

10th October, 2023

**Monthly Report On**

# **Monthly Report on Others Cotton and Guar Complex**

**OCTOBER 2023**



Cotton prices traded higher for most part of Sep'23 tracking concerns over lower production prospects for upcoming season. Lower supplies in the market and limited stocks with millers and farmers helped prices to climb up further in Sep'23. MCX cotton prices moved up to 62000 in Sep'23 higher by 3% M-o-M.

Supplies remained down in Sep'23 as well due to lower crop size that bolstered prices. The pace of arrivals has slowed down since new 2023/24 MSP rates were announced by the government effective from October 1. Farmers across the country expect the minimum selling price to reflect the newly announced MSP rates or higher. About 332 lakh bales of cotton were arrived in year 2022-23. Ministry of Agriculture estimated total cotton production at 337 lakh bales in year 2023.

However, Cotton Association of India kept its estimates for cotton production in India at 311.18 lakh bales well below from the five year average level of lakh bales. Despite record fall in export and muted industrial demand in domestic market, ending stocks of cotton declined to 23.18 lakh bales compared to 24 lakh bales of previous year. Total supply of cotton remained down at 350.18 lakh bales against the 385 lakh bales of previous year down by 9% Y-o-Y.

India's cotton exports are estimated to have dropped to a record low of 15.50 lakh bales (170 kg each) in the 2022-23 season that ended in September, the Cotton Association of India (CAI).

Talking about the current scenario, arrivals of new crop have started and expected to pick up in coming weeks. Cotton Prices are expected to trade on positive bias on concerns over lower production amid yield losses caused by the pink bollworm in North India that has impacted the quality of the 2023-24 crop (October-September) badly. Overall area of cotton has been down by 3.2 % Y-o-Y so far in year 2023 that will lead to fall in production in year 2022-23. Cotton Production is expected to down by 8%-10% as compared to last year due to fall in area under cotton in year 2023. CCI is likely to start their procurement operation in Oct that will prompt farmers to hold their produce in hope to get better price realization on government purchase. The Centre has fixed cotton MSP at Rs 6,620 per quintal for medium staple variety and Rs 7,020 per quintal for long staple variety. Impact of lower production is likely to be seen on cotton seed oil cake prices as well. Lower supplies and expectation of rise in seasonal demand of cotton seed oil cake will support firmness in cocud prices.

**Based on the above fundamentals, Cotton MCX Nov prices are likely to trade in range of 58000-63000 with positive bias.**

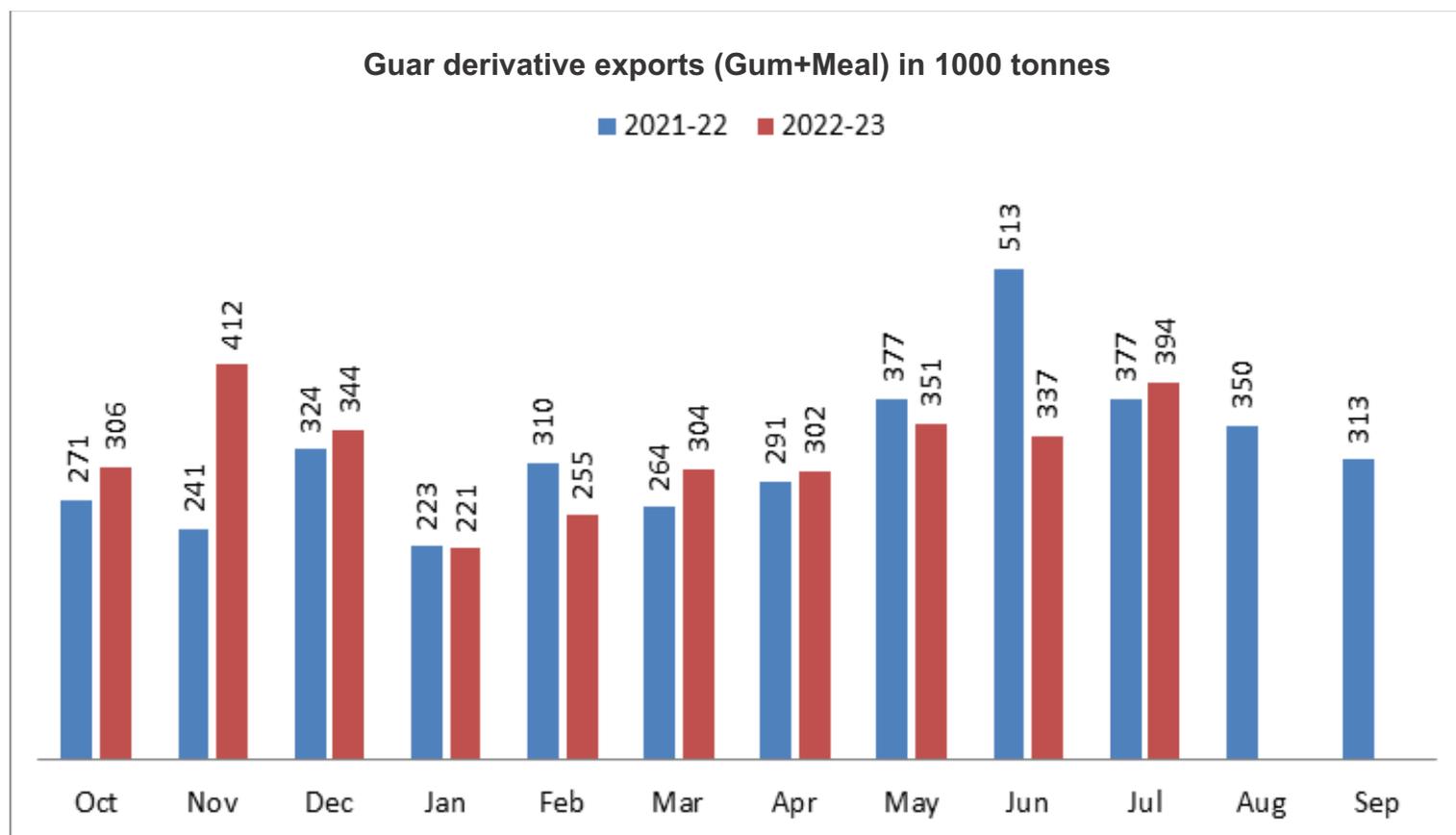
**Similarly, Kapas Apr'24 futures are likely to trade in range of 1600-1740.**

**Cotton seed oil cake ( Cocud ) prices are likely to honor the support of 2600 and expected to move towards resistance of 3000 in coming weeks.**

# Guar Complex

Guar seed and Guar gum prices witnessed sharp fall in Sep'23 on improved supply outlook supported by beneficial rainfall in Sep. Crop condition improved whereas demand remained down that put pressure on prices. Arrivals of new crop have started that weighed on market sentiments. Stockists are also expected to offload their stocks before commencement of new crop that will keep supplies adequate. Prices are ruling under pressure due to reports of sluggish export as guar gum export dropped further in July reported at 15.24 thousand tonnes as compared to 20 thousand tonnes of last year.

Guar meal export remained higher during Jul'23 that led to rise in overall export of guar derivative production in Jul'23. India exported about 394 thousand tonnes of guar gum along with meal as compared to 377 thousand tonnes.



Going forward, Guar prices are expected to trade on positive bias due to weaker production prospects for upcoming season. Guar seed production is expected to drop by 10%-14% due to lower yield and area. Area has been down by about 10% Y-o-Y and impact of that is likely to be seen on overall production. Considering the acreages and yield projection, total production for year 2023-24 is estimated at 1070 thousand tonnes as compared to 1230 thousand tonnes of previous year.

**Based on above fundamentals Guar seed prices are expected to trade in range of 5200-6400 with positive bias. Similarly, Guar gum prices are expected to trade in range of 11000- 14500 in coming weeks.**

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