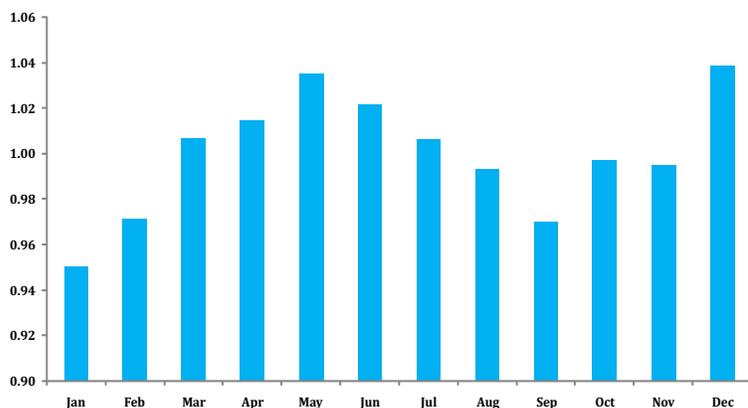


Monthly Report On **Kapas, Guar & Chana** September 2017



Historic returns of Kapas futures during month of September



Source: Reuters & SMC Research

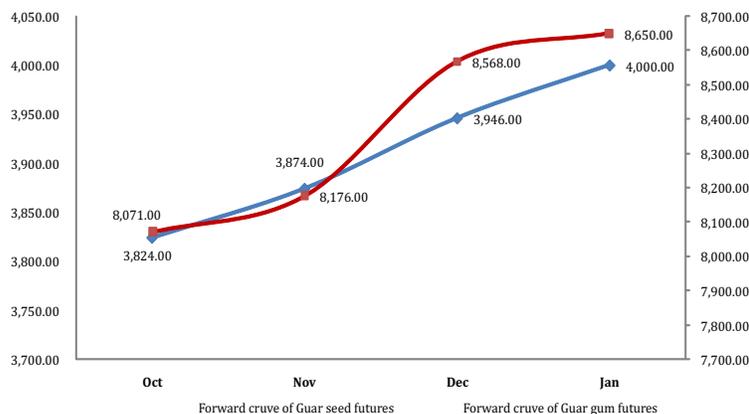
S3	S2	S1	Pivot	R1	R2	R3
800.50	828.50	848.00	876.00	895.50	923.50	943.00

Fundamentals

- **Kapas futures (April) may reel under the pressure of the new crop that has hit the spot markets & the arrivals which are expected to gain pace in days to come. The counter may trade in the range of 830-900 levels, with upside getting capped.**
- The Cotton Advisory Board's crop estimate for 2016-17 cotton season at 345-lakh bales (170 kg each).
- Normal monsoon and higher realisation, compared to other cash crops, has actually pushed farmers to sow cotton. The area under the crop in 2017-18 is expected to rise at least 10 to 15 per cent of the earlier season's acreage.
- The scenario of the domestic markets is that buying inquiries are limited with only short term traders actively procuring in miniscule quantity. Major spinners adopted a wait and watch approach anticipating that new crop rates would follow a downtrend as arrival gradually picks up pace during September, hence, have refrained from striking huge lot deals.
- New crop supply began in Haryana since August 18 with daily arrivals touching a maximum of 400 bales. Some spinners indulged in forward deals however, high moisture content ranging between 12-15 percent or even higher has curbed buying enthusiasm.
- Sluggish activity at the retail counter of the textile value chain has impacted procurement of cotton and man-made yarn in large volumes. Various fabric manufacturers have ample volume of yarn in their inventories while others were still in process of obtaining their GST numbers.
- If heavy rains persist for the most part of September then new crop supply will likely be delayed by 10-15 days bringing some firmness in new crop price quotes. Usually, raw cotton supply commences from mid-October in small quantity after which arrival picks up pace gradually to reach its full potential during November.
- There is lot of happening in the international cotton market. Due to the massive flooding caused by Tropical Storm Harvey, on cotton farms, more than 300,000 bales have likely been lost, between cotton yet to be harvested and bales sitting on fields awaiting ginning.
- The loss, though a small part of the total U.S. cotton crop of about 20 million bales a year, was devastating for individual farmers.
- The South Texas Cotton and Grain Association estimated \$150 million worth of cotton has been lost as the storms ripped the bolls off plants and left white fibre strewn across fields.
- USDA's Aug. 28, 2017, Crop Progress Report revealed the cotton harvest was 12 percent complete, up 6 percent from last year and up 7 percent from the 5-year average. However, with nearly 7.8 million bales of cotton yet to be harvested in Texas, and more than 40 inches of rain from Hurricane Harvey drowning parts of the state, the size of the Texas--and ultimately the U.S.--cotton crop could be in jeopardy.

GUAR SEED & GUAR GUM (OCTOBER)

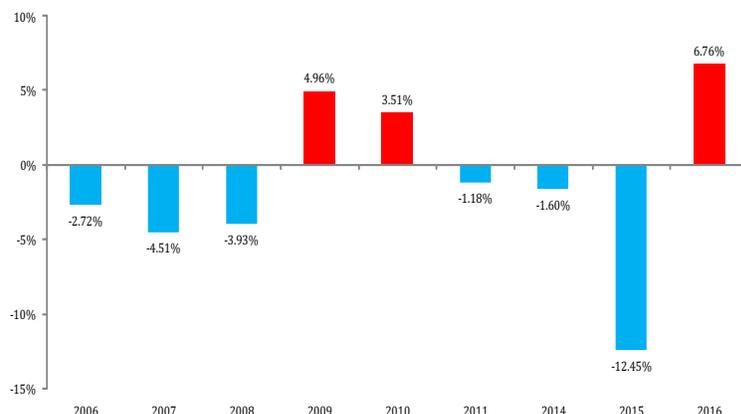
Forward curve of Guar futures



Source: NCDEX

Closing as on 1st September, 2017

Historic returns of Guar futures during month of September



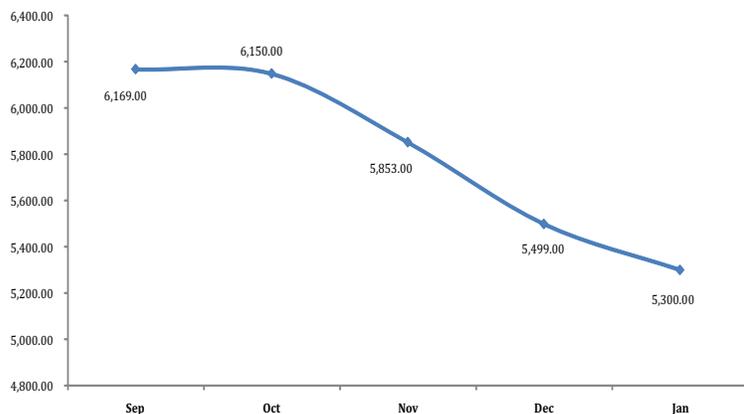
Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
2863.00	3215.00	3585.00	3937.00	4307.00	4659.00	5029.00
6003.00	6738.00	7553.00	8288.00	9103.00	9838.00	10653.00

Fundamentals

- **Guar seed futures (October) may consolidate in the range of 3700-4100 levels.**
- **Guar gum futures (October) may trade sideways with a downside bias in the range of 7800-8600 levels.**
- Now the next two to four weeks will be very crucial for Guar crop as it will decide the yield and thus buyers have opted to stay sideline amid uncertainty about price behaviour in the near term. Demand in Guargum is very poor at the higher level and with decent stocks of Guargum with crushers there demand for Guarseed is likely to remain subdued in the near term. Further now with prospects for better Guarseed production next season 2017-18 (Oct-Sept) there is higher possibilities for Guarseed and Guargum to trade bearish until and unless demand for Guargum rises sharply or any losses to Guarseed crop.
- Guarseed and Guargum on the national bourse are rising since past 3 months supported by increased buying amid concern about crop due to scanty rainfall in producing regions.
- Buyers are positive in Guarseed after poor rainfall in past few weeks in main producing belts of Rajasthan, which has raised concern about the crop as it is now at crucial growth period.
- However, Guarseed prices may find some resistance at the higher level due to welcome rains in Guarseed producing belts of Rajasthan, however there is higher probability of damage to early sown, but recent rainfall may be beneficial for late sown crop.
- Since there is ample stocks available in the country there is least possibility of any sharp rise in price unless Guargum export rise strongly or significant losses to crop occurs.
- Guarseed sowing in Rajasthan as on August 15 stood higher at 28.26 lakh hectares against 27.10 lakh hectares a year ago, whereas acreage in Gujarat as on August 15 reached at 1.81 lakh hectares versus 1.19 lakh hectares last year.
- Guarseed crop in Rajasthan is now at crucial period and need rainfall for better otherwise, otherwise yield is expected to decline significantly. The next couple of week will be very important for Guarseed crop.
- In case recent rainfall turns out boon for the crop, then we may expect Guarseed crop around last year's level of 70 lakh bags (100kg), but many market participants are anticipating a crop between 55-70 lakh bags.
- Sentiment in Guarseed/Guargum is very strong as old stocks are depleting at faster pace after recent good rally in prices and now the carry over stocks for new season, starting from October 2017 (2017-18) is estimated lower at 80 lakh bags (100kg each) against 1.5 crore bags estimated for 2015-16.
- However it is too early jump on to conclusion as crop is in field and good rainfall can enhance yield and may led to better production and thus next 15-30 days will be crucial to get some right clue about future direction.
- Lower stocks, concern about production for new season, robust export demand for Guargum and rising U.S rigs count are various factors working for the bullish cause in Guarseed/Guargum.

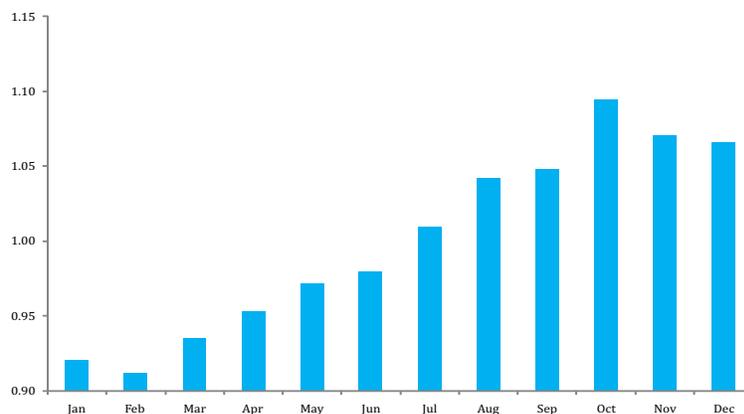
Chana futures Seasonal Index



Source: NCDEX

Closing as on 1st September, 2017

Historic returns of Chana futures during month of September



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
3737	4299	5247	5809	6757	7319	8267

Fundamentals

- **Chana futures (October) may trade in the range of 5700-6700 levels.**
- Additional margin of 5% on both long side and short side will be imposed on all the running contracts and yet to be launched contracts in Chana (CHANA) with effect from beginning of day Friday, September 01, 2017.
- Chana prices have been rising since past 5 weeks supported by prevailing strong domestic demand with restricted supply and concern about lower production in Australia.
- India Kharif pulses sowing further slips by 3.81% as on August 23, 2017 at 135.96 Lakh Ha against 141.35 Lakh Ha compared to similar period of previous year.
- Demand for Chana is very good from millers and traders due to ongoing consumption. This is a peak consumption period for Chana due to festival season and thus millers and traders are actively buying the commodity to meet demand.
- Beside good demand in Chana, there has been consistent off take witnessed in Chana dal and Besan that has mainly pushed millers to continue their procurement activity of raw material.
- National Agricultural Cooperative Marketing Federation of India limited (NAFED) procured 60119.53 metric tonnes of Chana as on August 26 from Madhya Pradesh, Rajasthan, Haryana and Uttar Pradesh.
- In days to come, if the government procures pulses which are soon going to be harvested at MSP rate, it will support the price. Also, the decision of the government to offload its 1.9 million tonnes of pulses buffer stock will have an impact on the market.
- The government is grappling with the issue of disposing of more than 1.9 million tonnes (mt) of buffer stock of pulses. These stocks, the highest ever, were created mostly through domestic procurement.
- With the mandi arrival of kharif pulse crops — tur, urad and moong — for the current year (2017-18) set to begin by next month, the government needs to sell the stocks at the earliest or else the quality of stocks could deteriorate soon.
- The fundamentals of other pulses highlight that for 2017-18, Canadian Matar production in Canada is forecast to fall by 17% from 2016-17, to 4.0 million tonnes, but still be the second largest crop on record. Supply is forecast to fall by 18% to 4.2 million tonnes due to lower carry-in stocks. Carry-out stocks are also forecast to decrease.
- For 2017-18, lentil production is forecast to fall by 16% to 2.7 million tonnes, the second largest Canadian lentil crop on record. Seeded area is expected to be offset by higher yields than the previous year. Supply is forecast to decrease by only 10% due to higher carry-in stocks. Exports are forecast to fall to 2.2 million tonnes. Carry-out stocks are forecast to decrease to 200 kt.

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