

2nd September, 2021

Monthly Report On

**Monthly report on Others –
Cotton, Castor and Guar seed**

September 2021



Moneywise. Be wise.

Factors to watch

- New season arrivals
- Crop conditions in Gujarat and Maharashtra
- Weather forecast in cotton sowing areas
- Demand for new Cotton
- US cotton harvest and export demand

Highlights

- YTD prices 23.4% higher
- New season arrivals started in North India
- Cotton area down by 5% this season
- Cotton progress is good Gujarat and Maharashtra
- Opening stock estimated at 82.5 lakh bales at the start of 2021/22

MCX Cotton - Aug-2021



Source: Reuters & SMC Research

- Cotton futures in MCX corrected during the month of August due to lower demand from the mills at higher levels. Prices seen continuously falling pressured by the slowdown of exports and sufficient stocks with the millers and MNCs for their operations till the new season arrivals. Moreover, weakness in US cotton also weigh on the domestic prices.
- New season cotton arrivals have started from the north Indian states of Punjab and Haryana but the moisture content in the new produce is high. If the weather remains favorable, then the arrival of dry produce will increase in near future.
- As per the sources, the CCI is left with limited stock, so the corporation is not cutting its rates of cotton sales.
- The USDA said it would review acreage estimates for cotton in the September report, after it lowered its production estimate by over half a million bales for the 2021/22 crop year in last month's supply and demand report.

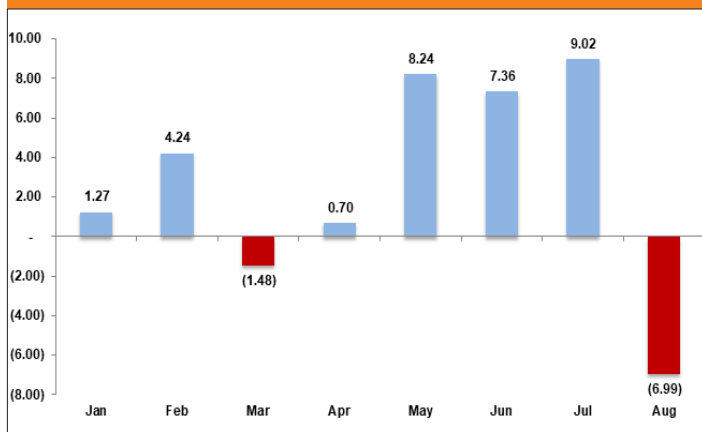
Outlook

Currently cotton prices are in correction mode as new season arrivals have started from the North India. While cotton crop in Central and Western India is in good condition despite lower rain fall during the month of August. The above normal rains forecast for September will improve the cotton condition in deficient areas. We expect the prices to be more stable and trade in broad range of 24980 – 27800 levels till the arrivals started from Maharashtra and Gujarat in the mid of October.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	25,330.00	23,460	24,980	26,340	27,860	29,220

Monthly price movement of MCX Cotton futures (%)



Seasonality Heat Map- MCX Cotton

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	1.27%	4.24%	-1.48%	0.70%	8.24%	7.36%	9.02%	-3.79%	-3.25%			
2020	-0.83%	-5.11%	-12.86%	2.15%	-4.85%	-0.26%	4.30%	5.84%	5.81%	5.22%	4.70%	2.19%
2019	-1.01%	-2.33%	4.88%	5.79%	-2.47%	2.95%	-8.36%	1.51%	-4.52%	-1.86%	-2.31%	1.47%
2018	-2.19%	3.61%	-0.83%	1.19%	6.46%	0.83%	1.28%	2.93%	-4.46%	0.64%	-3.14%	-2.44%
2017	5.19%	4.94%	-1.90%	-0.05%	1.50%	-5.54%	5.41%	-10.55%	-0.64%	2.86%	-3.04%	8.71%
AVG	0.49%	1.07%	-2.44%	1.96%	-3.38%	1.07%	2.33%	-0.81%	-1.41%	1.71%	-0.95%	2.48%

Factors to watch

- Sowing progress in the country
- Export demand for Castor Oil and Meal
- Monsoon progress
- Stock with the farmer and oil millers
- Carryover stocks

Highlights

- YTD prices is 32.5% higher
- Castor meal export up 31% y/y for Jan-Jul period
- Exports of castor oil increase 17.5% y/y for Jan-Jun period
- Castor seed area in Gujarat lower
- Revival of rains in Gujarat may increase production prospects

Castor Future - Aug-2021



Source: Reuters & SMC Research

- In August, Castor seed futures close higher for the third consecutive month due to consistent demand for its derivatives – oil and meal. Moreover, deficient rains in the Gujarat during first three months also help castor prices move higher. We have seen robust exports figures for the castor oil exports as well as meals. Moreover, record increase in vegetable oil in the country also contributed to the demand for castor oil in the industrial uses.
- Castor area in Gujarat – the main growing state as on 31-Aug is 4.26 lakh hac compared to 4.60 lakh hac last year same time. The normal area for castor seed in Gujarat is 6.4 lakh hac.
- In the first 7-month in 2021, country exported about 2.12 lakh tonnes of castor meal up by 31% on year. In Jul 2021, India's castor meal exports higher by 31.4% Y/Y at 29940 tonnes but slightly down M/M. India is the world's largest producer of castor seed and castor oil. The country exports about 90 percent of the oil globally with China being the major buyer.
- As per data form SEA, India's castor oil exports increased by 17.5% to 3.63 lakh tonnes in the first half (Jan-Jun) of calendar year 2021. In Jun 2021, India's castor oil exports rose 51% on year to nearly 81759 tonnes, which is the largest single month export.

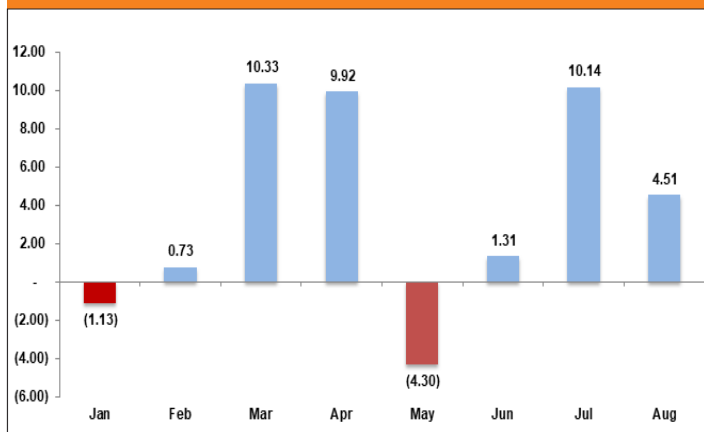
Outlook

We expect the Castor (Sep) prices to remain sideways to positive on expectation of higher demand for castor oil and meal exports in coming months and trade towards 6600 levels. Currently, the prices are 40% higher compared to last year prices due to robust domestic demand for the industrial use. Moreover, due to lower production last year the stock levels are also lower with the Oil mills and traders.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	5,968.00	4,787	5,337	6,061	6,611	7,335
Oct	6,052.00	4,673	5,329	6,099	6,755	7,525

Monthly price movement of Castor futures (%)



Seasonality Heat Map – Castor seed Futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-1.44%	1.05%	-2.11%	7.47%	-3.57%	1.59%	10.23%	4.66%	2.24%			
2020	-6.01%	-4.72%	7.78%	-7.17%	-4.85%	8.45%	2.37%	2.22%	4.29%	6.72%	2.75%	-4.14%
2019	-2.24%	1.91%	0.73%	4.62%	3.26%	-3.82%	3.32%	1.66%	-14.37%	-9.12%	-9.10%	2.85%
2018	-2.34%	-3.34%	0.51%	-3.31%	-1.93%	6.96%	11.04%	0.06%	0.28%	22.73%	-6.73%	-1.65%
2017	30.61%	0.25%	20.33%	-2.45%	-9.83%	3.95%	1.82%	3.15%	0.43%	-4.27%	2.95%	-4.64%
AVG	3.71%	-0.97%	7.78%	-0.17%	-3.50%	3.43%	5.76%	2.35%	-1.43%	4.01%	-2.53%	-1.89%

Guar Complex

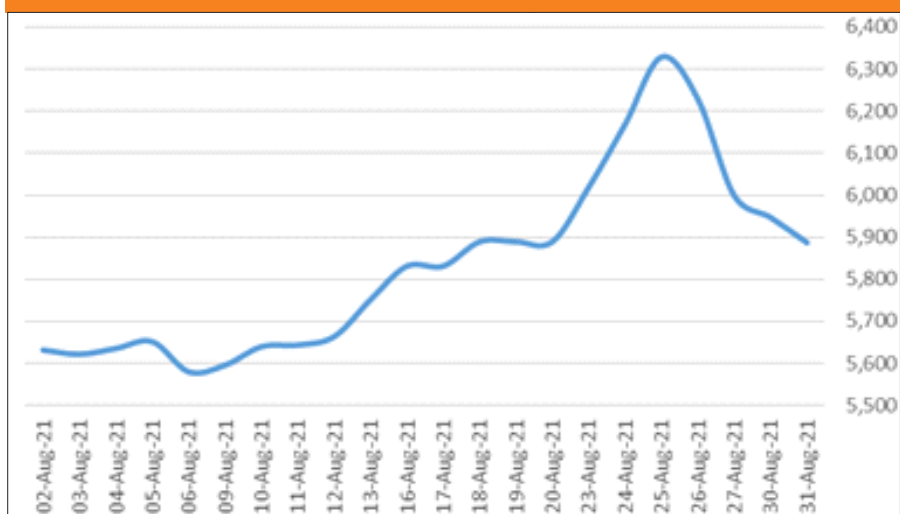
Factors to watch

- Sowing progress in Rajasthan, Haryana and Gujarat
- Monsoon progress
- Export demand for guar gum
- Demand for guar derivatives for feed and food industry
- Carryover stocks with the mills

Highlights

- YTD guar seed prices rise 34.8%
- Monsoon rains in Rajasthan and Gujarat may support production
- Area under guar drastically decrease in Rajasthan
- Declining in stocks with the farmers due to lower area in last 4- years
- Feed industry demand increasing due to record prices of Oilseeds

NCDEX Guarseed - Aug-2021



Source: Reuters & SMC Research

- Guar seed futures surge more than 34% in the month of August due to expectation of lower production and declining stocks in the country. The prices have touched 6-years high in August but then corrected a little due to forecast of better rain in September.
- As per the Department of Agriculture data, guar is sown in 20 lakh hac as on 17 August in Rajasthan – the main producing state compare to 23.5 lakh hac last year same time. The area is down almost by 3 lakh hac due to deficient and irregular rainfall in the guar growing districts. The area has been lower this season in Rajasthan as farmers have preferred oilseeds, cotton, or pulses.
- Guar acreage in Rajasthan is declining over the years due to higher stocks and stagnant price. Now the stock levels are lower and the demand for guar seed is increasing for its derivatives Churi & Korma for animal feed. Guar meal is used as animal feed and naturally rich in protein and Carbohydrates. Due to recent surge in soybean and its meal prices, the feed industry is looking for the alternatives.
- Since guar is an agricultural product that is grown without the influence of chemicals or preservatives it is happens to be the best alternatives for animal and poultry feed.

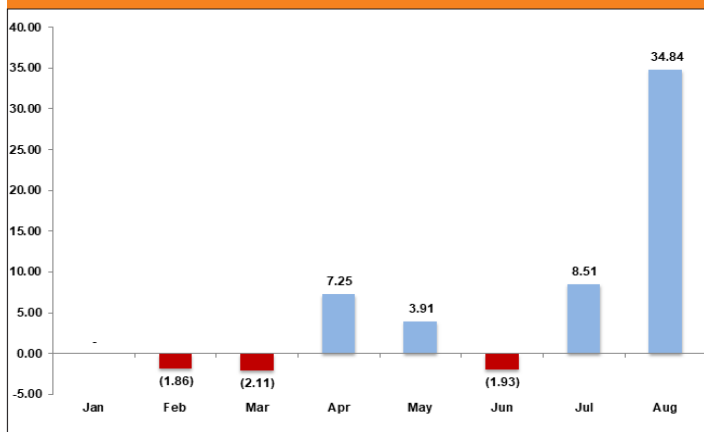
Outlook

Guar seed prices are higher by more than 30% compared to last year prices. Since 2014, the guar prices have not crossed 6000 rupees per quintal but it now broken that level. As farmers get good returns in last 4-5 months the planting intentions are still higher for the guar seed crop. For its consistent demand and lower stocks, we expect Guar seed futures (Sep) prices trade positive towards the 6000 again in coming weeks.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	5,800.00	3,345	4,680	5,740	7,075	8,130
Oct	5,843.00	3,465	4,770	5,800	7,105	8,140

Monthly price movement of Guar seed futures (%)



Seasonality Heat Map – Guar Seed Futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.23%	-1.86%	-2.11%	7.25%	3.91%	-1.96%	6.49%	37.40%	-2.04%			
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%
2017	0.68%	15.09%	6.34%	-3.11%	-13.24%	1.04%	6.17%	9.95%	-5.54%	-5.18%	9.60%	5.01%
AVG	1.67%	-1.16%	-0.86%	0.61%	-3.50%	1.44%	7.36%	10.53%	-3.99%	3.15%	-1.10%	1.91%

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