

20th September, 2023

**Monthly Report On**

# **Monthly Report on Others Cotton and Guar Complex**

**SEPTEMBER 2023**



Cotton Prices trade on positive bias for most part of previous month in anticipation of fall in production as area under cotton dropped in major producing states. After touching the high of 60900 INR/Candy, Cotton prices traded at MCX closed the month of Aug at 59940 INR/Candy higher by 3% M-o-M. Prices climbed further in Sep due to concerns over adverse weather condition for newly sown crop amid limited availability of quality produce in the market.

Supplies remained down in Aug'23 as well due to lower crop size that bolstered prices. The pace of arrivals has slowed down since new 2023/24 MSP rates were announced by the government effective from October 1. Farmers across the country expect the minimum selling price to reflect the newly announced MSP rates or higher. Farmers in Maharashtra and Gujarat are holding around 5-10 percent of their production, which will likely arrive in the new marketing year. About 328 lakh bales of cotton was arrived till mid of Sep in year 2022-23. Ministry of Agriculture estimated total cotton production at 337 lakh bales in year 2023.

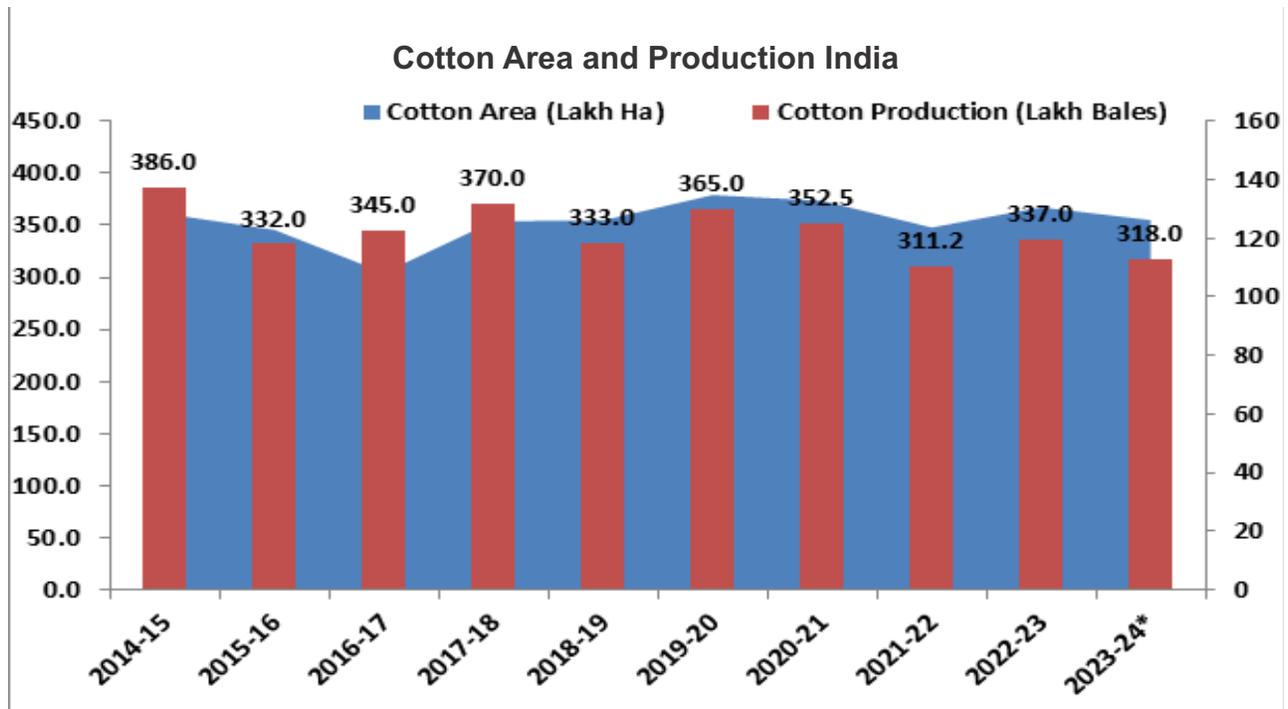
However, Cotton Association of India kept its estimates for cotton production in India at 311.18 lakh bales well below from the five year average level of lakh bales. Despite record fall in export and muted industrial demand in domestic market, ending stocks of cotton declined to 23.18 lakh bales compared to 24 lakh bales of previous year. Total supply of cotton remained down at 350.18 lakh bales against the 385 lakh bales of previous year down by 9% Y-o-Y.

Talking about the current scenario, major focus of cotton market has shifted on the standing cotton crop in major producing states like Gujarat, Maharashtra, Telangana and Rajasthan. Overall area of cotton has been down by 3.2 % Y-o-Y so far in year 2023 stands at 123.22lakh Ha as on 15th Sep'23 as compared to 127.29 lakh Ha of previous year. Considering the top three major producing states, area dropped by around 10% Y-o-Y to 18.21 lakh Ha in Telangana whereas it was reported at 42.21 lakh Ha in Maharashtra. Cotton area in Gujarat surged up significantly to 26.8 lakh Ha due to better realisation on cotton compared to other commercial crops amid favourable weather at the time of sowing. Sowing activities has almost completed and crops are in ball formation stage in central region whereas it is in ball opening stage in northern part of India.

Crop condition is almost in satisfactory condition in northern part of India except some districts of Punjab where crop progress was affected by pink ballworm attacks on standing cotton crop. Cotton area dropped sharply in Punjab by 32% Y-o-Y to 1.69 lakh Ha in year 2023 and now reports of pink ball worm attack will affect overall production adversely in northern part of India.

| Cotton Sowing Area in India as on 15th Sep'23 |                  |         |         |                |
|---|------------------|---------|---------|----------------|
| S.N   | States           | 2023-24 | 2022-23 | % Change Y-o-Y |
| 1   | Maharashtra      | 42.212  | 42.271  | -0.14%         |
| 2   | Gujarat          | 26.793  | 25.489  | 5.12%          |
| 3   | Telangana.       | 18.213  | 20.138  | -9.56%         |
| 4   | Rajasthan        | 7.908   | 6.830   | 15.78%         |
| 5   | Haryana          | 6.650   | 6.490   | 2.47%          |
| 6   | Karnataka        | 6.630   | 8.212   | -19.26%        |
| 7   | Madhya.Pradesh   | 6.500   | 6.250   | 4.00%          |
| 8   | Andhra.Pradesh   | 3.830   | 6.270   | -38.92%        |
| 9   | Odisha           | 2.354   | 2.160   | 8.98%          |
| 10  | Punjab           | 1.690   | 2.490   | -32.13%        |
| 11  | Tamil.Nadu       | 0.270   | 0.427   | -36.77%        |
| 12  | Uttar.Pradesh    | 0.173   | 0.257   | -32.68%        |
| 14  | Total Area India | 123.223 | 127.29  | -3.20%         |

Considering the crop progress and sowing numbers for year 2023 total production is projected at 318 lakh bales in year 2023-24. All India yield forecasts are estimated at 430 kilograms per hectare. Official government data indicates that five-year average (2017-2021) cotton yields are estimated at 458 kilograms per hectare.



Cotton exports from India are estimated to drop to 16 lakh bales in year 2022-23 as compared to 43 lakh bales of previous year down by 63% Y-o-Y. International buyers preferred contamination free machine picked cotton, despite lower prices for Indian cotton yarn.

Considering the above fundamentals Cotton prices are likely to trade on positive bias in wake of bleak production outlook for upcoming season. Yield is expected to be down due to adverse weather condition in central and southern region. Fresh arrivals are expected to improve from Oct onwards that will keep prices competitive and new export enquires are also likely to pick up. Seasonal export of cotton and expected rise in winter demand during Oct-Dec will support firmness in cotton prices. **Cotton Prices are likely to trade in range of 58000-64000 whereas NCDEX Kapas will trade in range of 1570-1720.**

### Cotton Seed Oil Cake (Cocud)

Cottonseed oil cake (Cocud) prices witnessed sharp recovery in Aug'23, moved mostly in line with its prices seasonality gained 22% from the low of 2275 of Jul'23. Reports of fall in area under cotton and extended dryness in central and northern part of India sparked fresh buying in Cocud. Total area under cotton reported at 121.86 lakh Ha as on 18th Aug'23 Vs 124.21 lakh Ha of previous year down by 2%. Market is facing the tighter supply of cotton seed oil cake as millers are avoiding bulk crushing of cotton seed due to unprofitable crush margin. Fresh cotton arrivals will start from Sep end and will pick up gradually from Oct onwards whereas availability of cotton seed oil cake will increase from Nov'23 onwards.



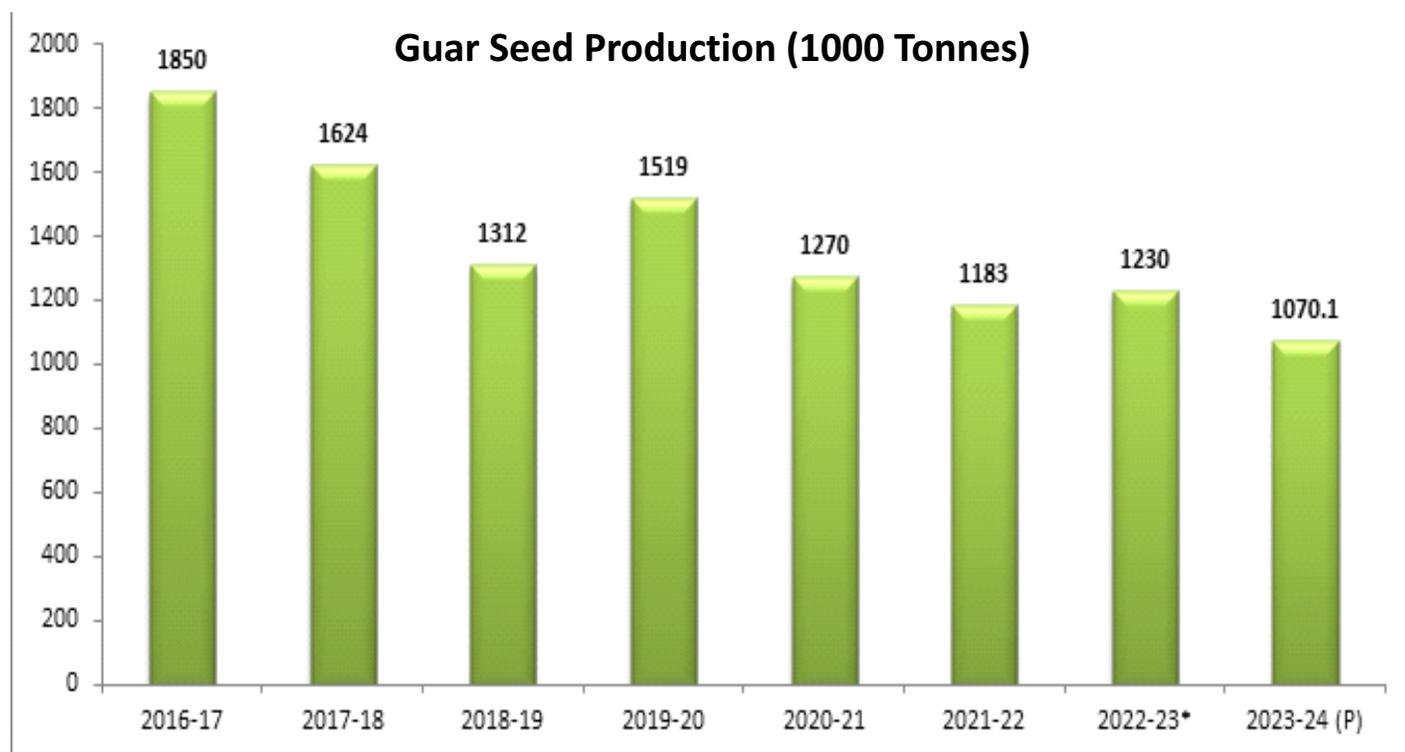
# Guar Complex

Guar seed and Guar gum prices have remained strong in the physical markets and the futures as well during month of Aug'23 tracking prevailing concerns over adverse weather condition in major producing states.

The buying activities improved in anticipation of fall in production for upcoming season. Local traders and processors buying demand are witnessed in most of the spot markets.

Guar seed prices rose sharply in spot markets of Jodhpur and Bikaner in Rajasthan, and in Kadi and Halvad spot markets in Gujarat. Guar seed Prices moved up 3.5% on monthly basis due to weather concerns closed at 6173.

Major focus is on crop progress as sowing has already completed at most of the major producing states. About 27.6 lakh Ha was sown under guar as on 25th Aug 2023 as compared to 30.79 lakh Ha of previous year. Area has been down by about 10% Y-o-Y and impact of that is likely to be seen on overall production. Considering the acreages and yield projection, total production for year 2023-24 is estimated at 1070 thousand tonnes as compared to 1230 thousand tonnes of previous year.



Apart from the crop, trade numbers will also be in focus as seasonal demand of guar gum is improved during Nov-Dec that will prompt stockists to buy at every dips in prices. Guar gum export has been down in year 2022-23 due to reduced buying by US. India exported about 2834 thousand tonnes of guar gum along with meal against the 3856 thousand tonnes of previous year.

**Based on the above fundamentals Guar seed prices are expected to trade in range of 5660 -6700 wherein Guar gum prices are expected to trade in range of 11300-16500**

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