Cotton Outlook – July 2020

World Cotton Scenario

Global 2020-21 cotton area, production and productivity are projected at 33.50 million hectares (82.78 million acres), 118.70 million bales and 773 Kg/ha, which were nearly 4.5 and 3 percent less than that of 2019-20 estimates respectively. According to the Cotton and Wool Outlook, June 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 (19.50 million bales), Brazil (12 million bales) and Pakistan (6.30 million bales).

According to the trade sources, the Indian cotton exports for the May'20 were reported slightly higher around 2.5 lakh bales including organic cotton compared to the prior month. In May'20, most of the shipments that had been halted, resumed. Indian cotton being the cheapest in the international market, there was increased export demand during May and June and likely in July as well. Bangladesh was the largest importer of Indian cotton purchasing around 81,000 bales at an average FOB of $1.5/kg followed by China (65,680 bales at $1.36/kg), Vietnam (20,000 bales at $1.3/kg) and Turkey (11,000 bales at $1.3/kg). The other export destinations of India were Indonesia, Oman, Italy and Japan.

International Cotton Price Movement

Several benchmark prices drifted higher over the past month. Indian prices were stable. Pakistani prices decreased. The China Cotton Index (CC Index 3128B) increased from 73 to 78 cents/lb. In domestic terms, prices rose from 11,500 to 12,100 RMB/ton. Although the RMB did weaken against the dollar in recent weeks, it recovered. The latest exchange rate is even with levels one month ago (7.08 RMB/USD).

Indian cotton prices (Shankar-6 quality) were flat near 59 cents/lb. In domestic terms, values held near 35,300 INR/candy. The Indian rupee was stable near 76 INR/USD. Pakistani prices decreased in international terms, from 65 to 61 cents/lb. In domestic terms, values fell from 8,600 to 8,300 PKR/maund. The Pakistani rupee weakened against the USD over the past month, from 160 to 165 PKR/USD.

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

	Latest Value (June 11th 2020)	Latest Month (May 2020)	Last 12 Months (June 2019- May 2020)
NY Nearby	60.0	57.1	62.3
A Index	68.0	65.7	72.7
CC Index	77.8	74.4	84.4
Indian Spot	59.7	59.7	72.0
Pakistani Spot	61.5	65.5	67.5

Source: www.cottoninc.com

Indian Cotton Scenario

As on 3rd July 2020, area under cotton during 2020-21 was 91.67 lakh ha as against 45.85 lakh ha in 2019-20 compared to the previous year. Among the states, Maharashtra was reported as leading in cotton acreage (33.07 lakh ha) followed by Gujarat (15.71 lakh ha), Telangana (15.39 lakh ha), Haryana (7.37 lakh ha) and Rajasthan (6.27 lakh ha).

Table2: State wise area under cotton in India

	2019-20			2020-21		
State	Area (lakh ha)	Area (lakh Acres)	% to total area	Area (lakh ha)	Area (lakh Acres)	% to total area
Maharashtra	4.56	11.27	9.95	33.07	81.72	36.08
Gujarat	14.35	35.46	31.3	15.71	38.82	17.14
Telangana	0.89	2.20	1.94	15.39	38.03	16.79
Haryana	6.76	16.70	14.74	7.37	18.21	8.04
Rajasthan	3.45	8.53	7.52	6.27	15.49	6.84
Others	15.84	39.14	34.55	13.86	34.25	15.12
All India	45.85	113.30	100	91.67	226.52	100

Source: www.agricoop.nic.in

Domestic Trade information

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

State	Prices June, 2020	Prices May, 2020	Prices June, 2019	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh			6047.16	-	-
Gujarat	4289.93	4548.62	5725.64	-5.69	-25.08
Haryana			6210.05	-	-
Karnataka	4494.57	3986.62	6089.83	12.74	-26.2
Madhya Pradesh	4726.67	4923.82	5714.3	-4	-17.28
Maharashtra	5027.99	4572.12	6242.92	9.97	-19.46
Odisha		5335.28		-	-
Pondicherry	3947.67		4580.39	-	-13.81
Rajasthan		5244.78	6583.15	-	-
Tamil Nadu	4369.38	3980.94	5686.31	9.76	-23.16
Telangana		5342.04	6038.35	-	-
Average	4476.04	4741.78	5891.81		

Source: www.agriwatch.com

Cotton in Telangana

In Telangana state during 2020 area under cotton as on 1st July was 38,04,275 acres as against 16,12,863 acres during 2019-20. Among the districts, Adilabad stood first with 3,52,161 acres followed by Nalgonda (3,10,898 acres), Sangareddy (2,95,354 acres), Nagarkurnool (2,75,919 acres) and Asifabad (2,64,838 acres).

Table 4: District wise area under cotton in Telangana

District	2019-20			2020-21		
	Area (ha)	Area (Acres)	% to total area	Area (Acres)	Area (ha)	% to total area
Adilabad	56013	138412	8.58	142515	352161	9.26
Nalgonda	9920	24512	1.52	125816	310898	8.17
Sangareddy	24737	61127	3.79	119526	295354	7.76
Nagarkurnool	57136	141185	8.75	111661	275919	7.25
Asifabad (K.Bheem)	80311	198452	12.30	107176	264838	6.96
Others	424587	1049175	65.05	932844	2305105	60.59
Telangana State	652704	1612863	100.00	1539538	3804275	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 June 2020

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
1	3,219	3,800	4,600	4,525
2	3,724	3,800	4,600	4,525
3	3,365	3,800	4,600	4,525
4	3,968	3,800	4,615	4,525
5	3,144	3,800	4,635	4,550
6	2,280	3,800	4,600	4,525
8	4,413	3,800	4,805	4,745
9	3,231	3,800	4,800	4,740
10	2,513	3,800	4,800	4,725
11	2,403	3,800	4,750	4,675
12	3,578	3,500	4,640	4,575
13	3,187	3,750	4,750	4,605
15	10,293	3,750	4,560	4,490
16	5,043	3,800	4,575	4,550
17	3,615	3,800	4,530	4,475
18	5,002	3,500	4,510	4,450
19	3,659	3,500	4,545	4,480
20	4,000	3,500	4,550	4,490
22	5,655	3,500	4,555	4,485
23	4,975	3,500	4,650	4,575
24	2,600	3,500	4,600	4,525

25	2,490	3,500	4,635	4,575
26	1,790	3,500	4,570	4,500
27	1,250	3,500	4,600	4,550
29	2,306	3,500	4,615	4,555
30	2,345	3,500	4,615	4,555

Source: http://tsmarketing.in/

Cotton Outlook

According to USDA, the developing global economic slowdown has significantly reduced world cotton demand for 2019 MY (August 2019- July 2020). Although June's global mill use forecast is at a 16-year low, the projected year-over-year decrease is nearly 15 percent. The use of cotton mill across the world has declined more than 5 percent year-over-year. The global financial crisis along with recession limited the world cotton demand and consumption.

Due to the good export parity in the current year, exports are likely to surge by around 9% to 46 lakh bales. The pandemic made the exports viable and cheaper in the international market. Whereas, the imports are likely to decline to around 16.7 lakh bales from the previous estimates of 23 lakh bales in 2019-20.

Total domestic mill consumption (excluding non-mill consumption) in 2019-20 is likely to decline by around 15% amid covid-19 pandemic to 240.75 lakh bales compared to 292 lakh bales during the previous season. So, decline in consumption would result in higher ending stocks to around 98.32 lakh bales, it is much higher compared to the ending stocks of previous season due to which the prices are expected to decline in 2020-21 season.

Bangladesh complained over the poor quality of cotton being delivered from India. The Bangladesh's cotton imports have been declined over the year. The local traders of Bangladesh have switched to suppliers from North and West African countries to reduce their dependency on India.

As the discounted prices were not attractive to the buyers, CCI has further reduced base price by Rs. 300 to 500 per Candy during this week. Now Shankar-6 is being offered at 35,700 without discount. CCI sold small quantity in North India during last week.

The India cotton exchange recent month's price stood around Rs 33,150 per candy. Gujarat Shankar-6 variety cotton spot price in Cotton Association of India stood around Rs.35016 per candy during the week.

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 July 2020.