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Rupee: Mercurial Mood in 2024

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EXPERT'S Column



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A Broad Perspective of Rupee Recent Dynamics

The Rupee had been in a small range of 83 to 83.40 in the last three months. In fact, if one looks at the graph one could see Rupee stagnant for most part of the trading session moving for just 10-15 paise. The basic reason for the same was:

- RBI had been buying dollars and selling them almost simultaneously since November-23. There were inflows from FPIs, for investment in share market via IPOs/secondary market investment/debt which were absorbed by RBI taking reserves to \$615.97 bn.

- US has been raising interest rates and withdrawing the QE (which it had given in 2020-21) due to which most liquidity that had floated during this period was going back to US creating a shortage of dollars. Thus countries in Africa/South America in particular have been facing crucial dollar shortages to fund their imports. We too were facing the same which can be understood by the fact RBI has been keeping dollar and Rupee liquidity tight for different reasons causing a cash crunch in the system. A person having hard cash dollars in hand was getting a premium of 20-30 paise.

- A large petrochemical company was buying \$ for paying for the Russian Oil imported in 2023 due to which Rupee was accumulated in the Vostro account. Possibly, the payment was being made in Yuan.

- Oil companies are buying \$ for payments as also advance payment to Venezuela which has started oil exports.

- ECB redemptions are happening due to high interest rates in US/Euro Zone. Panicked importers are buying \$ to pay their near term liabilities on a daily basis. Payments have been happening for Govt. debt and defense.

- RBI is the only supplier of dollar in the market (as inflows are getting absorbed by them) while exporters have been selling only for cash/near term. No forward contracts are being booked for far term say beyond 3 months.

Events in the Next Six Months to One Year

Lok Sabha Election: We have the general elections due in the next four months. Our FDI has fallen in the current year to \$33 billion (upto Sept 2023) from \$ 71 billion last year as foreign investors are waiting for clarity on the return of the Government.

Fed Rate Cuts: Fed has signaled the rate cut scenario in its last meeting (3 cuts in 2024 as against market expectation of 6 cuts) and ECB

and BOE are still a bit hawkish. Dollar index and US 10-year yield falls. This signals a bearish view for \$ as focus shifts from controlling inflation to growth. US growth next year is expected to be down from a high of 5.2% achieved in the third quarter to less than 2% and we could also see the recession coming next year. So with the first target of controlling inflation achieved the US Fed has put its focus on achieving growth and could see rates fall to as low as 2% by 2025-26. US elections though far away are also due in a year.

Global Bond Index Inclusion: From June-28th the investors will start the inclusion in JPM Global Bond index by investing to the tune of \$ 25 billion in a period of 1 year. RBI would surely like to absorb these inflows and may keep Rupee in a range of 82 to 84 in these times.

US Dollar Index: Dollar is expected to be soft in 2024 with rate easing cycle and could give Rupee the necessary boost for an appreciation in the coming year from around March-24.

Brent Oil: Oil has fallen considerably which reduces our current account deficit considerably and could help in achieving a + BOP. The CAD in current year is also expected to be under control and possibly 20 bps 2022-23 better than last year at 2% (2022-23).

Rupee Premiums: There is already an arbitrage running between US 1-year and India 1-year interest rates and the premiums. India 1-year treasury yields are at 7.17, US 1-year which is at 4.95%. The net difference is 2.22% as compared to premiums at 1.75%. This indicates that premiums will rise in the coming days to curb the arbitrage of 47 bps. We could then see spot coming down.

China Scenario: China has slowed down considerably and investments by FDIs/FPIs are getting diverted to economies like Vietnam and India.

Conclusion

USD/INR could fall to 82.50-82.00 in coming quarters reeling under the big ticket inflows due to the circumstances mentioned above. We suggest exporters to sell their exposure and importers are suggested to buy very near term exposure on dip.

What The Future Holds For Rupee?

Market is welcoming the new year with new

foresight for all asset class. The circumstances changed from rate hikes to rate cuts on table, from raging inflation to easing one amid cooling of geopolitical war worries.

Past two years we have seen a huge volatility in almost every asset class, Oil falling from 14-years high of \$138/bl to \$70/bl, US 10-years bond posting a 16-years high of 5.02%, while Gold & Nifty touching a life-time high of \$2146/oz and 21675 respectively.

Indian Rupee has exhibited low volatility compared to emerging economies in 2023 due to the improving macroeconomics of India, despite elevated US treasury yields and a stronger US dollar and its resilience in the face of formidable global tsunamis.



Factors That Can Trigger The Rupee Movement

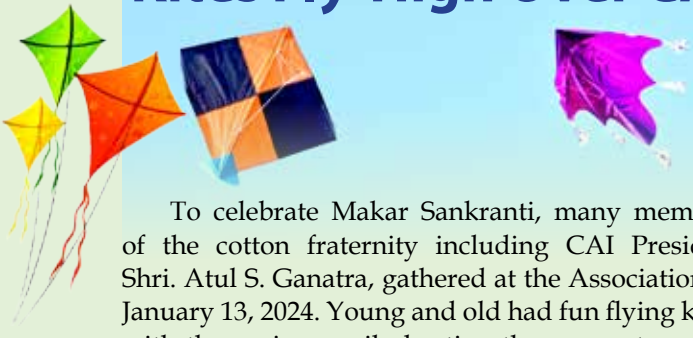
Lok Sabha Election

As observed in 2014 and in 2019 pre-election period Rupee appreciated around Rs.4. The latest state election result is being viewed as the semi-final to the 2024 Lok Sabha elections and with BJP standing strong in 3 out of 5 gives the upper hand for current government to set favorable stage for 2024 election. Now the question is Can this time also Rupee appreciate by 3-4 against US dollar in pre-election period?

While post-election after the results are announced Rupee tends to depreciate again with almost double the magnitude of appreciation. However, this year with India standing strong on fundamentals and expected to attract more inflows in coming months, the magnitude of depreciation should be less as compared to previous two election years.

(The views expressed in this column are of the author and not that of Cotton Association of India)

Kites Fly High Over CAI



To celebrate Makar Sankranti, many members of the cotton fraternity including CAI President Shri. Atul S. Ganatra, gathered at the Association on January 13, 2024. Young and old had fun flying kites, with the seniors easily beating the youngsters with their kite flying prowess! This was followed by high tea. Here are a few glimpses of the colourful event.



CAI Maintains its December Pressing Estimate for 2023-24 Cotton Season at 294.10 Lakh Bales

Cotton Association of India (CAI) has released its December estimate of the cotton pressing numbers for 2023-24 season, which began on 1st October 2023. CAI has retained its cotton pressing estimate for 2023-24 season at 294.10 lakh bales of 170 kgs. each (equivalent to 308.62 lakh running bales of 162 kgs. each). Based on input received from the members of 11 cotton growing state associations and other trade sources, the Committee maintained pressing figures for 2023-24 season at the same level as estimated by it previously. The State-wise break-up of the Cotton pressing numbers as well as Balance Sheet for the season with the corresponding data for the previous crop year are given below.

The total supply till end of December 2023 is estimated at 148.90 lakh bales of 170 kgs. each (equivalent to 156.25 lakh running bales of 162 kgs. each) which consists of the arrivals of 116.00 lakh bales of 170 kgs. each (equivalent to 121.73 lakh running bales of 162 kgs. each), imports of 4.00 lakh bales of 170 kgs. each (equivalent to 4.20 lakh running bales of 162 kgs. each) and the opening stock estimated by the CAI at 28.90 lakh bales of 170 kgs. each (equivalent to 30.33 lakh running bales of 162 kgs. each) at the beginning of the season.

Further, the CAI has estimated cotton consumption upto the end of December 2023 at 81.00 lakh bales of 170 kgs. each (equivalent to 85 lakh running bales of 162 kgs. each) while the export shipments upto 31st December 2023 are estimated by the CAI at 5.00 lakh bales of 170 kgs. each (equivalent to 5.25 lakh running bales of 162 kgs. each). Stock at the end of December 2023 is estimated at 62.90 lakh bales of 170 kgs. each (equivalent to 66 lakh running bales of 162 kgs. each) including 36.00 lakh bales of 170 kgs. each (equivalent to 38 lakh running bales of 162 kgs. each) with textile mills which is about 42 days consumption and the remaining 26.90 lakh bales of 170 kgs. each (equivalent to 28.23 lakh running bales of 162 kgs. each) with CCI, Maharashtra Federation and others (MNCs,

traders, ginners, etc.) including cotton sold but not delivered.

The CAI has retained its total cotton supply till end of the cotton season 2023-24 (i.e. upto 30th September 2024) at the same level as estimated earlier i.e. 345 lakh bales of 170 kgs. each (equivalent to 362.04 lakh running bales of 162 kgs. each). The total cotton supply consists of the opening stock of 28.90 lakh bales (equivalent to 30.33 lakh running bales of 162 kgs. each) at the beginning of 2023-24 season on 1st October 2023, cotton pressing numbers estimated for the season at 294.10 lakh bales of 170 kgs. each (equivalent to 308.62 lakh running bales of 162 kgs. each) and imports for the season estimated at 22 lakh bales of 170 kgs. each (equivalent to 23.09 lakh running bales of 162 kgs. each). The cotton imports estimated by the CAI for the season are higher by 9.50 lakh bales of 170 kgs. each compared to last year.

The domestic consumption estimated by the CAI is the same as last year i.e. 311 lakh bales of 170 kgs. each (equivalent to 326.36 lakh running bales of 162 kgs. each). The exports for the season 2023-24 estimated by the CAI are the same as estimated previously i.e. 14 lakh bales of 170 kgs. each (equivalent to 14.69 lakh running bales of 162 kgs. each) as against 15.50 lakh bales of 170 kgs. each (equivalent to 16.27 lakh running bales of 162 kgs. each) estimated for 2022-23 season.

Salient Features of the CAI Crop Committee Meeting held on 10th January 2024

The Crop Committee of the Cotton Association of India (CAI) held its meeting on Wednesday, the 10th January 2024 virtually, which was attended by 22 members representing various cotton growing regions of the country. Based on the input given by the representatives of each state association, the CAI Crop Committee has estimated total cotton pressing numbers for 2023-24 season and has also drawn cotton balance sheet for 2023-24 season.

The following are the salient features of the CAI crop report: -

1. Consumption

The CAI has maintained cotton consumption for 2023-24 season at 311 lakh bales of 170 kgs. each (equivalent to 326.36 lakh running bales of 162 kgs. each) i.e. same as estimated previously.

Upto 31st December 2023, the consumption is estimated at 81 lakh bales of 170 kgs. each (equivalent to 85 lakh running bales of 162 kgs. each).

2. Cotton Pressing

As per the crop report submitted by upcountry associations and trade sources at the meeting of the CAI Crop Committee, the Committee has retained its cotton pressing at 294.10 lakh bales of 170 kgs. each (equivalent to 308.62 lakh running bales of 162 kgs. each).

The Committee members will have a close watch on the pressing numbers of cotton in the subsequent months and if any addition or reduction is required to be made in the pressing numbers, the same will be made in the CAI report.

CAI's Cotton Pressing Estimate for the Seasons 2023-24 and 2022-23

(in lakh bales of 170 kg.)

State	Indian Cotton pressing Estimate*				Pressed Cotton Bales as on 31st December 2023	
	2023-24		2022-23		2023-24	
	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each	In running b/s of 162 Kgs. each	In lakh b/s of 170 Kgs. each
Punjab	4.72	4.50	2.89	2.75	2.22	2.12
Haryana	15.74	15.00	11.54	11.00	7.52	7.17
Upper Rajasthan	11.54	11.00	18.89	18.00	8.33	7.94
Lower Rajasthan	12.07	11.50	11.81	11.25	9.81	9.35
Total North Zone	44.07	42.00	45.12	43.00	27.89	26.58
Gujarat	89.20	85.00	99.07	94.41	33.17	31.61
Maharashtra	80.38	76.60	84.70	80.71	19.54	18.62
Madhya Pradesh	18.89	18.00	20.46	19.50	7.58	7.22
Total Central Zone	188.47	179.60	204.23	194.62	60.29	57.45
Telangana	31.48	30.00	32.01	30.50	17.13	16.32
Andhra Pradesh	13.12	12.50	17.21	16.40	5.77	5.50
Karnataka	19.41	18.50	23.61	22.50	9.23	8.80
Tamil Nadu	6.82	6.50	5.72	5.45	0.37	0.35
Total South Zone	70.83	67.50	78.55	74.85	32.50	30.97
Orissa	3.15	3.00	3.60	3.43	0.52	0.50
Others	2.10	2.00	3.15	3.00	0.52	0.50
Total	308.62	294.10	334.65	318.90	121.73	116.00

* Including loose

3. Imports

The cotton imports into India during 2023-24 season are also maintained at 22 lakh bales of 170 kgs. each (equivalent to 23.09 lakh running bales of 162 kgs. each) as against 12.50 lakh bales of 170 kgs. each (equivalent to 13.12 lakh running bales of 162 kgs. each) estimated for last season. The cotton imports estimated for the ongoing crop year 2023-24 are higher by 9.50 lakh bales of 170 kgs. each compared to last year.

Upto 31st December 2023, about 4.00 lakh bales of 170 kgs. each (equivalent to 4.20 lakh running bales of 162 kgs. each) are estimated to have arrived the Indian Ports.

The Balance Sheet drawn by the Association for 2023-24 and 2022-23 is reproduced below: -

(in lakh bales of 170 kg.)

Details	2023-24	2022-23
Opening Stock	28.90	24.00
Cotton Pressing	294.10	318.90
Imports	22.00	12.50
Total Supply	345.00	355.40
Mill Consumption	280.00	280.00
S.S.I. Consumption	15.00	15.00
Non-Textile Consumption	16.00	16.00
Total Domestic Demand	311.00	311.00
Available Surplus	34.00	44.40
Exports	14.00	15.50
Closing Stock	20.00	28.90

4. Exports

The Committee has retained its cotton exports estimate at 14 lakh bales of 170 kgs. each (equivalent to 14.69 lakh running bales of 162 kgs. each). The cotton exports for 2023-24 crop year are estimated to be lower at 1.50 lakh bales of 170 kgs. each as against 15.50 lakh bales of 170 kgs. each (equivalent to 16.27 lakh running bales of 162 kgs. each) estimated for the last season.

5. Closing Stock as at 30th September 2024

The closing stock as on 30th September 2024 is estimated at 20 lakh bales of 170 kgs. each (equivalent to 20.99 lakh running bales of 162 kgs. each) as against 28.90 lakh bales of 170 kgs. each (equivalent to 30.33 lakh running bales of 162 kgs. each) in last year.

**Balance Sheet of 3 months
i.e. from 1.10.2023 to 31.12.2023
for the season 2023-24**

Details	In lakh b/s of 170 kg.	In '000 Tons
Opening Stock as on 01.10.2023	28.90	491.30
Arrivals upto 31.12.2023	116.00	1972.00
Imports upto 31.12.2023	4.00	68.00
Total available	148.90	2531.30
Consumption	81.00	1377.00
Export Shipments upto 31.12.2023	5.00	85.00
Stock with Mills	36.00	612.00
Stock with CCI, Maha Fedn., MNCs, Ginners, Traders & Exporters	26.90	457.30
Total	148.90	2531.30

COTTON ASSOCIATION OF INDIA



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Established in 1921
ISO 9001:2015

**A CHILD'S CHILDHOOD IS FOR LEARNING
DON'T USE THEIR CHILDHOOD FOR EARNING
SAY NO TO CHILD LABOUR**

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) 2022-23 Crop January 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	8th	9th	10th	11th	12th	13th
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	11979 (42600)	11923 (42400)	11895 (42300)	11867 (42200)	11867 (42200)	11867 (42200)
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	13554 (48200)	13498 (48000)	13441 (47800)	13413 (47700)	13413 (47700)	13413 (47700)
								Spot Rate (Upcountry) 2023-24 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	13244 (47100)	13244 (47100)	12963 (46100)	12935 (46000)	13048 (46400)	13048 (46400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	13385 (47600)	13385 (47600)	13104 (46600)	13076 (46500)	13188 (46900)	13188 (46900)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	14594 (51900)	14594 (51900)	14510 (51600)	14510 (51600)	14566 (51800)	14566 (51800)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	14735 (52400)	14735 (52400)	14650 (52100)	14650 (52100)	14707 (52300)	14707 (52300)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	13723 (48800)	13638 (48500)	13610 (48400)	13638 (48500)	13638 (48500)	13638 (48500)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	14341 (51000)	14257 (50700)	14229 (50600)	14341 (51000)	14341 (51000)	14341 (51000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	14904 (53000)	14904 (53000)	14791 (52600)	14791 (52600)	14791 (52600)	14791 (52600)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15016 (53400)	14988 (53300)	14960 (53200)	14988 (53300)	15016 (53400)	15016 (53400)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15072 (53600)	15044 (53500)	15016 (53400)	15044 (53500)	15072 (53600)	15072 (53600)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	15297 (54400)	15297 (54400)	15269 (54300)	15269 (54300)	15297 (54400)	15297 (54400)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15185 (54000)	15185 (54000)	15129 (53800)	15129 (53800)	15157 (53900)	15157 (53900)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15297 (54400)	15269 (54300)	15241 (54200)	15269 (54300)	15297 (54400)	15297 (54400)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15353 (54600)	15325 (54500)	15297 (54400)	15325 (54500)	15353 (54600)	15353 (54600)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15522 (55200)	15522 (55200)	15494 (55100)	15494 (55100)	15522 (55200)	15522 (55200)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	15494 (55100)	15466 (55000)	15438 (54900)	15466 (55000)	15494 (55100)	15494 (55100)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	15550 (55300)	15522 (55200)	15494 (55100)	15522 (55200)	15550 (55300)	15550 (55300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15775 (56100)	15747 (56000)	15719 (55900)	15747 (56000)	15775 (56100)	15775 (56100)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15832 (56300)	15803 (56200)	15775 (56100)	15803 (56200)	15832 (56300)	15832 (56300)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)	21934 (78000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)	22215 (79000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)

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