

Monthly Report On

Monthly report on Others – Cotton, Castor and Guar seed

March 2022



Factors to watch

- Domestic cotton demand from the ginners at the prevailing price
- Cotton production estimates from Australia and Brazil
- Arrivals of cotton bales in the physical market
- Monthly Production adjustments by CCI
- US cotton export demand
- Cotton and yarn exports from the country

Daily Chart - MCX Cotton Futures



Source: Reuters & SMC Research

Fundamentals

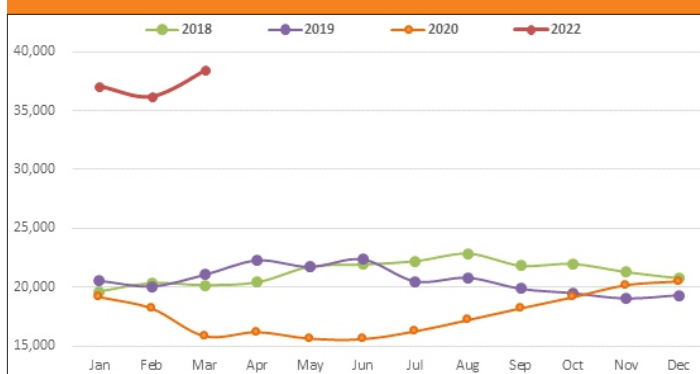
- Cotton prices on MCX have increased about 10% in 2022 and trading more than 70% higher on year mainly on strong industrial demand and lower supplies from the new season cotton crop. Slow arrivals, better domestic and exports demand is supporting cotton prices in the current season.
- On MCX, March delivery contract is currently trading at 38360 per bales (1 bale = 170 kg) nearing its all-time high of 38630 levels. In Feb 2022, MCX Cotton prices have declined due to some technical corrections and lower demand at higher prices but again it jumps about 6% in Mar 2022 as production estimates, were further cut by both USDA and CAI in their latest releases.
- Globally, cotton prices have corrected about 3% during last one month but the prices are still higher close to 40% y/y. Currently, cotton futures for May delivery on the Intercontinental Exchange, New York, are ruling at 121 US cents a pound.
- The CAI has reduced its cotton crop estimate for the 2021-22 seasons by 5.00 lakh bales to 343.13 lakh bales of 170 kgs. from its previous estimate of 348.13 lakh bales.
- Global cotton production in 2021/22 is forecast at 119.9 million bales, marginally below last month's projection but 8.1 million bales (7 percent) above last season. World harvested area and yield are each projected above last season. Global area is forecast at 32.3 million hectares (79.9 million acres) in 2021/22—1.2 million hectares above 2020/21. The world cotton yield in 2021/22 is projected at a record 808 kilograms (kg) per hectare (721 pounds per acre), compared with the 3-year average of 774 kg per hectare.
- For India, 2021/22 cotton production is projected at 26.5 million bales, 4% (1.1 million bales) below 2020/21. While lower area resulted from the monsoon's variation in crucial cotton regions in India this season, a national yield similar to 2020/21 is forecast.

Outlook

Currently, MCX cotton price again moving towards its all-time high prices of 38630 levels. Cotton prices remained stable in the physical markets due to normal demand from the mills at higher prices. The daily arrivals remained stagnant as farmers wants to sell their at higher price and any correction in prices affected the arrivals in the physical market. 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 40,000 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.

| Contract | CMP | S1 | S2 | PIVOT | R1 | R2 |
|----------|-----------|--------|--------|--------|--------|--------|
| Mar | 37,690.00 | 34,577 | 36,133 | 37,267 | 38,823 | 39,957 |
| Apr | 38,120.00 | 34,840 | 36,480 | 37,760 | 39,400 | 40,680 |

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 February, Castor seed futures close higher for the second consecutive month. The prices have again increased mainly due to report of lower production and there is consistent demand for its derivatives products– oil and meal. NCDEX castor seed (Apr) futures jumped around 14% since Jan 2022. The prices traded positive in March 2022 despite forecast of higher production on castor seed by Solvent Extractors' Association of India (SEA).
- Castor Crop Survey for 2021-22 at the SEA Global Castor Conference 2022, 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 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).
- The survey estimated castor acreage in the country at 8.11 lakh hectares during 2021-22, against 8.26 lakh hectares in 2020-21. Of this, the area under castor in Gujarat is estimated at 6.52 lakh hectares (Vs 6.38 lakh hectares) and Rajasthan at 1.20 lakh hectares (Vs 1.25 lakh hectares).
- In calendar year 2021, India's castor oil exports increased by 4.11% to 6.85 lakh tonnes while in the first 10-month (Apr-Jan) of FY 2021/22, the exports have been at par with the last year exports at 5.60 lakh tonnes. The export prices of castor oil increase by more than 30% in FY2021-22. In Jan 2022, the export prices of castor oil is 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-Jan) and the top three export destination for the castor oil were China (3.17 lakh tonnes), Netherlands (93500 tonnes) and USA (78000 tonnes).
- In 2021/22, India's castor meal exports down by 48.28% Y/Y at 3.37 lakh tonnes due to higher export prices. The average price of castor meal during the current financial year is more than \$114/ton compared to \$ 67 / ton last year.

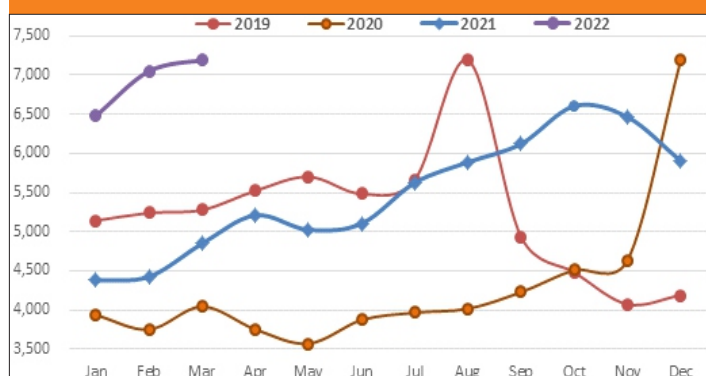
Outlook

Currently the NCDEX Castor seed prices are higher by more than 55% compare to last year prices mainly on the expectation of lowered crop this season. The new season crop started arriving in the physical market but good demand from the millers is supporting prices. The peak season arrivals will be in April and May, which may pressurize prices. However, higher export demand for castor oil during April and May to support prices during peak arrival season. The liquid Castor seed (Apr) expected to trade higher towards 7700 levels if it breaks 7400 levels and sustain above it. There is immediate support at 7040/7060 levels.

Technical Levels

| Contract | CMP | S1 | S2 | PIVOT | R1 | R2 |
|----------|----------|-------|-------|-------|-------|-------|
| Apr | 7,298.00 | 5,940 | 6,620 | 7,040 | 7,720 | 8,140 |
| May | 7,404.00 | 7,320 | 7,360 | 7,380 | 7,425 | 7,450 |

NCDEX Castor seed: Monthly Closing (Rs per Qtl)



Seasonality Heat Map – Castor seed Futures

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|--------|-------|--------|--------|--------|--------|-------|---------|--------|--------|--------|
| 2022 | 8.37% | 10.38% | 3.97% | | | | | | | | | |
| 2021 | -1.38% | 0.90% | 9.81% | 7.63% | -3.60% | 1.34% | 10.05% | 5.50% | 3.58% | 7.55% | -2.22% | -9.45% |
| 2020 | -5.94% | -4.85% | 6.10% | -6.75% | -3.59% | 8.62% | 2.66% | 2.14% | 4.35% | 7.07% | 2.05% | -3.94% |
| 2019 | -2.25% | 1.96% | 0.79% | 6.04% | 1.94% | -4.14% | 3.24% | 1.78% | -14.32% | -8.76% | -9.64% | 2.18% |
| 2018 | -1.79% | -3.65% | 0.34% | -3.23% | -1.85% | 6.84% | 10.67% | 0.77% | 0.49% | 22.24% | -6.50% | -1.88% |
| AVG | -0.60% | 0.95% | 4.20% | 0.92% | -1.78% | 3.16% | 6.66% | 2.55% | -1.48% | 7.02% | -4.08% | -3.27% |

Factors to watch

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

Daily Chart - NCDEX Guarseed Futures



Source: Reuters & SMC Research

Fundamentals

- We have witnessed corrections in Guar seed futures during the month of Feb 2022 while in Mar 2022 some recovery is seen due to higher crude oil prices and reports of improving guar gum exports from the country. In Feb, prices down by about over 7.5% but now recovered about 5% in March.
- Currently the prices are higher by about 65% compared to last year prices as 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. 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.
- Arrivals of guar seed across the country were around 12000 bags in March compared to about 16000-18000 bags in Feb. Due to higher arrivals, the stocks with farmers have declined consistently since the new season guar arrival commenced in Nov-Dec 2021.
- 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.

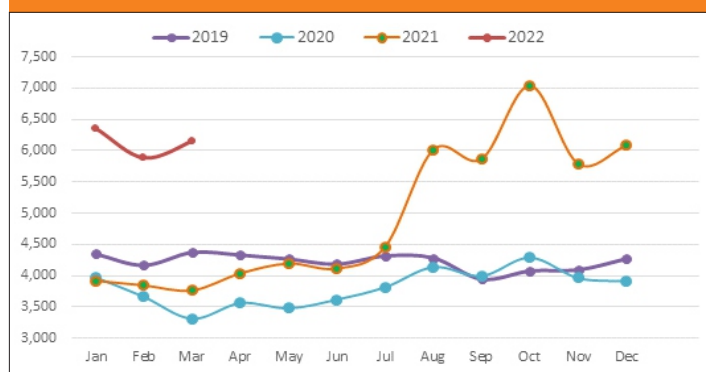
Outlook

Guar seed prices are higher by more than 65% compared to last year prices. After consolidating for more than 1 month the prices of guar seed started to gain upward momentum mainly on improving guar-gum exports and declining arrivals in the physical market. U.S. Rig Count is up 261 rigs from last year's count of 402 at 663 due to higher crude oil prices. We expect the Guar seed (Apr) prices to trade higher towards 6900 levels if it sustain above 6500. Support is seen at around 6120 levels. As farmers and stockist have good returns in last 3 months and now as the harvesting is almost over, farmers may hold back their stocks for expectation of more price realization.

Technical Levels

| Contract | CMP | S1 | S2 | PIVOT | R1 | R2 |
|----------|----------|-------|-------|-------|-------|-------|
| Apr | 6,154.00 | 5,350 | 5,750 | 6,120 | 6,520 | 6,890 |
| May | 6,226.00 | 5,585 | 5,900 | 6,220 | 6,540 | 6,855 |

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



Seasonality Heat Map – Guar Seed Futures

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|
| 2022 | 5.48% | -7.46% | 4.28% | | | | | | | | | |
| 2021 | 0.23% | -1.86% | -2.11% | 7.25% | 3.91% | -1.93% | 6.49% | 37.40% | -1.93% | 19.30% | -17.78% | 4.11% |
| 2020 | -6.10% | -7.85% | -9.56% | 7.55% | -2.30% | 3.97% | 5.48% | 7.05% | -2.20% | 7.39% | -7.63% | -1.34% |
| 2019 | 0.42% | -4.15% | 4.95% | -0.95% | -1.47% | -1.92% | 3.14% | -0.76% | -7.93% | 3.34% | 0.44% | 3.37% |
| 2018 | 13.11% | -7.02% | -3.94% | -7.70% | -4.38% | 6.02% | 15.50% | -0.99% | -2.23% | 7.06% | -6.79% | 0.60% |
| AVG | 2.63% | -5.67% | -1.28% | 1.54% | -1.06% | 1.53% | 7.65% | 10.67% | -3.57% | 9.27% | -7.94% | 1.69% |

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