

## Cotton Outlook – May 2020

### World Scenario

Global 2019-20 cotton area, production and productivity are projected at 34.50 million hectares (85.50 million acres), 121.50 million bales and 791 Kg/ha, which were nearly 4 and 6 percent greater than that of 2018-19 estimates respectively. According to the Cotton and Wool Outlook, March estimates, India is the largest cotton producer in the world with 28.50 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 (12.00 million bales) and Pakistan (8.00 million bales).

The Indian cotton exports for the March'20 were reported much lower around 2.94 lakh bales and around 50,000 bales of organic cotton. The exports were higher around 4 lakh bales in the previous month. In March'20, the shipments were halted due to the outbreak of Covid-19 virus in various countries and trade of 20 days was reported in March month. During the time, Bangladesh was the largest importer of 1.54 lakh bales at an average FOB of \$1.57/kg followed by China importing around 1 lakh bales at an average FOB of \$1.62/kg almost similar quantity was exported in the February month. The other export destinations of India were Indonesia (9,883 bales at 1.29 \$/Kg), Vietnam (6764 bales at \$1.62/kg).

### International Price Movement

All benchmark prices fell over the past month. The China Cotton Index (CC Index 3128B) decreased from 85 to 72 cents/lb. In domestic terms, prices eased from 13,000 to just below 11,200 RMB/ton. The RMB weakened slightly against the dollar, from 6.95 to 7.06 RMB/USD. Indian cotton prices (Shankar-6 quality) dipped from 67 to 63 cents/lb. In domestic terms, values fell from 38,900 to 37,000 INR/candy. The Indian rupee weakened slightly from 74 to 76 INR/USD. Pakistani prices decreased from 70 to 64 cents/lb over the past month. In domestic terms, values fell from 9,000 to 8,800 PKR/maund. The Pakistani rupee weakened from 154 to 168 PKR/USD.

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

	Latest Value <sup>th</sup> (April 9 2020)	Latest Month (March 2020)	Last 12 Months (April 2019- March 2020)
<b>NY Nearby</b>	<b>54.40</b>	<b>57.50</b>	<b>65.30</b>
<b>A Index</b>	<b>64.40</b>	<b>67.70</b>	<b>75.90</b>
<b>CC Index</b>	<b>73.20</b>	<b>79.00</b>	<b>89.30</b>
<b>Indian Spot</b>	<b>62.00</b>	<b>65.20</b>	<b>75.80</b>
<b>Pakistani Spot</b>	<b>64.10</b>	<b>68.20</b>	<b>69.10</b>

Source: [www.cottoninc.com](http://www.cottoninc.com)

**Indian Scenario**

As on 26<sup>th</sup> 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 (18.59 lakh ha), Haryana (7.01 lakh ha) and Rajasthan (6.44 lakh ha).

**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
<b>Telangana</b>	<b>17.96</b>	<b>14.84</b>	<b>21.14</b>	<b>16.56</b>
Haryana	6.65	5.49	7.01	5.49
Rajasthan	4.96	4.10	6.44	5.04
Others	21.82	18.03	22.37	17.52
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		Montly Prices Average (Rs./Quintal)		Change
	State	Centre	Variety	Apr'20	
<b>Gujarat</b>	Ahmedabad	Shankar-6	Closed	5275	-
	Rajkot	B.T. Cotton	4888	5243	<b>-355</b>
	Patan	B.T. Cotton	4300	5115	<b>-815</b>
	Kadi	B.T. Cotton	4750	5176	<b>-426</b>
<b>Haryana</b>	Jind	B.T. Cotton	Closed	5206	-
	Uchana	B.T. Cotton	Closed	5232	-
<b>Rajasthan</b>	Hanumangarh	B.T. Cotton	Closed	5106	-
	Rawatsar	B.T. Cotton	Closed	5115	-
<b>Madhya Pradesh</b>	Khandwa	Mech-1	Closed	5038	-
	Khargaon	Mech-1	Closed	4965	-
<b>Maharashtra</b>	Amravati	Mech-1	4100	5173	<b>-1073</b>
	Jamner	Medium Staple	Closed	NA	-
<b>Uttar Pradesh</b>	Hathras	B.T. Cotton	Closed	NA	-
<b>Telangana</b>	Adilabad	Un-Ginned	Closed	4782	-
<b>Karnataka</b>	Bijapur	Bunny	Closed	5192	-

Source: www.agriwatch.com

**Cotton in Telangana**

In Telangana state during 2019 area under cotton as on 25<sup>th</sup> September was 21,14,145 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	12.95
Adilabad	135249	7.53	140332	6.64
Nagarkurnool	113320	6.31	142192	6.73
Sangareddy	92728	5.16	140009	6.62
Asifabad (K.Bheem)	92773	5.16	124884	5.91
Others	1130436	62.93	1293029	61.16
Telangana State	1796471	100.00	2114145	100.00

Source: [www.agri.telangana.gov.in](http://www.agri.telangana.gov.in)

**Cotton Outlook**

International Cotton Advisory Committee (ICAC) highlights in its report that global cotton consumption is likely to decline by 12% this year (2019-20), reducing global trade to 8.26 million tonnes amid pandemic across the globe. In 2020-21, global area is projected to decrease by 4% to 33 million hectares, with India remaining the top regarding the sown area to around 12 million hectares. The current price projection for the year-end 2019-20 average of the Cotlook A Index has been revised to 71.4 cents per pound this month. The price projection for the year-end 2020-21 average of the A Index is 56.9 cents per pound this month.

The trade remained suspended in Pakistan amid the outbreak of corona virus and lockdown across the country. Farmers in Pakistan have urged the government to announce support price of the cotton crop for the current season at Rs 5000 per maund on priority basis encouraging the farmers to go for this crop.

One of the largest importers of cotton after China and Vietnam is Bangladesh. The pandemic lead the country to lockdown for more than a month and standstill functioning of the mills. many problems are being faced by Bangladesh in importing cotton and yarn due to the delayed shipments and now the industry is facing from financial crisis for the payment.

Global cotton consumption has been lowered in all significant markets due to the effects of COVID19. Lower global trade reflects these downward revisions in major consuming countries; with production and beginning stocks up marginally, ending stocks are up more than 8 percent.

All the local cotton markets in Maharashtra, Rajasthan, Punjab, Haryana, AP and Telangana were closed due to the outbreak of Covid-19. But the remaining markets are likely to open slowly.

So far CCI has procured around 84 lakh bales of cotton, where 82% of the cotton purchased of the arrivals in Telangana followed by Maharashtra where 32% of the cotton is purchased out of the total arrivals in the state.

Around 50% of the cotton would be purchased by CCI in the 20% of the arrivals that is to arrive in the market, according to CCI. So far, 283 lakh bales of cotton is arrived in the market till March'20 end.

Average price of Kapas in Rajkot stood around 4800- 4950/q in last 4-5 days. Average price was weaker at Rs. 36900 per candy (of 355.6 kg each) of premium quality during the month, which was Rs 38380 per candy previous month.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs.4500 – 4800** per quintal during May 2020.