

11 June, 2024

Monthly Report On

Monthly Report on Others Cotton and Guar Complex

JUNE 2024

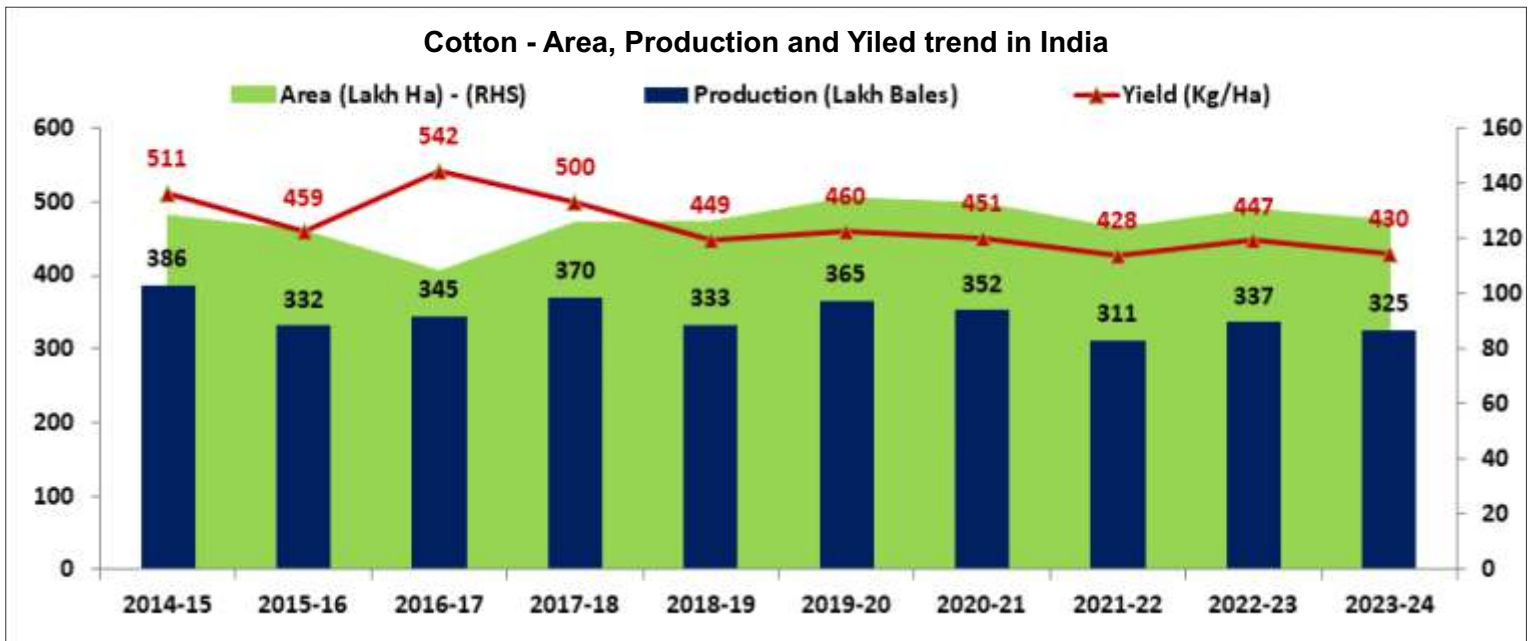


Cotton prices witnessed sharp gains in May'24 as prices jumped about 4% from the low of 55620 to close the moth at 57600 at MCX. Similarly, Kapas prices also rose about 5% tracking slower sowing progress in northern part of India.

North India cotton sowing may decrease by 20-30 per cent in the coming season as farmers have lost confidence in this commercial crop due to pest attacks in previous years. Last year, cotton was sown in 6.65 lakh hectares in Haryana, 1.69 lakh hectares in Punjab, and 7.91 lakh hectares in Rajasthan. The total sowing area reached 16.25 lakh hectares in north India. According to the Cotton Association of India (CAI), total production was estimated at 46.82 lakh bales with an average yield of 484.44 kg of lint per hectare. The normal cotton sowing area (2018-2022) was 6.88 lakh hectares in Haryana, 2.68 lakh hectares in Punjab and 6.30 lakh hectares in Rajasthan, with a total area of 15.86 lakh hectares in north India.

The sowing period in Punjab came to an end on May 31 and only 96,614 hectares of land has come under cotton this year against the 1.79 lakh hectares last year, registering a dip of 46% the lowest-ever area in the state under this crop. This came even as the agriculture department set a lower target of 2 lakh hectares of land under cotton.

Cotton area is expected to increase in central and southern states as they have started receiving monsoon rains. Sowing for the kharif 2024 season has begun in the southern States of Karnataka, Telangana and Andhra Pradesh and expected to pick up with advancement of monsoon rainfall. Cotton acreages are likely to increase in Telangana, where a section of chilli farmers are likely to shift to the fibre crop as prices of the spices crop have been ruling weak. India produced about 325.22 lakh bales of cotton in year 2023-24 against the 337 lakh bales of last year down by 3% Y-o-Y. Considering the current sowing pace, it seems cotton production is estimated to be dropped by 10%-15% in year 2024-25 mainly due to lower area.




The latest forecast from the India Meteorological Department (IMD) has predicted better-than-normal rain in the coming monsoon, as it hit Kerala on 2 days earlier than normal onset on 30th May. IMD has predicted 92-108 per cent rain in June compared to the long period average (LPA). The monsoon may change its pattern in the following months due to the La Niña effect.

The department said that the southwest monsoon rainfall over the country during June-September is likely to be 106 per cent of the long period average with a model error of +/- 4 per cent. While the monsoon will be above normal in central and southern peninsular India, below-normal rainfall is predicted in northeast India and normal in northwest India. Between 105 per cent and 110 per cent of LPA is considered 'above normal'.

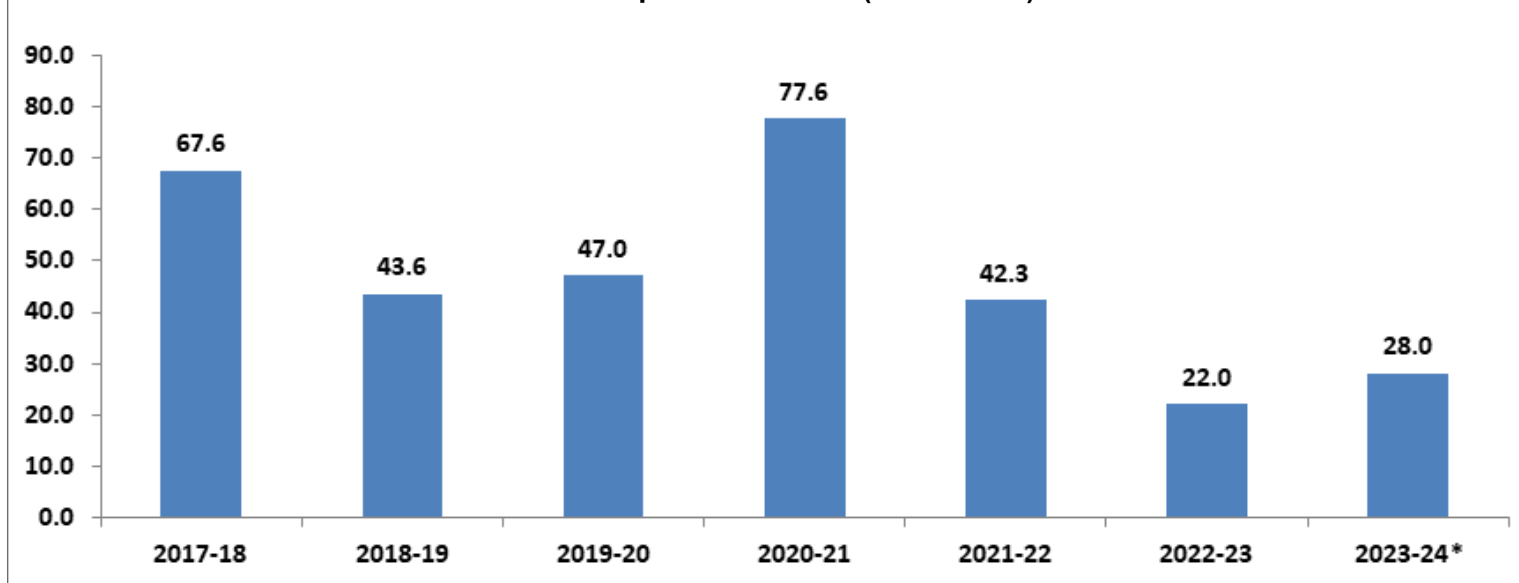
About more than 93% of cotton arrival has touched the market and supplies are likely to be tighter in coming weeks that may support firmness in prices. About 296.55 lakh bale of cotton has arrived so far in MY 2023-24.

All India cotton arrivals as on 10th June

 COTTON ASSOCIATION OF INDIA COTTON SEASON 2023-2024 STATE-WISE ESTIMATES OF DAILY COTTON ARRIVALS Monday, 10 June, 2024					
Sr No.	State	Daily Arrival		Cumulative Arrival	
		In 170 Kg Bales	Metric Tones	In 170 Kg Bales	Metric Tones
1	North	900	153	44,53,100	7,57,027
2	Gujarat	14,000	2,380	79,52,300	13,51,891
3	Maharashtra	15,000	2,550	83,19,400	14,14,298
4	Madhya Pradesh	1,400	238	17,65,200	3,00,084
5	Karnataka	1,000	170	19,47,900	3,31,143
6	Telangana	500	85	34,15,800	5,80,686
7	Andhra Pradesh	800	136	11,23,200	1,90,944
8	Tamil Nadu	200	34	1,09,000	18,530
9	Odisha			3,70,000	62,900
10	Others			2,00,000	34,000
	TOTAL	33,800	5,746	2,96,55,900	50,41,503
Remark					

The Cotton Association of India (CAI) estimated cotton exports to rise about 27 per cent to 28 lakh bales during 2023-24 crop year ending September. In 2022-23 crop season (October-September), cotton exports were at 22 lakh bales, CAI said. One bale is equal to 170 kilogram. The demand for Indian cotton went up with increased price competitiveness of Indian cotton on recent fall in prices. India exports its cotton mainly to countries like Bangladesh, China and Vietnam. Cotton import estimated for the season is higher by 7.90 lakh bales compared to last year.

Cotton Export from India (Lakh Bales)





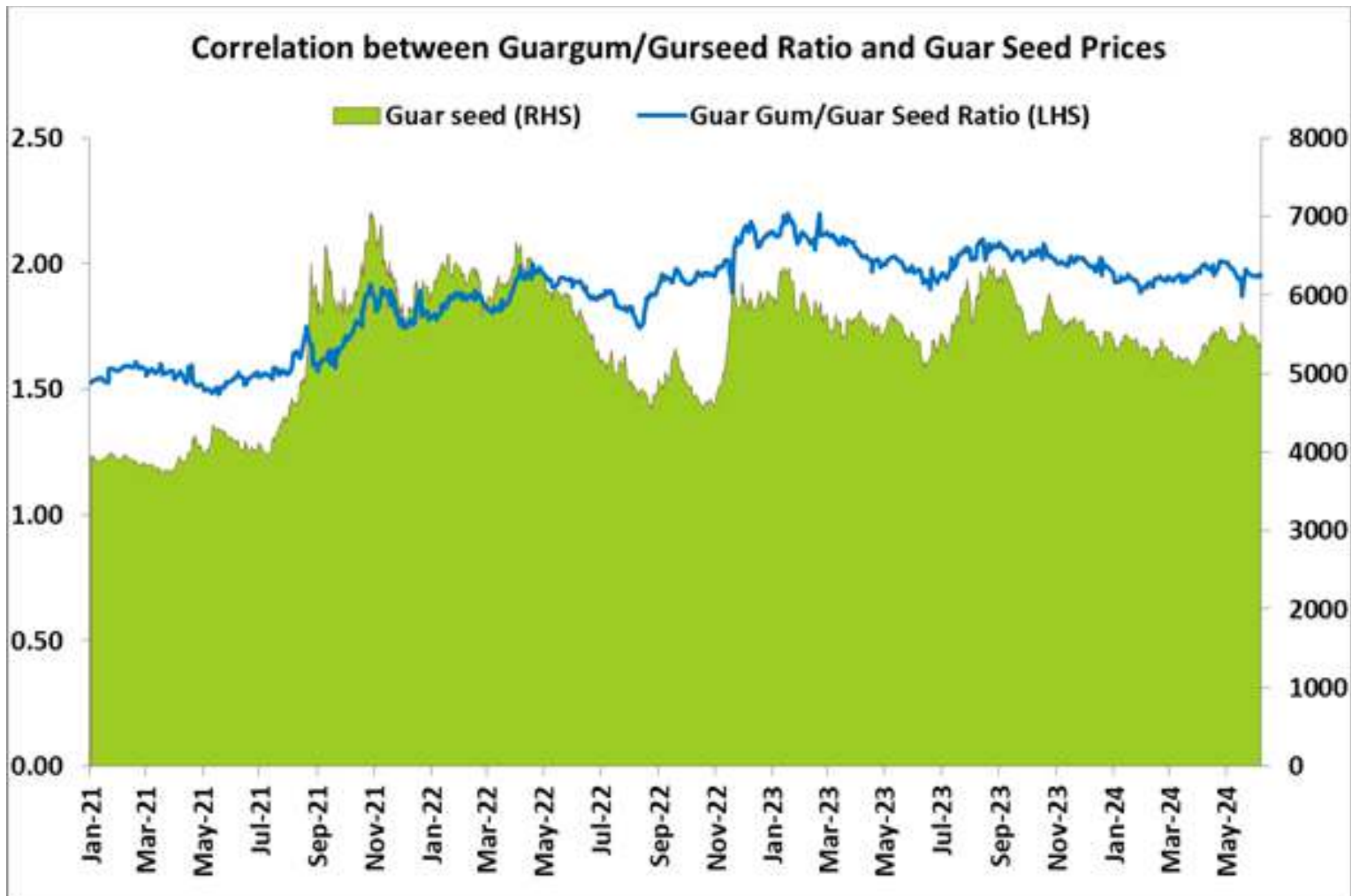
Based on the above fundamentals cotton prices are expected to trade on positive note mainly due to slower sowing pace for year 2024-25. Export demand has been higher that will also support firmness in prices. Supplies are likely to be tighter that may support firmness in prices. Cottoncandy is likely to trade in range of 54900-58000 at MCX in coming week.

Similarly, NCDEX Kapas Apr'25 is likely to trade in range of 1540-1650 wherein NCDEX Cocud is expected to trade in range of 2250-2780.

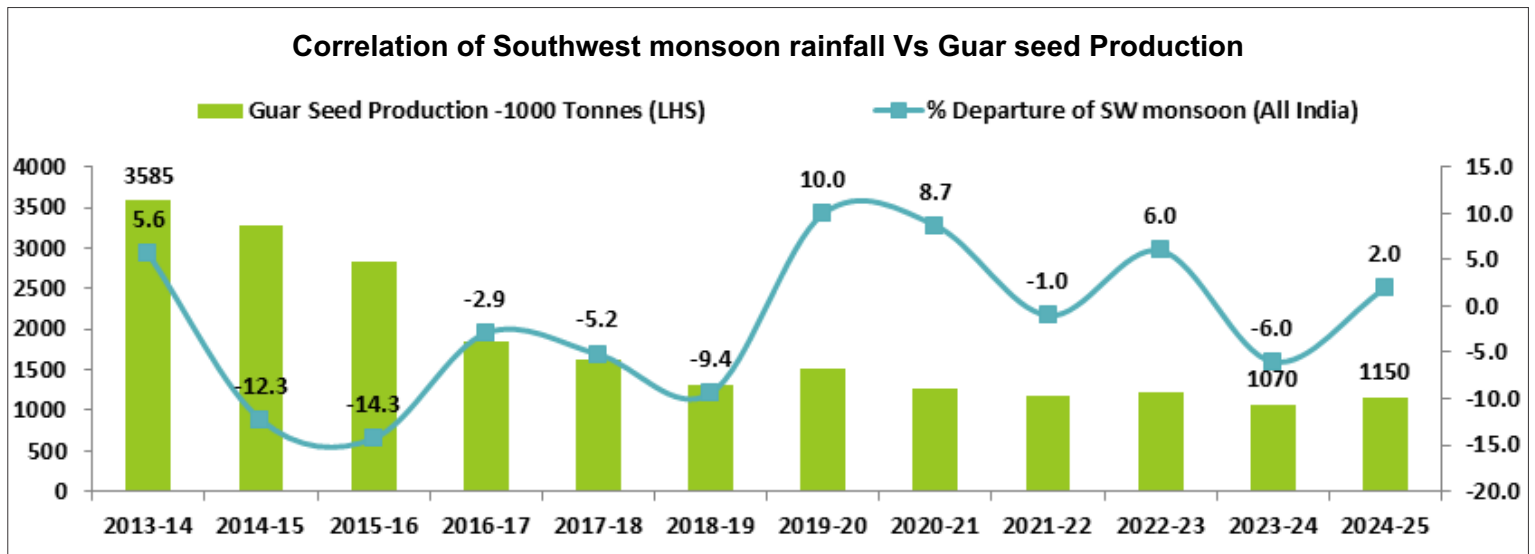
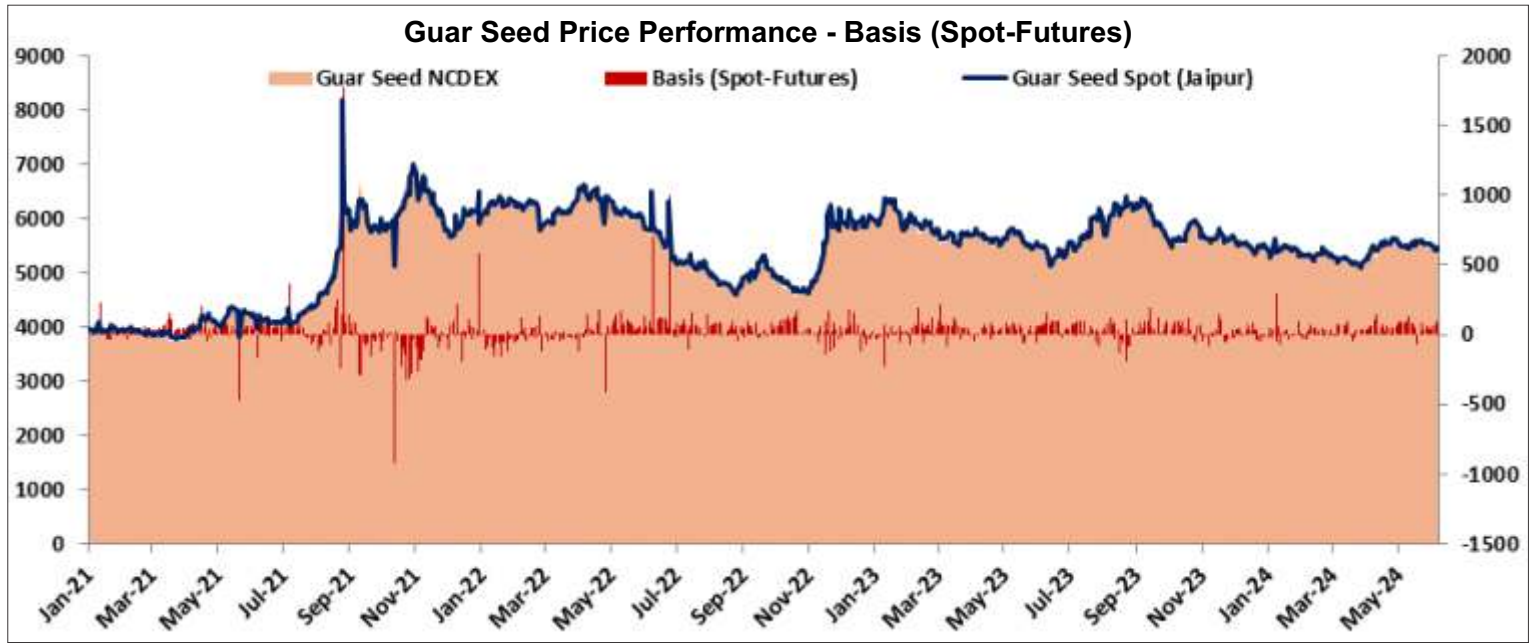
GUAR SEED

Guar seed prices witnessed downfall in last couple of month tracking muted demand at physical market. Guar seed prices slumped about 0.8% M-o-M in May'24 and 1.2% M-o-M in so far in June'24 and ruled near 5400. This downfall also can be attributed to the increased supplies in domestic market against the limited crushing demand. Crush margin turned unattractive with fall in gum and meal prices that kept millers away from the bulk buying, Guar gum prices tumbled 3.5% M-o-M in May'24 and 0.8% so far in June'24.

Downfall in guar gum prices were comparatively higher because of slow down in export enquires. Guar gum/guar seed price ratio dropped with fall in guar gum prices and ruled near 1.95. Guar gum/guar seed price ratio has direct correlation with guar gum prices and seeing the rising export prospects of guar gum it seem guar gum prices may surge up that will lead to rise in guar gum/ guar seed price ratio.



Guar seed spot prices at Jaipur ruled at premium of 108 points above the futures at 5450. Losses in spot prices have been limited as compared to futures that led to rise in basis difference. Going forward, upcoming sowing activities and monsoon progress is likely to decide the further trend in guar prices. Southwest monsoon usually sets in over Kerala around June 1 and progresses northward in surges, covering the entire country around July 15 onset of monsoon was seen on 30th May'24, two days ahead of its normal onset. Monsoon rainfall over the country between June to September is likely to be "above normal" at 106% of the long period average (LPA) with a model error of +/-5%, the IMD said in its long-range forecast on April 15. Guar seed crop have direct correlation of with monsoon rainfall and above normal rainfall lead to rise in area under guar seed.



Guar seed sowing activities as expected to gather pace in coming weeks and weather condition is looking favourable for the sowing activities that will lead to rise in area under guar seed. Major focus will be on sowing activities as weather condition is likely to be favorable to the sowing activities that may lead to rise in area under guar seed. Increased supplies in local market could be other reason which may drag the prices down. About 21 thousand tonnes of guar seed arrived at major APMC mandies across India during May'24 as compared to 17 thousand tonnes of previous year and 13 thousand tonnes of Apr'24. Expectation of rise in export will restrict the excessive downfall in prices. Guar seed prices are expected to find support around 5000, with resistance seen at 6000. Similarly, Guar gum prices are likely to find support around 9800, with resistance observed at 11800.



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