

8th February, 2024

**Monthly Report On**

# **Monthly Report on Others Cotton and Guar Complex**

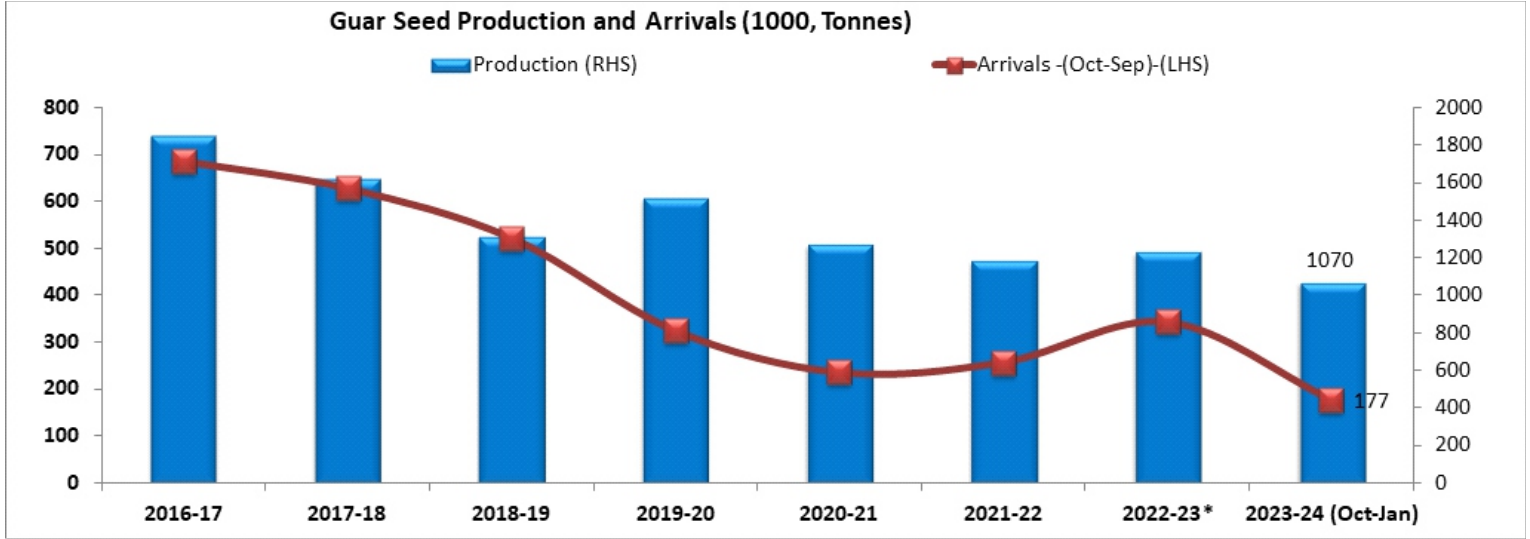
**FEBRUARY 2024**



# GUAR SEED

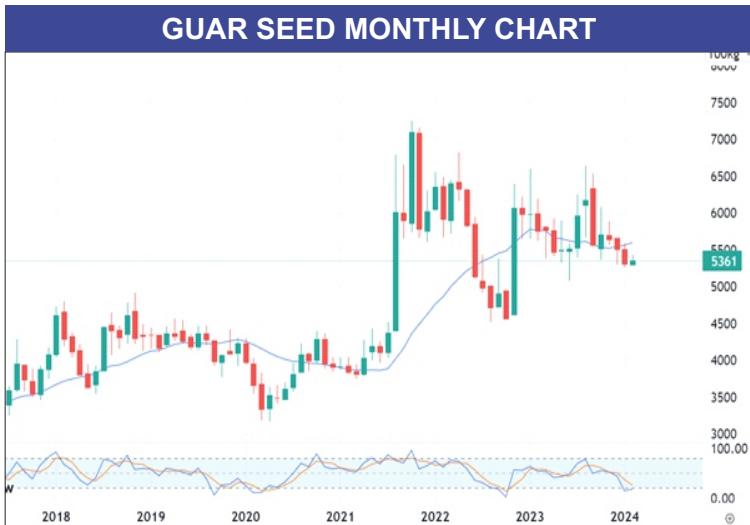
Guar seed futures traded on weaker note for most part of Jan'24 tracking subdued buying in physical market. Worries over slowdown in export demand of guar gum with persistent fall in crude oil prices weighed on the market sentiments. Guar gum export remained sluggish in year 2023-24 that impacted crushing demand of guar seed adversely. Guar is mainly known for its derivative product guar gum which has commercial importance in oil and gas Industry. Guar seed prices dropped 3.5% M-o-M to 5310 wherein guar gum prices tumbled 7.3% to 10065 on sluggish export demand.

Guar seed arrivals at major APMP mandies were reported at 1.76 lakh tonnes during Oct'22-Jan'23 higher by 5% Y-o-Y. Higher carry forward stocks kept supplies higher so far in year 2023-24. The overall production of guar seed has reportedly decreased by 11%-13% Year-on-Year to 10.7 lakh tonnes in the year 2023-24. This reduction in production has resulted in tighter inventory levels for millers.



Exports remain sluggish due to tumbling demand from major importing countries. Sluggish exports of meal is likely to be major hurdle in larger gains in prices as guar meal export from India dropped by 53% Y-o-Y in Nov'22 wherein Guargum export dropped by 21% Y-o-Y to 14.93 thousand tonnes in Nov'23. India has exported about 65.03 thousand tonnes of guar exports in cumulative in form of meal and gum down by 9% Y-o-Y. Export of gum is also affected by increased used of slick water and other chemicals as alternative of guar gum in oil industry that hampered the demand of guar gum in recent years. Prices will track the demand of crude oil and any rise in oil rig counts will boost overall export of guargum.

**Guarseed Prices are expected to trade in range of 5150-6000 wherein Guar gum prices are expected to trade in range of 9600-11500 in near term.**



# COTTON AND KAPAS

Cotton prices traded higher for most part of Jan'24 tracking weaker production outlook. Prices witnessed sharp recovery in Jan'24 attributed to reports of lower production in the marketing year 2023-24. Aggressive buying by millers and tightness in supplies fueled a rally in both cotton. Cotton witnessed gains of 1.5% to 57920 wherein Kapas dropped by 4.9% M-o-M to 1479.5 due to poor ginning demand. Kapas is the raw form of cotton and processed by ginning mills into lint (cotton) and seed. It provides the basic raw material (cotton fibre) to cotton textile industry. Ginning mills struggled to run their ginning units due to tumbling ginning margin for them. Indian exports were remained unviable for most part of year 2023 that also weighed on market.

Spinning mills responded by cutting their production capacity due to uncompetitive cotton prices, negatively affecting export prospects. Cotton prices started cooling down after Oct'23 with increasing supplies in the market of new crop.

Being as second largest producer of cotton after China, India contributes about 24% of global production. India cotton production expected to drop to 294 lakh bales in year 2023-24. Talking about the fundamentals of current marketing year 2023-24, harvesting activities have reached its last stage and about 180 lakh bales arrived so far in year 2023-24. Arrival pace has been similar to last year so far but likely to be slow down due weaker production estimates in year 2023-24. Cotton production is likely to drop by 2% Y-o-Y in marketing year 2023-24 due to lower acreages under cotton. Cotton acreages shrunk to 125.55 lakh Ha in year 2023-24 compared to 129.27 lakh Ha of previous year due to adverse weather condition during sowing progress.

At demand front, India is the second largest consumer of cotton accounts for 21% of global consumption and consumes about 300-320 lakh bales domestically on annual basis. However, a fall is likely in consumption from 318 lakh bales to 311 lakh bales in year 2023-24 with lowering demand of Indian cotton. Export of cotton and cotton yarn from India is likely to be bleak in year 2023-24 due to lower availability amid lingering quality issue of new crop caused by adverse weather. Below normal supplies in domestic market will keep cotton prices costlier in year 2024 and that will affect the overall export adversely.

Cotton and Kapas prices are expected to trade sideways to higher due to supply tightness. Ending stocks of cotton is likely to drop to multiyear low level of 20 lakh bales in year 2023-24 whereas it was reported at 24 lakh bales in year 2022-23. Production is estimated to be down by 2% Y-o-Y in year 2023-24 that will prompt millers to go for aggressive buying on every dips in prices. **On CBOT, prices are likely to remain in a range of \$72-98 ranges. Kapas prices are expected to trade in range of 1420- 1550 INR/20kgs with positive bias whereas cotton prices are expected to trade in range on 56500- 60000.**

### KAPAS MONTHLY CHART



Vandana Bharti (AVP - Commodity Research)  
Ravi Shankar Pandey (Sr. Research Associate)

Boardline : 011-30111000 Extn: 625  
Boardline : 011-30111000 Extn: 674

vandanabharti@smcindiaonline.com  
ravi16@smcindiaonline.com

E-mail: smc.care@smcindiaonline.com



**Corporate Office:**  
11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
www.smcindiaonline.com

**Mumbai Office:**  
Lotus Corporate Park, A Wing 401 / 402 , 4th Floor ,  
Graham Firth Steel Compound, Off Western  
Express Highway, Jay Coach Signal, Goreagon  
(East) Mumbai - 400063  
Tel: 91-22-67341600, Fax: 91-22-67341697

**Kolkata Office:**  
18, Rabindra Sarani, Poddar Court, Gate No-4,  
5th Floor, Kolkata - 700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

**DISCLAIMER:** This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.