

Cotton Outlook – June 2020

World Cotton Scenario

Global 2019-20 cotton area, production and productivity are projected at 34.60 million hectares (85.50 million acres), 122.70 million bales and 765 Kg/ha, which were nearly 3 and 3.37 percent greater than that of 2018-19 estimates respectively. According to the Cotton and Wool Outlook, May month estimates, India is the largest cotton producer in the world with 30.50 million bales compared to 26.50 million bales in previous year followed by China (27.30 million bales), United States (19.90 million bales), Brazil (13.20 million bales) and Pakistan (6.20 million bales).

According to the trade sources, the Indian cotton exports for the April'20 were reported much lower only around 38,200 bales compared to 2.94 lakh bales in Mar'20. In April'20, most of the shipments were halted and cancelled due to the outbreak of Covid-19 virus in various countries. During the time, Bangladesh was the largest importer of 12,300 bales at an average FOB of \$1.5/Kg as fulfilling the older contracts followed by China importing around 11,200 bales at an average FOB of \$1.52/Kg as China started operating textile mills in March itself. The other export destinations of India were Indonesia (5,500 bales at 1.53 \$/Kg), Oman (2,400 bales at \$1.53/Kg), Thailand (1,660 bales at \$1.43/Kg), Iran (958 bales at \$1.54/Kg) and Vietnam (880 bales at \$1.51/Kg).

International Cotton Price Movement

Most benchmark prices were flat to higher over the past month. Indian prices edged slightly lower. The nearby July NY futures contract rose from 53 to 58 cents/lb. The A Index climbed from 63 to 65 cents/lb. The China Cotton Index (CC Index 3128B) was comparatively stable near 73 cents/lb. In domestic terms, prices were also flat and traded around 11,400 RMB/ton. The RMB was steady against the dollar near 7.08 RMB/USD.

Indian cotton prices (Shankar-6 quality) eased from 62 to 60 cents/lb. In domestic terms, values fell from 37,000 to 35,700 INR/candy. The Indian rupee was stable near 76 INR/USD. Pakistani prices increased slightly in international terms, from 64 to 66 cents/lb, over the past month. In domestic terms, values fell from 8,800 to 8,600 PKR/maund. The Pakistani rupee strengthened from 167 to 160 PKR/USD.

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

	Latest Value th (May 12 2020)	Latest Month (April 2020)	Last 12 Months (May 2019- April 2020)
NY Nearby	58.30	53.80	63.40
A Index	65.50	63.50	73.90
CC Index	74.30	73.10	86.50
Indian Spot	60.40	61.60	73.90
Pakistani Spot	65.30	65.20	68.20

Source: www.cottoninc.com

Indian Cotton Scenario

As on 26th September 2019, area under cotton during 2019-20 was 127.67 lakh ha as against 121.05 lakh ha in 2018-19 i.e.,5.46 percent more than the previous year. Among the states, Maharashtra was reported as leading in cotton acreage (44.05 lakh ha) followed by Gujarat (26.66 lakh ha), Telangana (21.26 lakh ha), Haryana (7.01 lakh ha) and Rajasthan (6.44 lakhha).

Table2: State wise area under cotton in India

State	2018-19		2019-20	
	Area (lakh ha)	% to total area	Area (lakh ha)	% to total area
Maharashtra	42.54	35.14	44.05	34.50
Gujarat	27.12	22.40	26.66	20.88
Telangana	17.96	14.84	21.26	16.65
Haryana	6.65	5.49	7.01	5.49
Rajasthan	4.96	4.10	6.44	5.04
Others	21.82	18.03	22.25	17.43
All India	121.05	100.00	127.67	100.00

Source: www.agricoop.nic.in

Domestic Trade information

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

State	PricesMay, 2020	Prices April, 2020	Prices May, 2019	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh			5879.92	—	—
Gujarat	4548.62	4668.03	5771.08	-2.56	-21.18
Karnataka	3941.72	3826.04	6158.4	3.02	-35.99
Madhya Pradesh	4923.82	4236.29	5843.21	16.23	-15.73
Maharashtra	4572.12	4757.02	6245.85	-3.89	-26.8
Odisha	5335.28	5295.96		0.74	—
Punjab		5405	1840	—	—
Rajasthan	5244.78	5091.25	6472.42	3.02	-18.97
Tamil Nadu	3980.94	4481.2	5898.2	-11.16	-32.51
Telangana	5342.04		5957.96	—	-10.34
All India Average	4736.16	4720.1	5525.79		

Source: www.agriwatch.com

Cotton in Telangana

In Telangana state during 2019 area under cotton as on 25th September was 21,26,000 hectares as against 17,96,471 hectares during 2018-19. Among the districts, Nalgonda stood first with 2,73,699 ha followed by Adilabad (1,40,332 ha), Nagarkurnool (1,42,192 ha), Sangareddy (1,40,009 ha) and Asifabad (1,24,884 ha).

Table 4: District wise area under cotton in Telangana

District	2018-19		2019-20	
	Area (ha)	% to total area	Area (ha)	% to total area
Nalgonda	231965	12.91	273699	12.87
Adilabad	135249	7.53	140332	6.60
Nagarkurnool	113320	6.31	142192	6.69
Sangareddy	92728	5.16	140009	6.59
Asifabad (K.Bheem)	92773	5.16	124884	5.87
Others	1130436	62.93	1304884	61.38
Telangana State	1796471	100.00	2126000	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 May 2020

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
27	110	3,200	4,500	4,400
28	657	3,800	4,530	4,450
29	1,582	3,750	4,535	4,425
30	899	3,800	4,625	4,550

Source: <http://tsmarketing.in/>

Cotton Outlook

World cotton consumption forecast for 2019-20 dropped further by 5% to 105 million bales (in million 480 lb bales) in May 2020 compared to April 2020. Indian cotton is now cheaper in the international market, price quoted between Rs. 33,000-36,000 per candy, while US cotton price comes to Rs. 39,000 per candy. China has started buying US cotton in the first week of May 2020 that would help gain the cotton prices globally.

Indian cotton is cheaper in the international market making a way for good exports. The industry already has signs of good demand from Bangladesh and China. It is possible that more contracts India might receive from Bangladesh, Vietnam and China in the coming days supporting the prices and rise over the expected range. Indian physical market is cheaper now; all merchants are buying at Rs. 32,250 to 33,200 per candy.

According to Cotton Association of India, the projections for exports in this season has been increased by 5 lakh bales to 47 lakh bales from 42 lakh bales as fall in Indian rupee made the Indian cotton the cheapest in the world and attractive. The projections for imports declined to 15 lakh bales from 25 lakh bales.

A total of 12.5 lakh bales of import shipments are expected to have reached at Indian ports and 32.5 lakh bales of cotton have been exported so far this season. Consumption by Indian spinning mills from 1st Oct'20 to 30th Apr'20 is estimated to have reached at 160 lakh bales.

According to CCI, 92 lakh bales of cotton have been procured till 20th May'20 across India. Total crop size is of 360 lakh bales, of which around 297-300 lakh bales have arrived in the market so far. Cotton Corporation of India has revised its bulk discount slabs to make it attractive for the textile industry. Also requested the government for a duty drawback of 5-10 percent to encourage exports, once demand is recovered in the global market.

Around 80% cotton sowing has been completed in northern India so far. In few areas, the crop reached near vegetative phase and few are germinating. The locust attack is observed in Rajasthan, No major loss is observed in Punjab, Haryana, Gujarat, Madhya Pradesh and Maharashtra. Area under cotton in Gujarat seems to decrease and likely to shift to groundnut in 2020-21 season.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between Rs. 4300 – 4600 per quintal during June 2020.