

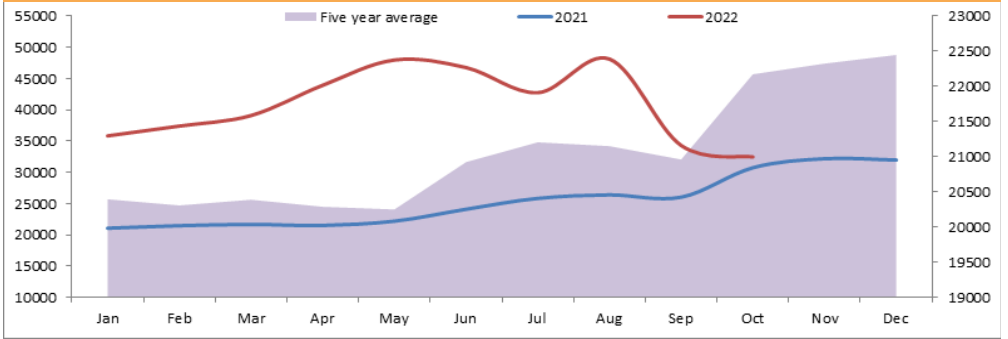
# Monthly Report On Monthly report on Others – Cotton, Guar seed and Castor October 2022



## Major Price Drivers

- Ongoing harvesting activities
- Increasing imports of yarn from China
- Falling Textile production in India
- Seasonal export trend in Oct-Dec

## Cotton Price Seasonality (INR/Bales)



Source: Reuters and SMC Research

Cotton prices slumped for second consecutive month in Sep'22 tracking sluggish demand at physical market amid better production outlook. Cotton prices plunged about 39% from the Aug'22 high of 51090 and closed the Sep'22 at 31050. However, prices have shown some kind of recovery mainly due to emerging fear of yield losses backed by recent untimely rainfall in northern part of India. Slower pace of arrivals in Punjab in Oct also helped prices to recover from the recent lows.

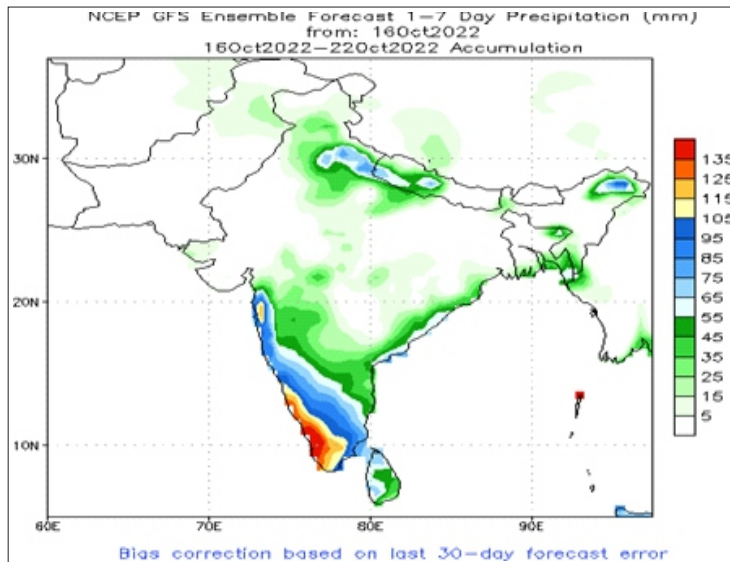
Price movement of cotton has been in line with its price seasonality so far and shall move up during Oct-Dec as per seasonality. Export demand from neighboring countries and winter season demand in domestic market is increased usually in Oct-Dec that helps cotton prices to trade on positive note during winter season. However, prices gain will be limited in current year mainly due to demand concerns.

Cotton arrivals has started in many part of India and expected to pick up in line with advancement of harvesting activities. Weather condition is looking drier in coming weeks that will facilitate the ongoing harvesting activities. However, better demand prospects of cotton seed oil cake and cotton oil may lure farmers to hold arrivals in expectation of rise in prices. Cotton prices are ruling above to the MSP and CCI may remain active in the market only for commercial operations.

Cotton Industry is expecting bumper production of cotton this year due to rise in cultivation area. Cotton Corporation of India (CCI) has estimated cotton production is likely to reach up to 360 lakh bales in year 2022-23 higher by 15% Y-o-Y. Similarly, Ministry of Agriculture has pegged cotton production at 341 lakh bales in year 2022 in its first advance estimates compared to 312 lakh bales of previous years. Indian cotton yields are expected to improve significantly due to above normal rains in major cotton growing regions.

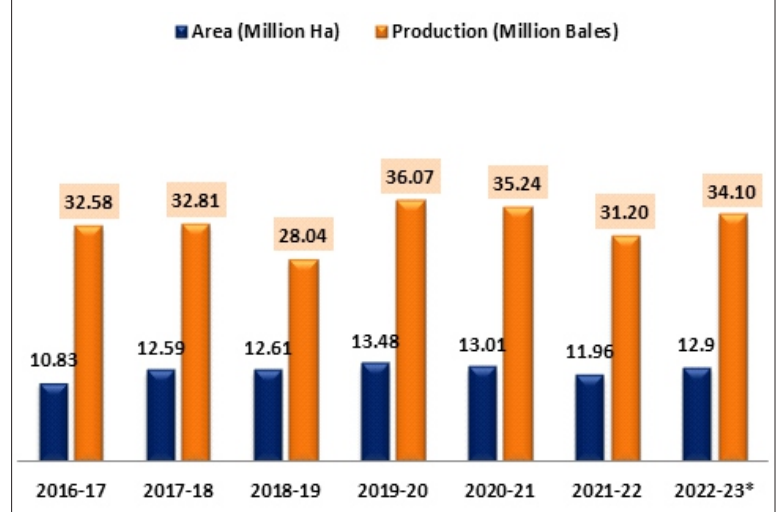
Demand side fundamentals are also not looking supportive for prices as millers are going for hand to mouth buying in wake of bumper crop ahead. Higher moisture content in new crop is keeping millers away from active buying. Demand of cotton yarn remained lower amidst economic slowdown that sparked fear of recession across the globe hitting demand for textiles. Increased imports of cotton yarn in India also dampened the demand prospects as millers preferred imported cotton yarn due to higher domestic price.

Ban of imports of Chinese yarn in US is hurting the export demand of Indian cotton as Chinese millers has cut imports from India. With fall in export prospects and bumper production outlook, supply is likely to adequate in near term that will weigh on the prices.



Source: CPC, NOAA and Ministry of Agriculture

## Cotton Area and Production in India



# COTTON

In Aug 2022, the textile sector experienced a 12% decline in production volume as compared to the same period last year (based on the Index of Industrial Production (IIP) - Quick Estimates of IIP August 2022). Cumulatively (April-Aug 2022), the production of textiles has dropped by 4% percent as compared to same period last year. According to IIP estimates, textile manufacturing data indicates that mills are facing higher inputs costs (fiber, fuel, and labor) which are eroding margins for cotton-based textile products.

## Outlook:

Cotton prices are expected to trade down in short term due to demand concerns. Millers are going for hand to mouth buying due to limited availability of quality produce in the market as arrivals which have touched the market in Oct having higher moisture content. Moreover, bleak export prospects of cotton to China and easy availability of cotton yarn in India will also add pressure on prices in near term. Arrival volume is likely to surge up in wake of drier weather condition in central as well as in northern part of India that will facilitate the harvesting activities.

However, prices may find support in last week of Oct as demand is likely to revive after Diwali. Seasonal trend of export shows that about 30-40% of total cotton export from India is realized in Oct- Dec. Expected rise in export demand from Bangladesh and other SEA nations will help prices to recover during later part of Oct. Depreciating Indian rupee will support higher raw cotton and textile export prospects, but limit imports to only extra-long staple cotton. Technically, Cotton MCX Nov may slip towards the support of 26700 in short term and expected to honor resistance of 35000.

Cotton MCX Nov Weekly Chart:



# GUAR SEED

## Major Price Drivers

- Ongoing Harvesting
- Bleak demand outlook of Crude oil
- Lowering yield due to adverse weather condition

Guar seed prices halted its down trend in Sep'22 as prices moved up by 4 % mainly due to fear of yield losses due to extended dryness in Rajasthan. Moreover, untimely rainfall in Rajasthan and Haryana in Sep'22 also added worries among farmers for crop growth and that reflected as firmness in prices during Sep'22. However, prices started cooling down in Oct'22 mainly due to sluggish industrial demand. Fall in relative feed meal prices in also impacted the demand of churi and korma that weighed on market sentiments. After touching the high of 5392, most active guar seed Nov contract traded at NCDEX dropped to 4792 in Oct'22.

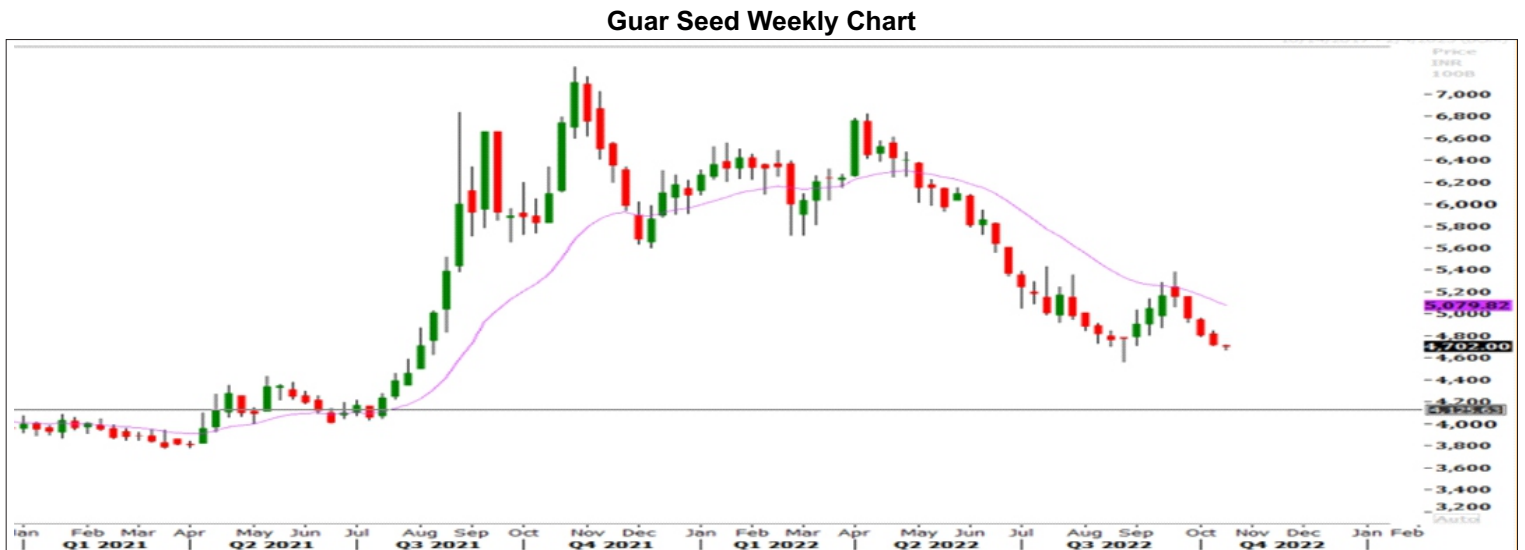
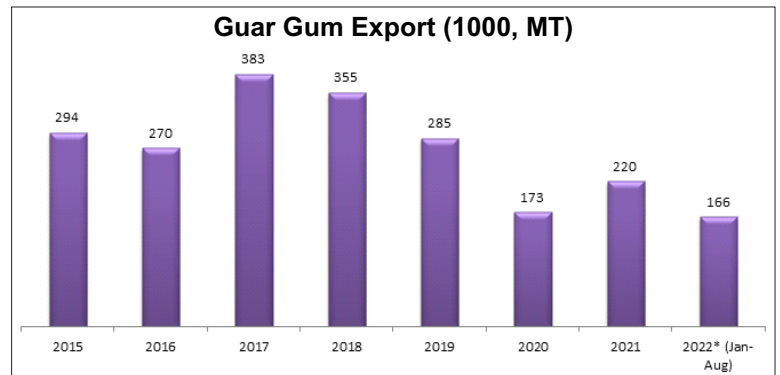
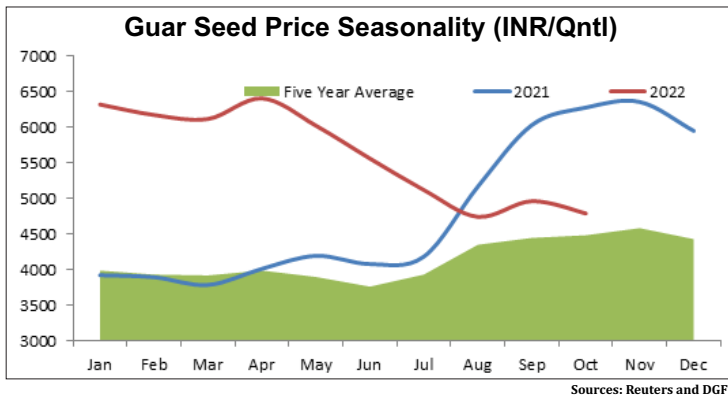
Price movement of Guar seed has been against to its price seasonality in last three months mainly due to worries over crop progress. Industrial demand and exports are normally increased in Oct-Dec that helps guar seeds prices to trade higher in Oct-Dec.

Arrivals have started picking up in line with advancement of harvesting activities. Weather condition has been improved and facilitating the ongoing harvesting activities. About 20.4 thousand tonnes of guar seed has touched the manjor APMC mandies so far in marketing year 2022 – 23 started from 1st Oct compared to 9.7 thousand tonnes of previous year for same period. Going forward, arrivals are expected to improve further in wake of drier weather condition in Rajasthan.

Export demand of guar gum has been good so far in year 2022 as India has exported about 166.4 thousand tonnes during the time period of Jan-Aug'22 compared to 138.9 thousand tonnes of previous year. US, Russia, Germany and China have been the largest buyers of Indian guar gum accounted for about 55% of total gum export from India. Export demand guar gum is expected to drop in coming months due to global economic slowdown amidst emerging fear of recession. With imposition of series of economic sanctions on Russia by EU countries, export of crude oil from Russia has dropped in recent months and likely to remain bleak in coming months as well that will hamper the guar gum imports in Russia from India. Being as highly effective fracturing fluid used in oil drilling industry, guar gum has strengthens its place in Oil and Gas industry. Global demand of crude oil has been sluggish due to ongoing economic slowdown that will result in to fall in imports of guar from major buying countries.

## Outlook

Considering the above fundamentals, its seems guar seed prices may slip further in coming weeks. Surging arrival pressure and bleak export prospects is likely to pull down the guar seed prices further in near term. Prices are ruling at support of 4665 and likely to fall up to 4100 once the price breach the above mentioned levels.

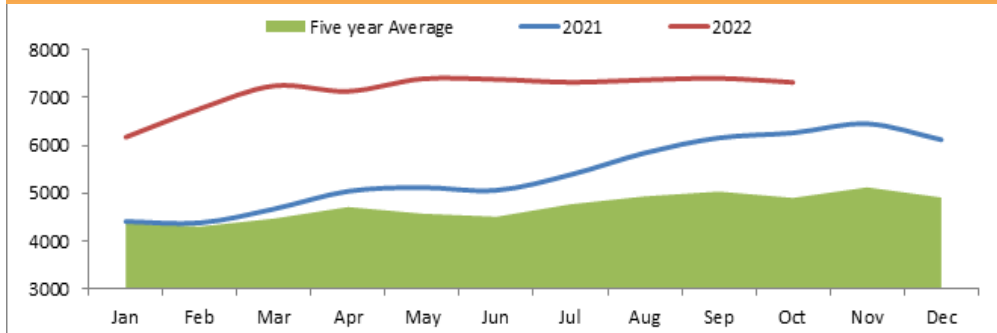




## Major Price Drivers

- Sluggish demand of castor oil from China
- Ongoing harvesting activities
- Lower production forecast
- Tighter carry overstocks

## Castor seed price Seasonality (INR/Qntl)



Source: Reuters and SMC Research

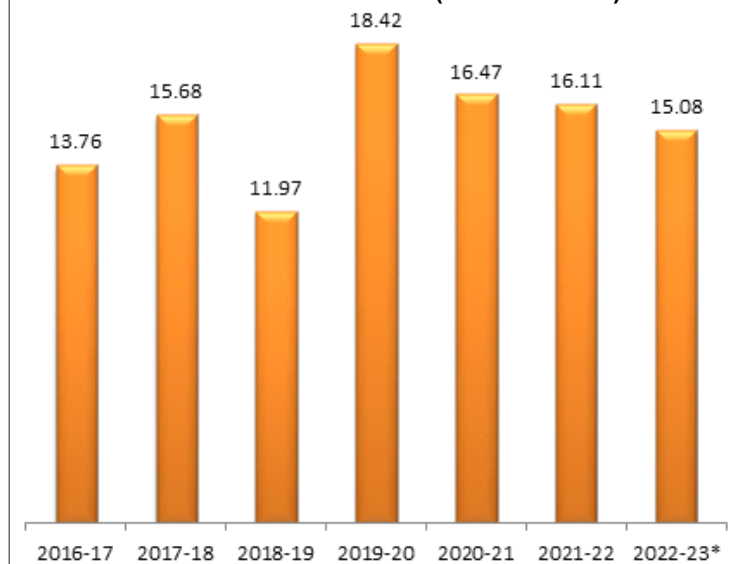
After witnessing strong rally in year 2021-22 (Oct'21- Sep'22) that was driven by supply tightness, castor seed prices consolidated in limited range kept its bias on positive side in Sep'22 due to limited availability in the market. However, prices slipped in Oct'22 following commencement of arrivals of new crop. Better crop prospects and sluggish demand of by-products like castor oil and meal put pressure on prices. After touching the high of 7798 in May'22, castor seed prices have slipped about 9% so far in Oct'22. Considering the price seasonality, prices may fall further in Oct once the arrivals pick up.

Castor seed arrivals has been slow down in Oct'22 as about 16 thousand tonnes of castor seed arrived so far in year 2022-23 which started in Oct'22 wherein 19.7 thousand tonnes were arrived during same period in last year. Arrivals are likely to pick up coming weeks once the harvesting activities pick up. Area under castor seed has increased by 18% Y-o-Y to 8.92 lakh Hectares in year 2022-23 compared to 7.55 lakh hectares of previous year.

Despite of significant rise in area, total production of castor seed is estimated to drop by 6% Y-o-Y to 15.08 lakh tonnes as per the first advance estimates released by Ministry of Agriculture.

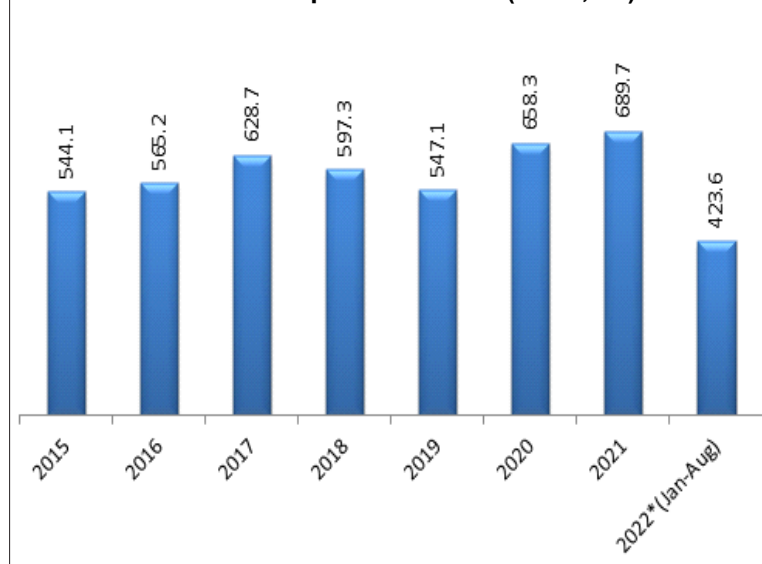
Castor oil export has been down by 16% Y-o-Y during the time period of Jan-Aug'22 due to poor off take by Chinese buyers. Castor oil imports in China have shrunk in year 2022 due to economic slowdown that has impacted industrial production. China has imported only 183.5 thousand tonnes till Aug'22 in year 2022 against the 245.3 thousand tonnes of previous year. Impact of lower imports from China is being seen on total castor oil export from India as India exported only 423.5 thousand tonnes against the 503.5 thousand tonnes of previous year.

## Castor seed Production ( Lakh Tonnes)



Source: Ministry Of Agriculture and DGFT

## Castor Oil export from India ( 1000,MT)



## Outlook

Going forward, castor seed NCDEX Nov prices are expected to trade on weaker note in coming weeks in on improved supply prospects. Seasonal rise in arrivals and need based buying by millers is likely to keep prices under pressure. Millers are keeping them away from heavy buying in wake of slower pace of castor oil export. Castor seed prices have tendency to rise from second half of Oct mainly due to rise in seasonal export but this is circumstances are bit different. Export outlook is looking bleak due to lowering demand from China that will result into rise in stocks in domestic market.

# CASTOR SEED

Castor seed prices are still ruling higher by 8% Y-o-Y compared to last year that will prompt stockiest ad farmers to release their stocks in wake of sluggish export outlook. However, major downfall in castor seed prices is likely to be limited due tighter carryover stocks of previous year wherein production of year 2022 also lower. Technically, castor seed Nov futures may slip towards 6700 in near term mainly due to demand concerns and will face the 7500 as resistance level.

Castor seed weekly Chart:



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