

10th May, 2023

Monthly Report On

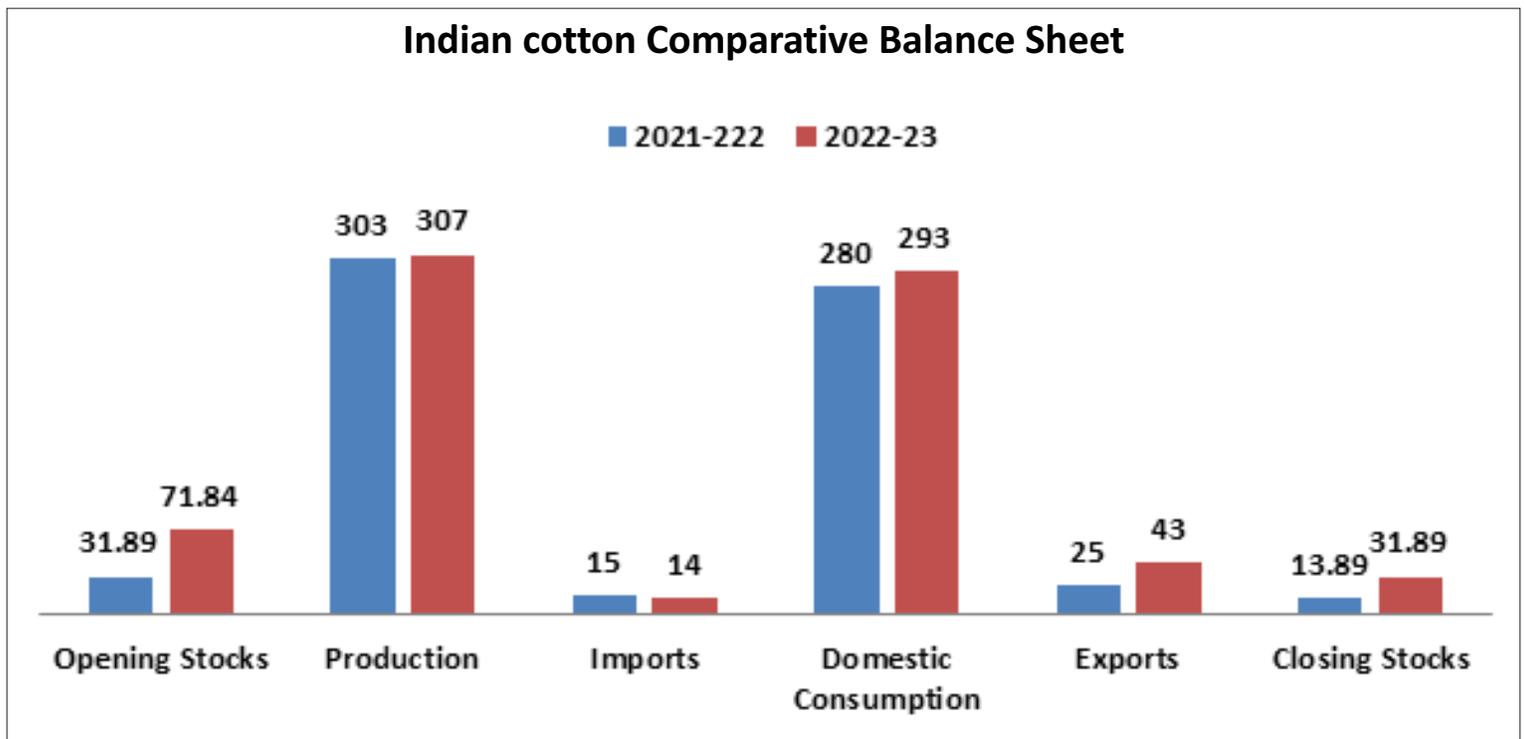
Monthly Report on Others -

**Cotton, Guar Complex, Mentha Oil
and Castor Seed**

MAY 2023



Cotton prices traded on weaker note for most of the time in Apr tracking muted export demand. Sudden rise in arrivals in Mar-Apr also led down pressure on prices as overall arrivals were down during Oct'22-Feb'23 due to hoarding. According to the Cotton Corporation of India (CCI), MY 2022/23 crop arrivals as of February 28, 2023, are estimated 158 lakh bales against the 219 lakh bales of previous year for same time period. About 35-40 lakh bales arrived in Mar'23 and total arrivals reached up to 190-193 lakh bales as per Cotton Association of India. Trade sources have indicated that farmers are limiting the delivery of their produce and holding harvested crop in anticipation of higher prices. The change in arrival patterns is impacting textile mills as they are unable to stock for medium to long term requirements and must augment local supplies with imports. Late arrivals also make crop size estimations very difficult, thus leading to major price volatility in domestic markets. Cotton production has dropped near to 303 lakh bales in year 2022-23 compared to 307 lakh bales of previous year as per Cotton Association of India. CAI indicates that total stocks is estimated to drop to 13.89 lakh bales in year 2022-23 as compared to 31.89 lakh bales of previous year.



Source: Cotton Association of India

Cotton prices are likely to trade mixed to higher due to shrinking supplies at major trading centers. Due to weaker production, arrivals have dropped that will support firmness in prices. Apart from that, prices will track cues from the sowing progress in northern part of India. Above normal temperature is likely to hit the sowing progress and impact of that will be seen on production numbers in upcoming season.

However, gains are likely to be limited as bleak economic outlook and sluggish export demand is likely to weigh on the market sentiments. Cotton export is likely to drop 25 lakh bales in year 2022-23 as compared to 43 lakh bales of previous year.

MCX cotton June Cotton prices are likely to trade in range of 60000-66000 wherein Kapas Apr'24 futures are likely to trade in range of 1550-1670.

Guar Complex

Guar seed prices witnessed persistent monthly fall in last three months due to demand concerns. Weakness in crude oil prices and bleak export of gum weighed on the guar seed as well as guar gum prices. Millers preferred hand to mouth buying due to sluggish export of gum that kept their crush margin unprofitable. Guar seed prices dropped 5470 INR/quintal in Apr'23 down by 5% M-o-M.

Guar Seed Price Seasonality Heatmap

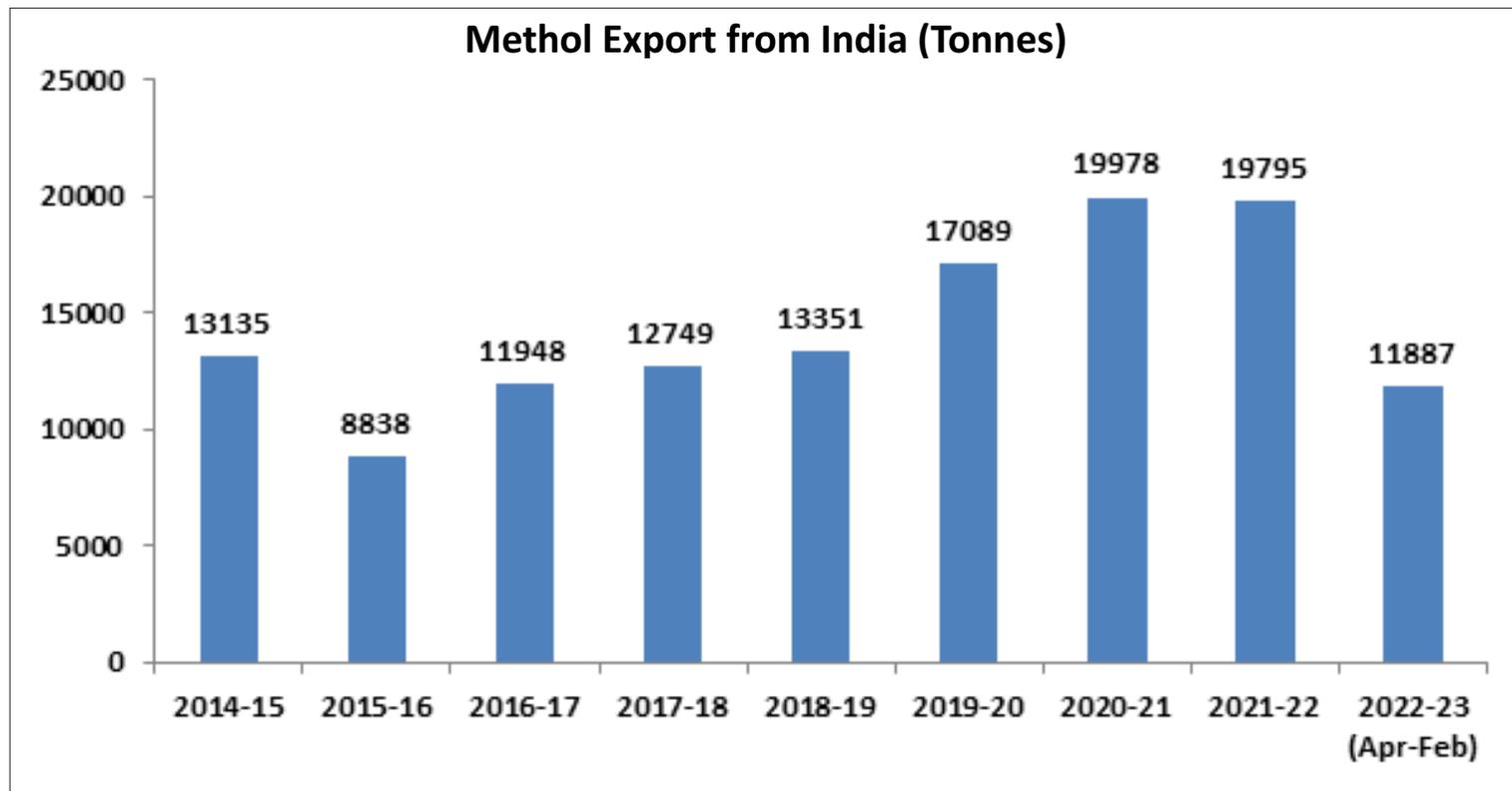
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	-0.30%	-3.75%	-1.15%	-4.11%	4.70%							
2022	5.21%	-7.48%	8.17%	-0.05%	-7.67%	-11.91%	-4.32%	-4.46%	4.28%	-6.63%	33.11%	-1.51%
2021	0.23%	-1.97%	-1.80%	7.44%	4.00%	-2.06%	6.90%	36.10%	-2.86%	20.39%	-17.60%	3.95%
2020	-5.99%	-8.51%	-9.30%	5.64%	-1.59%	3.69%	7.23%	6.66%	-3.01%	8.47%	-7.33%	-1.40%
2019	0.54%	-3.98%	5.12%	-0.89%	-1.43%	-2.21%	3.25%	-2.29%	-6.73%	3.38%	0.30%	3.54%
AVG	-0.06%	-5.14%	0.21%	1.61%	-0.40%	-3.12%	3.26%	9.00%	-2.08%	6.40%	2.12%	1.14%

Guar seed prices are likely to trade higher on rising possibilities of drier spell of monsoon in year 2023. The chance of an El Niño weather phenomenon developing in the coming months has increased that will affect the sowing progress badly. About 60% of the time, there is a probability of drought in India during an El Niño year, and while the chances of normal rain are rare at 10%, the prospect of below-normal rain is 30%. Drier monsoon is likely to directly affect the sowing progress and yield of guar seed in year 2023. However, market is running with huge stocks of guar seed that is likely to cap the excessive gains. Export demand of gum is estimated to be subdued due to fall in crude oil prices. Indian exported about 19.37 thousand tonnes of gum in Feb'23 against the 20.98 thousand tonnes of previous year. India exported about 224.38 thousand tonnes of gum during the time period of Apr'22-Feb'23 as compared to 210.48 thousand tonnes of previous year.

Guar seed June prices will trade in range of 5400-6300 in wherein Guar gum prices are likely to trade in range of 10500-13000 levels.

Mentha Oil

Mentha oil futures traded on weaker note in Apr'23 due to reports of smooth sowing progress. Unseasonal rainfall in northern part of India augurs well for upcoming production of mentha oil in year 2023. Bleak demand of menthol in domestic as well as in international market also weighed on prices. Domestic demand of menthol remained down due to increased imports of synthetic menthols in India. Mentha oil prices dropped to 940 INR/kg in Apr'23 down by 6% M-o-M.



India exported about 11887 tonnes of menthol during time period of Apr'22-Feb'23 as compared to 18386 tonnes of previous year for corresponding period. China has cut its menthol imports from India to just half as China imported about 7058 tonnes from India in year 2022-23 as compared to 13478 tonnes of previous year down by 48% from the previous year. The major export destination of menthol mint oil from India includes countries like China, USA, Singapore, Germany and Japan. However, market share of synthetic menthol has been surging up in recent years and has covered up the one third of the total menthol market globally.

Mentha oil prices are likely to trade sideways to down in coming weeks due to improved sowing numbers. Increasing imports of synthetic menthol is likely to be major risk for prices as India has seen sharp rise in imports of synthetic menthol in recent years. Tumbling export of menthol from India is likely to keep prices under pressure.

However, losses in mentha oil is likely to be limited as seasonal demand of menthol is likely to improve. Domestic demand of mentha is likely to see a rise especially from deodorants and pan masala industry. Demand in healthcare industry is increasing with each passing year that will cap the major downfall in prices.

Mentha oil MCX June prices are likely to trade in range of 930-1020.

Castor Seed

Castor seed prices remained under pressure in Apr'23 tracking increased supplies in local market. Higher production outlook and reports of sluggish export of castor oil weighed on the prices. Castor seed prices tumbled to 5936 in Apr'23 3.5% M-o-M. Castor seed production rose to 18.82 lakh tonnes in year 2023 higher by 16% Y-o-Y . The rise in production can be attributed to sharp increase in area under castor seed in year 2022-23. Area under castor seed rose by 33% Y-o-Y to 7.95 lakh hectares in year 2022-23 due to better realization in year 2021.

On demand front, prices are likely to track the castor oil export from India which has dropped in recent months. About 2 lakh tonnes of castor oil is consumed on annual basis wherein 6-7 lakh tonnes are exported. Talking about the current scenario, India export about 537 thousand tonnes of castor oil till Feb'23 in financial year 2022-23 as compared to 614 thousand tonnes of previous year for same time period. Major importing countries of Indian castor oil are China, Netherland, USA, France, Thailand and Japan.

Castor Seed Price Seasonality Heatmap

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	-1.38%	-9.14%	-3.22%	-1.78%	-0.70%							
2022	8.37%	10.38%	4.28%	0.90%	0.65%	0.83%	-2.71%	0.27%	0.38%	-3.66%	4.70%	-4.94%
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%
AVG	-0.52%	-0.15%	3.55%	1.21%	-1.06%	1.66%	3.31%	2.42%	-1.51%	0.55%	-1.28%	-4.04%

Castor seed prices are expected to trade in range bound may keep bias on downside. Sluggish imports of castor oil from China and expectation of rise in arrivals is likely to keep prices down in near term. However, downfall in prices will be limited as rising possibilities of El Nino will hurt the sowing progress for coming season. Seasonal demand is likely to increase after May that will limit the downfall in prices. **Castor seed June prices are likely to trade in range of 5600-6300 in coming months.**

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

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