

# Monthly Report On Monthly report on Others – Cotton, Castor and Guar seed February 2022



## Factors to watch

- Arrivals of cotton bales in the physical market
- Monthly Production adjustments by CCI
- US cotton export demand
- Cotton and yarn exports from the country
- Cotton demand from the ginners

## MCX Cotton - Jan-2022



Source: Reuters & SMC Research

## Fundamentals

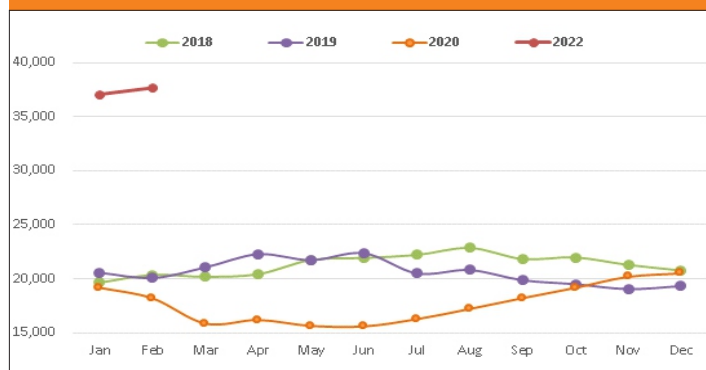
- Currently the cotton prices are at all-time high and trading at 75% higher on year. Cotton futures in MCX jumps close to 12% in January on fear of production loss due to concerns over production, slow arrivals, better domestic and exports demand.
- In India, cotton bale is ruling at a record ₹77,500-78,000 a candy in Gujarat. On the Multi Commodity Exchange, cotton on Wednesday ruled at ₹38,100 a bale (170 kg) or ₹79,785 a candy for March contracts.
- Globally, cotton prices have increased 12-13 per cent since the start of the year and 58 per cent year-on-year. Currently, cotton futures for March delivery on the Intercontinental Exchange, New York, are ruling at 128.08 US cents a pound (₹75,850 a candy of 356 kg).
- In domestic market, daily cotton arrivals across the country are 1.5 lakh bales compared with two lakh bales during this time of the year.
- As per the Cotton Association of India press release, the cotton production estimates were cut by 12.00 lakh bales to 348.13 lakh bales Vs 360.13 lakh bales earlier while domestic consumption increased by 10 lakh bales to 345 lakh bales compared to last year consumption.
- Thus, the closing stocks estimated for the next season will be down by almost 30 lakh bales to 45.13 lakh bales of 170 kgs compared to 75 lakh bales carried forward this season.
- USDA in its monthly release in Jan 2022 also cut production in India to 27.5 million bales from 28 million bales while in the US - largest exporter, production was cut by 3.61% to 17.6 million bales.

## Outlook

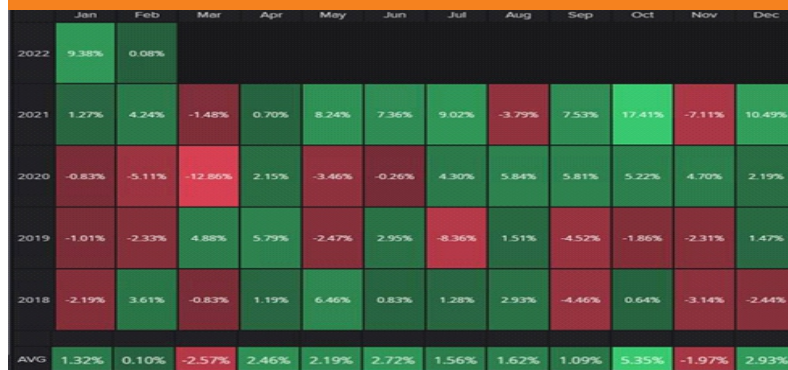
Currently, cotton are correcting from its all-time high prices in domestic market. The fundamental factors from the demand side are changing and there are more alert on purchases and inventories by the bulk buyers. Technically, cotton prices expected a correction towards 35000 levels due to reduction in the buying from the domestic mills. However, due to drop in the production estimates of kapas in the current season, the price may not drop significantly in the domestic market. Furthermore, the closing stocks of cotton will be lesser than last year, while domestic cotton consumption is expected to be higher, considering the recent decrease in corona cases across the country.

Contract	CMP	S1	S2	PIVOT	R1	R2
Feb	37,330.00	32,830	35,080	36,270	38,520	39,710

## MCX Cotton - Monthly Closing (INR per bales)



## Seasonality Heat Map- MCX Cotton



## Factors to watch

- Crop harvest progress in Gujarat
- Export demand for Castor Oil and Meal
- Carry-over stocks with the farmer and oil millers
- Crop progress during the final stages of castor seed

## Castor Future - Jan-2022



Source: Reuters & SMC Research

## Fundamentals

- In January, Castor seed futures close higher in January 2022 after two months of correction. The prices have again increased mainly due to report of lower production for the second consecutive year and there is consistent demand for its derivatives products— oil and meal. There are expectations of production losses this season due to deficient rains in the Gujarat during first three months, which limit the castor seed area despite higher prevailing prices for the castor seed.
- Castor area in Gujarat – the main growing state, in kharif 2021 is 6.50 lakh hac same as last year. The normal area for castor seed in Gujarat is 6.40 lakh hac.
- However, the production is revised lower due to unfavorable weather conditions. According to the second advance estimates by the Government, castor seed production forecast at 13.03 lakh tonnes compared to 15.98 lakh tonnes in the first estimate. Last year, production was 13.45 lakh tonnes according to the final estimates for 2021/21 season.
- In calendar year 2021, India's castor oil exports increased by 4.11% to 6.85 lakh tonnes while in the first 9-month (Apr-Dec) of FY 2021/22, the exports have been at par with the last year exports at 5.15 lakh tonnes. The export prices of castor oil increase by more than 30% in FY2021-22. In Dec 2021, the export prices of castor oil is higher by about 41% on year at Rs. 1.32 lakh per ton compared to Rs. 0.93 lakh per ton last year.
- India exported castor oil to 96 countries during the FY 2021/22 (Apr-Dec) and the top three export destination for the castor oil were China (2.50 lakh tonnes), Netherlands (82000 tonnes) and USA (60200 tonnes).
- In 2021, country exported about 4.05 lakh tonnes of castor meal up by 7% on year. However, in 2021/22, India's castor meal exports down by 4.6% Y/Y at 3.01 lakh tonnes due to increase in export prices. The average price of castor meal during the current financial year is more than \$109/ton compared to \$ 67 / ton last year.

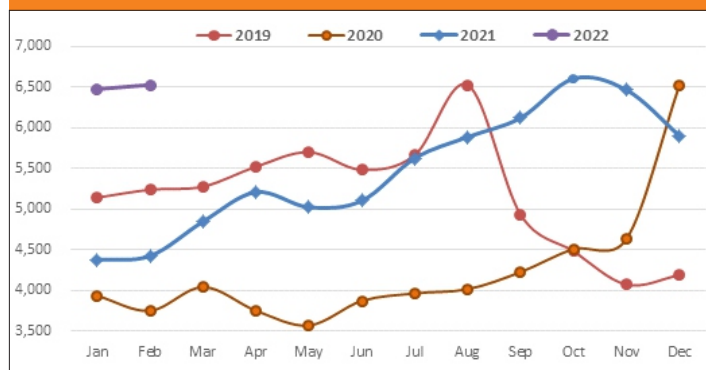
## Outlook

Currently the prices are higher by more than 45% compare to last year prices mainly on the expectation of lowered crop this season. The new season crop is about to hit the market in next month or so. As per the, export seasonality, we expect the castor oil exports to increase during March, April and May. We expect some pressure on prices initially towards 6000 levels but due to prospect of export demand the prices may still supported at higher levels and trade towards 6800 levels.

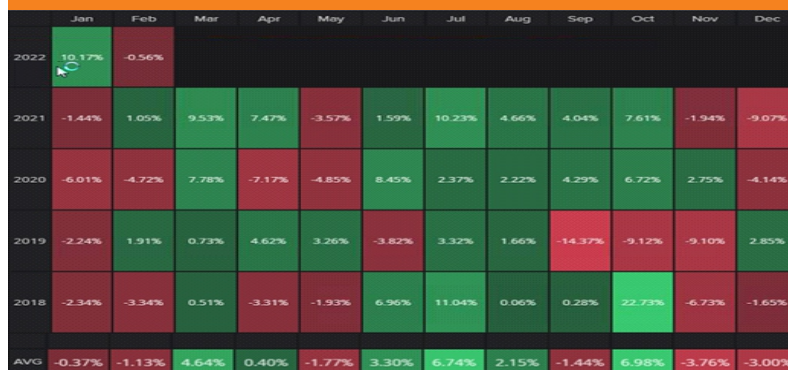
## Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Feb	6,598.00	5,617	6,107	6,313	6,803	7,009
Mar	6,556.00	6,367	6,461	6,495	6,589	6,623

## NCDEX Castor seed: Monthly Closing (Rs per Qtl)



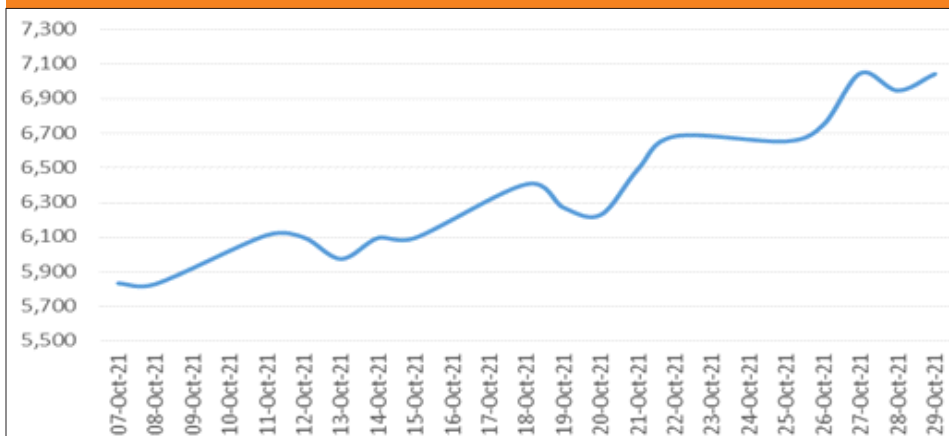
## Seasonality Heat Map – Castor seed Futures



## Factors to watch

- Export demand for guar gum
- Demand for guar derivatives for feed and food industry
- Carryover stocks with the farmers and mills
- Arrivals of guar seed in the market

## NCDEX Guarseed - Jan-2022



Source: Reuters & SMC Research

## Fundamentals

- Guar seed futures in January 2022 increase about 4.5% followed by over 5% jump in December 2021 mostly supported by the improving exports of Guar gum. Currently the prices are higher by about 60% compared to last year prices. Now the stock levels are lower due to higher demand for guar seed and its derivatives Churi & Korma for animal feed.
- According to market sources, the arrivals have improved this season on record price of guar seed. In Bikaner (Bikaner, Nokha, Khajuwala and Lunkaransar), Oct-Dec'21 arrival went 21% up at 1,88,630 Qtl vs 1,55,580 Qtl in same period last year. Whereas, in Dec'21 arrival stood 51% higher at 89,750 Qtl vs 59,300 Qtl in Dec'20.
- However, the stocks with traders and farmers have declined consistently over the year due to increase in the usage and demand while the production is declining in the country. The prices have breached 7000 levels for the first time last year (2021) since 2013.
- As per the Department of Agriculture data, area under guar seed in Rajasthan were lowest in 5-years as farmers have preferred oilseeds, cotton, or pulses over guar. The guar seed area in Rajasthan was only 21-22 lakh hac compared to the 5-yr average of 30 lakh hac.
- According to APEDA, the exports of guar gum during year 2021, up by over 27% to 3.07 lakh tonnes compared to previous year exports of 2.41 lakh tonnes. In the first 9-month of FY 2021/22 the country exported 2.41 lakh tonnes of guar gum compared to 1.70 lakh tonnes last year. The exports of guar gum during the month of December are highest monthly exports in the year 2021 at 32,421 tonnes.

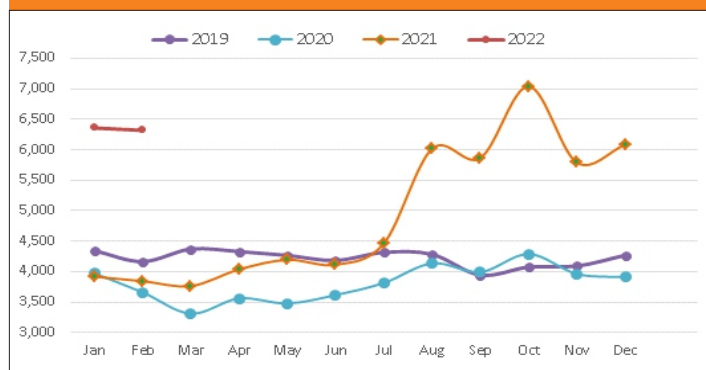
## Outlook

Guar seed prices are higher by more than 50% compared to last year prices. During the harvesting season (Oct – Dec), the guar seed prices have been increasing due to lower arrivals as farmers are holding back their stocks on anticipation of higher prices. We expect the Guar seed (Mar) prices to trade higher towards 6700 levels in coming weeks with support at 6000 levels. As farmers and stockist have good returns in last 3 months and now as the harvesting is almost over, farmers may hold back their stocks for expectation of more price realization.

## Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Feb	6,235.00	5,752	5,993	6,267	6,508	6,782
Mar	6,280.00	5,834	6,057	6,308	6,531	6,782

## NCDEX Guar seed : Month-End Close prices (Rs/100 kg)



## Seasonality Heat Map – Guar Seed Futures



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