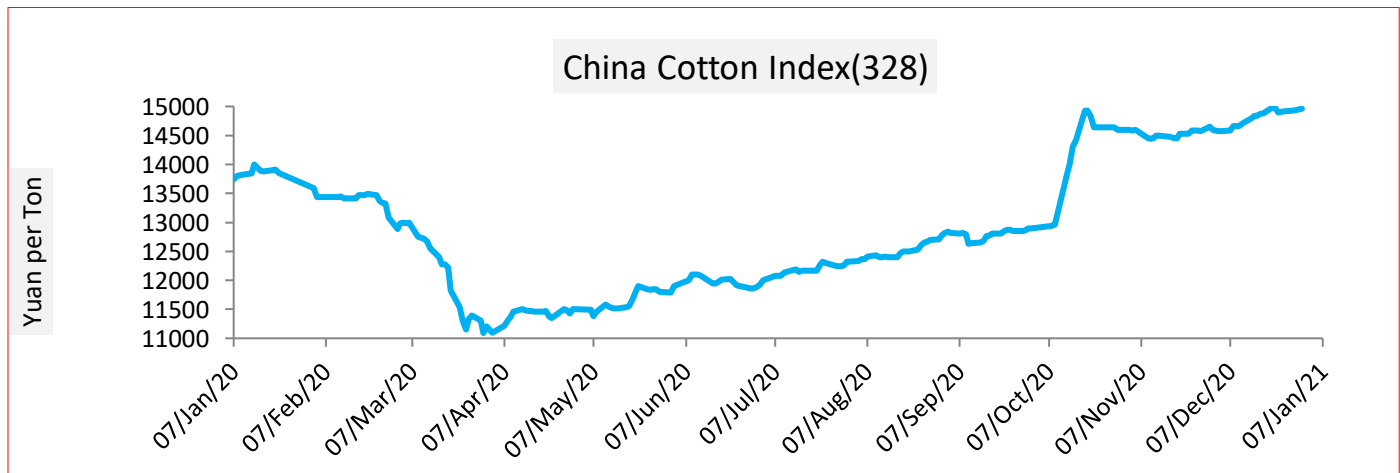
Prices in US cents per Pound

Source: China Cotton Association



Cotton Index	Monthly Average Price as on		% Change
	Dec	Nov	
CCIndex(328)	14795.35	14533.58	1.80
CCIndex(527)	13895.17	13646.37	1.82
CCIndex(229)	15036.22	14810.63	1.52
Prices in Yuan per ton			

Source: China Cotton Association



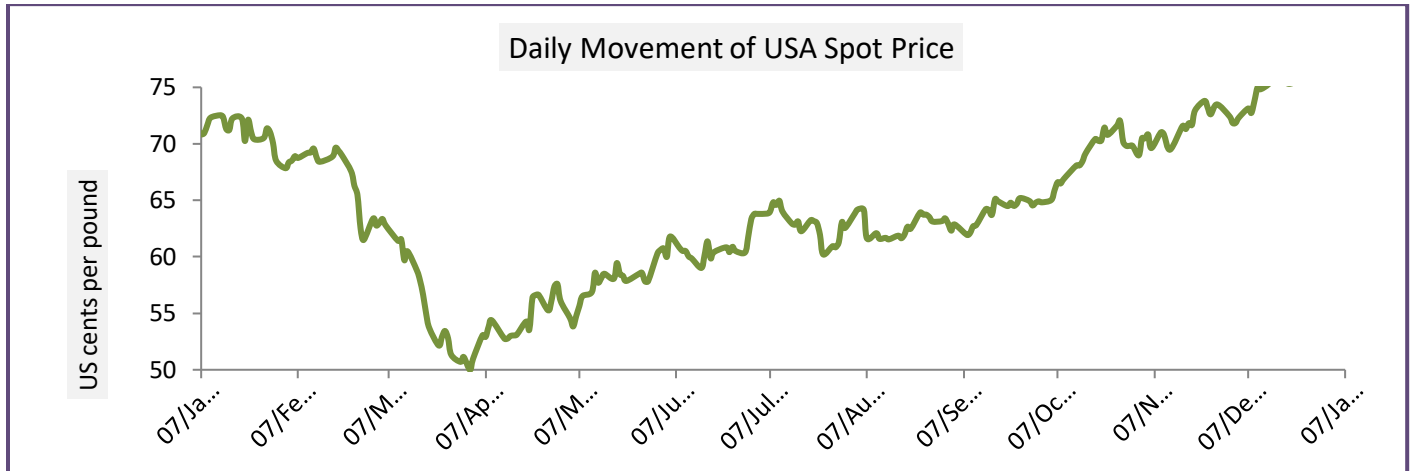
USA Spot Prices

U.S. Export Sales was lower but shipments were better. Net upland sales of 1,15,600 RB for 2020- 2021 were down 60 percent from the previous week and 42 percent from the prior 4-week average. Increases primarily for China, Pakistan (25,200 RB), Turkey (22,500 RB), South Korea (16,600 RB), and Guatemala (15,900 RB), and the major reductions were primarily from Bangladesh (44,100 RB) and Mexico (10,100 RB).

USA Spot Prices	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	75.33	71.42	5.47

Prices in US cents per Pound

Source: USDA



Pakistan Spot Prices

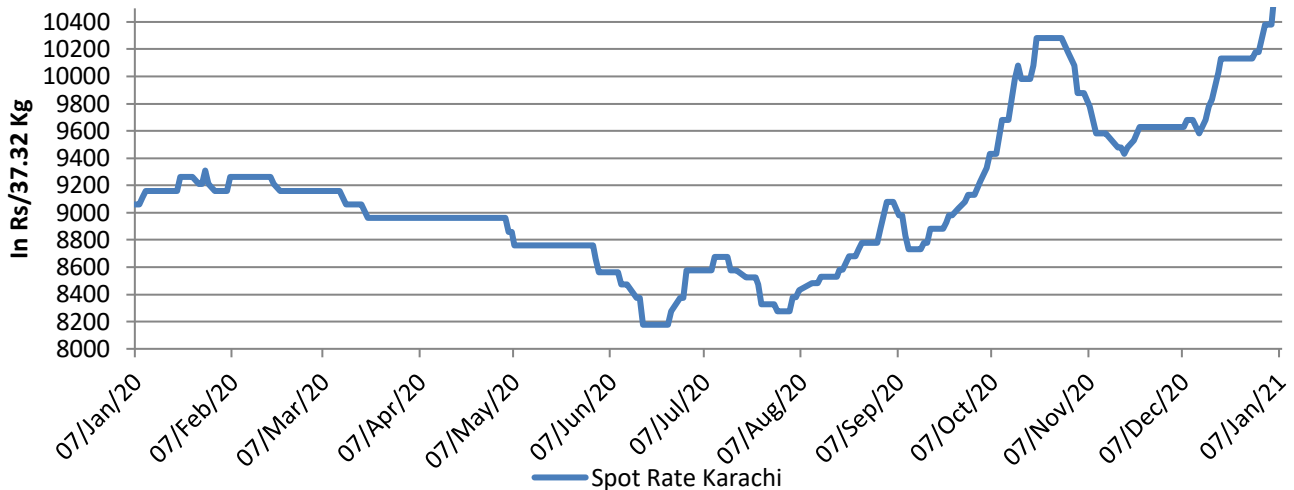
The Pakistan cotton market remained weak owing to the increasing trends in the import of cotton observed and threat of Covid-19 is increasing. Lack of interest of farmers in cotton crop was witnessed and cotton ginners and the people relating to cotton business are looking for new businesses.

Karachi Spot Prices	Monthly Average Price as on		% Change
	Dec	Nov	
Prices	9882	9651	5.09

Prices in Rs per 37.32 Kg

Source: Fibre2fashion.com

Spot Rate Karachi



Commodity: Cotton

Exchange: MCX

Contract: Dec.

Expiry: Jan. 29, 2021

Cotton

COTTON 1st(MXCTNC1)2021/01 - Monthly B:21290.00 A:21310.00
 O 20750.00 H 21450.00 L 20550.00 C 21300.00 ↑ V 9,652 T 5,011,535 I 3,728 +800 +3.90%



Technical Commentary:

- The prices have been making higher highs and higher lows, the RSI has diverged with a lower low.
- The price movement during last two sessions has been rangebound with prices taking support near 18-day EMA near 19870. Yesterday the market closed at 21290 after testing a low of 20550.
- A close below 18-day EMA would further strengthen the bearish stance. On the other hand, if the market tests the resistance at the trendline (currently at 19000).

Strategy: **Buy**

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Cotton	MCX	Dec	19670	19870	21070	20350	20450
			Call	Entry	T1	T2	SL
Cotton	MCX	Dec	Buy	20300	20650	20800	20450

* Do not carry-forward the position next day.

Commodity: Cotton Seed oil Cake
Contract: Dec

Exchange: NCDEX
Expiry: Jan. 20, 2021

Cottonseed Oilcake

COTTON SEED OIL 1st(NCCOUC1)2021/01 - Monthly B:2059.00 A:2061.00
O 2008.00 H 2156.00 L 1991.00 C 2060.00 V 312,830 I 92,280 +57 +2.85%



Technical Commentary:

- Cottonseed oilcake broke below a supporting trendline, as well as 9-day and 18-day EMA's two days ago.
- The price is expected to have resistance at 2044 (EMA-9) and 2069 (trendline), and have supports at 1965 (EMA-50) and 1945 (consolidation zone).
- Short positions may be created at 2040 with stoploss at 2075.

Strategy: **Sell**

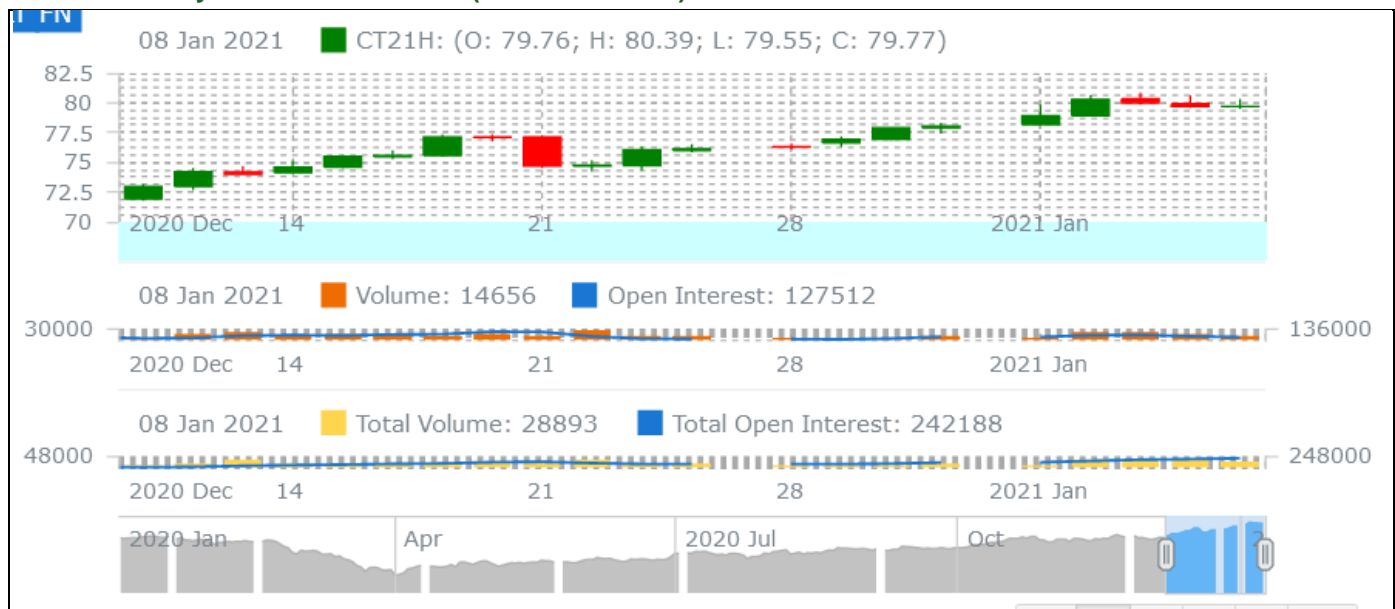
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Cotton oil cake	NCDEX	Dec	1945	1965	2045	2044	2069
Intraday Trade Call			Call	Entry	T1	T2	SL
Cotton oil cake	NCDEX	Dec	Sell	2050	1965	1945	2075



* Do not carry-forward the position next day.

Monthly Technical Outlook:

Technical Analysis of Cotton Future (Oct'20 Contract) at ICE



- Candlesticks showed firm trend in the market during December.
- Volume&Open Interest have increased over a month.
- We expect cotton prices to remain steady to firm in the coming month.

Expected Price Range During Coming month

Expected Trend	Expected Trading Band
Range bound to Bullish Momentum	75-80

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
77	75	80	88

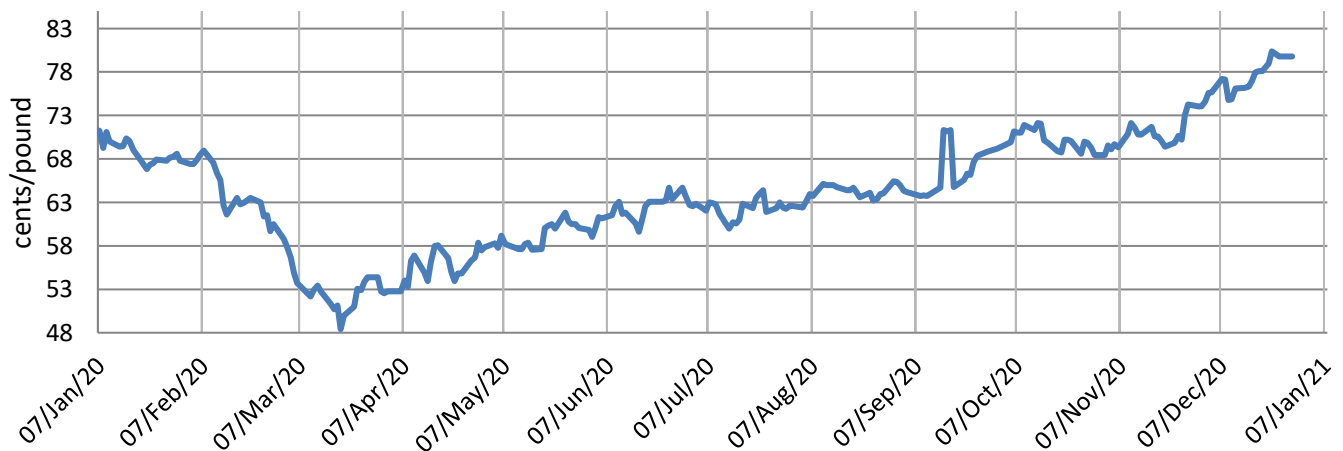
Figures in US cents/pound

Cotton Future Prices at ICE

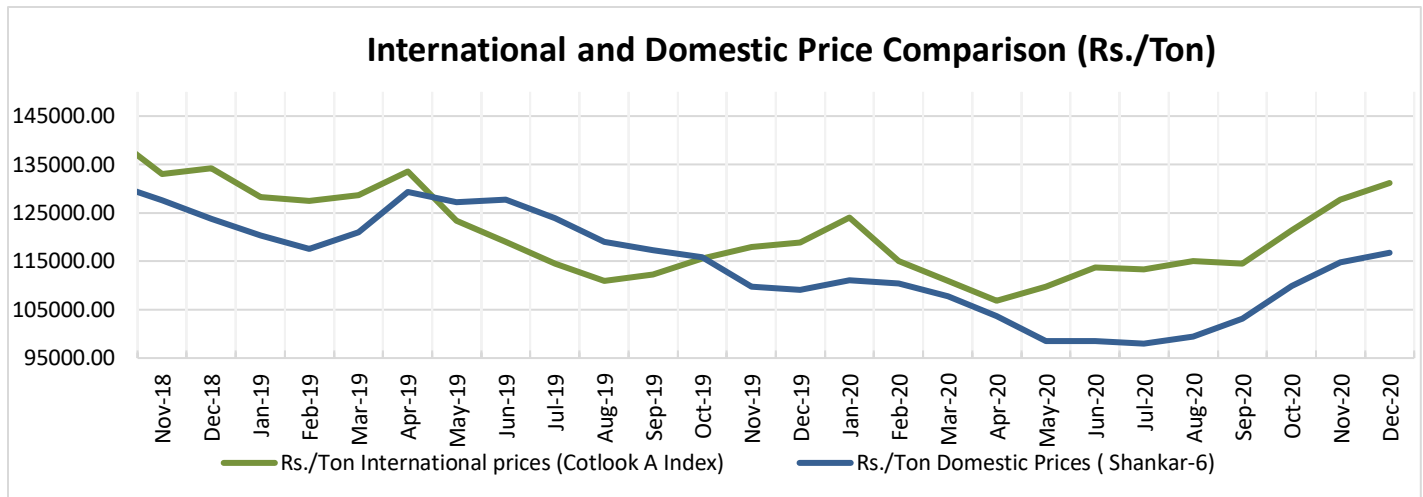
Future Price Trend (Active Contract):

Cotton Prices in Future Contract on ICE						Prices in cents/Lb	
Contracts	07-Jan-21	07-Dec-20 (1 month ago)	09-Oct-20 (3 months ago)	11-Jul-20 (6 months ago)	07-Jan-20 (a year ago)	% Change over a month	% Change over previous year
Mar-21	79.76	79.76	69.12	64.83	72.12	10.20	10.59
May-21	80.59	80.59	69.61	65.34	71.57	10.01	12.60
Jul-21	81.25	81.25	69.61	65.77	72.29	9.77	12.39
Oct-21	78.05	78.05	67.76	64.87	69.96	7.85	11.56
Dec-21	76.19	76.35	67.53	64.87	71.10	6.60	7.16

Cotton Future Price Trend (Oct'20 Contract at ICE)



International and Domestic Price Comparison



Domestic Cotton Prices and Arrivals at Key Centers

Cotton Prices at Key Spot Markets:

Commodity	Kapas		Montly Prices Average (Rs./Quintal)		Change
			Dec'20	Nov'20	
Gujarat	Ahmedabad	Shankar-6	5703	5671	32
	Gondal	Shankar-6	5721	5775	-54
	Rajkot	B.T. Cotton	5667	5740	-73
	Patan	B.T. Cotton	5748	5599	149
	Kadi	B.T. Cotton	5617	5545	72
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	5590	5545	45
Haryana	Bhiwani	B.T. Cotton	5504	5240	264
	Bhiwani	Desi	NA	6000	-
	Adampur	B.T. Cotton	5498	5362	136
	Fatehabad	B.T. Cotton	5498	5376	122
	Jind	B.T. Cotton	NA	NA	-
	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	5689	5726	-37
Rajasthan	Hanumangarh	B.T. Cotton	5457	5391	66
	Rawatsar	B.T. Cotton	5359	5380	-21

Madhya Pradesh	Khandwa	Mech-1	5588	5600	-12
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	5267	5274	-7
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	4300	5450	-1150
	Hathras	Desi	5400	5975	-575
Telangana	Adilabad	Un-Ginned	5725	5786	-61
Andhra Pradesh	Adoni	Medium Staple	5500	4866	634
Karnataka	Bijapur	Bunny	5816	5537	279
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	5489	5398	91
	Raichur	H-44 Cotton	5586	5307	279
Commodity	Lint		Prices (Rs./Maund of 37.32kg each)		Change
State	Centre	Variety	Dec'20	Nov'20	
Punjab	Bhatinda	J-34	4330	4292	38
	Abohar	J-34	4332	4294	38
	Mansa	J-34	4315	4293	22
Haryana	Sirsa	J-34	4293	4213	80
Rajasthan	Sri-Ganganagar	J-34	4009	3924	85

Cotton Arrivals in Key Centers:

Commodity	Kapas		Monthly Sum Arrivals (Quintal)		Change
State	Centre	Variety	Dec'20	Nov'20	
Gujarat	Ahmedabad	Shankar-6	1638800	980900	657900
	Gondal	Shankar-6	83582	62978	20604
	Rajkot	B.T. Cotton	99925	73900	26025
	Patan	B.T. Cotton	449929	154102	295827
	Kadi	B.T. Cotton	1080000	705000	375000
	Deesa	B.T. Cotton	NA	NA	-
	Dhrol	B.T. Cotton	9908	1550	8358
Haryana	Bhiwani	B.T. Cotton	183300	526000	-342700
	Bhiwani	Desi	NA	NA	-
	Adampur	B.T. Cotton	31110	526000	-494890
	Fatehabad	B.T. Cotton	19300	30430	-11130
	Jind	B.T. Cotton	NA	NA	-

	Uchana	B.T. Cotton	NA	NA	-
	Dabwali	B.T. Cotton	56720	51250	5470
Rajasthan	Hanumangarh	B.T. Cotton	33800	7250	26550
	Rawatsar	B.T. Cotton	10300	7750	2550
Madhya Pradesh	Khandwa	Mech-1	32200	20200	12000
	Khargaon	Mech-1	NA	NA	-
Maharashtra	Amravati	Mech-1	414000	148500	265500
	Jamner	Medium Staple	NA	NA	-
Uttar Pradesh	Hathras	B.T. Cotton	NA	710	-
	Hathras	Desi	NA	240	-
Telangana	Adilabad	Un-Ginned	41774491	36976079	4798412
Andhra Pradesh	Adoni	Medium Staple	173944	206562	-32618
Karnataka	Bijapur	Bunny	94295	118572	-24277
	Hubli	D.C.H.	NA	NA	-
	Hubli	B.T. Cotton	881	549	332
	Raichur	H-44 Cotton	5170	6976	-1806
Commodity	Lint		Monthly Sum Arrivals (Quintal)		Change
State	Centre	Variety	Dec'20	Nov'20	
Punjab	Bhatinda	J-34	212500	277100	-64600
	Abohar	J-34	26520	45135	-18615
	Mansa	J-34	27795	32640	-4845
Haryana	Sirsa	J-34	36720	34510	2210
Rajasthan	Sri-Ganganagar	J-34	59000	42500	16500

Cotton Association of India Cotton Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	Change
				Dec'20	Nov'20	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	38833	38746	87
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	39333	39246	87
J-34(202)	27mm	3.5 - 4.9	23	40537	39750	787
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40415	39521	894
Shankar-6(105)	29mm	3.5 – 4.9	28	41574	40858	716
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43530	42217	1313
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44341	42938	1403
DCH-32(107)	34mm	3.0 - 3.8	33	59733	56976	2757

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