Cotton Outlook – August 2020

World Cotton Scenario

Global 2020-21 cotton area, production and productivity are projected at 33.0 million hectares (81.54 million acres), 116.20 million bales and 768 Kg/ha, which were nearly 6 and 5.5 percent less than that of 2019-20 estimates respectively. According to the Cotton and Wool Outlook, July estimates, India is the largest cotton producer in the world with 28.50 million bales compared to 30.50 million bales in previous year followed by China (26.50 million bales), United States (17.50 million bales), Brazil (12 million bales) and Pakistan (6.50 million bales).

According to the trade sources, the Indian cotton exports for the June'20 were reported higher around 4.5 lakh bales, double compared to the prior month. In June'20, the Indian cotton prices were cheaper in the international market; therefore, the exports were increased during June. Bangladesh was the largest importer of Indian cotton purchasing around 2 lakh bales at an average FOB of $1.46/Kg followed by China (71,747 bales at $1.29/Kg), Vietnam (43,000 bales at $1.25/Kg) and Indonesia (20,000 bales at $1.32/Kg). The other export destinations of India were Korea, Turkey, Thailand and Italy.

International Cotton Price Movement

Chinese, Indian, and Pakistani prices were stable over the past month. NY futures and the A Index drifted slightly higher. Prices for the December NY futures contract rose from levels near 60 to those near 64 cents/lb. The A Index climbed from 68 to 70 cents/lb. In international terms, the China Cotton Index (CC Index 3128B) held near 78 cents/lb.

Indian cotton prices (Shankar-6 quality) were steady around 59 cents/lb. In domestic terms, values decreased from 35,300 to 34,700 INR/candy. The Indian rupee was generally stable near 75 INR/USD. Pakistani prices dipped a little in the second half of June (from 61 to 58 cents/lb) but recovered to match month-ago levels by early July (61 cents/lb). In domestic terms, values fell from 8,300 to 8,000 PKR/maund and then rose to 8,400 PKR/maund. The Pakistani rupee weakened slightly against the USD over the past month, from 164 to 167 PKR/USD.

Table 1: International Price of Cotton (cents/lb)

	Latest Value (July 10th 2020)	Latest Month (June 2020)	Last 12 Months (July 2019- June 2020)
NY Nearby	64.7	60.8	61.9
A Index	69.7	67.8	71.9
CC Index	78.4	76.7	83.0
Indian Spot	59.3	59.1	69.9
Pakistani Spot	62.3	60.5	66.9

Source: www.cottoninc.com

Indian Cotton Scenario

As on 30th July 2020, area under cotton during 2020-21 was 121.25 lakh ha as against 108.95 lakh ha in 2019-20. Among the states, Maharashtra was reported as leading in cotton acreage (41.18 lakh ha) followed by Gujarat (22.16 lakh ha), Telangana (21.70 lakh ha), Haryana (7.37 lakh ha) and Rajasthan (6.73 lakh ha).

Table2: State wise area under cotton in India

State	2019-20			2020-21		
	Area (lakh ha)	Area (lakh acres)	% to total area	Area (lakh ha)	Area (lakh acres)	% to total area
Maharashtra	40.63	100.40	37.29	41.18	101.76	33.96
Gujarat	22.50	55.60	20.65	22.16	54.76	18.28
Telangana	15.87	39.22	14.57	21.70	53.62	17.90
Haryana	6.76	16.70	6.20	7.37	18.21	6.08
Rajasthan	6.36	15.72	5.84	6.73	16.63	5.55
Others	16.83	41.59	15.45	22.11	54.63	18.24
All India	108.95	269.22	100.00	121.25	299.61	100.00

Source: www.agricoop.nic.in

Domestic Trade information

Table 3: State wise Wholesale Prices Monthly Analysis for Cotton July, 2020 (Rs/Quintal)

State	Prices July, 2020	Prices June, 2020	Prices July, 2019	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh			6010.16	__	__
Gujarat	4124.39	4289.93	5895.9	-3.86	-30.05
Haryana	4800		6092.59	__	-21.22
Karnataka	4614.24	4493.52	5860.59	2.69	-21.27
Madhya Pradesh		4726.67	5577.69	__	__
Maharashtra	5249	5019.83	5850	4.57	-10.27
Pondicherry	4001.52	3947.67	4793.21	1.36	-16.52
Punjab			5026.4	__	__
Rajasthan			6368.4	__	__
Tamil Nadu	4585.6	4369.38	5818.59	4.95	-21.19
Telangana			6051.23	__	__
Average	4562.46	4474.5	5758.61		

Source: www.agriwatch.com

Cotton in Telangana

In Telangana state during 2020 area under cotton as on 29th July was 56,26,806 acres as against 42,14,592 acres during 2019-20. Among the districts, Nalgonda stood first with 6,77,853 acres followed by Nagarkurnool (4,29,631 acres), Adilabad (4,16,490 acres), Sangareddy (3,84,686 acres) and Asifabad (3,34,533 acres).

Table 4: District wise area under cotton in Telangana

District	2019-20			2020-21		
	Area (ha)	Area (Acres)	% to total area	Area (ha)	Area (Acres)	% to total area
Nalgonda	206796.71	511005	12.12	274317.80	677853	12.05
Nagarkurnool	107959.77	266774	6.33	173865.77	429631	7.64
Adilabad	132044.27	326288	7.74	168547.78	416490	7.40
Sangareddy	107308.63	265165	6.29	155677.14	384686	6.84
Asifabad	102006.84	252064	5.98	135380.91	334533	5.95
Others	1049471.28	2593296	61.53	1369301.71	3383613	60.13
Telangana State	1705587.50	4214592	100.00	2277091.12	5626806	100.00

Source: www.agri.telangana.gov.in

Cotton Prices in Telangana

Table 5: Arrivals and Prices of Cotton at Warangal Market in the Month of July 2020

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
2	1,270	3,500	4,700	4,625
3	2,090	3,500	4,715	4,655
6	2,535	3,500	4,600	4,550
7	2,950	3,500	4,560	4,500
8	2,546	3,500	4,530	4,575
9	2,784	3,500	4,620	4,575
10	3,500	3,500	4,645	4,575

Source: http://tsmarketing.in/

Cotton Outlook

India is likely to sign a memorandum of understanding (MOU) with Bangladesh government to export 1.5 to 2 million bales of cotton. Cotton market showed mixed trend. CCI reported record highest one day sales of over 5 lakh bales on 20th July, 2020. Domestic arrivals declined to 25,000 bales a day from 45,000 bales per day during the first week of July.

Cotton arrivals declined due to the onset of monsoon and the harvesting across India is almost completed. Domestic mills are buying regularly from current arrivals and also from stock with ginners. But the Indian exporters were not able to sell big quantity despite attractive basis.

India cotton exchange front month's prices stood high, around Rs 33,643 per candy. Gujarat Shankar-6 variety cotton spot prices stood around Rs.34,560 per candy during the week.

CAI has also increased its cotton crop estimate for 2019-20 to 335.50 lakh bales as against an earlier estimate of 330 lakh bales. Till June 2020, a total of 327.02 lakh bales have arrived in the markets. CAI has estimated domestic consumption for the entire crop year till September 30, 2020 at 280 lakh bales. Consumption for 2019-20 was earlier estimated at 331 lakh bales prior to the Covid-19 outbreak. Exports for the season are estimated at 47 lakh bales against 42 lakh bales considering favorable conditions.

Cotton Association of India (CAI) has estimated the carryover stock of 55.50 lakh bales at the end of the season on September 30, 2020, which indicates that the next season will start with a five-year high carryover stock. A higher carryover stock will lead to increased stock position, thereby influencing the prices in the new season, which begins from October 1.

Kharif sowing under cotton is already 22 per cent higher so far at 118 lakh hectares as against 96.35 lakh hectares last year. This increased acreage under the fibre crop will result in a higher output thereby adding to the already record high opening stocks.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that cotton prices are likely to trade in price range between **Rs.4400 – 4700** per quintal during August 2020.