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Monthly Report On

Monthly Report on Others Cotton and Guar Complex

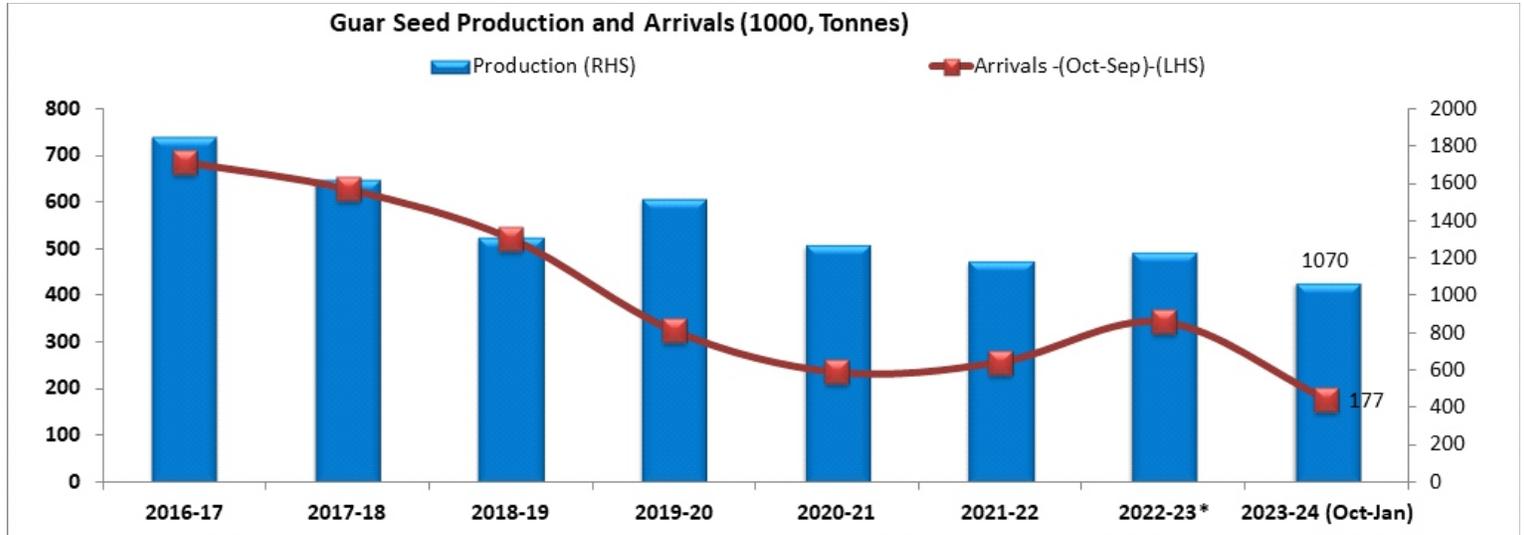
FEBRUARY 2024



GUAR SEED

Guar seed futures traded on weaker note for most part of Jan'24 tracking subdued buying in physical market. Worries over slowdown in export demand of guar gum with persistent fall in crude oil prices weighed on the market sentiments. Guar gum export remained sluggish in year 2023-24 that impacted crushing demand of guar seed adversely. Guar is mainly known for its derivative product guar gum which has commercial importance in oil and gas Industry. Guar seed prices dropped 3.5% M-o-M to 5310 wherein guar gum prices tumbled 7.3% to 10065 on sluggish export demand.

Guar seed arrivals at major APMP mandies were reported at 1.76 lakh tonnes during Oct'22-Jan'23 higher by 5% Y-o-Y. Higher carry forward stocks kept supplies higher so far in year 2023-24. The overall production of guar seed has reportedly decreased by 11%-13% Year-on-Year to 10.7 lakh tonnes in the year 2023-24. This reduction in production has resulted in tighter inventory levels for millers.



Exports remain sluggish due to tumbling demand from major importing countries. Sluggish exports of meal is likely to be major hurdle in larger gains in prices as guar meal export from India dropped by 53% Y-o-Y in Nov'22 wherein Guargum export dropped by 21% Y-o-Y to 14.93 thousand tonnes in Nov'23. India has exported about 65.03 thousand tonnes of guar exports in cumulative in form of meal and gum down by 9% Y-o-Y. Export of gum is also affected by increased used of slick water and other chemicals as alternative of guar gum in oil industry that hampered the demand of guar gum in recent years. Prices will track the demand of crude oil and any rise in oil rig counts will boost overall export of guar gum.

Guar seed Prices are expected to trade in range of 5150-6000 wherein Guar gum prices are expected to trade in range of 9600-11500 in near term.



COTTON AND KAPAS

Cotton prices traded higher for most part of Jan'24 tracking weaker production outlook. Prices witnessed sharp recovery in Jan'24 attributed to reports of lower production in the marketing year 2023-24. Aggressive buying by millers and tightness in supplies fueled a rally in both cotton. Cotton witnessed gains of 1.5% to 57920 wherein Kapas dropped by 4.9% M-o-M to 1479.5 due to poor ginning demand. Kapas is the raw form of cotton and processed by ginning mills into lint (cotton) and seed. It provides the basic raw material (cotton fibre) to cotton textile industry. Ginning mills struggled to run their ginning units due to tumbling ginning margin for them. Indian exports were remained unviable for most part of year 2023 that also weighed on market.

Spinning mills responded by cutting their production capacity due to uncompetitive cotton prices, negatively affecting export prospects. Cotton prices started cooling down after Oct'23 with increasing supplies in the market of new crop.

Being as second largest producer of cotton after China, India contributes about 24% of global production. India cotton production expected to drop to 294 lakh bales in year 2023-24. Talking about the fundamentals of current marketing year 2023-24, harvesting activities have reached its last stage and about 180 lakh bales arrived so far in year 2023-24. Arrival pace has been similar to last year so far but likely to be slow down due weaker production estimates in year 2023-24. Cotton production is likely to drop by 2% Y-o-Y in marketing year 2023-24 due to lower acreages under cotton. Cotton acreages shrunk to 125.55 lakh Ha in year 2023-24 compared to 129.27 lakh Ha of previous year due to adverse weather condition during sowing progress.

At demand front, India is the second largest consumer of cotton accounts for 21% of global consumption and consumes about 300-320 lakh bales domestically on annual basis. However, a fall is likely in consumption from 318 lakh bales to 311 lakh bales in year 2023-24 with lowering demand of Indian cotton. Export of cotton and cotton yarn from India is likely to be bleak in year 2023-24 due to lower availability amid lingering quality issue of new crop caused by adverse weather. Below normal supplies in domestic market will keep cotton prices costlier in year 2024 and that will affect the overall export adversely.

Cotton and Kapas prices are expected to trade sideways to higher due to supply tightness. Ending stocks of cotton is likely to drop to multiyear low level of 20 lakh bales in year 2023-24 whereas it was reported at 24 lakh bales in year 2022-23. Production is estimated to be down by 2% Y-o-Y in year 2023-24 that will prompt millers to go for aggressive buying on every dips in prices. **On CBOT, prices are likely to remain in a range of \$72-98 ranges. Kapas prices are expected to trade in range of 1420- 1550 INR/20kgs with positive bias whereas cotton prices are expected to trade in range on 56500- 60000.**



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