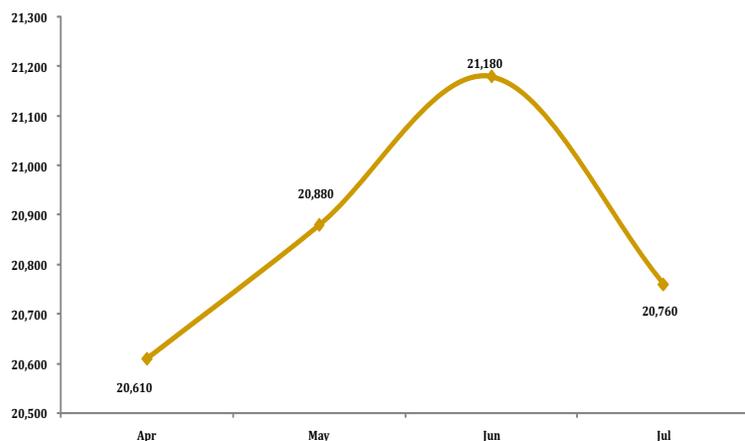


9th May, 2018

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



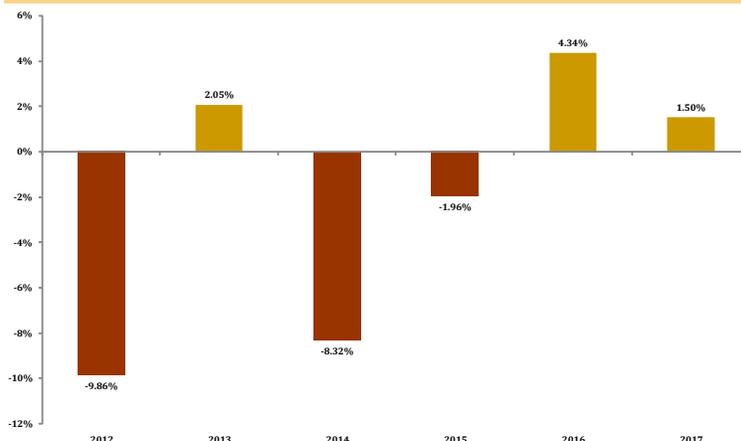
Forward curve of Cotton futures (MCX)



Source: MCX

Closing as on 8th May, 2018

Historic returns of Cotton MCX futures during month of May



Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
19690	20060	20520	20890	21350

Fundamentals

- **Cotton prices on the national bourse are maintaining an uptrend since the beginning of the year on prospects of higher exports amid rupee touching yearly lows. The Indian rupee at 67.42 weakened to a fresh 15-month low against the US dollar, tracking losses in Asian currencies. Day's ahead, cotton futures on MCX (May) is likely to trade with an upside bias in the range of 20500-21500 levels. At higher levels, we would recommend to keep a word of caution as the counter may**
- Due to subdued cotton prices, as many farmers are reportedly looking to shift to soybean during the coming kharif sowing season, as the oilseed fetched a better return last year. Cotton farmers had a bad experience last year, especially in Maharashtra, due to an attack by the pink bollworm on the standing crop. Around a third of the 4.2 million ha under cotton in Maharashtra was hit by this.
- Retaining its earlier estimate of cotton crop at 360 lakh bales (each of 170 kg), the Cotton Association of India (CAI) has noted that around 86 per cent of the crop has already arrived in the market by April 30, 2018. The apex cotton trade body has also made minor changes in the production figures for the states.
 - For Maharashtra and Karnataka, cotton production is estimated to be higher by 2 lakh bales and 50,000 bales, respectively, while the production in Telangana and Andhra Pradesh is now estimated lower by 1.50 lakh bales and 1 lakh bales, respectively, thus retaining the crop at the same level as in the previous estimate last month.
- The Statistics Committee of CAI has projected total cotton supply up to April 30, 2018 at 347 lakh bales. This includes market arrivals of 311 lakh bales and imports estimated at 6 lakh bales, the CAI statement said. The country's cotton consumption for the 7 months from October 2017 to April 2018 stood at 189 lakh bales with an average of 27 lakh bales per month. Exports are estimated at 61 lakh bales as on April-end.
- Cotton stock at the end of April 2018 is estimated at 97 lakh bales, including 52 lakh bales with textile mills, while the remaining 45 lakh bales is estimated to be held by the Cotton Corporation of India and others, including multinationals, traders, and ginners.
- As per the projected yearly balance sheet for the season 2017-18, total cotton supply till the end of the season by September 30, 2018 will be at 410 lakh bales, including the opening stock of 30 lakh bales at the beginning of the season.
- Domestic consumption is estimated at 324 lakh bales, while the exports are estimated to be 65 lakh bales. The carry-over stock at the end of the 2017-18 season is estimated by CAI at 21 lakh bales. The Statistics Committee is scheduled to have its next meeting on June 11.
- On the Intercontinental Exchange, cotton prices are likely to maintain its bullishness and reach for 90-92 cents a pound, taking support near 80 levels.
- Regarding fundamentals of cotton prevailing in the international market, prices have remained high in 2017/18 at an average of 88.08 cents per pound

thus far over the course of the season. Higher prices are expected to impact planting decisions to expand area under cotton for the 2018/19 season. Planted cotton area is expected to increase in 2018/19 by 11% in the United States to 5.08 million hectares, however drought conditions remain a concern for the cotton area in West Texas which represents approximately 25% of the US production.

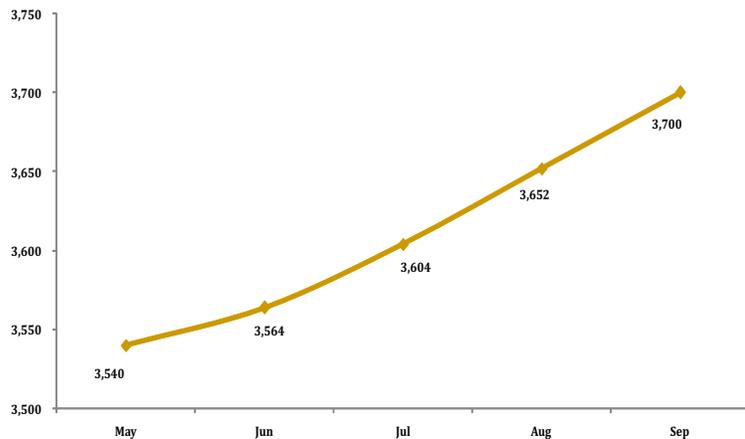
- According to the USDA's weekly Crop Progress Report, 20 percent of the nation's cotton crop has been planted, an 8-point increase from the week prior, which is on par with the five-year average.
- **On the demand side, cotton exports are about 113 percent ahead of pace so we may see the USDA increase demand in the coming WASDE reports.**

INDIAN COTTON CROP ESTIMATE FOR THE SEASON 2016-17 AND 2017-18

Estimated as on 30th April 2018

State									Arrivals As on 30th April 2018	
	2017-18				2016-17				2017-18	
			Total				Total		Total	
	Pressed (in	Loose (in	(in lakh b/s of	(in'000 Tons)	Pressed (in	Loose (in	(in lakh b/s of	(in'000 Tons)	(in lakh b/s of	(in'000 Tons)
Punjab	8.50	2.50	11.00	187.00	6.25	2.50	8.75	148.75	8.85	150.45
Haryana	21.00	3.00	24.00	408.00	17.50	3.00	20.50	348.50	21.20	360.40
Upper Rajasthan	9.45	0.55	10.00	170.00	6.70	0.55	7.25	123.25	9.40	159.80
Lower Rajasthan	10.45	0.55	11.00	187.00	8.70	0.55	9.25	157.25	10.80	183.60
Total North Zone	49.40	6.60	56.00	952.00	39.15	6.60	45.75	777.75	50.25	854.25
Gujarat	101.80	3.20	105.00	1785.00	85.80	3.20	89.00	1513.00	83.10	1412.70
Maharashtra	76.25	5.75	82.00	1394.00	82.25	5.75	88.00	1496.00	73.25	1245.25
Madhya Pradesh	20.30	0.70	21.00	357.00	19.80	0.70	20.50	348.50	19.50	331.50
Total Central Zone	198.35	9.65	208.00	3536.00	187.85	9.65	197.50	3357.50	175.85	2989.45
Telangana	50.90	0.60	51.50	875.50	47.40	0.60	48.00	816.00	48.10	817.70
Andhra Pradesh	12.10	5.90	18.00	306.00	12.60	5.90	18.50	314.50	15.10	256.70
Karnataka	16.40	1.10	17.50	297.50	15.90	1.10	17.00	289.00	15.60	265.20
Tamil Nadu	2.80	2.20	5.00	85.00	3.30	2.20	5.50	93.50	2.50	42.50
Total South Zone	82.20	9.80	92.00	1564.00	79.20	9.80	89.00	1513.00	81.30	1382.10
Orissa	2.95	0.05	3.00	51.00	2.95	0.05	3.00	51.00	3.00	51.00
Others	1.00	-	1.00	17.00	2.00	-	2.00	34.00	0.60	10.20
Grand Total	333.90	26.10	360.00	6120.00	311.15	26.10	337.25	5733.25	311.00	5287.00

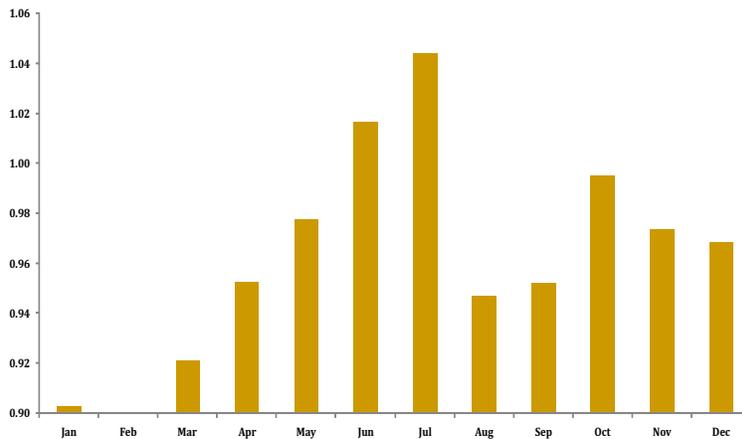
Forward curve of Chana futures



Source: MCX

Closing as on 8th May, 2018

Historic returns of Chana during month of May



Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
3241	3367	3609	3735	3977

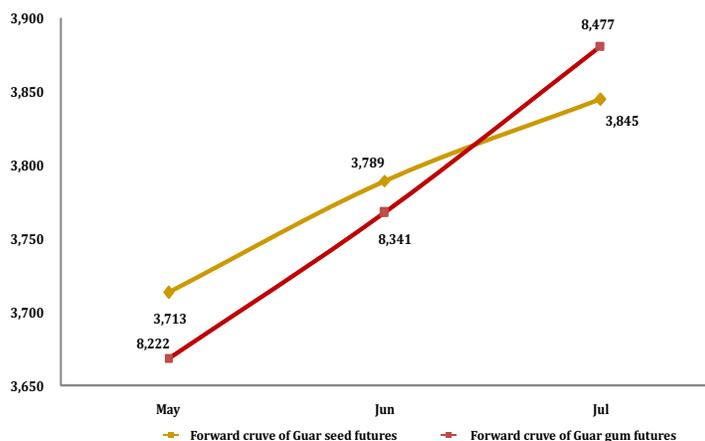
Fundamentals

- Chana futures (June) is expected to take support near 3500 levels & the upside may get extended towards 3700-3850 levels. The trend of this counter may take a U-turn towards upside on the back of some fresh buying at the lower level. Moreover, slow selling by farmers at the lower rates against some good buying from local buyers and exporters may add to the optimism of the market participants. Moreover, a weaker rupee may push forward the shipments of pulses. The Indian rupee at 67.42 weakened to a fresh 15-month low against the US dollar, tracking losses in Asian currencies.
- In recent days, improved demand at lower rate and rise in government's buying on the MSP lifted chana prices by Rs.50-Rs.75 a quintal with chana (kanta) rising to Rs.3,550-Rs.3,600, chana (desi) ruled at Rs.3,400-Rs.3,450, chana (vishal) at Rs.3,550-Rs.3,600, chana (mausmi) - Rs.5,000-Rs.5,100, while Kabuli Bitki was quoted at Rs.6,000-Rs.6,100 a quintal. Chana dal quoted at Rs.4,500-Rs.4,600, chana dal (medium) at Rs.4,700-Rs.4,800, while chana dal (bold) ruled at Rs.4,900-Rs.5,000 a quintal. Dollar chana was Rs.4,200-Rs.5,000. In container dollar chana (42/44 count) fetched Rs.5,800, dollar chana (44/46 count) Rs.5,600-5,650, while dollar chana (58/60 count) ruled at Rs.4,550.
- The Madhya Pradesh government has declared an incentive of 100 rupees per 100 kg on minimum support price and masur to registered farmers. The incentive will be provided to the farmers who have harvested the crops in 2017-18 (Jul-Jun) Rabi season. The incentive will also be paid to the farmers who sold their produce when the incentive had not been declared. The procurement of masur began on Apr 10.
- For 2018-19 (Apr-Mar), the Centre has fixed 4,250 rupees per 100 kg as the minimum support price for masur.
- In 2017-18, production of masur is estimated at 679,000 tons against 653,000 tons in the state, and mustard production is pegged at 976,000 tons, higher than 920,000 tons in last year, according to data from the state farm department.
- The Union government has extended the restriction on import of urad and moong dal across all varieties to cover split and other forms to stabilise domestic prices. "Import policy of urad and moong in split and other forms are also restricted in addition to urad and moong with annual import quota of 3 lakh tons for all," said a notification by the Directorate General of Foreign Trade.
- In a bid to protect farmers from making distress sale, National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) has been buying chana for the ongoing Rabi season (2018) in Telangana, Karnataka, Andhra Pradesh, Maharashtra, Madhya Pradesh, Gujarat and Rajasthan under Price Support Scheme (PSS). As on May 05, 2018, NAFED has successfully procured 709977.123 MT of Chana at Minimum Support Price of Rs.4,400 (Rs.4250+150 bonus). Purchase target completed in Telangana on 10 April 18. Purchase target completed in Karnataka on 22 April 18.

State	Quantity (MT)
Gujarat	1197.17
Maharashtra	50457.638
Rajasthan	150629.577
Madhya Pradesh	303080.062
Andhra Pradesh	77662.450
Karnataka	127301.264
Telangana	50000.05
Total	709977.123

GUAR SEED & GUARGUM (JUNE)

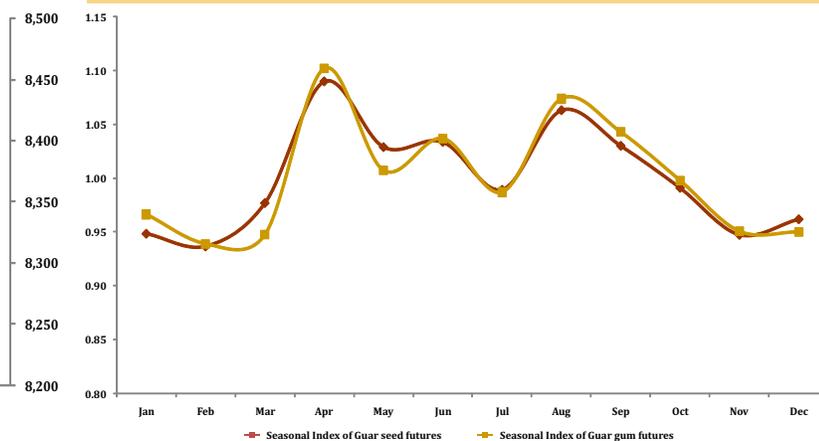
Forward curve of Guar seed & Guar gum futures



Source: NCDEX

Closing as on 8th May, 2018

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

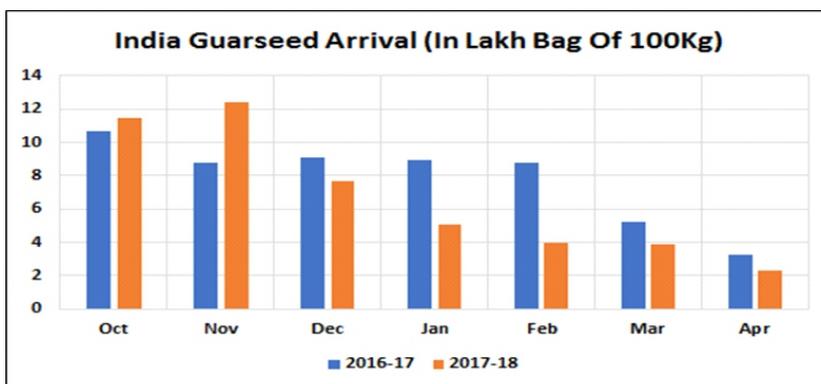


Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
3544	3693	3986	4134	4427
7940	8226	8756	9042	9572

Fundamentals

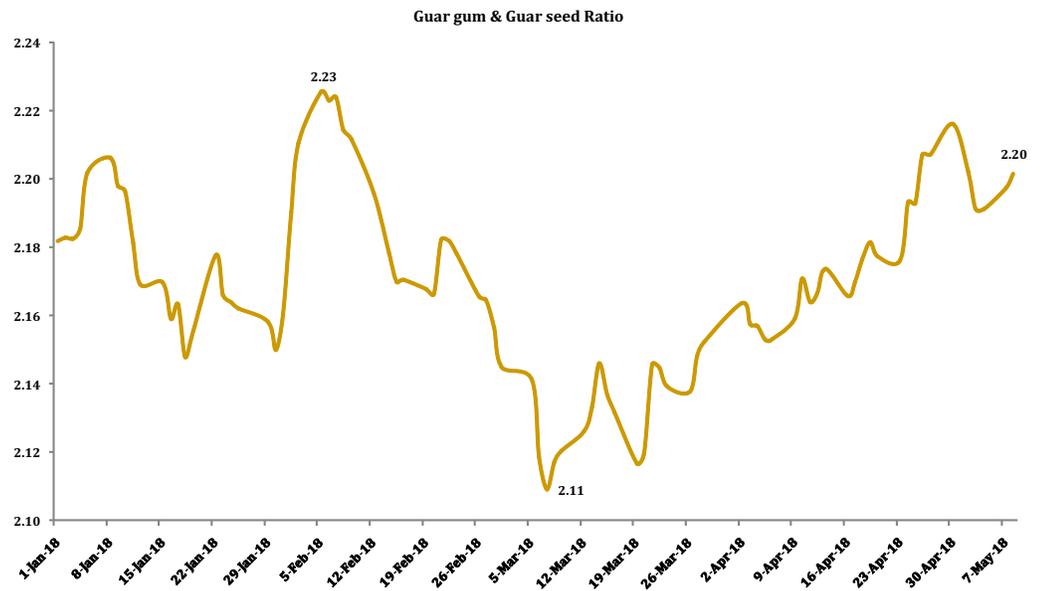
- Since the beginning of the year, guar complex have been reeling under the pressure of higher production & large inventories. During this month, on the national bourse guar seed had made a new yearly low of 3659, while guar gum has tested 8030 levels.
- Going ahead, the downtrend of Guar seed futures (June) is likely to get extended towards 3600-3450 levels.
- The market sentiment of guar seed has been hurt mainly due to forecast of normal monsoon followed by higher production target set by Rajasthan government. Rajasthan is expected to produce 17.50 lakh tons guarseed during the Kharif crop season 2018-19, up 40% from 12.45 lakh tons a year ago due to forecast of normal monsoon.
- In addition to it, there is around 90-100 lakh bags of guarseed stock left in the country, which is more than sufficient to meet demand and thus any sharp rise in prices unlikely.
- Stockiest holding guar crop are expected to release their stock in case of timely monsoon onset (June 1), and may result in higher supply.
- While Guar gum is expected to take support near 8000 levels & witness some recovery towards 8600-8700 due to rising crude oil prices in the international market.
- Demand in Guargum is said to be steady from overseas due to rising crude oil and increasing number of rigs count.
- Moreover, demand in Guargum is said to be good due to parity in crushing amid increasing ratio between Guarseed and Guargum.
- On May 8, Guargum ratio at present is 2.20 of Guargum against 2.10 on Mar 7. It has increased mainly due to less fall in Guargum prices (-5.79%) as compared with Guarseed (-9.67%) during the same period.
- The increased ratio in Guargum is indicating that underlying demand is still encouraging due to higher crude oil prices. Guargum mainly is export oriented commodity.
- Brent crude oil at 76.75 rebounded to trade at the highest level since 2014 as investors focused on how buyers of Iranian crude will react to U.S. sanctions



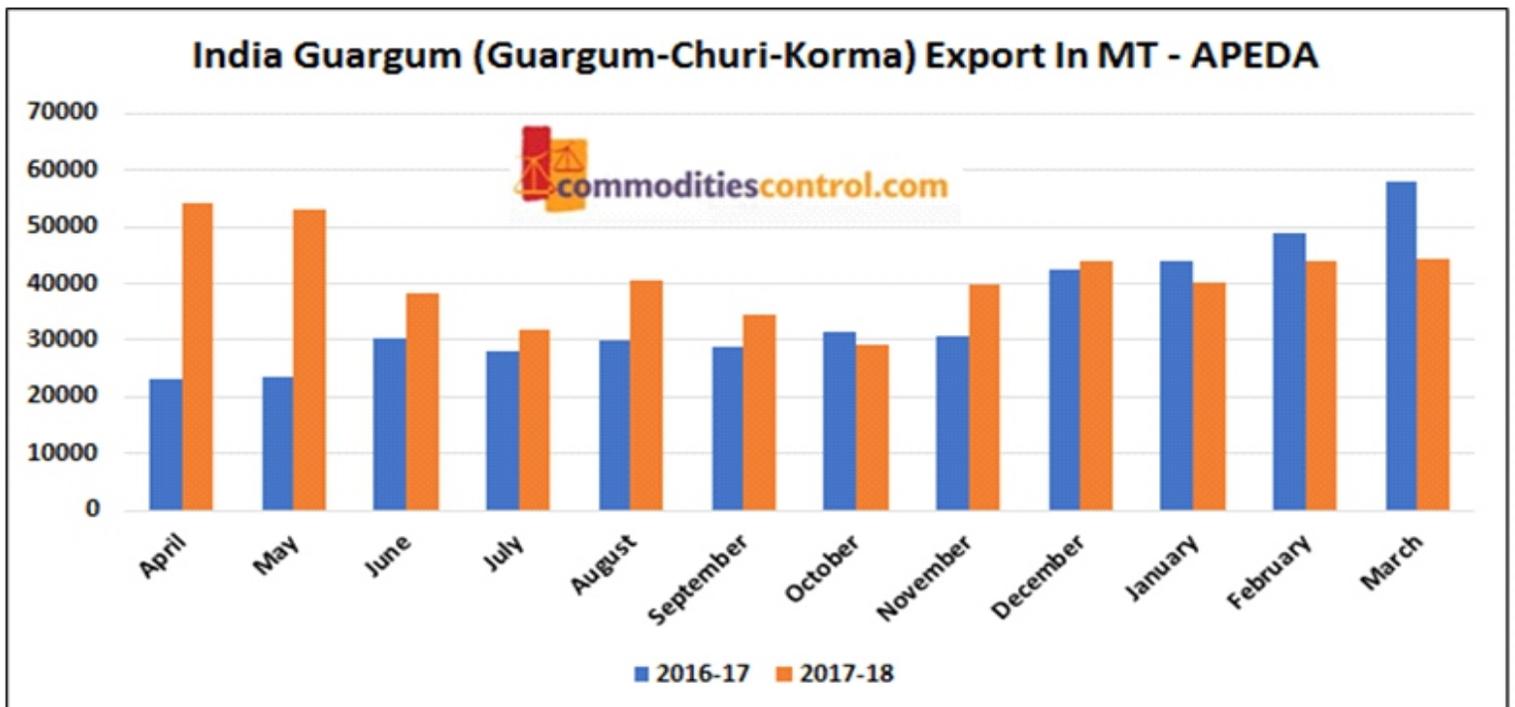
GUAR SEED & GUARGUM (JUNE)

aimed at cutting exports from OPEC's third-largest producer. Oil prices extended a rally after U.S. President Donald Trump confirmed his withdrawal from a 2015 deal that had lifted sanctions against Iran. While industry watchers including have said the measures may curb the OPEC member's production.

- The U.S. is going pursue efforts to reduce Iran's crude sales again during and following a 180-day wind-down period, but once again has left the door open for countries to seek "significant reduction exceptions" at the end of the period if they reduce the volume of purchases during that time.
- The U.S. will assess each country's efforts "including the quantity and percentage of the reduction in purchases of Iranian crude oil, the termination of contracts for future delivery of Iranian crude oil, and other actions that demonstrate a commitment to decrease substantially such purchases," according to the Treasury Department. The State Department expects to consult with nations currently buying from the Middle East producer during the 180 days.



- India Guargum export during the fiscal year 2017-18 (April-March) rose nearly 18% at 494,126 tonnes as compared with 419,948 tonnes during the same period a year ago, according to latest Agriculture & Processed Food Products Export Development Authority (APEDA).



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