

Monthly Report On

Monthly report on Others – Cotton, Castor and Guar seed October 2021



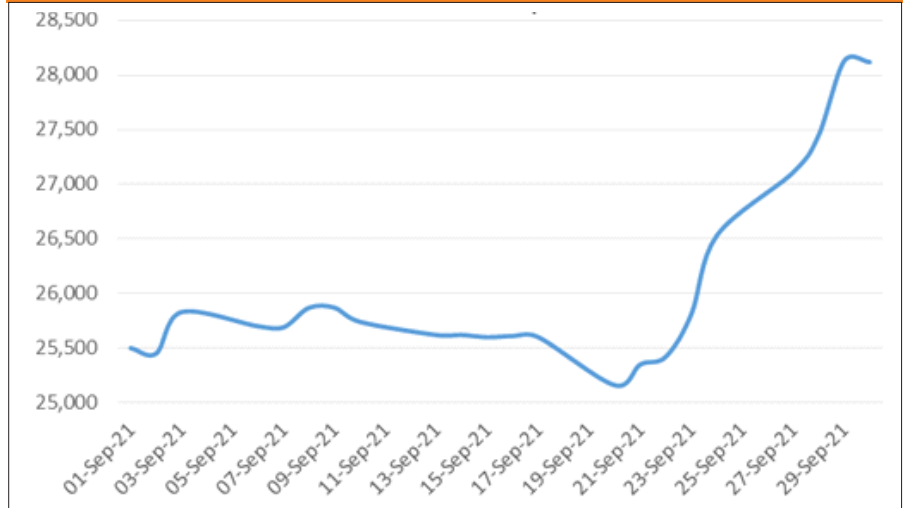
Factors to watch

- New season arrivals
- Weather forecast during harvesting
- Demand and arrivals for new Cotton
- US cotton harvest and export demand
- World cotton production estimates

Highlights

- YTD prices 41.5% higher
- New season arrivals started in most parts of country
- Cotton area down by 5% this season, production forecast is same as last year
- Unseasonal rains damage cotton crops on Maharashtra and Gujarat
- Opening stock estimated at 82.5 lakh bales at the start of 2021/22

MCX Cotton - Sept-2021



Source: Reuters & SMC Research

- Cotton futures in MCX jumps more than 11% in September due to fear of production loss due to unseasonal rains in the main cotton growing regions of Maharashtra and Gujarat. Moreover, pest attack in the North India also was a major concern for the production loss. After Sep 11, the prices seen continuously trading higher as US cotton also make moves higher due to increase in exports demand from China and weather concern in some areas due for the harvest.
- New season cotton arrivals have started from the north Indian states of Punjab and Haryana as well as Central and South India. Currently the weather across the country have improved and harvesting done under the clear skies. The arrivals are now reach about 35-40 thousand bales will be improving to over one lakh bales and more by the mid October. The weather will be very crucial for the harvesting to take place.
- Due to unseasonal rains and pest attack, market sources estimate the production in the current season to be lower than last year production of 354.50 lakh bales.
- However, as per ICAC, India's cotton scenario is likely to be bright. The trade estimates cotton output for the season 2021-22 at 395 lakh bales (each of 170 kg) as against the estimated 356 lakh bales for 2020-21. In spite of the heavy flooding following recent incessant rains in the growing regions of Gujarat, the crop is likely to be around 105 lakh bales in the State. The trader sources estimate cotton carry forward stock to be lesser than the previous season at around 80 lakh bales on improved consumption.
- USDA in its the September report, lowered its production estimate by 1.72% or over half a million bales for the 2021/22 crop year to 28.5 million bales while the ending stocks down by 12.6% y/y.

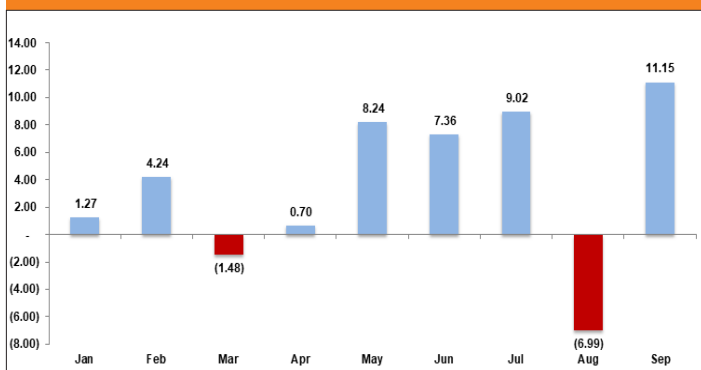
Outlook

Currently, cotton prices trading higher by more than 45% compare to last season due to reports of production loss and improving demand for the exports. Internationally, the prices have touched 10-years higher due to good demand from consuming countries including China. While new season cotton crop arrivals from the Central and Western India may put pressure on the cotton prices as the season progresses. We expect the prices to be more stable and trade in broad range of 25800 – 32000 levels as the arrivals improve in the month of October.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	28580	23,610	25,870	27,310	29,570	32000

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%	7.53%	2.38%		
2020	-0.83%	-5.11%	-12.86%	2.15%	-3.46%	-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%	2.06%	1.07%	2.33%	-0.81%	-1.29%	1.85%	-0.95%	2.48%

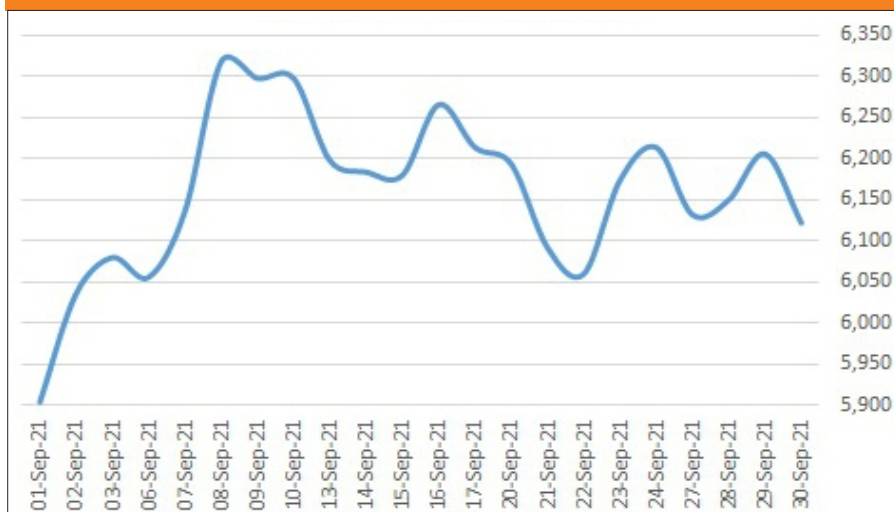
Factors to watch

- Final area of sowing in Gujarat
- Export demand for Castor Oil and Meal
- Carry-over stocks with the farmer and oil millers
- Weather forecast during the growing period

Highlights

- YTD prices is 37.7% higher
- Castor meal export up 37.3% y/y for Jan-Aug period
- Exports of castor oil increase 10.55% y/y for Jan-Aug period
- Castor seed area in Gujarat improved as rainfall increases in September
- 1st Advance estimate for 2021/22 pegged castor seed at 15.98 lakh tonnes

Castor Futures - Sept-2021



Source: Reuters & SMC Research

- In September, Castor seed futures close higher for the fourth 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 during the current calendar year. 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 04-Oct is 6.30 lakh hac compared to 6.07 lakh hac last year same time. The normal area for castor seed in Gujarat is 6.40 lakh hac.
- In the first 8-month in 2021, country exported about 2.30 lakh tonnes of castor meal up by 37.3% on year. In Aug 2021, India's castor meal exports down by 44.7% Y/Y at 18,160 tonnes due to increase in export prices. In last two months, the export prices of castor meal increase closed to 40%.
- India is the world's largest producer of castor seed and castor oil. The country exports about 90% of the oil globally with China being the major buyer. As per data from SEA, India's castor oil exports increased by 10.55% to 4.75 lakh tonnes in the first 8-month (Jan-Aug) of calendar year 2021. In Aug 2021, India's castor oil exports rose 2.63% on year to nearly 50765 tonnes.
- According to the first advance estimates by the Government, castor seed production will be forecasted at 15.98 lakh tonnes, down 0.5 lakh tonnes compared to last year. Last year, production was 16.5 lakh tonnes according to the 4th Advance estimates for 2021/21 season.

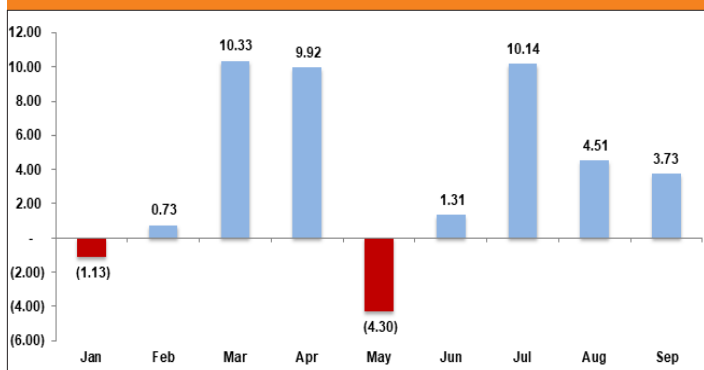
Outlook

We expect the Castor (Nov) prices to trade with positive bias on expectation of higher demand for castor oil and meal exports in coming months and trade towards 6600-6700 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 less with the Oil mills and traders.

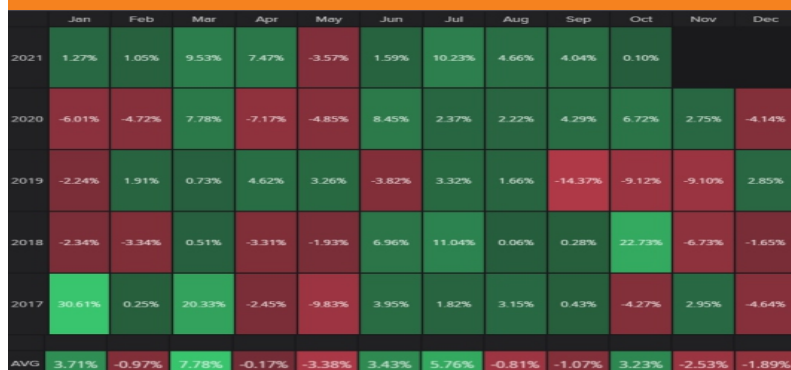
Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	5,968.00	5,513	5,817	6,099	6,403	6,685
Oct	6,052.00	5,605	5,897	6,179	6,471	6,753

Monthly price movement of Castor futures (%)



Seasonality Heat Map – Castor seed Futures



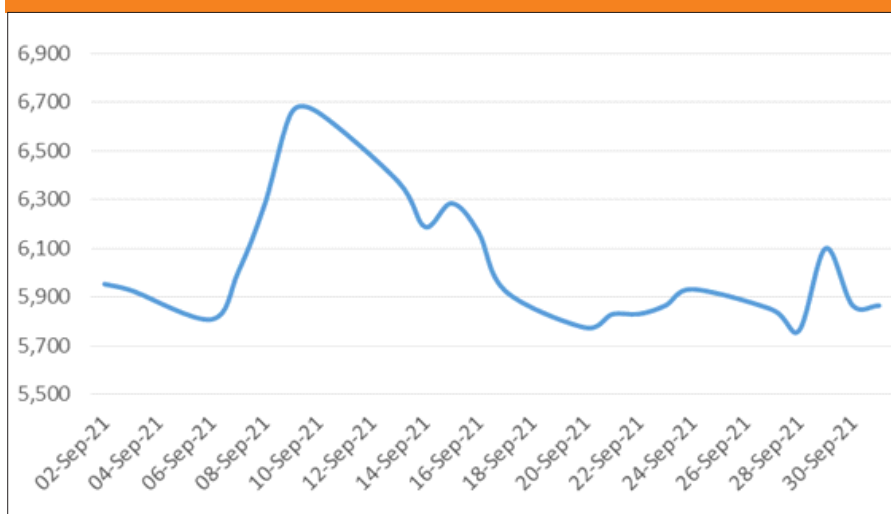
Factors to watch

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

Highlights

- YTD guar seed prices are up 50%
- Area under guar drastically decrease in Rajasthan
- Declining in stocks with the farmers due to lower area in last 4- years
- Monsoon rains in Rajasthan and Gujarat may support production
- Demand increase from Feed industry due to record prices of Oilseeds

NCDEX Guarseed - Sept-2021



Source: Reuters & SMC Research

- Guar seed futures in September trades sideways after it jumped 34% in the previous month. The prices have traded in a range of 5700 to 6700 during the September month but closed near the openings.
- The prices have increased nearly 50% this calendar year 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 21.30 lakh hac as on 02-Sep-2021 in Rajasthan – the main producing state compare to 23.85 lakh hac last year same time. The area is down by more than 2.52 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.
- The exports of guar gum during the month of August are higher by 200% at 25350 tonnes compared to last year export data. According to APEDA, the exports of guar gum during the FY 2021/22 (Apr- Aug), the exports are higher by 46.8% compared to last year for same period. In the first 5-month of FY 2021/22 the country exported 1.33 lakh tonnes of guar gum compared to 90,800 tonnes last year.

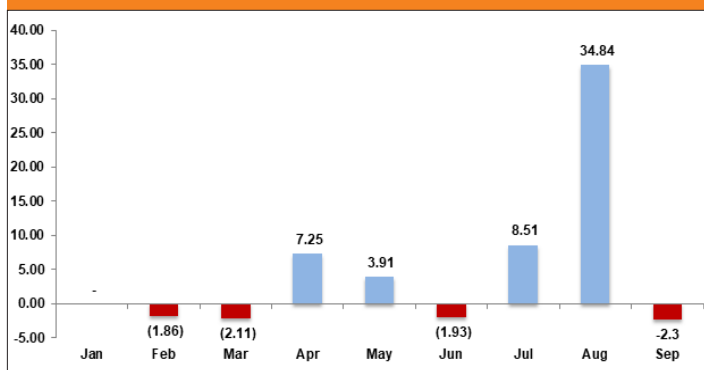
Outlook

Guar seed prices are higher by more than 41% compared to last year prices. As we approaching the harvesting season the guar seed prices have been consolidating after it touched above 6500 in August. We expect the Guar seed (Nov) prices to trade higher towards 6400 in coming weeks with support at 5660. As farmers have good returns in last 4-5 months and during the harvesting season arrival pressure may suppressed the prices but farmers may stock new guar seed for better prices opportunities.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	5,866.00	5,105	5,485	6,055	6,435	7,000
Nov	5,860.00	5,060	5,460	6,060	6,460	7,060

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%	7.47%	3.91%	-1.93%	6.49%	37.40%	-1.93%	-0.68%		
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%	-3.97%	2.39%	-1.10%	1.91%

Vandana Bharti (AVP - Commodity Research)
Ritesh Kumar Sahu - Research Analyst

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

vandanabharti@smcindiaonline.com
riteshkumarsahu@smcindiaonline.com

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

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

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 of 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.