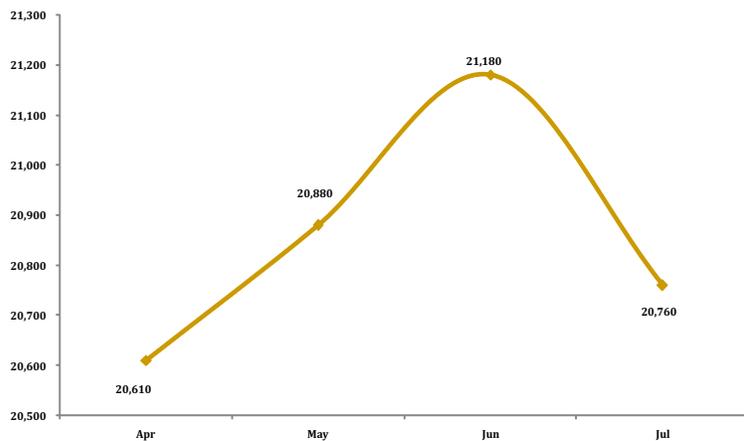


6th June, 2018

Monthly Report On Cotton, Chana, Guar Seed & Guar Gum June 2018



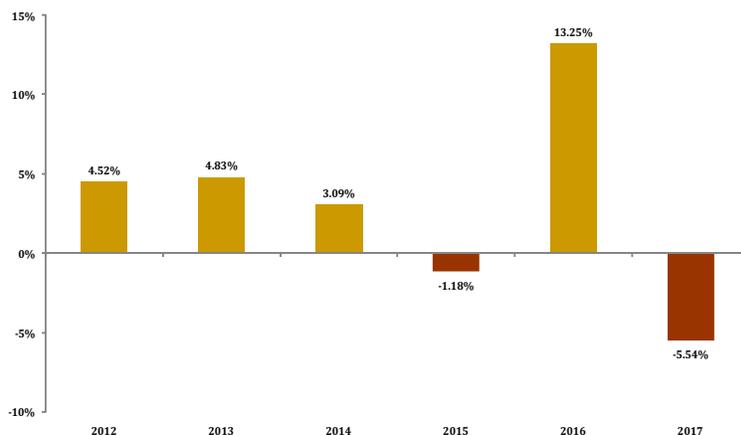
Forward curve of Cotton futures (MCX)



Source: MCX

Closing as on 5th June, 2018

Historic returns of Cotton MCX futures during month of June



Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
20043	21197	22023	23177	24003

Fundamentals

- In days to come, the price trend of cotton futures on MCX (June) will depend on many factors such as the sowing figures, estimates of cotton output, impact of monsoon on the domestic crop & weather in the U.S. However, not much of an upside is left in the counter as it may face resistance near 22800 levels. In coming sessions, profit booking may emerge & this uptrend may witness a reversal towards 21500-21000 levels.
- Cotton prices are at season high level and thus buyers are doing buying very cautiously in a bid to avoid any major losses caused due to expectations of any sharp fall.
- Sellers having cotton stock are slowly and steadily liquidating their crops as current prevailing rates are attractive, however still many sellers having cotton stocks have opted wait and watch approach with anticipation of sharp rise ahead.
- The supply of cotton in entire North India is very much sluggish due to fag end arrival season followed by slow selling by ginners and stockists.
- Coming to fundamentals of the supply side, sowing is still going in north India, but likely to be completed by this week. With the start of the sowing season, farmers in the country have sown cotton across 995,800 ha as of 31st May in the ongoing Kharif season, down 18.3% from the year-ago period, according to data released by the farm ministry. Planting of the crop was down in Haryana, Karnataka, Punjab and Tamil Nadu, while it was higher on year in Rajasthan, the data showed.
- Many market experts are expecting that cotton areas to decline by 10-12 per cent this year as farmers likely to shift to other remunerative crops such as soybean and paddy to fetch better returns for their produce.
- But at the same time there are others also those who expect acreage to be more or less around last year as cotton prices are at season high level and will encourage farmers to go for it.
- As forecasted by the International Cotton Advisory Committee, reduced yields in 2017/18 in India are contributing to lowered planted area for 2018/19 with exports projected at 840,000 tons representing a 24% decrease from the previous season.
- USDA reported that India is forecast to reduce its 2018/19 cotton area by 500,000 hectares (1.2 million acres), as alternative crops are expected to be more profitable for the upcoming season.

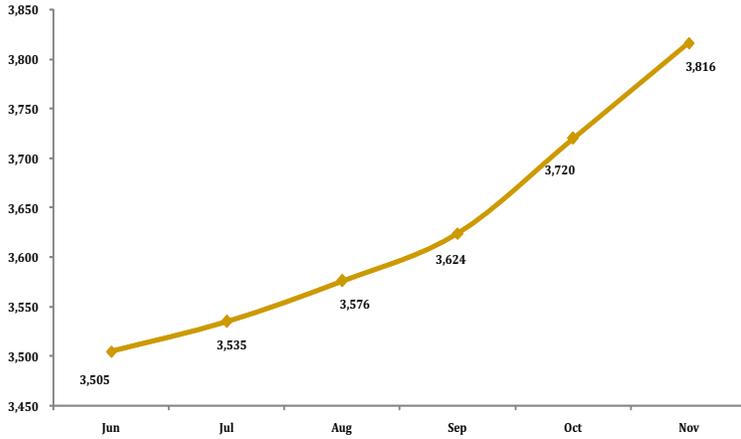
COTTON MCX (JUNE)

- On the international market, cotton futures on ICE have already started to witness profit booking from higher levels & the downside may get extended towards 87-84 levels, facing resistance near 90 cents per lb. U.S. cotton futures (July) is trading near to its one-week low of 89.35 cents per lb, due to profit booking at the higher level amid improvement in weather conditions in Texas. There was some rainfall in Texas over last couple of days and forecast of some more rain for next few days has raised crop prospects, however it will be too early to jump on to conclusion. The current month contract has jumped about 15% last month and touched an all-time high of 96.40 cents a lb on May 30, supported by concerns of drought like conditions in West Texas.
 - The fundamentals of cotton in the international market shows:
 - In 2017/18, world cotton production is estimated at 26.6 million tons while world mill use is projected at 25.5 million tons, which represents the third consecutive season of growth in demand for cotton.
 - World cotton consumption is projected to increase to 26.7 million tons in 2018/19, while world cotton production is estimated at 25.7 million tons.
 - Production in China is projected to decrease to 5.6 million tons in 2018/19 based on reduced planting area, while consumption is forecasted to increase to 8.4 million tons.
 - US production is projected to decrease to 4.2 million tons with exports projected to increase 3% to 3.3 million tons in 2018/19.
 - According to USDA, global consumption is forecast at a record level of just over 125 million bales. If realized, this would be the seventh consecutive year of growth as global textile consumption continues to recovery from recessionary contractions.

COTTON ARRIVAL ESTIMATES AT MAJOR MARKETS IN INDIA								
MARKETS		2017/18		2016/17	% CHANGE		TOTAL ARRIVALS	
		5-Jun	4-Jun	5-Jun	D/D	Y/Y	2017/18	2016/17
NORTH	Punjab	-	-	100	NA	-100.0	763,000	798,000
	Haryana	-	-	1,000	NA	-100.0	1,837,000	1,368,000
	Rajasthan	500	500	-	0.0	NA	884,000	742,000
	Lower Rajasthan	-	-	-	NA	NA	1,185,000	831,000
	TOTAL NORTH	500	500	1,100	0.0	-54.5	4,669,000	3,739,000
CENTRAL	Madhya Pradesh	800	1,000	800	-20.0	0.0	2,359,000	2,235,000
	Gujarat	11,000	11,000	7,500	0.0	46.7	7,784,000	7,163,000
	Maharashtra	7,000	8,000	8,000	-12.5	-12.5	9,037,000	9,196,000
	TOTAL CENTRAL	18,800	20,000	16,300	-6.0	15.3	19,180,000	18,594,000
SOUTH	AP/Telangana	3,100	3,100	5,000	0.0	-38.0	4,136,000	4,585,000
	Karnataka	2,000	2,000	1,500	0.0	33.3	1,526,000	1,103,000
	TOTAL SOUTH	5,100	5,100	6,500	0.0	-21.5	5,662,000	5,687,000
OTHERS (As per CCI arrival dated March 27)							605,400	671,400
TOTAL BALES		24,400	25,600	23,900	-4.7	2.1	30,116,000	28,692,000

NOTE: Data Collected From Market Sources | 1 Bale: 170kg | 2017/18: Oct-Sept | D/D=Day on Day ; Y/Y=Year on Year

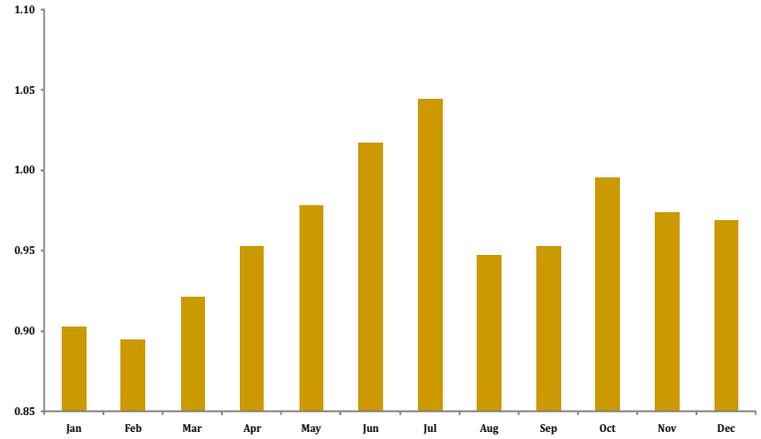
Forward curve of Chana futures



Source: MCX

Closing as on 5th June, 2018

Historic returns of Chana during month of June



Source: Reuters & SMC Research

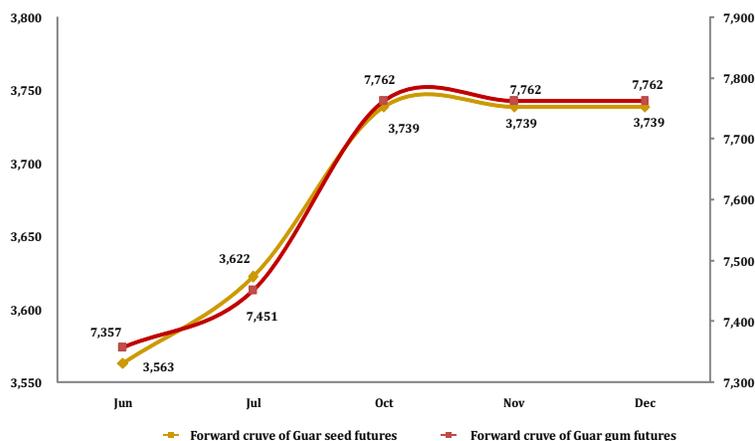
S2	S1	Pivot	R1	R2
3386	3466	3600	3680	3814

Fundamentals

- **The downside in chana futures (July) is expected to remain capped & take support near 3500 levels. If we see the charts, the open interest is building up, which is giving a sign that the long positions are getting built up in anticipation of price rise towards 3655-3690 in near futures. The rising forward curve also shows that the forward month contracts are trading in contango.**
- Sentiments in chana prices are expected to change from bearish to supportive at lower prices. Arrivals were decreasing at lower rates as farmers are mostly selling their stock to Nafed at MSP prices. Although prices in the recent months were mostly bearish due to bumper crop and carry over stock, but downside may be limited from here on.
- Moreover, price difference between chana and white pea has been reduced and likely to support chana prices in near future after Ramzan. Since the available matar stocks are exhausting, buyers may shift to chana, which is a close substitute for matar. The festival season in the country will start from August and will last till Diwali, which will support chana prices. India government has put White Pea in restricted category with April-June import limit at only 1 lakh tonne and likely to extend the limit further to support chana prices.
- In a recent development, the Maharashtra government has decided to pay Rs 1,000 per quintal to tur and chana growers.
- In view of the low prices, the National Agricultural Cooperative Marketing Federation (NAFED) had started procurement of both the pulses. Maharashtra was to see procurement of 4.47 lakh tons of tur and 3 lakh tons of chana under the scheme. By May end, Maharashtra had recorded procurement of around 1 lakh tons of chana and around 3.24 lakh tons of tur. Absence of storage space had prevented Maharashtra from meeting its quota, though procurement of tur was extended by a month.
- The Maharashtra State Co-Operative Marketing Federation Ltd and The Vidarbha Co-Operative Marketing Federation Ltd Nagpur have procured around 142,562 tons of chana so far.
- In Maharashtra, the Deadline for procurement of chana, too, has been extended to June 13.
- Prices of the pulse had fallen over the last few months due to record production and subdued demand from dal millers and stockists.
- The sowing data for the upcoming Kharif crop shows that pulses acreage in the country was down 33% on year at 107,600 ha as of Thursday due to lower sowing in key growing areas, according to the farm ministry.
- Pulses cultivation began on a weaker note this kharif season because farmers are waiting for the rains to reach major producing states in the country.
- For the first time, a buffer stock of up to 20.5 lakh MT of pulses has been created through the Price Stabilization Fund (PSF) scheme of the Department of Consumer Affairs with the objective of managing price volatility of pulses for consumers.
- India's pulse import in 2018-19 is likely to be in the ballpark of \$1.5 billion, which is much lower than 2016-17 (\$4.2 billion, 6.6 million tons) and 2017-18 (\$2.9 bn, 5.5 million tons), declining in step with falling prices.

GUAR SEED & GUAR GUM (JULY)

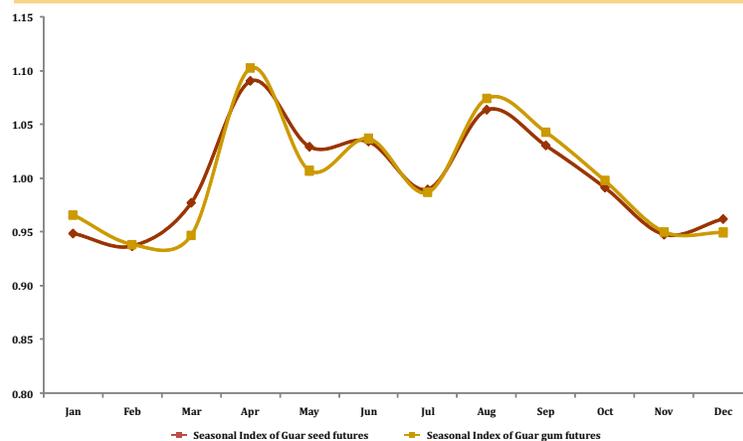
Forward curve of Guar seed & Guar gum futures



Source: NCDEX

Closing as on 5th June, 2018

Historic returns of Guar seed & Guar gum during month of June



Source: Reuters & SMC Research

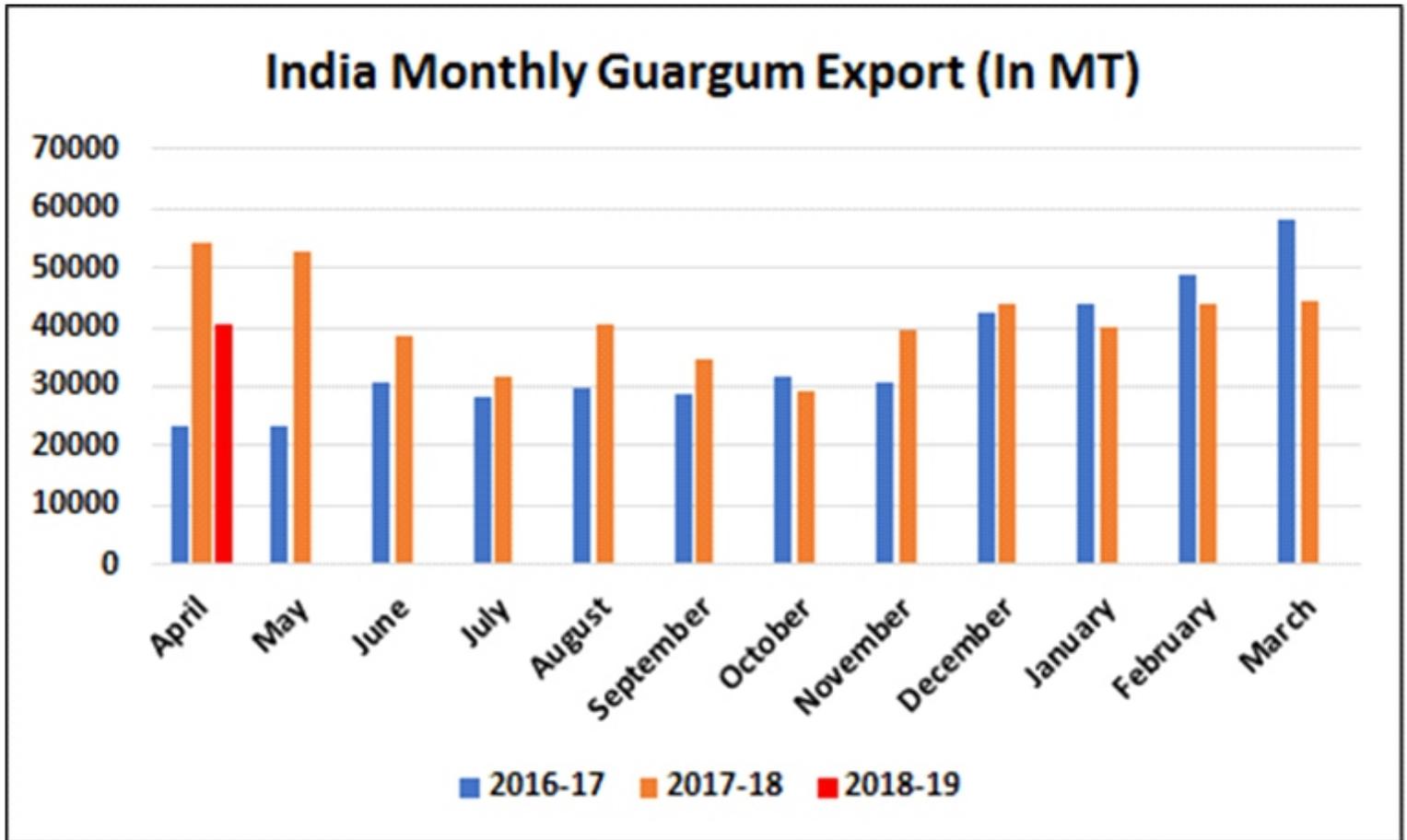
S2	S1	Pivot	R1	R2
3445	3569	3778	3902	4111
6869	7273	7994	8398	9119

Fundamentals

- **The downtrend of Guar seed futures (July) is likely to get extended towards 3450-3300 levels, if breaks the support near 3550 levels. Similarly, a bearish trend will continue to prevail Guar gum futures (July) till 7000-6800 levels. Hence, sell on rise is recommended in the guar complex.**
- Presently, the guar complex is trading near its 3 week low due to the better prospects of crop this season owing to prediction of normal monsoon. There is higher possibility of weak tone to continue as better monsoon expected this season, which may increase productivity.
- Guarseed prices are expected to trade negative in the coming weeks due to normal monsoon forecast this season (June-September).
- Guarseed sowing is expected to start from next week onwards.
- Farmers are releasing Guarseed stocks due to absence of any hope in recovery of prices followed by requirement of finance for Kharif sowing.
- Guarseed stock in the country is already ample and next crop is expected well in case monsoon makes good progress in producing states of Rajasthan, Gujarat, Punjab and Haryana.
- Guarseed stock in the country is expected to be over 1 crore bags (100kg each) or 10 lakh tons, which is massive under current circumstances.
- Demand in Guarseed is expected to remain sluggish due to fag end season and good monsoon prospects which may pressure prices ahead.
- On the spot markets, the offtake is sluggish from crushers amid lower export demand followed by consistent downtrend in prices and forecast of good monsoon this season.
- Crushers are doing need-based buying as export demand in last one month is below expectations, due to volatility in crude oil and falling prices of Guargum in the domestic market.
- India's guar gum exports fell 25.7% on year to 40,405 tons in April, according to data released by the Agricultural and Processed Food Products Export Development Authority. Export data of Guargum released by APEDA also includes Guar split and Guar meal.
- The rupee has also started to appreciate against dollar, which may lower the volume of exports.
- Oil drilling companies in the US are relying more on slick water and friction reducer from China, which are available at half the price of guar gum, according to a media report.
- The sharp fall in exports of guar gum, largely used as a sealant in fracking of shale oil wells, in April was because of the availability of cheaper substitutes in the global market

GUAR SEED & GUARGUM (JUNE)

- On 4th June, the ration between guar seed has dropped to 2.06 as compared to 2.23 last month. This reveals that the demand for guar gum has contracted since past month.



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