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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures
for the period 12/01/2021 to 07/02/2021

(The author is Director of Commtrendz Research and the views expressed in this column are his own and the author is not liable for any loss or damage, including without limitations, any profit or loss which may arise directly or indirectly from the use of following information.)

We will look into the Gujarat-ICS-105, 29mm prices along with other benchmarks and try to forecast price moves going forward.

As mentioned in the previous update, fundamental analysis involves studying and analysing various reports, data and based on that arriving at some possible direction for prices in the coming months or quarters.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures rose higher in line with international prices, as better export outlook support prices despite higher cotton output estimate and higher opening stocks.

- Cotton arrivals across the country during 1-10 Jan has reached near 1.6 lakh tons, which is down by 41% from last month and down by over 55% Y-o-Y.

- Earlier, CAI (Cotton Association of India) increased the Indian cotton output estimates for 2020-21 season to 358.50 lakh bales (170 kg) against 356 lakh bales pegged previously. CAI has also increased cotton opening stock for 2020-21 at 125 lakh bales against closing stock for 2019-20 projected at 107.50 lakh bales.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures rose on Friday, supported by a strong USDA WASDE report. The largest changes in the global 2020/21 cotton outlook this month are lower production and ending stocks, led by changes in the United States. World production is forecast more than 1.0 million bales lower, with non-U.S. reductions including Pakistan, Mali, and Argentina.

- The Projected world consumption in 2020/21 is 100,000 bales higher this month, as a 500,000-bale increase for China and a 200,000-bale increase for Turkey are partly offset by reductions for Indonesia, Vietnam, the United States, and some smaller countries. Similarly, a 500,000-bale increase in China's projected imports is partly offset by a 200,000-bale decline for Indonesia. World trade is projected 350,000 bales higher, with Australia

EXPERT'S Column



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and Mexico exports up by smaller amounts than the United States, and lower exports projected for Mali. World ending stocks in 2020/21 are 1.2 million bales lower this month at 96.3 million bales, 3.0 million bales lower than the year before.

- However, capping the upside for cotton, worldwide COVID-19 cases surpassed 90 million on Monday, with new variants of the coronavirus spreading rapidly. The new COVID-19 variants discovered initially in the United Kingdom and South Africa are rapidly spreading globally. Europe, which became the first region to report 25 million cases last week, remains the worst-affected area in the world, followed by North and Latin America with 22.4 million and 16.3 million cases respectively

Guj ICS Price Trend

As mentioned in the previous update, we expected the rebound to have the potential to turn into a strong upward move in the coming sessions. Prices have decisively crossed 12,000 levels and are headed even higher towards 13,000 levels in the coming weeks. Supports are at 11,700 followed by 11,300 in the coming sessions.



MCX Jan Contract Chart

The MCX benchmark for Jan cotton moved higher as expected. As mentioned before, any rise above 20,500 could result in a sharper rally higher again. Price could gradually edge higher towards 22,545-600 in the coming sessions. Supports are seen at 20,500 followed by 20,000 now.



We will also look at the ICE Cotton Dec futures charts for a possible direction in international prices.



As mentioned before, chances exist even for an extension to 78c on the upside. Prices are showing extreme bullish tendencies which could lift prices all the way to 90c in the coming weeks with a bright chance of even extending to 94-95c being a long-term resistance, where strong resistances could kick in. Support is now seen at 77-78c and while it holds, we expect more upside in the coming months. Only an unexpected fall below 74c could turn the outlook from neutral to bearish. Such a fall could see a dip to 65-66c subsequently, which is not our favoured view.

Conclusion:

The domestic prices are hinting at more upside now while the international prices are still showing a lot of promise on the upside. International cotton futures still continue to display strong bullish tendencies for the time being. The domestic prices are inching lower after a bout of profit-taking, and could edge higher again from present levels, but there could be corrections from time to time, as the prices might find it tough to rise relative to the international markets. The international price indicates strong positive momentum in the short-term, while medium-term still looks bullish. We believe prices could get supported around 78-80c range and gradually edge higher to the levels mentioned above.

For Guj ICS supports are seen at 11,500-700/qtl followed by 11,000/qtl, and for ICE Mar cotton futures at 78c followed by 76c. The domestic technical picture looks strong now, and the international prices are relatively more bullish compared to the domestic prices. We expect domestic prices to edge higher slowly from current levels. Therefore, though we expect more bullishness ahead in international markets, domestic prices might struggle to cope up with it.

CAI Increases its Crop Estimate for 2020-21 Season to 358.50 Lakh Bales

Cotton Association of India (CAI) has released its December estimate of the cotton crop for the Season 2020-21 beginning on 1st October 2020.

CAI has increased its cotton crop estimate for the 2020-21 season by 2.50 lakh bales to 358.50 lakh bales of 170 kgs each (i.e. 380.91 lakh running bales of 160 kgs each) from its previous estimate of 356 lakh bales of 170 kgs each (i.e. 378.25 lakh running bales of 160 kgs each) made during last month. The state-wise break-up of cotton production and Balance Sheet for 2020-21 season with the corresponding data for the previous crop year are given below.

Total cotton supply estimated by the CAI during the months of October to December 2020 is 327.35 lakh bales of 170 kgs. each i.e. 347.81 lakh running bales of 160 kgs. each, which comprises of the arrivals of 197.85 lakh bales of 170 kgs. each (i.e. 210.22 lakh running bales of 160 kgs. each) during the months of October to December 2020, imports of cotton estimated at 4.50 lakh bales of 170 kgs. each (4.78 lakh running bales of 160 kgs .each) upto 31st December 2020 and opening stock as on 1st October 2020, in which the Committee has made one-time increase from 107.50 lakh bales of 170 kgs each to 125.00 lakh bales of 170 kgs each (i.e. equivalent to 132.81 lakh running bales of 160 kgs each on account of an inadvertent error crept in not accounting the stock of sold but not delivered cotton of Government agencies viz. CCI and Maharashtra Federation at the close of the previous cotton year.

Further, the CAI has estimated cotton consumption during the months of October to December 2020 at 82.50 lakh bales of 170 kgs each (equivalent to 87.66 lakh running bales of 160 kgs each) while export shipments of cotton estimated by the CAI upto 31st December 2020, are estimated at 20 lakh bales of 170 kgs each (equivalent to 21.25 lakh running bales of 160 kgs each).

Stock at the end of December 2020 is estimated by the CAI at 224.85 lakh bales of 170 kgs each (238.90 lakh running bales of 160 kgs each) including 65.00 lakh bales of 170 kgs. each

(equivalent to 69.06 lakh running bales of 160 kgs. each) held by mills in their godowns on 31st December 2020 and 159.85 lakh bales of 170 kgs each (169.84 lakh running bales of 160 kgs each held by CCI, Maharashtra Federation, MNCs, Ginners etc.

The CAI Crop Committee has estimated the total cotton supply till end of the cotton season 2020-21 that is upto 30th September 2021, at 497.50 lakh bales of 170 kgs each (equivalent to 528.59 lakh running bales of 160kgs each). This consists of the revised opening stock of 125.00 lakh bales of 170 each at the beginning of the season on 1st October 2020, crop for the season estimated at 358.50 lakh bales of 170 kgs each (equivalent to 380.91 lakh running bales of 160 kgs each) and imports estimated by the CAI at 14 lakh bales of 170 kgs. each (equivalent to 14.88 lakh running bales of 160 kgs each). The imports estimated for the cotton season 2020-21 are less by 1.50 lakh bales of 170 kgs each (16.47 lakh running bales of 160 kgs each) estimated for the previous crop year.

Domestic Consumption has now been estimated by the CAI at 330 lakh bales of 170 kgs each (equivalent to 350.63 lakh running bales of 160 kgs each) i.e. at the same level as estimated previously. There is an increase of 80 lakh bales of 170 kgs each in the cotton consumption for the cotton season 2020-21 from previous year's consumption estimate of 250 lakh bales. The consumption is estimated to reach its normal level this year after the disruption and labour shortage caused on account of the lockdown imposed in the country. The CAI has estimated exports for the season at 54 lakh bales of 170 kgs. each (equivalent to 57.38 lakh running bales of 160 kgs each). The carry-over stock at the end of the cotton season 2020-21 is estimated by the CAI at 113.50 lakh bales of 170 kgs. each (equivalent to 120.59 lakh running bales of 160 kgs. each)

Highlights of Deliberations held by the Crop Committee of Cotton Association of India on 6th January 2021

Crop Committee of Cotton Association of India (CAI) held its meeting on 6th January

2021 by video conferencing where 27 members representing all cotton producing states and stakeholders, who attended this meeting, arrived at the December estimate of the cotton crop for the 2020-21 season beginning on 1st October 2020 and drew an estimated cotton balance sheet based on the data available from various trade sources, upcountry associations and other stakeholders.

The following are the highlights of deliberations of the Crop Committee of the CAI: -

1) CONSUMPTION

The CAI has retained its consumption estimate for the current crop year at the same level as estimated in the last month i.e. 330.00 lakh bales of 170 kgs. each (equivalent to 350.63 lakh running bales of 160 kgs. each). The consumption for the previous season was estimated at 250 lakh bales due to the disruptions caused on account of COVID-19 pandemic. Consumption is now expected to reach the pre-lockdown level of 330 lakh bales during the 2020-21 season.

Upto 31st December 2020, consumption is estimated at 82.50 lakh bales of 170 kgs. each (equivalent to 87.66 lakh running bales of 160 kgs. each).

2) PRODUCTION

The CAI has increased its cotton production estimate for the season 2020-21 by 2.50 lakh bales of 170 kgs each to 358.50 lakh bales of 170 kgs each (equivalent to 380.91 lakh running bales of 160 kgs each) as against its production estimate of 356 lakh bales of 170 kgs each (equivalent to 378.25 lakh running bales of 160 kgs each) made earlier.

The Committee members will closely monitor the cotton arrivals in the subsequent months and if any addition or reduction is required to be made in the production estimate, the same will be made in the CAI reports.

3) IMPORTS

The estimate of the cotton imports into India has been maintained by the CAI at the same level as estimated in the previous month i.e. at 14.00 lakh bales of 170 kgs. each (equivalent to 14.88 lakh running bales of 160 kgs. each) which is less by 1.50 lakh bales of 170 kgs. each from

15.50 lakh bales of 170 kgs. each estimated for the 2019-20 crop year.

Upto 31st December 2020, about 4.50 lakh cotton bales of 170 kgs. each are estimated to have arrived at Indian ports.

4) EXPORTS

The CAI has maintained its exports estimate for the 2020-21 season at 54 lakh bales of 170 kgs each (equivalent to 57.38 lakh running bales of 160 kgs each) i.e. at the same level as estimated in the previous month, against the previous year's export estimate of 50 lakh bales of 170 kgs. each (equivalent to 53.13 lakh running bales of 160 kgs each)

Upto 31st December 2020, 20 lakh bales of 170 kgs. each (21.25 lakh running bales of 160 kgs. each) are estimated to have been shipped.

5) ARRIVALS

Indian cotton arrivals during the months of October to December 2020 are estimated at 197.85 lakh bales of 170 kgs. each which are equivalent to 210.22 lakh running bales of 160 kgs. each.

6) STOCK AS ON 31ST DECEMBER 2020

Cotton stock held by mills in their godowns on 31st December 2020 is estimated at 65.00 lakh bales of 170 kgs each (equivalent to 69.06 lakh running bales of 160 kgs. each). Mills have on an average about 72 days' cotton stock in their godowns.

CCI, Maharashtra Federation, MNCs, Ginners, MCX, etc are estimated to have stock of about 159.85 lakh bales of 170 kgs. each as on 31st December 2020 which is equivalent to about 169.84 lakh running bales of 160 kgs. each.

Thus, total stock held by spinning mills and stockists on 31st December 2020 is estimated at 224.85 lakh bales of 170 kgs. each, which is equal to about 238.90 lakh running bales of 160 kgs. each.

7) CLOSING STOCK AS ON 30TH SEPTEMBER 2021

Closing stock as on 30th September 2021 is estimated by the Committee at 113.50 lakh bales of 170 kgs. each which is equivalent to about 120.59 lakh running bales of 160 kgs. each.

CAI's Estimates of Cotton Crop as on 31st December 2020 for the Seasons 2020-21 and 2019-20
(in lakh bales of 170 kg.)

State	Production Estimate *				Arrivals as on 31st December 2020	
	2020-21		2019-20		2020-21	
	In running b/s of 160 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 160 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 160 Kgs. each	In lakh b/s of 170 Kgs. each
Punjab	11.16	10.50	10.09	9.50	8.61	8.10
Haryana	21.78	20.50	27.09	25.50	16.47	15.50
Upper Rajasthan	18.06	17.00	13.81	13.00	14.88	14.00
Lower Rajasthan	14.88	14.00	15.94	15.00	10.63	10.00
Total North Zone	65.88	62.00	66.94	63.00	50.58	47.60
Gujarat	99.88	94.00	100.94	95.00	39.31	37.00
Maharashtra	90.31	85.00	92.44	87.00	47.81	45.00
Madhya Pradesh	21.25	20.00	19.13	18.00	10.63	10.00
Total Central Zone	211.44	199.00	212.50	200.00	97.75	92.00
Telangana	51.00	48.00	55.25	52.00	32.67	30.75
Andhra Pradesh	17.00	16.00	16.20	15.25	8.50	8.00
Karnataka	26.03	24.50	21.25	20.00	16.04	15.10
Tamil Nadu	5.31	5.00	5.31	5.00	2.13	2.00
Total South Zone	99.34	93.50	98.02	92.25	59.34	55.85
Orissa	3.19	3.00	3.98	3.75	1.81	1.70
Others	1.06	1.00	1.06	1.00	0.74	0.70
Total	380.91	358.50	382.50	360.00	210.22	197.85

* Including loose

The Balance Sheet drawn by the Association for 2020-21 and 2019-20 is reproduced below:-

(in lakh bales of 170 kg.)

Details	2020-21	2019-20
Opening Stock	* 125.00	32.00
Production	358.50	360.00
Imports	14.00	15.50
Total Supply	497.50	407.50
Mill Consumption	288.00	218.00
Consumption by SSI Units	24.00	18.00
Non-Mill Use	18.00	14.00
Total Domestic Demand	330.00	250.00
Available Surplus	167.50	157.50
Exports	54.00	50.00
Closing Stock	113.50	107.50

* One time adjustment of 17.50 lakh bales made in the Opening stock i.e. 107.50 lakh bales to 125.00 lakh bales by the CAI Statistics Committee in the meeting held on 6th January 2021.

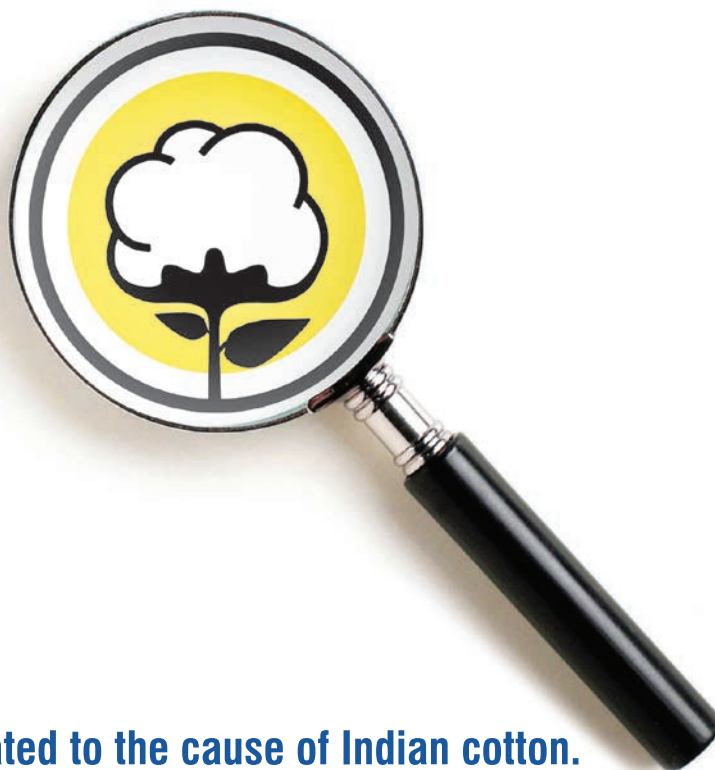
Balance Sheet of 3 months i.e. from 1.10.2020 to 31.12.2020 for the season 2020-21

Details	In lakh b/s of 170 kg.	In '000 Tons
Opening Stock as on 01.10.2020	125.00	2125.00
Arrivals upto 31.12.2020	197.85	3363.45
Imports upto 31.12.2020	4.50	76.50
Total Available	327.35	5564.95
Consumption	82.50	1402.50
Export Shipments upto 31.12.2020	20.00	340.00
Stock with Mills	65.00	1105.00
Stock with CCI, Maha. Fedn., MCX, MNCs & Ginners	159.85	2717.45
Total	327.35	5564.95

Details of Stock with CCI, Maha. Fedn., MCX, MNCs & Ginners as on 31.12.2020

CCI	116.00
Maharashtra Fedn.	17.00
MCX	1.00
Ginners/ Traders	14.85
MNCs	11.00
TOTAL	159.85

Note : CCI and Maharashtra Fedn. figures also include unsold and sold but not delivered stocks.



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The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

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• **Madhya Pradesh :** Khargone • **Karnataka :** Hubli • **Punjab :** Bathinda • **Telangana :** Warangal, Adilabad



COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES													
								(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2019-20 Crop January 2021					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	4th	5th	6th	7th	8th	9th
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	7536 (26800)	7536 (26800)	7592 (27000)	7592 (27000)	7677 (27300)	7761 (27600)
Spot Rate (Upcountry) 2020-21 Crop													
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10770 (38300)	10770 (38300)	10826 (38500)	10826 (38500)	10826 (38500)	10770 (38300)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	10911 (38800)	10911 (38800)	10967 (39000)	10967 (39000)	10967 (39000)	10911 (38800)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	8661 (30800)	8577 (30500)	8520 (30300)	8492 (30200)	8492 (30200)	8492 (30200)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	10798 (38400)	10714 (38100)	10629 (37800)	10573 (37600)	10545 (37500)	10545 (37500)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	11698 (41600)	11754 (41800)	11867 (42200)	11867 (42200)	11867 (42200)	11867 (42200)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	9561 (34000)	9476 (33700)	9420 (33500)	9420 (33500)	9420 (33500)	9420 (33500)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	11838 (42100)	11895 (42300)	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	10067 (35800)	9983 (35500)	9983 (35500)	9983 (35500)	9983 (35500)	9983 (35500)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	10714 (38100)	10714 (38100)	10714 (38100)	10714 (38100)	10714 (38100)	10714 (38100)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	11923 (42400)	11979 (42600)	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	11754 (41800)	11810 (42000)	11867 (42200)	11867 (42200)	11867 (42200)	11867 (42200)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	11810 (42000)	11867 (42200)	11923 (42400)	11923 (42400)	11923 (42400)	11923 (42400)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	11838 (42100)	11895 (42300)	11951 (42500)	11951 (42500)	11951 (42500)	11951 (42500)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	11726 (41700)	11810 (42000)	11923 (42400)	11923 (42400)	11951 (42500)	11979 (42600)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	12007 (42700)	12063 (42900)	12092 (43000)	12092 (43000)	12092 (43000)	12092 (43000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12063 (42900)	12120 (43100)	12148 (43200)	12148 (43200)	12148 (43200)	12148 (43200)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	12035 (42800)	12092 (43000)	12148 (43200)	12148 (43200)	12148 (43200)	12148 (43200)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	12317 (43800)	12317 (43800)	12401 (44100)	12429 (44200)	12429 (44200)	12429 (44200)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	12345 (43900)	12345 (43900)	12429 (44200)	12457 (44300)	12457 (44300)	12457 (44300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	12598 (44800)	12626 (44900)	12710 (45200)	12710 (45200)	12710 (45200)	12710 (45200)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	12626 (44900)	12654 (45000)	12738 (45300)	12738 (45300)	12738 (45300)	12738 (45300)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	12823 (45600)	12823 (45600)	12907 (45900)	12907 (45900)	12907 (45900)	12907 (45900)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	17238 (61300)	17294 (61500)	17378 (61800)	17434 (62000)	17631 (62700)	17828 (63400)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	34	17716 (63000)	17800 (63300)	17940 (63800)	17997 (64000)	18194 (64700)	18390 (65400)

(Note: Figures in bracket indicate prices in Rs./Candy)