

Cotton Outlook – January 2020

World Scenario

Global 2019-20 cotton area, production and productivity are projected at 34.90 million hectares (86.20 million acres), 121.10 million bales and 756 Kg/ha, which were nearly 4 and 2.5 percent greater than that of 2018-19 estimates respectively. According to the Cotton and Wool Outlook, December estimates India is the largest cotton producer in the world with 29.50 million bales compared to 26.50 million bales in previous year followed by China (27.25 million bales), United States (20.02 million bales), Brazil (12.50 million bales) and Pakistan (6.20 million bales).

In India, cotton area in 2019-20 is 127.67 lakh hectares compared to 121.05 lakh hectares in previous year (2018-19) because of favorable monsoon and relative domestic prices of cotton over other crops. China is a major producer and leading importer in 2019-20 (projected), imports are expected below a year ago as cotton mill use there is forecast to decline for the second consecutive season. Higher imports are forecast for Bangladesh, Vietnam, Turkey, Indonesia and India in 2019-20.

International Price Movement

In international terms, the China Cotton Index (CC Index 3128B) consistently traded near 84 cents/lb. In domestic terms, the CC Index traded near 13,050 RMB/ton. The RMB was stable against the dollar over the past month, holding to levels near 7.0 RMB/USD. Indian cotton prices (Shankar-6 quality) were stable around 71 cents/lb. In domestic terms, values are hovered around 40,000 INR/candy. The Indian rupee traded close to 71 INR/USD. Pakistani prices decreased from 73 to 69 cents/lb in international terms. In domestic terms, values eased from 9,300 to 8,800 PKR/maund. The Pakistani rupee was stable near 155 PKR/USD between mid-November and early December.

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

	Latest Value th (Dec 10 th 2019)	Latest Month (November 2019)	Last 12 Months (Dec 2018- Nov 2019)
NY Nearby	65.90	64.10	68.20
A Index	74.80	74.80	74.80
CC Index	84.60	84.60	95.30
Indian Spot	71.70	72.20	78.60
Pakistani Spot	69.20	71.60	71.20

Source: www.cottoninc.com

Indian 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, higher area was reported from Maharashtra (44.05 lakh ha) followed by Gujarat (26.66 lakh ha), Telangana (18.59 lakh ha), Haryana (7.01 lakh ha) and Rajasthan (6.44 lakh ha).

Table 2: 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	18.59	14.56
Haryana	6.65	5.49	7.01	5.49
Rajasthan	4.96	4.10	6.44	5.04
Others	21.82	18.03	24.92	19.52
All India	121.05	100.00	127.67	100.00

Source: www.agricoop.nic.in

Domestic Trade information

Table 3: Major Cotton Markets and Prices in India (Rs/Quintal)

Commodity	Kapas		Monthly Prices Average (Rs./Quintal)		Change
	State	Centre	Variety	Dec'19	
Gujarat	Ahmedabad	Shankar-6	5365	5141	224
	Rajkot	B.T. Cotton	5281	5141	140
	Patan	B.T. Cotton	5282	5321	-39
Haryana	Bhiwani	B.T. Cotton	5371	5322	49
	Adampur	B.T. Cotton	5180	5168	12
	Fatehabad	B.T. Cotton	5163	5169	-6
Rajasthan	Hanumangarh	B.T. Cotton	5187	5190	-3
	Rawatsar	B.T. Cotton	5108	5111	-3
Madhya Pradesh	Khandwa	Mech-1	5373	5449	-76
	Khargaon	Mech-1	5283	5299	-16
Maharashtra	Amravati	Mech-1	5170	4908	262
Uttar Pradesh	Hathras	B.T. Cotton	5295	5634	-339
Telangana	Adilabad	Un-Ginned	5037	4998	39
Karnataka	Hubli	D.C.H.	5500	5468	32
	Raichur	H-44 Cotton	5176	5034	142

Source: www.agriwatch.com

Cotton in Telangana

In Telangana state during 2019 area under cotton as on 25th September was 18,59,518 hectares as against 17,96,471 hectares during 2018-19. Among the districts, Nalgonda stood first with 2,35,408 ha followed by Adilabad (1,32,047 ha), Nagarkurnool (1,23,055 ha), Sangareddy (1,22,344ha) and Asifabad (1,05,009 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	235408	12.66
Adilabad	135249	7.53	132047	7.10
Nagarkurnool	113320	6.31	123055	6.62
Sangareddy	92728	5.16	122344	6.58
Asifabad (K.Bheem)	92773	5.16	105009	5.65
Others	1130436	62.93	1141655	61.40
Telangana State	1796471	100.00	1859518	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 December 2019

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
2	7,765	3,500	5,000	4,875
3	4,544	3,500	4,950	4,875
4	6,423	3,500	4,950	4,825
5	6,077	3,500	4,985	4,900
6	6,245	3,500	4,960	4,900
7	4,621	3,500	4,965	4,900
9	5,979	3,500	4,990	4,900
10	6,227	4,001	5,130	5,075
11	6,246	4,001	5,215	5,075
12	4,817	4,001	5,110	5,075
13	5,645	4,001	5,040	4,975
14	4,052	4,001	5,040	4,950
16	7,221	3,500	4,910	4,825
17	5,721	3,300	4,935	4,850
18	5,943	3,300	4,920	4,850
19	5,346	3,300	4,830	4,750
20	4,651	3,500	4,935	4,875
21	5,347	3,500	4,980	4,900
23	6,910	4,001	5,100	5,025
24	6,316	4,001	5,040	4,950
27	6,615	4,001	5,040	4,955
30	8,891	4,001	5,045	4,975

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

Latest USDA cotton estimates for 2019-20 project that world cotton imports will reach 44.4 million bales, nearly 4.5% above last season, and their highest since 2012-13's record of 47.6 million bales.

Cotton Corporation of India so far procured around 24 lakh bales and major procurement has been done from Telangana while, total all India arrivals stood 116 lakh bales so far. There was slight damage reported in Gujarat due to which the production is expected to be lower than expected. The moisture content of cotton arrivals in December month ranged between 8-10%.

Good export demand is still lacking due to which the prices are not as expected to increase as of last year in the same period. However, the quality of cotton has improved from 3rd picking in all the areas due to which the prices are expected to improve compared to the previous month.

A three-decade-low production forecast for Pakistan in 2019-20 is expected to result in record-high cotton imports to help sustain its spinning industry. Cotton imports for Pakistan are estimated to increase to 4.20 million US bales compared to 2.85 million bales in 2018-19. US cotton imports increased for Pakistan, India, and Turkey while at the same time reductions in China and Vietnam.

Higher domestic cotton prices have slowed down the cotton exports so far in this new season. India shipped only 6 lakh bales so far that started on 1st Oct 2019 due to the hike in MSP compared to the depressed global prices.

All the cotton exported were contracted at a price ranging between 73-75 cents/pound of which 75% were to Bangladesh, and the rest to China and Vietnam. One of the reasons for lower exports this season were due to poor quality in the wake of excessive and prolonged rains, and trade ban between India and Pakistan.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs. 5000-5300** per quintal during January 2020.