

KEDIA ADVISORY

COTTON

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Kedia Stocks & Commodities Research Pvt. Ltd.

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Commodity	Price	Period (% Change)					
		1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
Cotton	60880.00	-0.29	3.05	8.68	-1.36	-6.25	-7.91



- Cotton prices rose over 3% in a month as the cotton belt in Haryana, India, is grappling with an infestation of pink bollworms, adding to uncertainties in the cotton market.
- Cotton production in India is expected to decline due to factors such as reduced sowing area and pink bollworm infestations.
- The cotton sowing area in India has decreased from 127 lakh hectares to 124 lakh hectares, below the normal sowing area of 130 lakh hectares.
- North Indian states like Haryana, Punjab, and parts of Rajasthan have been severely affected by pink bollworm infestations, leading to significant crop losses.
- In Sirsa district, Haryana, 60 percent of the cotton crop has been destroyed by pink bollworm.
- New crop arrivals in North India are currently priced between 70-74 hundred per quintal, with expectations of reaching Rs 8 thousand per quintal.
- Madhya Pradesh experienced floods that broke a 200-year record, leading to submerged cotton crops and reduced production.
- Sowing in Madhya Pradesh had increased by 4 percent to 6500 lakh hectares, but the floods have impacted production prospects.

- Gujarat, Maharashtra, and Madhya Pradesh have also started new crop arrivals with prices ranging from Rs 68-70 hundred per quintal.
- The Indian Cotton Federation predicts cotton production of 330 to 340 lakh bales in the 2023-2024 cotton season, with increased sowing area and MSP support.
- The textile industry in India faced low demand this year, leading to most units operating below capacity.
- Import of extra long staple cotton was affected by an 11% import duty, with some partial relaxation for imports from specific countries.
- There is a need to improve cotton yield in India by adopting best practices in cotton farming.
- Despite a recessionary trend, there has been a recent revival in the export of yarn and finished textile goods.
- The Central government has increased the Minimum Support Price (MSP) for cotton by 10%.
- USDA in its September WASDE report projected the global production to be 1.7 million bales lower for 2023-24 compared to the previous month.
- U.S. cotton production is forecasted to fall by 860,000 bales this month, with the Southeast and Southwest regions leading the decline due to extreme weather events.

Beginning Stocks: Beginning stocks for 2023/24 are higher, increased by 550,000 bales. This increase is primarily due to ending stocks data from the previous year and larger warehouse stocks for July 31, 2023.

Production: U.S. cotton production forecast is 860,000 bales lower compared to the previous month's projection. This decline is particularly pronounced in the Southeast and Southwest regions.

Consumption: The projected consumption for U.S. cotton remains unchanged from the previous month.

Exports: Exports for U.S. cotton are down by 200,000 bales compared to the previous month.

Ending Stocks: Ending stocks for U.S. cotton are 100,000 bales lower compared to the previous month.

Price: The season-average price for upland cotton projected for 2023/24 is 80 cents per pound, which is an increase of 1 cent from the previous month's projection.

Beginning Stocks: World beginning stocks are approximately 1.0 million bales lower. This decrease is due to upward revisions in consumption for earlier years in China and Turkey, which more than offset the impact of larger U.S. and Brazil beginning stocks.

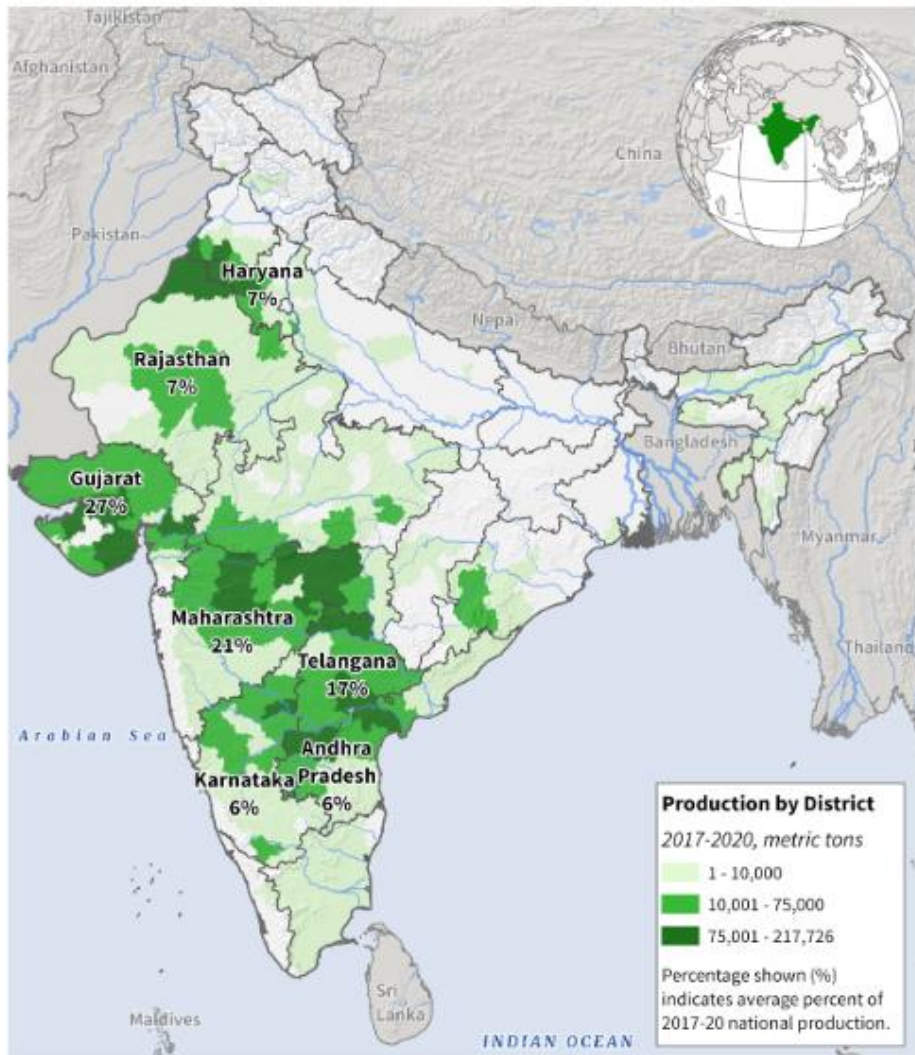
Production: World cotton production is projected to be 1.7 million bales lower. This reduction is attributed to decreases in production in the United States, India, the African Franc Zone, Greece, and Mexico, although there is an increase in production in Brazil.

Consumption: World cotton consumption is also more than 1.0 million bales lower, with reductions observed in India, Bangladesh, Mexico, and Vietnam.

Trade: World cotton trade is down by 600,000 bales. This reduction is due to net import reductions for Bangladesh and Vietnam and export reductions for the Franc Zone, the United States, Australia, Greece, and Mexico. However, there is a 550,000-bale increase in exports for Brazil.

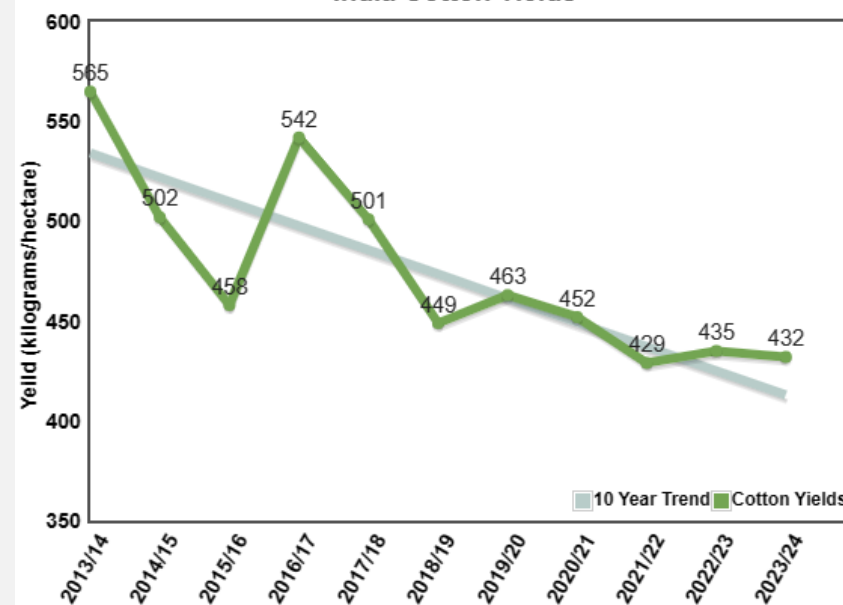
Ending Stocks: World ending stocks are 1.6 million bales lower for the month, totaling 90.0 million bales.

India: Cotton Production



Market Year	Area (1000 Ha)	Production (1000 480-lb Bales)	Yield (Kg/Ha)
2013/2014	11,950	31,000	565
2014/2015	12,800	29,500	502
2015/2016	12,300	25,900	458
2016/2017	10,850	27,000	542
2017/2018	12,600	29,000	501
2018/2019	12,600	26,000	449
2019/2020	13,400	28,500	463
2020/2021	13,286	27,600	452
2021/2022	12,370	24,400	429
2022/2023	13,000	26,000	435
2023/2024	12,600	25,000	432

India Cotton Yields



COTTONCANDY PRICE MOVEMENT SINCE 2018

Year	Prices & Arrivals (Lakh Bales)	Harvesting										Sowing		Growth		Total Arrivals	Growth
		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP				
2018/19	Future	46,530	44,740	44,110	43,880	42,830	44,940	46,970	45,530	45,050	43,400	40,930	41,560	295.56	-4120.00		
	% Change	1.86	-3.85	-1.41	-0.52	-2.39	4.93	4.52	-3.07	-1.05	-3.66	-5.69	1.54			-9.02%	
	Spot	47,040	44,740	43,810	43,580	42,160	45,070	46,640	46,760	45,510	43,880	42,660	41,640			-9.71%	
	Arrivals	37.82	39.61	56.11	56.66	45.05	28.27	13.92	4.95	2.25	2.84	1.75	6.33				
2019/20	Future	40,410	40,220	40,930	40,590	38,060	33,940	34,190	33,070	32,960	34,130	37,080	38,080	334.71	-3480.00		
	% Change	-2.77	-0.47	1.77	-0.83	-6.23	-10.83	0.74	-3.28	-0.33	3.55	8.64	2.70			-8.37%	
	Spot	39,570	39,030	39,510	39,920	38,800	37,790	34,340	32,650	32,810	33,210	35,930	36,580			-12.15%	
	Arrivals	27.37	52.70	79.08	66.96	48.24	22.70	1.59	14.85	12.03	3.31	1.84	4.04				
2020/21	Future	40,640	42,180	43,150	43,810	45,780	44,780	45,760	49,340	51,550	57,450	52,890	58,850	170.32	20770.00		
	% Change	6.72	3.79	2.30	1.53	4.50	-2.18	2.19	7.82	4.48	11.45	-7.94	11.27			54.54%	
	Spot	40,090	41,720	42,520	43,480	45,780	45,380	45,990	48,830	51,850	56,930	55,970	57,490			57.16%	
	Arrivals	18.63	30.94	51.98	29.63	20.80	8.89	2.88	0.71	1.02	0.93	0.46	3.45				
2021/22	Future	68,310	64,460	71,320	78,180	76,270	88,340	95,600	96,460	89,370	94,010	80,290	64,940	251.20	6090.00		
	% Change	16.07	-5.64	10.64	9.62	-2.44	15.83	8.22	0.90	-7.35	5.19	-14.59	-19.12			10.35%	
	Spot	65,880	65,520	69,270	77,400	76,730	90,890	96,080	99,860	93,990	90,220	96,560	70,770			23.10%	
	Arrivals	31.68	43.34	56.01	48.07	36.83	17.11	6.42	4.49	0.82	0.72	1.02	4.69				
2022/23	Future	59,810	65,310	66,110	70,060	63,260	62,180	62,900	58,560	57,100	58,380	59,940		196.47	-5000.00		
	% Change	-7.90	9.20	1.22	5.97	-9.71	-1.71	1.16	-6.90	-2.49	2.24	2.67				-7.70%	
	Spot	64,580	68,930	68,240	60,730	62,540	61,400	61,780	57,720	55,660	58,400	60,640				-14.31%	
	Arrivals	12.58	24.43	30.48	33.25	33.73	21.25	18.05	4.78	8.89	4.14	4.89					
Average	% Change	2.80	0.61	2.90	3.15	-3.26	1.21	3.36	-0.90	-1.35	3.75	-3.38	-0.90	0.67	Average		



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ICE Cotton Weekly



Relative Strength Index

As per the Daily chart of Cotton, RSI (Relative Strength Index) is currently trading at 58.83, which suggests that it has arrived in the zone where the uptrend may continue. As per our analysis, we can say, the trend has started moving towards the upside and traders should avoid creating short positions and be bullish at this level.

Fisher Transform

As per the technical indicator Fisher Transform on the Daily chart of the Cotton, we can see the value of which is at 0.01 which suggests that it is now at a fair zone but as the trend is signaled upwards traders could look to create long positions as a bullish rally could restart.

Choppiness Index

As per the Daily chart of Cotton, Choppiness Index is showing that prices are in very high volatility zone.

Moving average

As per the Daily chart, the Cotton price is trading at 60880 level, which is above 50 simple moving average of 59100 and 200 simple moving average of 57100, which acts as very strong support level, so it is expected that a bullish rally will continue till price are above both the moving averages, a bullish investor can look at this, can square off short positions and start making new positions on buy side.

MACD

MACD is trading above base line trending up suggesting bullish momentum. A bullish crossover is seen as MACD is crossing above signal indicating strength in bullish move. Commodity looks to extend gains with bullish move expected to be continued. Traders should look for buying opportunities and avoid taking short positions.

Outlook

Cotton prices trading around 60880 level, prices are currently trading above the 50-day moving average and 200-day moving average. Prices trading above 60000 level may lead prices towards 61600 levels initially, while sustaining above same may lead prices towards 63000 to 63800 levels in coming months while below 59200 levels prices looks to get support at 57600 levels.

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