

# Monthly Report On

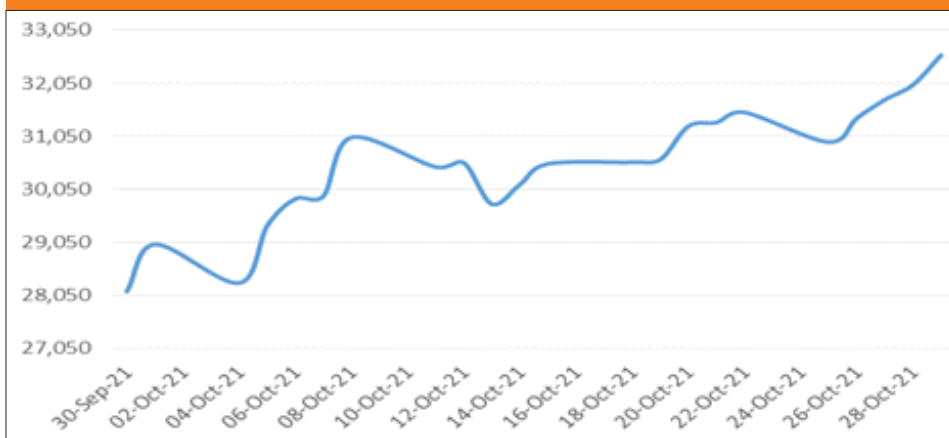
# Monthly report on Others – Cotton, Castor and Guar seed November 2021



## Factors to watch

- New season cotton demand from domestic mills and exports.
- Domestic production estimates and consumption
- Arrival and quality of new season cotton in the physical market
- US cotton harvest and export demand from China
- World cotton production estimates and imports by China

## MCX Cotton - Oct-2021



Source: Reuters & SMC Research

## Fundamentals

- Currently the cotton prices are at all time high and trading at 60% higher on year. Cotton futures in MCX jumps close to 16% in October due to fear of production loss due to unseasonal rains in the main cotton growing regions of Maharashtra and Gujarat. Moreover, pest attacks in the North India also were a major concern for the production loss.
- In October, the prices seen continuously higher as US cotton also make moves higher due to increase in exports demand from China and weather concern in some areas due for the harvest.
- New season arrivals started in most parts of country and recently, CAI has estimated cotton crop for the 2021-22 crop year at 360.13 lakh bales of 170 kgs. Each which is more by 7.13 lakh bales than the previous year's crop despite 5% lower area this season.
- During the last week of October, CCI increased its rates of cotton sales by Rs 4500 per candy. Furthermore, kapas crop has been damaged due to unseasonal rain and hailstorm affected the arrival of new crop. Millers are left with limited stock as prices are at all-time high.
- USDA in its the October report, lowered its production estimate by 1.75% or over half a million bales for the 2021/22 crop year to 28.0 million bales while the ending stocks down by 15.6% y/y.

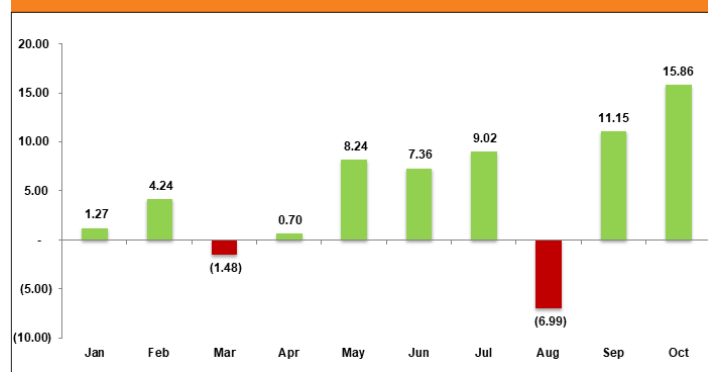
## Outlook

Currently, cotton prices trading higher by more than 60% compare to last season due to reports of production loss and improving demand for the exports. Internationally, the prices are trading at 10-years higher due to good demand from consuming countries particularly China. Domestically the production estimates are higher but the arrivals are not picking up as per the expectations this season. CCI also increasing its selling prices tracking the physical price scenario. We expect the prices to trade towards – 35000 levels if the arrivals do not improve in the domestic market. Profit booking from higher levels also possible.

## Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	33,040	25,900	29,470	31,440	35,000	36,970

## Monthly price movement of MCX Cotton futures (%)



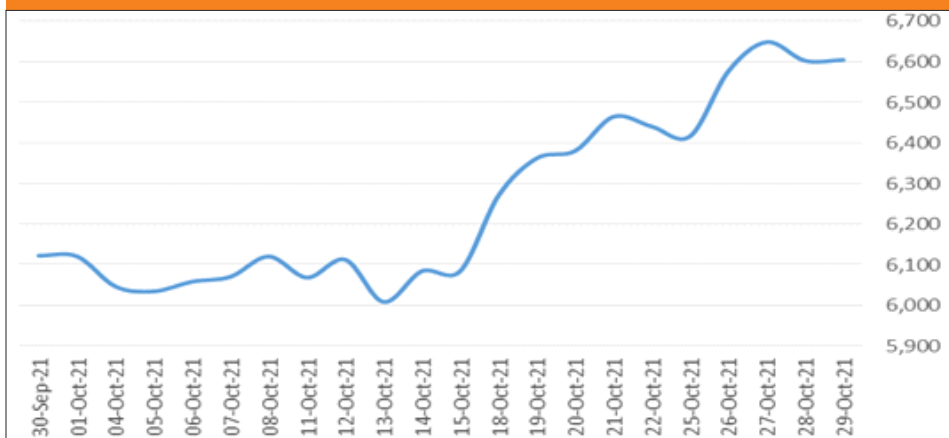
## Seasonality Heat Map- MCX Cotton

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	1.27%	15.97%	-1.48%	0.70%	8.24%	7.36%	9.02%	-3.79%	7.53%	17.41%		
2020	-0.83%	-5.11%	-12.86%	2.15%	-3.46%	-0.26%	4.30%	5.84%	5.81%	5.22%	4.70%	2.19%
2019	-1.01%	-2.33%	4.88%	5.79%	-2.47%	2.95%	-8.36%	1.51%	-4.52%	-1.86%	-2.31%	1.47%
2018	-2.19%	3.61%	-0.83%	1.19%	6.46%	0.83%	1.28%	2.93%	-4.46%	0.64%	-3.14%	-2.44%
2017	5.19%	4.94%	-1.90%	-0.05%	1.50%	-5.54%	5.41%	-10.55%	-0.64%	2.86%	-3.04%	8.71%
AVG	0.49%	1.07%	-2.44%	1.96%	2.06%	1.07%	2.33%	-0.81%	0.74%	10.74%	-0.95%	2.48%

## Factors to watch

- Export demand for Castor Oil and Meal
- Carry-over stocks with the farmer and oil millers
- Weather forecast during the growing period
- Crop progress during the final stages of castor seed

## Castor Future - Oct-2021



Source: Reuters & SMC Research

## Fundamentals

- In October, Castor seed futures close higher for the fifth consecutive month due to consistent demand for its derivatives products— oil and meal. Moreover, expectation of production losses due to deficient rains in the Gujarat during first three months also help castor prices move higher.
- Castor area in Gujarat – the main growing state as on 04-Oct is 6.30 lakh hac compared to 6.07 lakh hac last year same time. The normal area for castor seed in Gujarat is 6.40 lakh hac.
- According to the first advance estimates by the Government, castor seed production forecast at 15.98 lakh tonnes, down 0.5 lakh tonnes compared to last year. Last year, production was 16.5 lakh tonnes according to the 4th Advance estimates for 2021/21 season.
- In the first 9-month in 2021, country exported about 2.55 lakh tonnes of castor meal up by 16% on year. In Sep 2021, India's castor meal exports down by 23% Y/Y at 34,881 tonnes due to increase in export prices. In last two months, the export prices of castor meal increase closed to 54%.
- India's castor oil exports increased by 10.55% to 4.75 lakh tonnes in the first 8-month (Jan-Aug) of calendar year 2021.

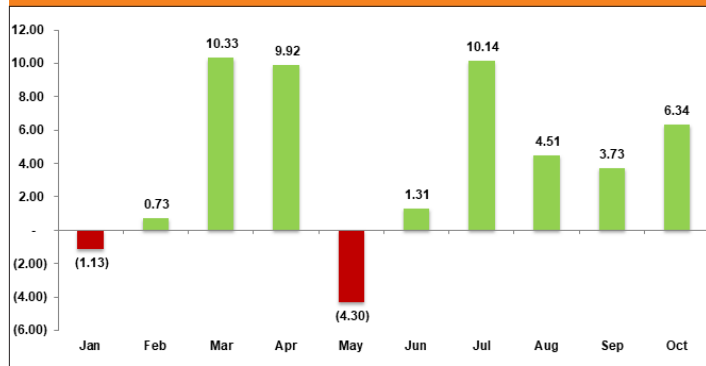
## Outlook

We expect the Castor (Nov) prices to trade sideways to higher as castor oil and meal exports in coming months and trade towards 6700-6800 levels. Currently, the prices are 50% higher compared to last year prices due to robust domestic demand for the industrial use. Moreover, due to higher exports of meal and oil the stock levels are also less with the Oil mills and traders while the production expectation this year was lower compared to last year.

## Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	6,592.00	5,692	6,142	6,420	6,866	7,140
Dec	6,666.00	5,762	6,214	6,494	6,946	7,226

## Monthly price movement of Castor futures (%)



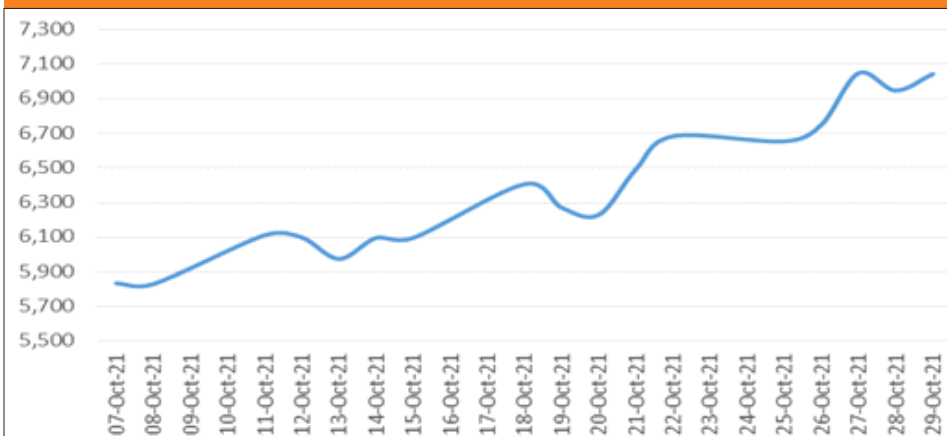
## Seasonality Heat Map – Castor seed Futures



## Factors to watch

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

## NCDEX Guarseed - Oct-2021



Source: Reuters & SMC Research

## Fundamentals

- Guar seed futures in October jumped about 20% due to expectation of lower production and declining stocks in the country. The prices have breached 7000 levels for the first time since 2013.
- As per the Department of Agriculture data, area under guar in Rajasthan down by 2.5 -3 lakh hac due to lower prices during the sowing season coupled with deficient and irregular rainfall in the guar growing districts. Moreover, farmers have preferred oilseeds, cotton, or pulses over guar this season.
- Guar acreage in Rajasthan is declining over the years due to higher stocks and stagnant price. Now the stock levels are lower due to higher demand for increase in demand for guar seed and its derivatives Churi & Korma for animal feed.
- According to APEDA, the exports of guar gum during the FY 2021/22 (Apr-Aug), the exports are higher by 46.8% compared to last year for same period. In the first 5-month of FY 2021/22 the country exported 1.33 lakh tonnes of guar gum compared to 90,800 tonnes last year. The exports of guar gum during the month of August are higher by 200% at 25350 tonnes compared to last year export data.

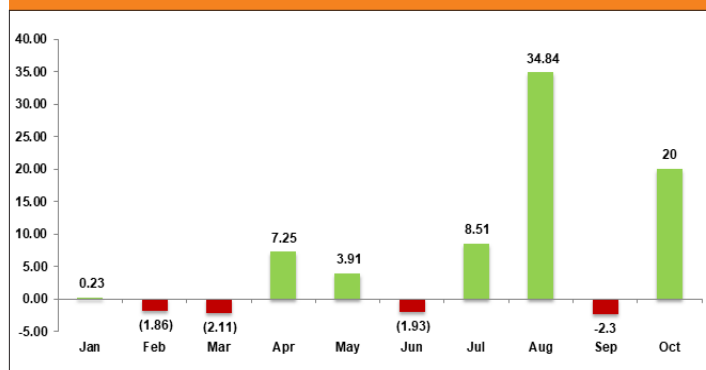
## Outlook

Guar seed prices are higher by more than 50% compared to last year prices. During the harvesting season, the guar seed prices have been increasing due to lower arrivals. We expect the Guar seed (Nov) prices to trade higher towards 7500 levels in coming weeks with support at 6100 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
Nov	7,041.00	5,169	6,105	6,645	7,581	8,121
Dec	7,103.00	5,185	6,144	6,697	7,656	8,209

## Monthly price movement of Guar seed futures (%)



## Seasonality Heat Map – Guar Seed Futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.23%	-1.86%	-2.11%	7.25%	3.91%	-1.93%	6.49%	37.40%	-1.93%	19.30%		
2020	-6.01%	-7.85%	-9.56%	7.55%	-2.30%	3.97%	5.48%	7.05%	-2.20%	7.39%	-7.63%	-1.34%
2019	0.42%	-4.15%	4.55%	-0.55%	-1.47%	-1.92%	3.14%	-0.76%	-7.93%	3.34%	0.44%	3.37%
2018	13.11%	-7.02%	-3.94%	-7.70%	-4.38%	6.02%	15.50%	-0.99%	-2.23%	7.06%	-6.79%	0.60%
2017	0.68%	15.09%	6.34%	-3.11%	-13.24%	1.04%	6.17%	9.95%	-5.54%	-5.18%	9.60%	5.01%
AVG	1.67%	-1.16%	-0.86%	0.61%	-3.50%	1.44%	7.36%	10.53%	-3.97%	6.38%	-1.10%	1.91%

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