

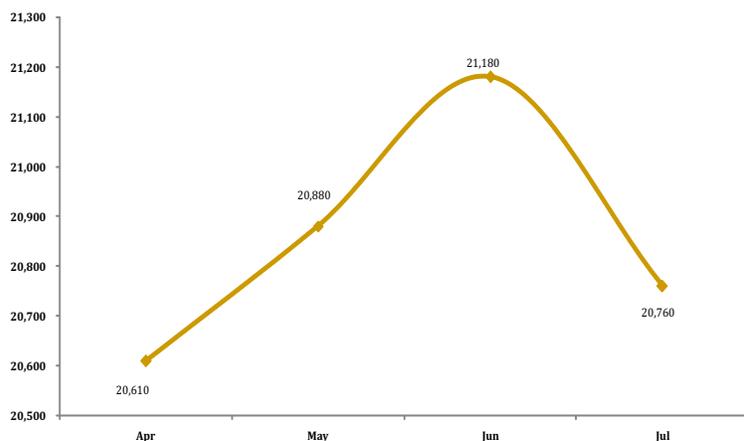
Monthly Report On

Cotton, Cotton Seed Oil Cake, Chana & Castor Seed

April 2018



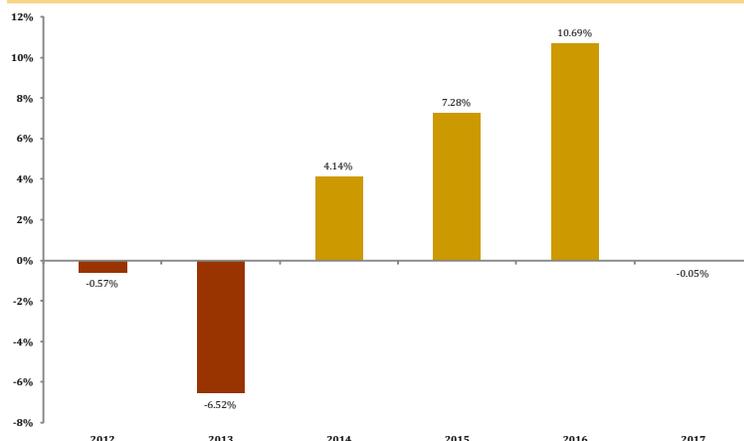
Forward curve of Cotton futures (MCX)



Source: MCX

Closing as on 3rd April, 2018

Historic returns of Cotton MCX futures during month of April



Source: Reuters & SMC Research

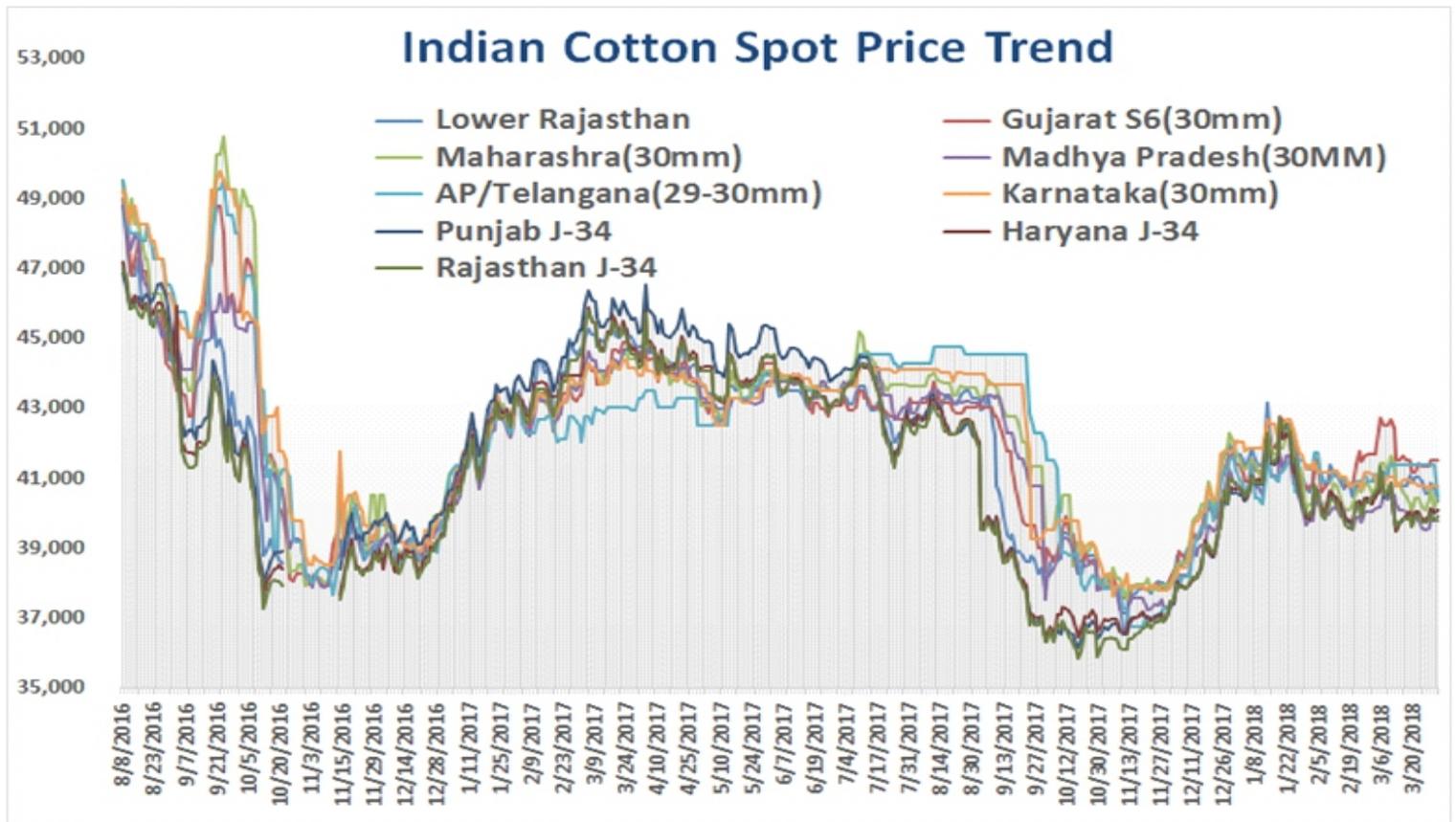
S3	S2	S1	Pivot	R1	R2	R3
18547	19343	19887	20683	21227	22023	22567

Fundamentals

- **Cotton MCX (April) is expected to take support above 19880-20200 levels & trade higher towards 21000-21200 levels, taking positive cues from the optimism over export demand. Moreover, ICE cotton futures maintaining a steady trend & consolidating in the range of 80-83 cents per pound is likely to give a cushion to the domestic cotton prices.**
- India will export 65-70 lakh bales of cotton in the ongoing cotton season 2017-18 (October-September) amid aggressive demands from neighbouring countries like Bangladesh, Pakistan and China. India has already shipped nearly 53-55 lakh bales in the current season and contracts have been signed for another 8-10 lakh bales scheduled for shipment in April-May.
- The fundamentals of the domestic cotton market shows that on the supply side as per the latest Cotton corporation report, arrivals so far (as on March 22) in the cotton year ending September 2018, was marginally ahead 0.3% to 25.78 million bales as compared to 25.70 million bales in the same period last year.
- As per the data, around 80.3% of the total estimated crop (320 lakh bales) has arrived so far. This has given a clear indication that production estimates could range between 32-34 million bales which is much lower than early trade estimates of 37 million bales. The lower production estimates, which is line with the levels seen last season at 34 million bales, has provided support to prices in both spot & futures market.
- At present, all of Central India and few other states arrival pace remained behind corresponding period last year. And with most farmers, previously circumscribed stock, offloading in order to avoid moisture loss due to summer heat and dryness in weather conditions.
- In days to come, market participants would be keeping a close watch on the final U.S. cotton production estimate for the 2017 crop, which is to be released by the USDA on May 10.
- The latest The USDA prospective planting intentions showed that all U.S cotton planted area for 2018 is estimated at 13.5 million acres, 7 percent above last year. Upland area is estimated at 13.2 million acres, up 7 percent from 2017. American Pima area is estimated at 262,000 acres, up 4 percent from 2017.
- Based on the current supply and demand estimates, the 2017/18 stocks-to-use ratio is projected to reach 30 percent; although well above last season's 15 percent, the ratio is similar to that in 2015/16.
- On the demand side, as projected by the USDA, U.S. cotton exports are projected at a 13-year high of 16.0 million bales in 2018/19, due to expectations of a large exportable surplus. The U.S. share of world trade is projected to rise. Seasonal patterns are expected, prospects for above-average shipments during the second half of 2017/18 are supported by the strong export commitments. Based on the latest estimate, U.S. cotton exports will need to average around 365,000 bales per week for the rest of the season.
- According to the International Cotton Advisory Committee:

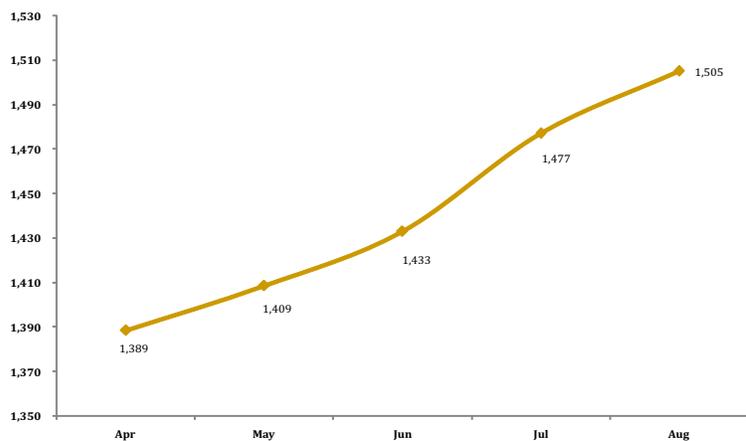
COTTON MCX (April)

- o Global cotton production is expected to outpace consumption
- o Ending stocks likely will increase 1.5% to 9.1 million tons
- o Strong demand for textiles, especially in emerging markets, should benefit cotton
- o Consumption is expected to increase 3.6% in 2017/18 and 4.4% in 2018/19
- If the above developments continue as expected, the short-term outlook for cotton is a positive one. Although global production is expected to outpace consumption (25.7 million tons vs. 25.4 million tons), strong textile demand in emerging markets will benefit cotton.
- Consumption, which has steadily increased over the last three seasons, is expected to continue rising, with increases of 3.6% and 4.4% projected in 2017/18 and 2018/19, respectively.
- Other factors buoying cotton are the rising production costs of synthetic fibres and growing awareness of the environmental damage being caused by microfibre pollution.
- However, the threat of pests and inclement weather remain concerns. This season, the world's largest producer, India, suffered yield losses due to a pink bollworm infestation and is expected to decrease to 12 million hectares in planted area in 2018/19.
- Planting intentions for the world's largest exporter, the USA, reflect an increase to 4.9 million hectares in 2018/19, but drought conditions will need to be monitored closely, both in the USA and in Australia.



Cotton seed oil cake (May)

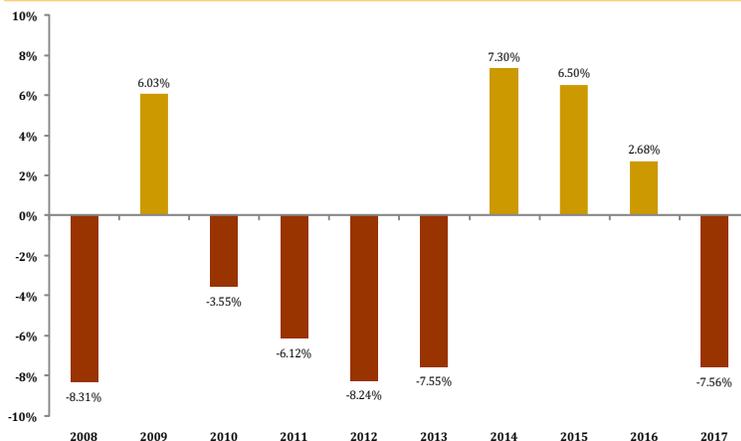
Forward curve of Cotton seed oil cake futures



Source: MCX

Closing as on 3rd April, 2018

Historic returns of Cotton seed oil cake futures during month of April



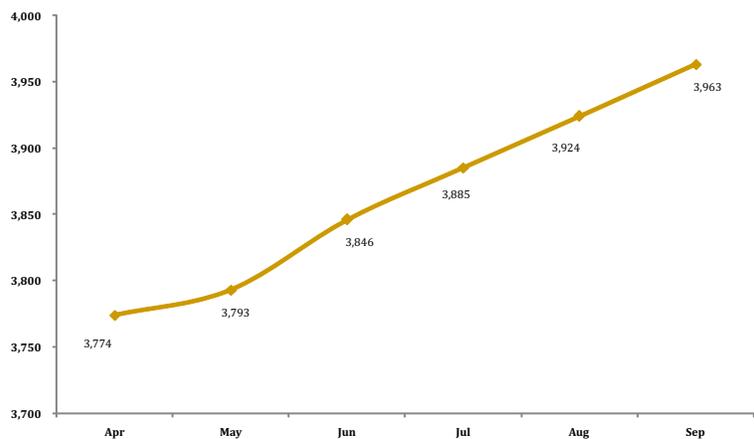
Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
1123	1260	1333	1470	1543	1680	1753

Fundamentals

- Cotton seed oil cake futures on the national bourse has made a 3 years low of 1380 amid higher supplies against lower demand due to availability of other substitutes. In days to come, the bearish trend is likely to persist and we may see more downside in this counter. Cotton seed oil cake (May) if breaks 1395 levels, then the downside may get extended towards 1350-1300 levels. The month-on-month rising open interest is indicating that short positions are being built up. Fundamentally, ample availability of Cotton seed oil cake along with other substitutes and lackluster demand are expected to weigh on prices. Meanwhile any upside in prices on account of short covering should be used as opportunity to sell.
- The demand for cottonseed oil cake from the cattle industry is not encouraging as the Milk price in key producing states of Maharashtra, Gujarat, Punjab, Haryana and Uttar Pradesh is significantly down compared to last year. Thus cattle farmers and the feed manufacturers have opted to shift to cheaper substitute like pulses chunni, along with grains, mainly millets (bajra) and maize (makka).
- Maharashtra's cow milk procurement price has declined by 30% to Rs22 per litre compared to last year same month. Procurement prices in Haryana and UP have declined by 28% y-o-y to Rs.26 per litre.
- There are various other alternatives available and thus consumption of cotton oilseed cake has reduced by around 30% in major centers.
- Cottonseed oil cake is available in the range of Rs.1,390-1,400/100k in Kadi, whereas pulses (tur, chana, urad, moong) chunni and grains (millets and maize) is available in the range of Rs.1000-1425.
- Further production of cottonseed oil cake is better than last year due to higher crushing during start of the season, however crush disparity has increased in recent times due to poor realisation in cotton oil cake prices.
- As per traders present demand for cottonseed oil cake is very poor and thus further fall in its prices can't be ruled out.
- Cottonseed oil cake production during the first six months (Oct-March) of current season 2017-18 is estimated around 38 lakh tons. The stock of cottonseed oil cake in the country is pegged somewhere around 5.20 lakh tons, which is sufficient to cater present poor demand.
- According to data compiled, around 80% of the total estimated cotton crop (320 lakh bales) has arrived so far, which means that still 20% of cotton is left with farmers.

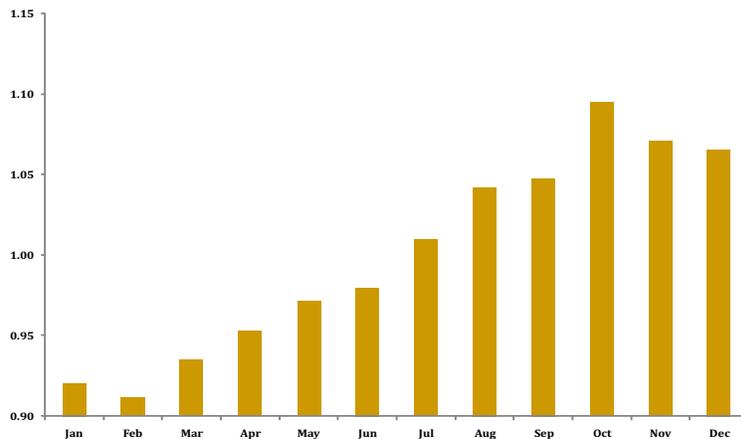
Forward curve of Chana futures



Source: NCDEX

Closing as on 3rd April, 2018

Historic returns of Chana futures during month of March



Source: Reuters & SMC Research

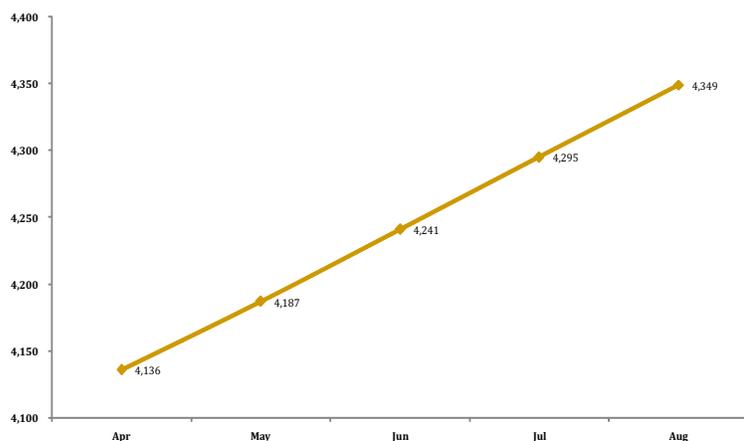
S3	S2	S1	Pivot	R1	R2	R3
3427	3514	3651	3738	3875	3962	4099

Fundamentals

- Last month, chana prices on NCDEX finally showed some sight of relief from the downside & took support near 3630 levels. On the spot market, a bounce back was seen towards 3790 levels from the lows of 3610 levels. Various steps such as lifting the decade old ban from exports with 7% incentive on exports of Chana, Madhya Pradesh government's decision to exclude chana from BhavantarBhugtanYojna (price deficit financing scheme) and purchase the same on the MSP, gave cushion to the prices.
- In days to come, an upside momentum can be seen in chana futures (May) and if it surpasses the resistance near 3825 levels, then the upside may get extended towards 4000 levels, taking support near 3720 levels. However, cautiousness is advised as the supply side is heavier and the market participants would try to offload their produce with every rise.
- The Chana output this year is pegged around 111 lakh tons against last year's 93.8 lakh tons, according to the second advance estimates by the government.
- The last two years saw record sowing and production of all kinds of pulses in India. In the last two years, domestic pulses production clocked 23 million tons (MT) and 24 MT, while imports touched 6.6 MT and 5.6 MT. With annual consumption of about 23 MT, annual availability of about 30 MT for two years has resulted in an unsold stock of about 12 MT.
- The supply of Chana has already begun in MP and is gradually gaining momentum. The state government has set a date of April 10 for the commencement of procurement from farmers at MSP, which is hampering the growers across the state.
- In news, the government has approved procurement of 100,000 ton surad in Andhra Pradesh and 3,000 tons from Tamil Nadu during the ongoing Rabi season. The government will also purchase 32,000 tons moong from farmers in Andhra Pradesh.
- The government agency (Nafed) is continuing its procurement operations & buying chana at MSP of Rs.4,400/100kg in Rajasthan and farmers prefer to sell their crop to them due to better rates compared with private traders. Only needy farmers in need of cash are selling their crop to private traders.
- On the export front, to prevent a sharp fall in domestic prices of pulses, the government has taken various measures such as imposing import restriction and customs duty and allowing exports.
- The unit price of exported pulses, mostly chickpeas better has consistently risen from \$0.84 per kg in 2013-14 to \$1.43 per kg in 2017-18, the highest in the last five years.
- The quantity exported has dwindled from 346,000 million tons (MT) in 2013-14 to 109,000 MT in 2017-18 (till January). In value terms, exports show a declining trend from worth more than \$200 million from 2012-13 till 2016-17 to worth \$150 million shipped till January in 2017-18.

Castor seed (May)

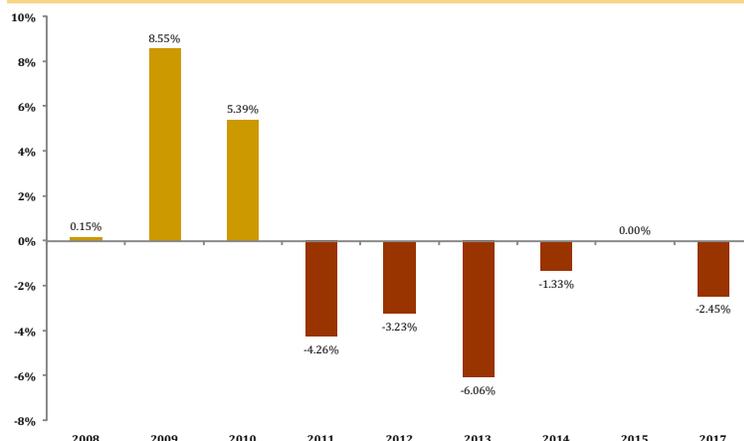
Forward curve of Castor seed futures



Source: MCX

Closing as on 3rd April, 2018

Historic returns of Castor seed futures during month of April



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
3868	3983	4084	4199	4300	4415	4516

Fundamentals

- Castor seed prices have been trying to upside move, but not being able to sustain the gains and hence giving a lower closing, facing resistance near 4255 levels. In days to come, Castor seed futures (May) is expected to trade with a downside bias & if breaks the support near 4060 levels, then the downside may get extended towards 3900 levels. The reason is that supplies are likely to rise due to increased production and easy liquidation of stocks left with farmers.
- In the present scenario, millers are aware of the fact that new crop supply will increase gradually which will help them to procure castor seed at lower price level so they have opted wait and watch approach. Overall trend of castor seed is down for near-term.
- An estimated jump of 37 per cent in yield is set to push castor seed production in the country by around 34 per cent to close at 14.30 lakh tons for 2017-18, says a survey commissioned by Solvent Extractors' Association (SEA).
- The survey results by Solvent Extractors' Association (SEA) also exceeded the Centre's first advance production estimate of 13.9 lakh tonnes for 2017-18.
- Castor production estimate for the new season has seen a significant increase of 30% on account of record yield across the country. Gujarat accounts for 90 per cent of castor production in India. Out of total revised production estimate at 14.30 lakh tonnes, Gujarat accounts for over 12 lakh tonnes.
- Supply of castor seed is seen on the higher side in the spot market, and from April onwards supply is likely to increase more which will weigh on castor prices.
- The demand-supply balance reveals that carry-over stocks at the end of the season are likely to decline to 1.09 lakh tons against 1.97 lakh tons in 2017. However, a lot will depend on castor oil exports. Generally, demand for castor oil and meal declines in case prices become uncompetitive and thus one should keep close eyes on export number for next few month, which will gauge future trend.

Castor Seed Balance Seed For 2017 (Jan-Dec) (Tentative)		
	2017	2018
Particulars	In Lakh Tonne	In Lakh Tonnes
Opening Stock	6.1	1.97
Production	10.55	14.30
Total Supply	16.65	16.27
Retained By Farmers For Sowing	0.68	0.68
Availability For Crushing	15.97	15.59
Dom Crush	14	14.5
Total Demand	14.68	15.18
Ending Stock	1.97	1.09

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