

# Monthly Report On

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

## April 2022



## Factors to watch

- Domestic cotton demand from the ginners at the prevailing price
- US Cotton sowing progress and weather forecasts
- Arrivals of cotton bales in the physical market
- Monthly Production adjustments by CCI
- Cotton and yarn exports from the country

## Daily Chart - MCX Cotton Futures



Source: Reuters & SMC Research

## Fundamentals

- MCX Cotton prices jumped more than 17% in March climbed to fresh all-time high of 43380 due to lower stocks and lesser supplies from the new season cotton crop while the demand is increasing. Moreover, cotton production estimates further cut by both USDA and CAI in their latest releases also support prices in the month of March.
- Domestic prices are at a record high level due to the tight supply situation in the market. Moreover, rising domestic mill consumption and a decline in production estimates have led to a drop in ending stock estimates for the next cotton season.
- ICE cotton also surged by over 17% boosted by robust demand due to deteriorating drought conditions in major growing regions like Texas fueled fears of a supply deficit.
- Cotton production is expected to be 340.62 lakh bales in the current crop season, down from second initial estimate of 348.13 lakh bales. As a result, cotton exports are expected to be lowered to only 40 lakh bales this season while Cotton imports are likely to climb to 18 lakh bales, which is more than the previous estimate of 15 lakhs bales.
- In the ongoing marketing year, around 36 lakh bales of cotton were exported till March which is lower compared to last year export volumes of 43 lakh bales. Higher prices this season weighing on the cotton exports. As per industry sources, cotton exports this season might stand at 40-45 lakh bales compared to 75 – 78 lakh bales in 2020-21 (Oct-Sep) mainly to Bangladesh, China and Vietnam.
- The USDA release the prospective plantings on March 31 which states that Upland cotton area is expected to total slightly more than 12.0 million acres, up 9% from 2021 planted acres while American Pima area is estimated to increase to 176,000 acres – up 39% from last year. The report is significant because it will influence the USDA's production projection for the WASDE reports in May and June.

## Outlook

Currently, MCX cotton APR is trading near all-time high prices of 43380 levels. At present in the domestic market, spinning mills are buying cotton only according to the need, because prices are at very high level in the domestic market. However, the stocks with the mills are less and continue their procurement from physical mandis which supporting prices. Technically, cotton prices have good support at 36120 levels and resistance is at all-time high level. Breaking above all-time high may take prices higher towards 44,500 levels. 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.

## Cotton Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Apr	42,370.00	34,000	38,200	40,650	44,850	47,300
May	42,700.00	34,500	38,600	41,000	45,100	47,500

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



## Seasonality Heat Map- MCX Cotton



## Factors to watch

- Export demand for Castor Oil from China
- Arrival of castor seed in the physical market
- Export prices of castor oil and castor meal
- Carry-over stocks with the farmer and oil millers

## Daily Chart - NCDEX Castor Seed Futures



Source: Reuters & SMC Research

## Fundamentals

- In March, Castor seed futures close higher for the Third consecutive month. The prices have again increased mainly on report of lower production and there is consistent export demand for its derivatives products— oil and meal. NCDEX castor seed (Apr) futures increased around 6.4% in Mar 2022 while it jumped more than 29% since the commencement of 2022 due to strong demand for castor oil from China,
- India's castor seed production is estimated at 17.95 lakh tonnes (lt) during the current 2021-22 season, against 17.89 lt in 2020-21 as per the survey by SEA. As per SEA, Gujarat is likely to contribute 15.47 lt to the projected production, Rajasthan 2.03 lt, and Andhra Pradesh and Telangana 35,000 tonnes. All India castor yield is estimated at 2,228 kg per hectare in 2021-22, against 2,166 kg a year ago. Of this, Gujarat's yield estimated at 2,371.3 kg per hectare (2,342 kg) and Rajasthan's yield at 1,690.2 kg (1,780 kg).
- India's castor oil exports increased by 6.5% to 94,600 tonnes in the first two months of 2022 while in the first 11-month (Apr-Feb) of FY 2021/22, the exports have been higher by 0.75% compared to the last year exports at 6.10 lakh tonnes. The export prices of castor oil increase by more than 30% in FY 2021-22. However, in Jan and Feb 2022, the export prices of castor oil higher by about 33% on year at Rs. 1.25 lakh per ton compared to Rs. 0.94 lakh per ton last year. India exported castor oil to 112 countries during the FY 2021/22 (Apr-Feb) and the top three export destination for the castor oil were China, Netherlands and USA.
- In 2022 (Jan-Feb), India's castor meal exports down by about 10% Y/Y at 67,200 tonnes due to higher export prices while the exports during FY 2021/22 (Apr-Feb) is down only by 5.5% at 3.69 lakh tonnes. The exports have been good this FY considering the average price of castor meal jumped by is more than 51% at \$115/ ton compared to \$ 67 / ton last year.
- **Outlook**

Currently the NCDEX Castor seed is in uptrend due to good demand for export of castor oil and meal. Currently, the prices are higher by about 50% compared to last year prices mainly on the expectation of less output projections in Gujarat. The new season crop started arriving in the physical market but good demand from the oil millers is supporting prices. Higher export demand for castor oil during April and May to support prices during peak arrival season. The Castor seed (May) expected to trade higher towards 8000 levels if it breaks 7650 levels and sustain above it. There is immediate support at 7240 levels.

## Castor Seed Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Apr	7,248.00	6,900	7,075	7,250	7,425	7,600
May	7,322.00	6,940	7,130	7,300	7,490	7,650

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



## Seasonality Heat Map – Castor seed Futures



## Factors to watch

- Export demand for guar gum
- Oil rigs operating in the US
- Demand for guar derivatives for feed and food industry
- Stocks with the farmers and mills
- Arrivals of guar seed in the physical market

## Daily Chart - NCDEX Guarseed Futures



Source: Reuters & SMC Research

## Fundamentals

- We have witnessed recovery in prices in Mar 2022 on reports of improving guar gum exports from the country. The prices have increased by about 7.5% to close at Rs. 6325 per quintal. Since the commencement of new season in Oct 2021, guar seed prices have jumped more than 13.5% on lower production prospects and diminishing stocks with the farmers and stockists.
- Currently the prices are higher by about 77% compared to last year prices due to stock levels are lower with the farmers as they have sold the produce during the start of the season due to higher prices.
- Guar seed and gum prices were firm in the spot market and futures as well amid positive sentiment. The processors and exporters were seen active in the market due to improving guar gum exports. Guar seed prices were quoted at Rs 5300-5900 per quintal in auction in the major markets. Guar gum prices were quoted at Rs 11,400 per quintal.
- The guar seed arrivals across the country were lower around 14000 – 15000 bags in March compared to about 16000-18000 bags in Feb due to lower stocks with the farmers. Due to higher arrivals since Nov-Dec 2021., the stocks with farmers have declined consistently.
- 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, in the first 10-month of FY 2021/22 the country exported 2.64 lakh tonnes of guar gum compared to 1.90 lakh tonnes last year. The exports of guar gum during the month of Jan 2022 up by 5% y/y at 22,300 tonnes compare to 21,250 tonnes last year. Moreover, 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.

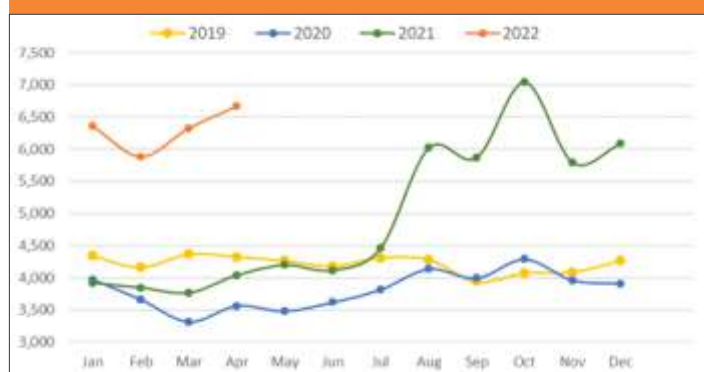
## Outlook

Guar seed futures started its uptrend last month and breaches strong resistance of 6560 and now the next resistance is seen at 7090 levels. After consolidating for more than 3 months the prices of guar seed started to gain upward momentum in March mainly on improving guar-gum exports and declining arrivals in the physical market. We expect the Guar seed (May) prices to trade higher towards 7000 levels if it sustain above 6500. Support is seen at around 6120 levels. The stock with farmers is nearly over and got good returns this season. Now going forward prices depends on export demand and monsoon predictions.

## Guar Seed Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Apr	6,340.00	5,513	5,927	6,169	6,583	6,825
May	6,417.00	5,520	5,969	6,228	6,677	6,936

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



## Seasonality Heat Map – Guar Seed Futures



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