

Monthly Report On

Monthly report on Others – Cotton, Castor and Guar seed

September 2022



Factors to watch

- Anticipation of bumper crop in coming season
- Export and imports of cotton
- Yarn export demand
- New crop has started arriving
- Better yield prospects

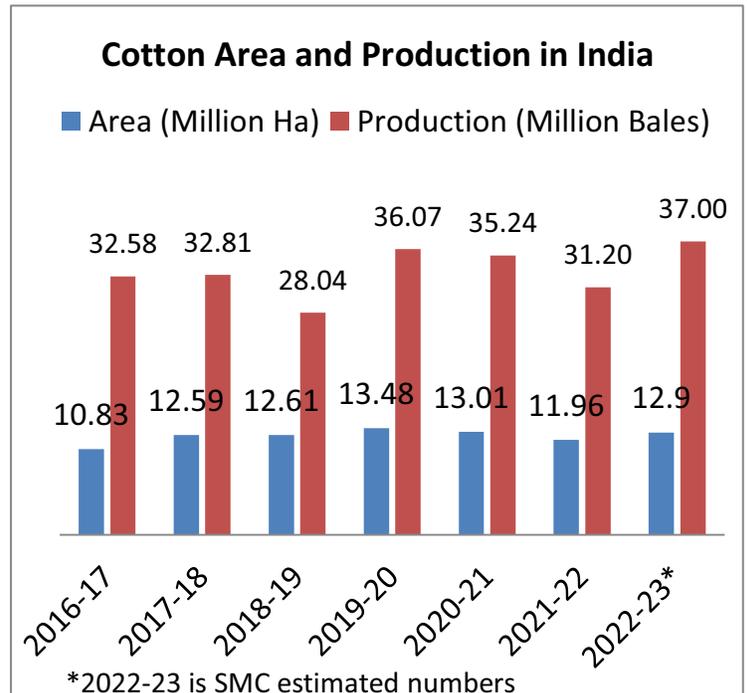
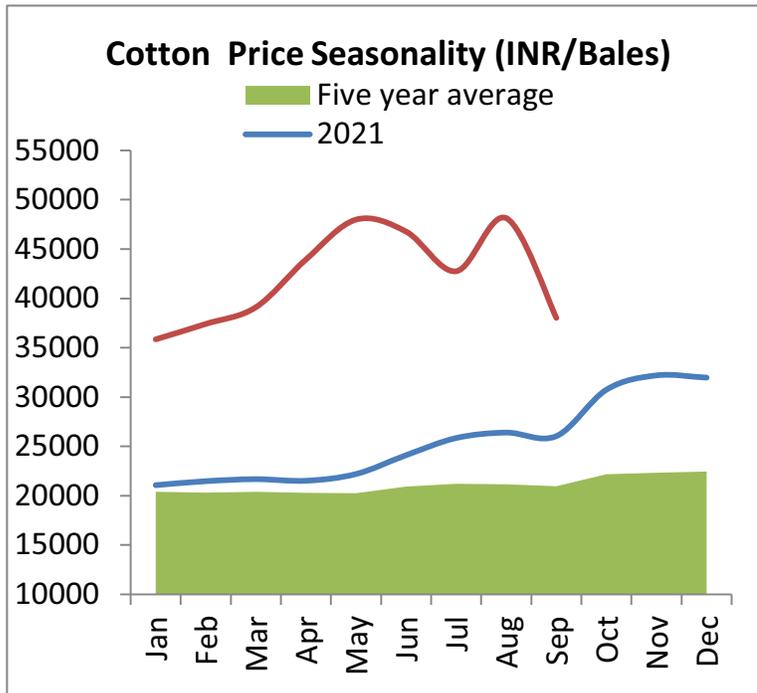
Price Performance and Fundamentals

Cotton prices witnessed sharp fall during Aug'22 in anticipation of bumper crop in coming season. Improved crop prospects due to favorable weather condition in central India in Aug'22 kept spinning mills away from heavy buying. India's cotton crop is developing well, and the production is likely to jump 18% -20% for the forthcoming season. Indian Cotton Association Limited (ICAL) has estimated cotton production at 58.30 lakh bales of 170 kg each in north India including Rajasthan. New crop has started arriving in some parts of the region. According to the ICAL estimate, cotton output may reach 19.49 lakh bales in Haryana, up from 15.11 lakh bales in the previous season. The production in Punjab is likely to decrease to 6.89 lakh bales from 7.21 lakh bales of last season. Production in central India is also likely to increase due to better yield prospects. Considering the current situation cotton crop in India may reach up to 370 lakh bales. Apart from that, sluggish buying by spinning mills is likely to put pressure on prices. North India's yarn market witnessed stability in prices because of average buying from the weaving industry. Cotton export from India has been reported down by 52% Y-o-Y till June'22 in year 2022 due to higher prices and lower availability.

Outlook

Going forward, major focus will be on arrival pace and quality of the crop. Any rainfall in Sep'22 may have impact on crop yield. Weather is looking favorable to the crop in Sep'22 that will put pressure on prices further. Arrivals has already started in Northern part of India and likely to commence in Oct in central part of India. MCX Cotton Oct is expected to drop further to the near term support of 35500 with resistance of 41800.

Cotton Technical Levels



Source: Reuter & Ministry of Agriculture

Factors to watch

- Tighter supply at physical market
- Limited availability of stocks
- Sluggish export of castor oil
- Higher acreages
- Castor seed stocks and production
- Castor seed arrivals

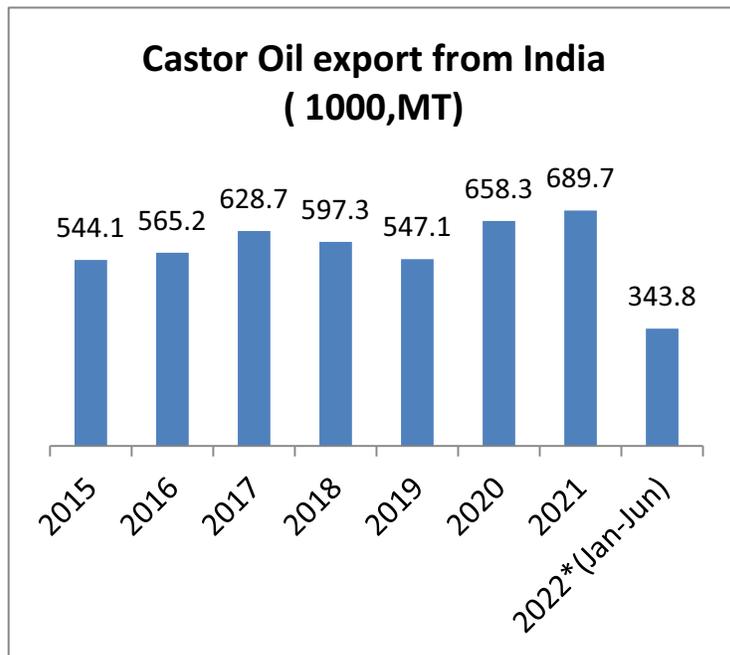
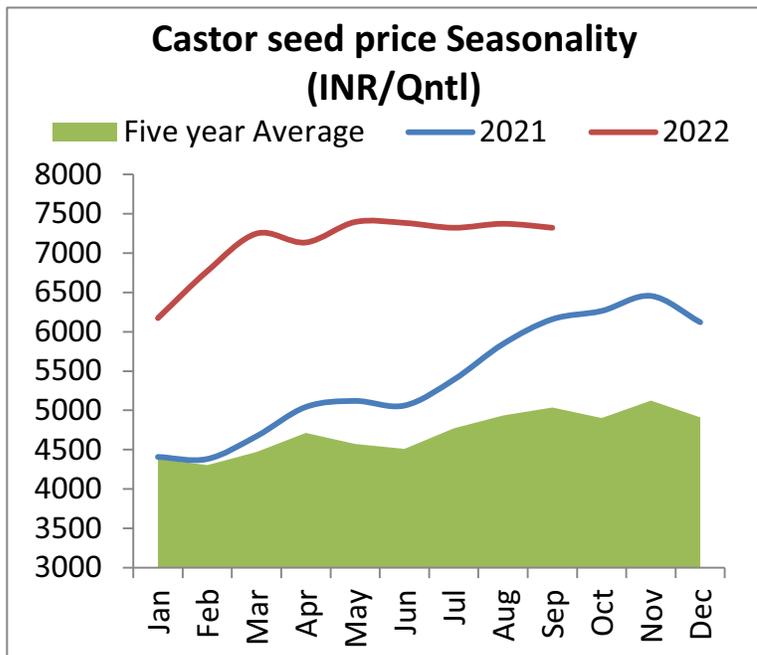
Price Performance and Fundamentals

Castor seed futures traded sideways to higher in Aug'22 tracking tighter supply at physical market. Limited availability of stocks and fear of crop damage due to excess rainfall kept the prices up for most of the part of Aug'22. After making high of 7630, NCDEX castor seed Sep contracts slipped on bleak demand and closed the month at 7404. Prices have started consolidated now in wake of improving production outlook for upcoming season. Government Official data showed, area under castor has increased by 38% Y-o-Y, reported at 7.28 lakh Ha till first week of Sep'22. Reports of higher acreages under castor seed and good crop progress are likely to result in to bumper production in year 2022-23. Sluggish export of castor oil also weighed on market sentiments. Slowdown in Chinese economy and higher fuel prices has trimmed the Chinese buying of castor oil from India. Being as largest importer China has imported only 1.66 lakh tonnes of castor oil during Jan'22- Jun'22 compared to 2.04 lakh tonnes of previous year down by 19% Y-o-Y. Overall arrivals has been higher by 46% Y-o-Y during Jan'22- Aug'22 reported at 5.52 lakh tonnes but now started declining with lean arrival period. About 18 thousand tonnes of castor seed was reported in Aug'22 in major APMC mandies across India compared to 38.9 thousand tonnes of previous year.

Outlook

Going forward, castor seed prices are likely to find support near 7000 level in near term and may fall further once the new crop starts by end of Sep'22. However, tighter pipeline stocks will restrict the major downfall in prices and prices may trade in range of 7600 -7000 in coming month.

Cotton Technical Levels



Source: Reuter & DGFT

Factors to watch

- Sluggish demand at major trading centers
- Bumper crop outlook
- Exports demand has started improving
- Dry weather condition
- Guar seed stocks and production

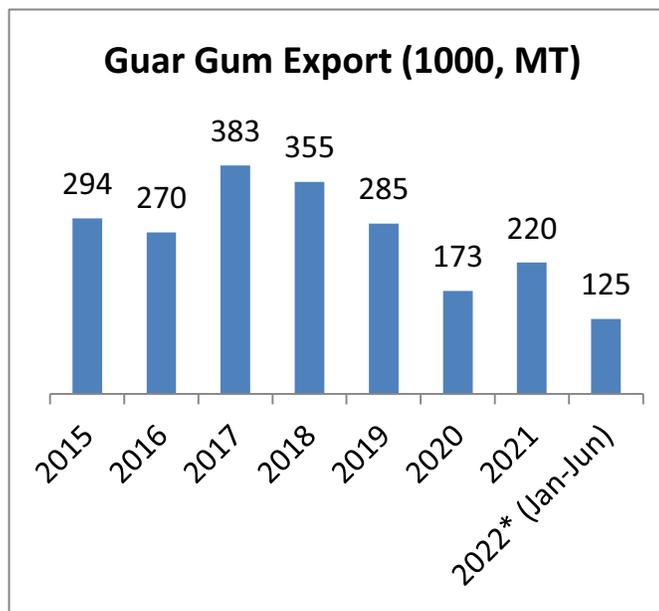
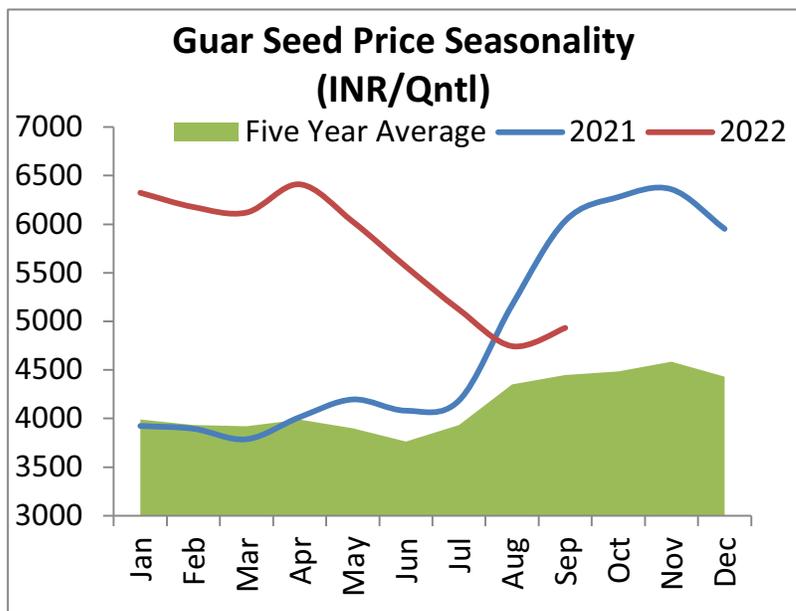
Price Performance and Fundamentals

Guar seed (Sep) prices extended its losses in Aug'22 following sluggish demand at major trading centers. Losses in guar prices were also supported by bumper crop outlook in Rajasthan that kept millers away from bulk buying. Guar seed prices dropped 4% M-o-M to 4724 by end of Aug'22. Overall production is estimated to be higher in year 2022-23 due to significant rise in area under guar seed in Rajasthan. About 30.79 lakh Ha was sown under guar seen in Rajasthan during year 2022 compared to 20.48 lakh Ha of previous year. Going forward, major focus will be the on ongoing crop progress during Sep'22. There are some concerns over crop progress in Rajasthan due to extreme drier weather condition. Extended dryness in Rajasthan has been impacting crop development adversely that may lead to fall in yield. IMD has projected weather condition is likely to be drier for next weeks that will raise worries among guar farmers. Apart from that, overgrowth in guar crop is also going to keep yield lower than earlier wherein harvest will be delayed. Export demand of guar gum has started improving as India exported about 24.5 thousand of guar gum in June'22 compared to 18 thousand tonnes of previous year. About 125.3 thousand tonnes of gum was exported during Jan'22-Jun'22 against the 105.9 thousand tonnes of previous year.

Outlook

Guar seed prices are likely to recover in near term due to lingering uncertainty over yield losses. Emerging fear of yield losses due to extreme drier weather condition in Rajasthan is likely to support firmness in prices in near term. However, gains will be limited due to higher production outlook for upcoming season. Near term support will be 4740 wherein Resistance is 5400 similarly Guar gum may move up to 11000 with support of 9000

Cotton Technical Levels



Source: Reuter & DGFT

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