

# Monthly Report On

# Monthly report on Others – Cotton, Guar Seed and Castor seed

# November 2022



## Major Price Drivers

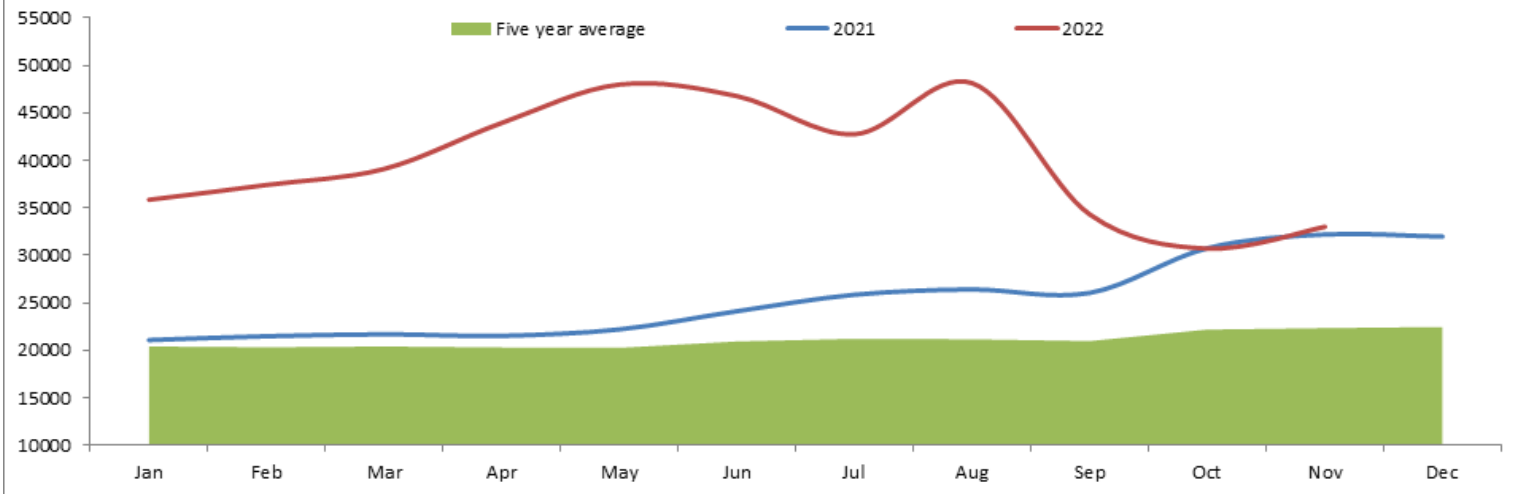
- Cotton Arrivals and harvesting activities
- Export demand
- Demand of yarn in International market

Cotton prices witnessed wide fluctuations on changing production outlook for upcoming season. After ruing under pressure in Sep, cotton prices showed sharp recovery in Oct on weather risk as farmers were worried on untimely rainfall during Sep-Oct in central India that resulted into delay in harvesting activities and also impacted yield adversely. Weakness in ICE cotton prices also put pressure on prices as ICE cotton futures slipped 23% in Oct'22 to 72 cent/lb mainly due to bleak demand outlook in China amid adequate stocks. Chinese government policy related to imports is uncertain, but China accumulated significant stocks at gins last crop year, and that cotton remains available. In addition, the Chinese crop is expected to be larger than last year that may keep Chinese imports lower.

Global export prices are not attractive in China as China is running with heavy stocks. Higher external prices should be a headwind for Chinese cotton fibre and yarn imports. Lower Chinese yarn imports imply lower mill demand for yarn exporters like Vietnam. In turn, Vietnam is a major importer of cotton fibre, and lower Vietnamese spinning demand suggests lower fibre import demand from that important market. Lower import demand from China may eventually lead to rise in global stocks.

At domestic front, price movement of cotton has been in line with its price seasonality so far and shall move up during Oct-Dec as per seasonality. Export demand from neighboring countries and winter season demand in domestic market is increased usually in Oct-Dec that helps cotton prices to trade on positive note during winter season. However, prices gain will be limited in current year mainly due to demand concerns.

## Cotton Price Seasonality (INR/Bales)



Cotton arrivals have picked up with advancement of harvesting activities across India. Buying activities have increased with improved quality of arrivals as moisture content is being reported lower. About 18.35 lakh bales of cotton arrived in India during Oct'22 compared to 31 lakh bales of previous year. Untimely rainfall and series of festival in Oct'22 impacted the arrivals pace adversely. Going forward, weather condition is looking drier in coming weeks that will facilitate the ongoing harvesting activities. Farmers are hoarding their produce on better demand prospects of cotton seed oil cake and cotton. Cotton prices are ruling above to the MSP and CCI may remain active in the market only for commercial operations. Cotton Industry is expecting bumper production of cotton this year due to rise in cultivation area. Cotton Association of India (CAI) has estimated cotton production is likely to reach up to 344 lakh bales in year 2022-23 higher by 12% Y-o-Y.

The cotton supply estimated by the CAI till end of the cotton season 2022-23 is 387.89 lakh bales of 170 kgs each compared to 392.89 lakh bales. The total cotton supply consists of the opening stock of 31.89 lakh bales at the beginning of the cotton season on 1st October 2022, crop for the season estimated at 344 lakh bales and the imports for the season estimated by the CAI at the same level at 12 lakh bales of 170 kgs each (equivalent to 12.75 lakh running bales of 160 kgs. each).

Demand of cotton yarn remained lower amidst economic slowdown that sparked fear of recession across the globe hitting demand for textiles. Increased imports of cotton yarn in India also dampened the demand prospects as millers preferred imported cotton yarn due to higher domestic price. Cotton Association of India has reduced its demand estimates of cotton in India due to slack demand for yarn and cloth. The cotton consumption for 2022-23 is estimated at 300.00 lakh bales of 170 kgs compared to 318 lakh bales of previous year. On trade prospects, exports for the season 2022-23 are estimated at 30 lakh bales compared to 43.00 lakh bales for the crop year 2021-22. Export is estimated lower mainly due to sluggish global demand outlook.

## Outlook:

Cotton prices are expected to trade mixed to higher in near term mainly due to below normal supply in the market. Arrivals have been down at major trading centers as farmers are not reluctant their crop at prevailing levels. Export enquires have increased that is likely to cap downfall in prices. Seasonal trend of export shows that about 30-40% of total cotton export from India is realized in Oct-Dec. Expected rise in export demand from Bangladesh and other SEA nations will help prices to recover. However, bleak export prospects of cotton to China and easy availability of cotton yarn in India will cap the major gains in cotton prices.

Technically, Cotton MCX Nov will honor the support of 29500 and expected to move towards 36000 in coming weeks.

# Guar Seed

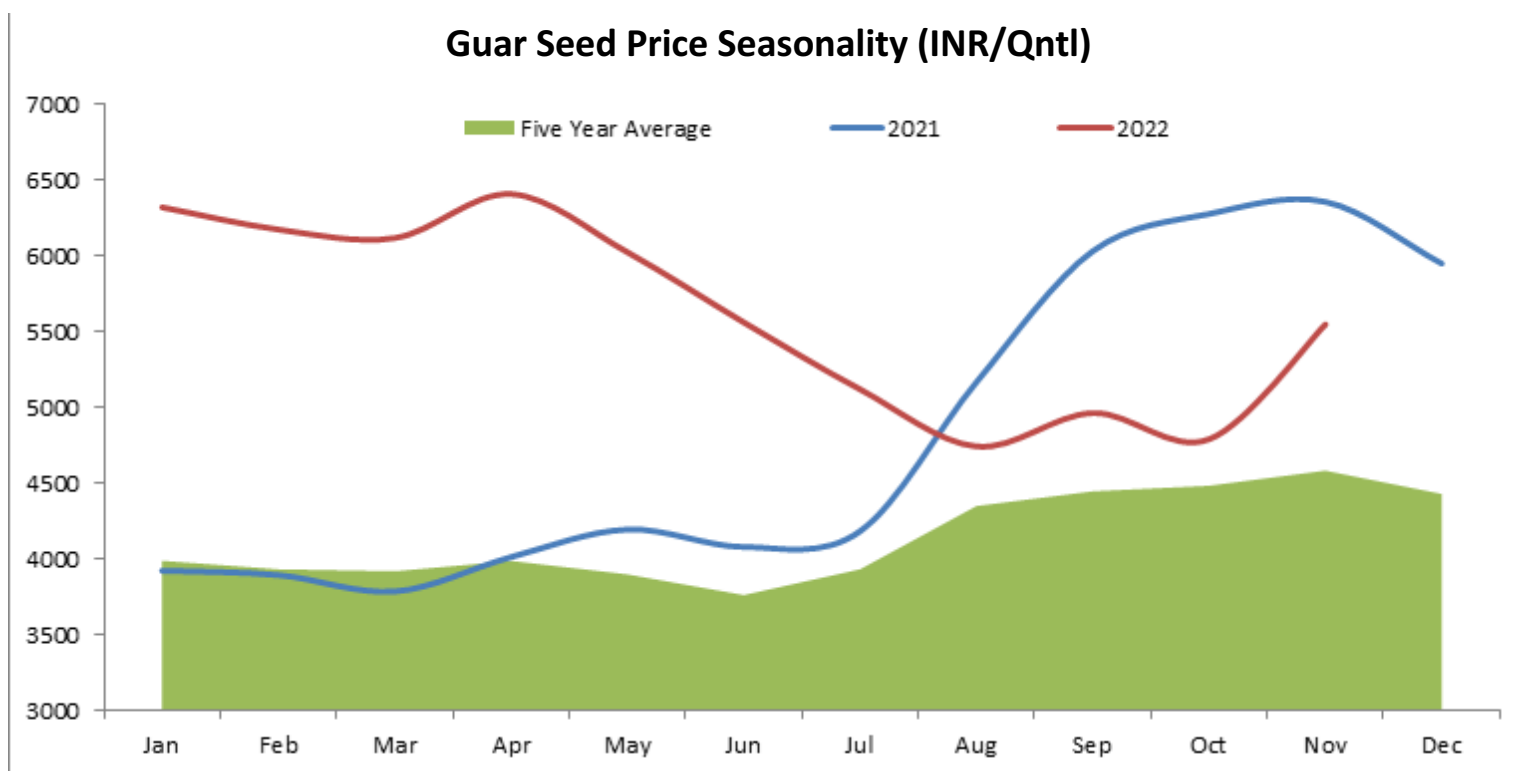
## Major Price Drivers

- Ongoing Harvesting
- Robust export demand
- Lowering yield due to adverse weather condition

Guar seed prices traded mixed to down in Oct'22 on sluggish buying ahead of commencement of arrivals. Fall in relative feed meal prices in also impacted the demand of churi and korma that weighed on market sentiments. However, prices recovered sharply in Nov'22 on below normal arrivals in Nov'22. Farmers are hoarding their produce in expectation of rise in prices further.

Price movement of Guar seed has been against to its price seasonality in last three months mainly due to worries over crop progress. Industrial demand and exports are normally increased in Oct-Dec that helps guar seeds prices to trade higher in Oct-Dec.

## Guar Seed Price Seasonality (INR/Qntl)



Harvesting has reached its last stages at most of the places. Weather condition has been improved and facilitating the ongoing harvesting activities. Going forward, arrivals are expected to improve on better price realisation

Export demand of guar gum has been good so far in year 2022 as India has exported about 166.4 thousand tonnes during the time period of Jan-Aug'22 compared to 138.9 thousand tonnes of previous year. US, Russia, Germany and China have been the largest buyers of Indian guar gum accounted for about 55% of total gum export from India. Export demand guar gum is expected to drop in coming months due to global economic slowdown amidst emerging fear of recession. With imposition of series of economic sanctions on Russia by EU countries, export of crude oil from Russia has dropped in recent months and likely to remain bleak in coming months as well that will hamper the guar gum imports in Russia from India. Being as highly effective fracturing fluid used in oil drilling industry, guar gum has strengthens its place in Oil and Gas industry. Global demand of crude oil has been sluggish due to ongoing economic slowdown that will result in to fall in imports of guar from major buying countries.

### Outlook:

Considering the above fundamentals, it seems guar seed prices may move up further on robust export demand. However, profit booking is expected at higher levels as prices have already move up by 21% in Nov'22. Prices are likely to hold the support of 5380 and likely to move up to 5800 in coming weeks

# Castor seed

## Major Price Drivers

- Sluggish demand of castor oil from China
- Ongoing harvesting activities
- Lower production forecast
- Tighter carry overstocks

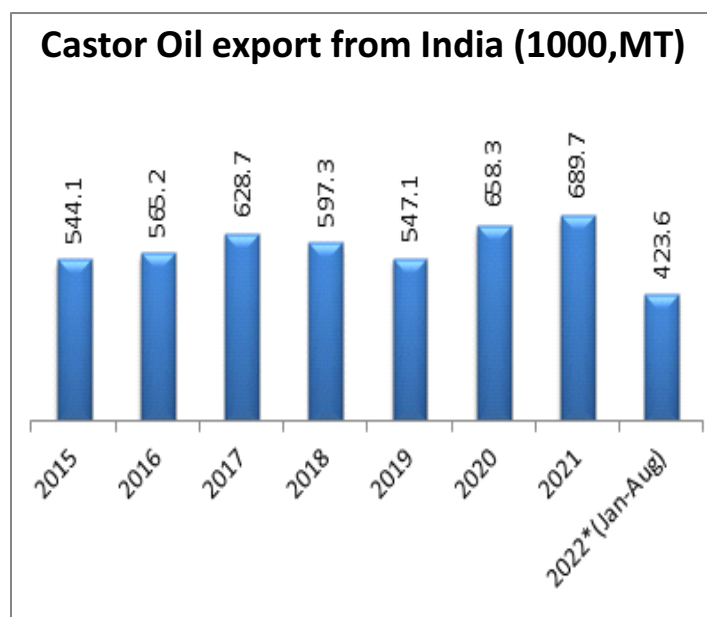
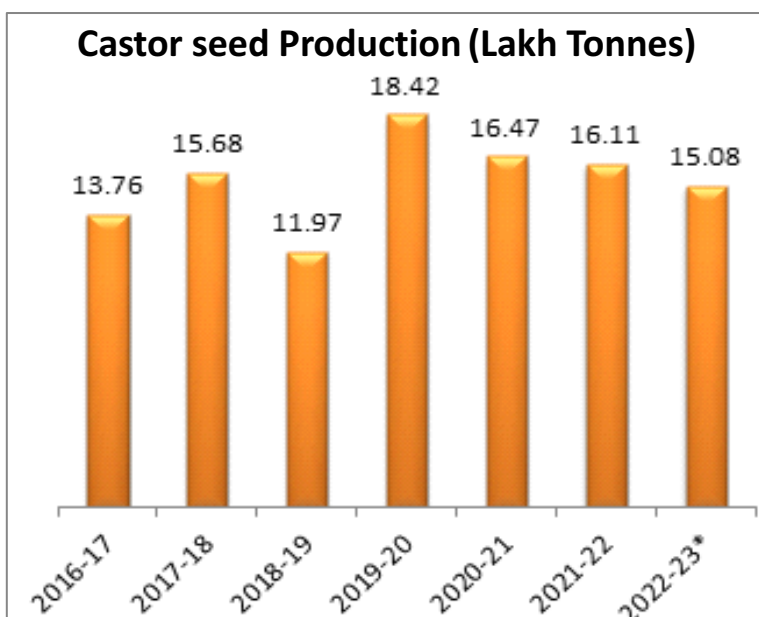
Castor seed prices remained under pressure in Oct'22 mainly due to sluggish demand of by-products like castor oil and meal. Improved yield prospects due to satisfactory crop progress also weighed on market sentiments. However, prices witnessed sharp recovery in Nov'22 on supply tightness as market is running with tighter stocks wherein new arrivals are likely to pick up only after 2-3 months.

Castor seed arrivals has been slow down in Oct'22 as about 21 thousand tonnes of castor seed arrived in year 2022-23 compared to 45 thousand tonnes were arrived during same period in last year. Area under castor seed has increased by 18% Y-o-Y to 8.92 lakh Hectares in year 2022-23 compared to 7.55 lakh hectares of previous year.

Despite of significant rise in area, total production of castor seed is estimated to drop by 6% Y-o-Y to

15.08 lakh tonnes as per the first advance estimates released by Ministry of Agriculture.

Castor oil export has been down by 16% Y-o-Y during the time period of Jan-Aug'22 due to poor off take by Chinese buyers. Castor oil imports in China have shrunk in year 2022 due to economic slowdown that has impacted industrial production. China has imported only 183.5 thousand tonnes till Aug'22 in year 2022 against the 245.3 thousand tonnes of previous year. Impact of lower imports from China is being seen on total castor oil export from India as India exported only 423.5 thousand tonnes against the 503.5 thousand tonnes of previous year.



Source: Reuter & DGFT

## Outlook:

Going forward, castor seed NCDEX Dec prices are expected to trade on weaker note due to bleak demand prospects. Millers are keeping them away from heavy buying in wake of slower pace of castor oil export. Export outlook is looking sluggish due to lowering demand from China. Industrial production in China has been hampered as China has imposed lock down in many cities in form of preventive steps against Corona pandemic.

Castor seed prices are still ruling higher by 8% Y-o-Y compared to last year that will prompt stockiest ad farmers to release their stocks in wake of sluggish export outlook. However, major downfall in castor seed prices is likely to be limited due tighter carryover stocks of previous year wherein production of year 2022 also lower. Technically, castor seed Dec futures are ruling near the resistance of 7600 and expected to fall up to 6700 in coming weeks.

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