

Cotton Complex Demand Supply Price Trend Analysis (DSPTA)

23 Feb 2022

Overview

ICE COTTON PRICE HIT A 10-1/3-YEAR HIGH OF 129.37 US CENT/LB ON FEBRUARY 01, 022 AND SINCE THEN HAS LOST ABOUT 6.8%. BUT PRICES HAVE TRIMMED SOME OF THE RECENT LOSSES JUST BEFORE OUR TREND REVERSAL POINT OF 118.65 AND, ABOVE THIS BULLISH BIAS WILL REMAIN INTACT. IF PRICES WILL SLIP AND CLOSE BELOW 118.65, FURTHER PRICE CORRECTION POSSIBILITIES CANNOT BE RULED OUT.

- MCX cotton prices also drifted lower to Rs37190 after making a record high of Rs38630 on February 2022 but the trend will remain bullish above Rs36450.
- Indian Corn and Wheat prices are seen firm on a strong rally in CBOT amid fear of lower supplies from Russia and Ukraine.

Commodity	Close	% Change							
		WoW	MTD	Last Month	QTD	Last Quarter	YTD	2021	2020
Cotton ICE May	121	0.00	-1.86	11.40	9.32	4.42	9.32	40.38	12.14
Cotton MCX March	37190	-3.43	-0.51	9.43	8.87	23.54	8.87	65.58	5.42
29MM Cotton	37002	-1.72	1.00	9.48	10.57	22.97	10.57	65.83	7.09
29MM Cotton Kadi	36811	-2.72	1.15	8.75	10.00	25.00	10.00	64.97	7.69
Cotton J34 Rollar Bhatinda	7850	-3.09	0.64	11.43	12.14	27.16	12.14	59.82	7.14
Cotton J34 Sujar Bhatinda	7820	-3.10	2.89	9.04	12.20	27.31	12.20	62.47	5.93
Cotton Kalyan 797 Kadi	42250	-4.52	0.60	16.67	17.36	6.67	17.36	32.11	-12.80
Cotton Long Staple 28.5MM Kadi	78000	-1.89	2.63	8.57	11.43	25.00	11.43	64.71	7.59
Cotton Medium Staple Bhatinda	7920	-2.64	1.67	9.56	11.39	29.51	11.39	62.33	7.41
Cotton Shankar Kapas Kadi	2035	-0.25	2.26	7.57	10.00	51.02	10.00	64.08	2.50
Kapas	1891	-2.12	0.30	5.54	5.85	13.13	5.85	63.72	3.28
Cotton Seed Oil Cake Akola	3400	3.09	3.03	13.01	16.44	6.57	16.44	43.14	-7.27
Cotton Seed Oil Cake Kadi	3161	-3.43	-0.86	-0.43	-1.29	16.05	-1.29	59.30	-7.50

ICE Cotton May future lost 3% last week to settle at 121.16 after touching a weekly low of 119.03. Monday US markets were closed due to President Day and Yesterday, cotton May settled at 120.29 cents, down -0.87% from the previous close, July ended at 117.42 cents, down -0.71%, October settled 105.88, down -1.18%, and December finished at 101.66 cents, -1.13% lower.

Tuesday, the Cotlook A index was trading around 137.2.20 cents/lb.

USDA's FSA reduced the Adjusted World Price for cotton 298 points to 114.62 cents/lb.

Dow lost 500 points yesterday After the Russian President said that he would recognize the independence of two breakaway regions in Ukraine. The US along with the European Union has placed certain economic sanctions on these two regions in response to it. There is the likelihood of more stringent sanctions on Russia if it continues its military aggression across Ukraine.

Cotton prices failed to muster any bullish sentiment yesterday despite a strong jump in the prices of **Corn (3.13%), wheat (6%), Soybean (1.9%), and Soybean oil (3.6%) on the CBOT Exchange**. The dominant driver of these galloping moves relates to Russia-Ukraine Standoff. Russia and Ukraine together account for about 27% of the global wheat exports and about 17% of the global corn exports. Certainly, exports will shift to the U.S. and other major exporters of these two commodities amid sanctions on Russia

Cotton MCX prices hit a new record high of Rs38630 on 14th February 2022 but after that entered into a corrective phase and currently trading around 37020. Prices of cotton have gained about 10% year to date on a tight balance sheet with strong demand.

Demand for cottonseed across the country is seen firm and is likely to remain firm in the coming months. Even, despite higher prices demand in the U.S. also remains strong.

Cotton Complex Demand Supply Price Trend Analysis (DSPTA)

23 Feb 2022

Key factors:

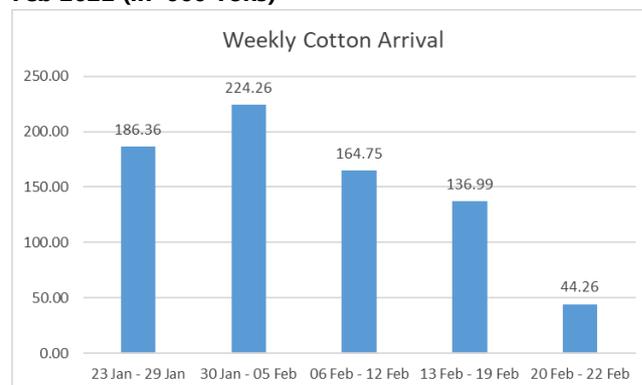
- Domestic cotton production has fallen for a third consecutive year in 2021-22:** India's cotton production for the crop year 2021-2022 is estimated at 27million 480-Pound Bales versus USDA's January estimate of 27.5million 480-pound bales and 2020-21's production of 27.6 480-pound bales. *(Refer Table 1.3)*
- Domestic ending stocks will fall 26.8% in 2021-22 to a 3-Year low:** India's ending stocks are estimated at 9.84million 480-pound bales for 2021-22, the lowest level in the 3-Year, versus 13.44 million 480-pound bales in 2020-2021 and 16.18 million 480-pound bales in 2019-20. *(Refer Table 1.3)*
- CAI pegs down domestic production by 3.3% and ending stocks by 40%, and pegs up demand by 2.9% for the Crop Year 2021-22:** The Cotton Association of India has reduced its cotton crop estimate for the 2021-22 season by 12.00 lakh bales to 34.8 million bales of 170 kgs from its previous estimate of 36 million bales of 170 kgs. The domestic consumption for the crop year 2021-22 has been increased by the CAI by 10 lakh bales of 170 kgs. each to 34.5million bales of 170 kgs. each from its previous consumption estimate of 33.5million bales of 170 kgs. Each. Closing stock as of 30th September 2022 is estimated by the Committee at 4.5million lakh bales of 170 kgs versus previous years' level of 7.5 lakh bales of 170kgs.
- Strong demand trend to continue this year:** the demand for cottonseed from dealers across the country has seen firm and this firmness in the demand will continue in the coming months as well. Cotton consumption has gone up from 310 lakh bales to 345 lakh bales in the past five years but at the same time, cotton production has been stagnant around 350 lakh bales (of 170kgs each). India's domestic cotton demand is likely to grow by 4% to 5.66million MT in 2021-22 crop year against the demand of 5.44million MT in 2020-21. *(Refer Table 1.3)*
- CAI expects cotton area may rise 20-25% next year:** Cotton Association of India-CAI, the apex trade body for the cotton sector, expects area under the fibre crop to increase by 20-25% in the upcoming planting season across all ten producing states due to the record high prices.
- World ending stocks is likely to drop in 2021-22, despite 8.2% surge in global production, on record demand:** As per USDA February report, the world-ending stock will fall further to 84.31million 480-pound bales, the lowest level in 3-Year, from their January's forecast of 85.01million 480-pound bales and 2020-21's Ending Stock of 88.41million 480-pound bales. Record consumption is likely to derail it. *(Refer Table 1.3)*
- Poor quality and production:** Late rains due to La Nina and pink bollworm incidence are the major reasons for poor yields and production in cotton this year. Untimely rains, poor quality hybrid seeds used in HTBT (herbicide-tolerant biotechnology) cotton seeds, and incidence of pink bollworm in some areas have resulted in a severe drop in yields in the just concluded Kharif season.

Arrivals

Table 1.1 – Cotton Arrivals from 1st Oct till 22nd Feb 2022 (in '000 Tons)

State Name	2020-21	2021-22	YoY % Change
Telangana	346.02	878.29	154%
Madhya Pradesh	317.99	764.80	141%
Gujarat	701.44	662.09	-6%
Rajasthan	285.32	496.41	74%
Maharashtra	429.99	390.50	-9%
Haryana	52.55	165.27	214%
Punjab	182.04	76.70	-58%
Karnataka	127.08	73.88	-42%
Others	83.86	64.77	-23%
Total	2570.19	3590.09	40%

Table 1.2 – Weekly Cotton Arrival from 23rd Jan till 22nd Feb 2022 (in '000 Tons)



Cotton Complex Demand Supply Price Trend Analysis (DSPTA)

23 Feb 2022

World Cotton Balance Sheet 2021-22

Table 1.3 – Cotton World Supply (in Million MT)

Particulars	Country	2018-19	2019-20	2020-21	2021-22
Opening Stocks	World	17.53	17.35	21.18	19.29
	India	1.88	1.87	3.52	2.93
	China	8.27	7.77	8.03	8.55
	United States	0.91	1.06	1.58	0.69
Production	World	25.86	26.34	24.32	26.34
	India	5.66	6.21	6.01	5.99
	China	6.04	5.93	6.42	5.88
	United States	4.00	4.34	3.18	3.84
Consumption	World	26.23	22.44	26.33	27.05
	India	5.29	4.36	5.44	5.66
	China	8.60	7.19	8.71	8.60
	United States	0.00	0.00	0.00	0.00
Imports	World	9.24	8.89	10.67	10.14
	India	0.00	0.00	0.00	0.00
	China	2.10	1.55	2.80	2.12
	United States	0.00	0.00	0.00	0.00
Exports	World	9.05	8.96	10.55	10.14
	India	0.77	0.70	1.35	1.26
	China	0.00	0.00	0.00	0.00
	United States	3.23	3.38	3.56	3.27
Ending Stocks	World	17.35	21.18	19.29	18.51
	India	1.87	3.52	2.93	2.21
	China	7.77	8.03	8.55	7.94
	United States	1.06	1.58	0.69	0.70

Source: USDA – WASDE Report – January 2022 Issue

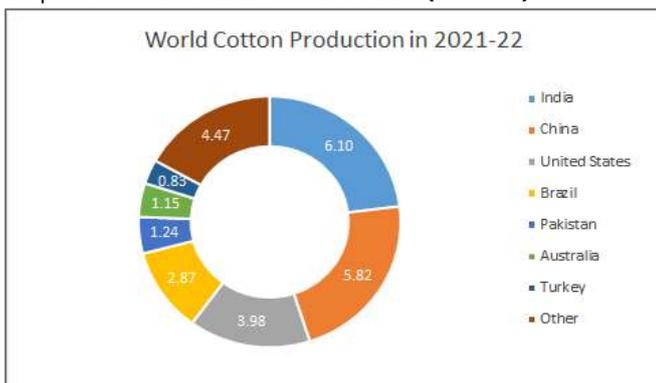
Table 1.4 – Cotton World Supply (in Million Bales)

Particulars	Country	2018-19	2019-20	2020-21	2021-22
Opening Stocks	World	80.53	79.70	97.28	88.66
	India	8.63	8.60	16.18	13.44
	China	37.99	35.67	36.90	39.25
	United States	4.20	4.85	7.25	3.15
Production	World	118.78	120.99	111.70	120.15
	India	26.00	28.50	27.60	27.00
	China	27.75	27.25	29.50	27.00
	United States	18.37	19.91	14.61	17.62
Consumption	World	120.46	103.07	120.92	124.43
	India	24.30	20.00	25.00	26.00
	China	39.50	33.00	40.00	39.50
	United States	2.98	2.15	2.40	2.55
Imports	World	42.44	40.81	49.01	46.44
	India	1.80	2.28	0.84	1.10
	China	9.64	7.14	12.86	9.50
	United States	0.00	0.00	0.00	0.01
Exports	World	41.54	41.17	48.46	46.45
	India	3.52	3.20	6.19	5.70
	China	0.00	0.00	0.00	0.08
	United States	14.83	15.51	16.37	14.75
Ending Stocks	World	79.70	97.28	88.58	84.31
	India	8.60	16.18	13.44	9.84
	China	35.67	36.90	39.25	36.18
	United States	4.85	7.25	3.15	3.50

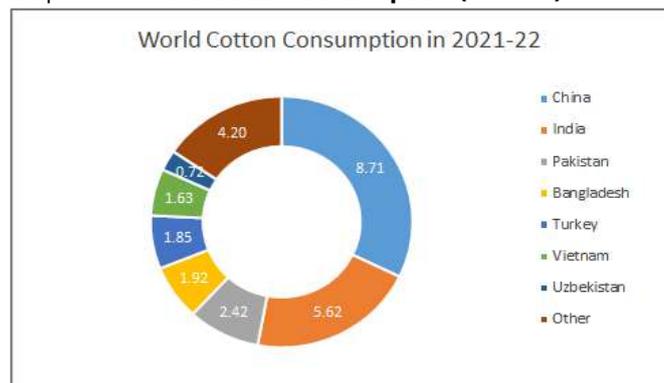
Source: USDA – WASDE Report – Feb 2022 Issue

World Cotton Production and Consumption

Graph 1.1 – World Cotton Production (in MMT)



Graph 1.2 – World Cotton Consumption (in MMT)



Cotton Complex Demand Supply Price Trend Analysis (DSPTA)

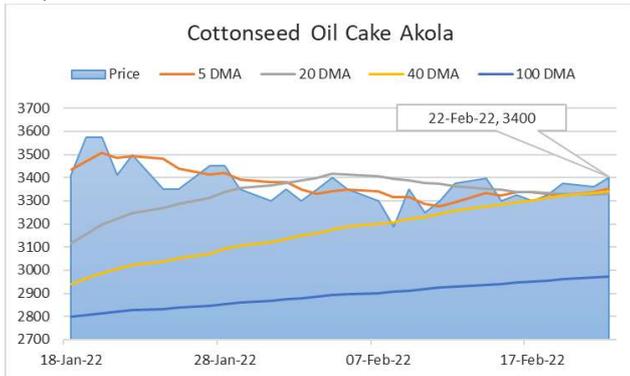
23 Feb 2022

Market Sentimeters

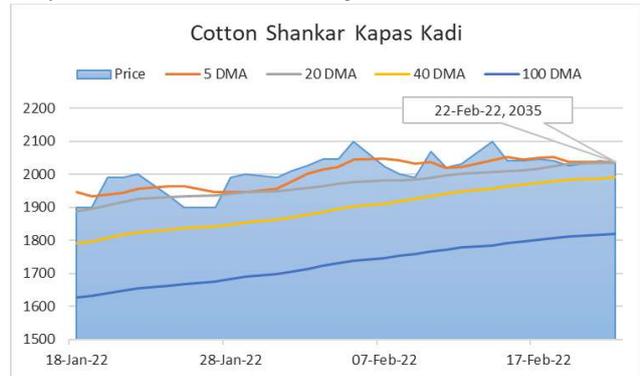


Price Chart

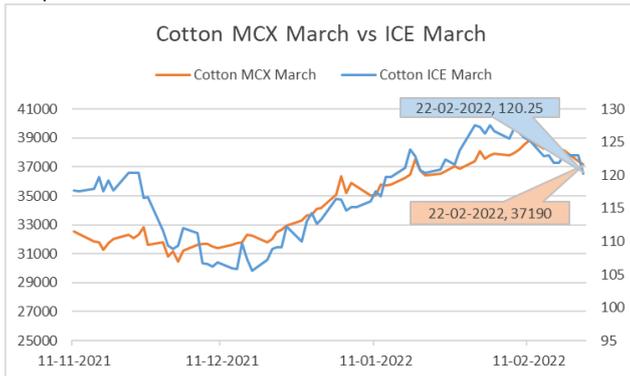
Graph 1.3 – Cotton Seed Oil Cake Akola



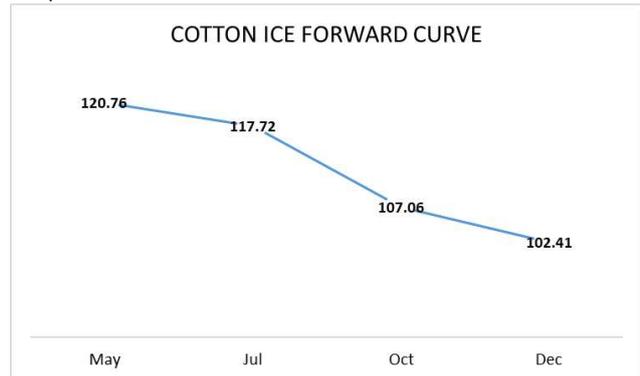
Graph 1.4 – Cotton Shankar Kapas



Graph 1.5 – Cotton – MCX March and ICE March



Graph 1.6 – Cotton ICE Forward Curve

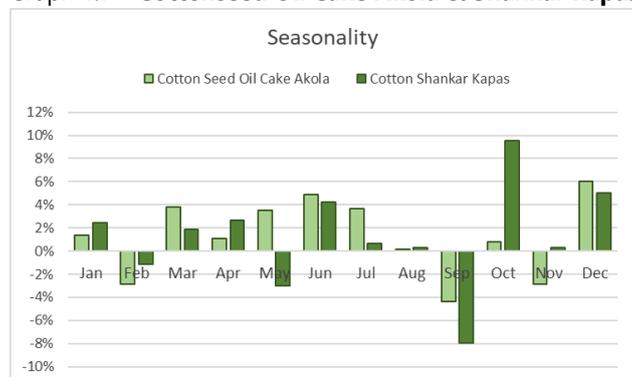


Cotton Complex Demand Supply Price Trend Analysis (DSPTA)

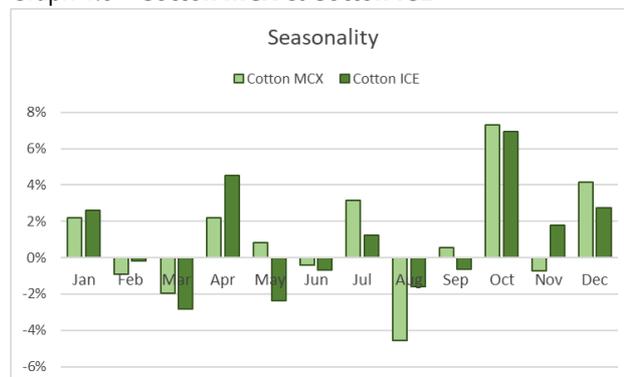
23 Feb 2022

Seasonality

Graph 1.7 – Cottonseed Oil Cake Akola & Shankar Kapas



Graph 1.8 – Cotton MCX & Cotton ICE



Inference: January and February are positive month for Cotton MCX and ICE.

Notes:

1. 1 Bale=480pounds=217.17kg as per US standard.
2. 1 Bale= 170kg as per India Standard.
3. In this reports data is as per US bales.
4. 1 Candy = 355.62kg.

Disclaimer

This Report has been prepared by Origo Commodities India Private Limited. This report does not constitute an offer or solicitation for the purchase or sale of any commodity or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment or business decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment/business decision in the agro commodities and determine the merits and risks of such business decision.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject OCIPL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions.

The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. OCIPL reserves the right to make modifications and alterations to this statement as may be required from time to time. OCIPL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

OCIPL is committed to providing independent and transparent recommendation to its clients. Neither OCIPL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information.

Our proprietary trading businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

OCIPL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, buy or sell the commodities thereof mentioned herein or (b) be engaged in any other transaction involving such commodities and earn commissions/charges or other compensation or act as advisor or lender/borrower or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

This report is disseminated to all the clients simultaneously, not all clients may receive this report at the same time. We will not treat recipients as clients by virtue of their receiving this report.

This report should not be construed as invitation or solicitation to do business with Origo Commodities India Private Limited. The views expressed in this report may not be suitable for all businessmen/traders/commodity dealers etc.

Trading in commodities are subject to market risks, read all the related documents carefully before taking any business decision.