

GUAR SEED & GUAR GUM

16-21 July, 2007

MAJOR ACTIVITY HIGHLIGHTS

- **Guar Futures: Range Bound With Firm Bias**
- **Spot Market Witnessed Firm Sentiment**

MARKET COMMENTARY OF MAJOR MARKETS

Guar Physical Market

During the week, the guar spot market prices have been steadily increased on normal demand and restricted supply. During mid of the week, the market tumbled on the expectation of rainfall over the guar growing regions which favours guar cultivation which forced the traders in offloading of inventories in the expectation of bumper production. However, last few days dry weather over the region coupled with good overseas demand further pushed up the prices. Due to good rainfall over the regions during the end of June and the beginning of July, the sowing process had picked up the pace in Rajasthan, Haryana and Gujarat, but the dry weather in last few days have slowed down the sowing process. The crops have already germinated in the areas that went for early sowing. Guar gum exporters and traders in Haryana expect an increase of 20% acreage in Haryana this year due to favourable rainfall. Due to increased acreage combined with the expected increased output of 500kg/hectare from 375kg/hectare in last year, the total expected output may be around 10 lakh tonnes compared with last year's 8.7 lakh tonnes. Due to increased demand from the US, China and EU countries, this year's guar gum exports are likely to rise by 47 per cent to 2.2 lakh tonnes. As per the trade sources, although the rupee appreciation has eaten into the margins of exporters, still they are upbeat and confident that these can be managed because of the higher demand and increasing volumes. The export prices of guar gum split are remained at \$1,000/tonne and powder guar gum prices are remained at \$1,200/tonne. Thus considering the demand and supply factor, the prices are likely to remain steady to slightly firm in the short term. However, the price movement in both spot and futures market will depend on the second spell of rainfall over Rajasthan region in medium term.

Total arrivals at Rajasthan mandis declined during the period and are reported at around 2500-3000 bags (1 bag = 100 Kg). In Jodhpur spot market guar seed prices traded in the range of Rs 1765-1825/mtl and in Bikaner it was offered at Rs 1625-1660/mtl. Guar gum prices in Jodhpur markets stood at Rs 4425-4525/mtl

Guar Futures Market

Guar futures remained bullish during the week on steady buying support. The August contract of Guar traded up in both the exchanges i.e.; MCX and NCDEX and saw the

high of Rs 1756/mtl and 1772/mtl respectively during Saturday. However, the volume as well as open interest has declined during the week as compared to last week. Guar seed stocks in MCX and NCDEX warehouses declined from the previous week's level and stood at 4,300.025 MT as on 19th July and 25,061 MT as on 20th July 2007 respectively.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/mt)

Particular	Centre	Date		Change
		14.07.07	21.07.07	
Guar Seed	Bikaner	1625-30	1700	+70
	Jodhpur	1760-70	1810-1825	+55
	Nokha	1620-30	1675-80	+50
Guar Gum	Jodhpur	4400	4525	+125

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/mt)

Dates	Bikaner	Jodhpur	Guar Gum
14.07.07	1660.75	1672.35	4408.70
16.07.07	1669.40	1680.80	4430.45
17.07.07	1685.00	1693.65	4473.44
18.07.07	1682.50	1694.65	4454.60
19.07.07	1694.00	1713.50	4487.50
20.07.07	1710	1721.15	4513.20
21.07.07	1702	1711.40	4509.50
Change	+41.25	+39.05	108.80

Guar Seed Futures Prices at NCDEX

Dates	July-Contract		Aug-Contract		Sept-Contract	
	Open	Close	Open	Close	Open	Close
14.07.07	1685	1686	1718	1716	1746	1746
16.07.07	1696	1696	1716	1727	1746	1759
17.07.07	1705	1701	1727	1735	1759	1767
18.07.07	1713	1700	1735	1728	1767	1758
19.07.07	1700	1719	1728	1765	1758	1804
20.07.07	1727	1716	1765	1752	1804	1790
21.07.07	-	-	1752	1768	1790	1813

Guar Gum Futures Prices at NCDEX

Dates	July-Contract		Aug-Contract		Sept-Contract	
	Open	Close	Open	Close	Open	Close
14.07.07	4311	4307	4400	4391	4462	4456
16.07.07	4307	4324	4391	4409	4456	4478
17.07.07	4324	4347	4409	4432	4478	4520
18.07.07	4347	4332	4432	4412	4520	4509
19.07.07	4332	4395	4412	4494	4509	4598
20.07.07	4395	4422	4494	4473	4598	4574
21.07.07	-	-	4473	4557	4574	4662

PRICE DRIVERS:

- Dry spell over Rajasthan's guar growing region in last few days has slowed down the sowing process.
- Early guar sowing seeds has been germinated
- Sowing is in full sowing in Haryana and Gujarat after the good rainfall
- Haryana is expecting the increase of acreage by 20% this year.
- Total guar crop acreage is like to increase by 1 lakh hectares in this crop season
- Guar production is expected to touch 10 lakh tonnes in this crop year
- Expectation of higher yield of 500kg/hectare from 375kg/hectare last year
- Good domestic demand from millers and processors
- Good overseas demand from China, US, EU countries and Saudi Arabia for Guar gum split
- Guar gum export are likely to rise by 47% to 2.2 lakh tonnes this year
- Strong rupee against the dollar has cast a shadow on the margins of exporters

OUTLOOK:

Short Term (1 Week): Steady to slightly firm on good physical demand at lower levels

Medium Term (1 Month): Volatile on speculation over monsoon progress and overseas demand.

Long Term (3 Months): Steady to sluggish on increased output estimates.

MONSOON WATCH

Southwest monsoon was active/vigorous over Gangetic West Bengal & Orissa on 16th; Jharkhand on 15th & 16th; Sub-Himalayan West Bengal & Sikkim & Bihar on 17th; East Uttar Pradesh on 14th, 17th & 18th and Chhattisgarh on 14th, 16th & 17th. Widespread/fairly widespread rainfall occurred over Gangetic West Bengal on 15th, 17th & 18th; Jharkhand on 17th; Sub-Himalayan West Bengal & Sikkim on 15th & 18th; Bihar on 18th; East Madhya Pradesh on 17th & 18th; Chhattisgarh & East Uttar Pradesh on 13th.

Southwest monsoon was active/vigorous over Assam & Meghalaya on 16th & 18th and Nagaland, Manipur, Mizoram & Tripura on 17th & 18th. Fairly widespread rainfall occurred over Arunachal Pradesh on 14th & 16th-18th; Assam & Meghalaya on 14th & 17th and Nagaland, Manipur, Mizoram & Tripura on 16th.

Southwest monsoon was active over Kerala during last two days of the week. Widespread/ fairly widespread rainfall occurred over Kerala during remaining days of the week. Widespread/fairly widespread rainfall occurred over Konkan & Goa and Coastal Karnataka throughout the week.

Southwest monsoon was also active over Coastal Andhra Pradesh, Telangana, North & South Interior Karnataka, Chhattisgarh, Vidarbha, Punjab, Haryana, Chandigarh & Delhi, Uttarakhand, West Uttar Pradesh, East Rajasthan for one or two days during the week. Isolated to scattered rainfall occurred over these sub-divisions during many days of the remaining period of the week.

Isolated to scattered rainfall occurred over remaining parts of the week. (Map enclosed).

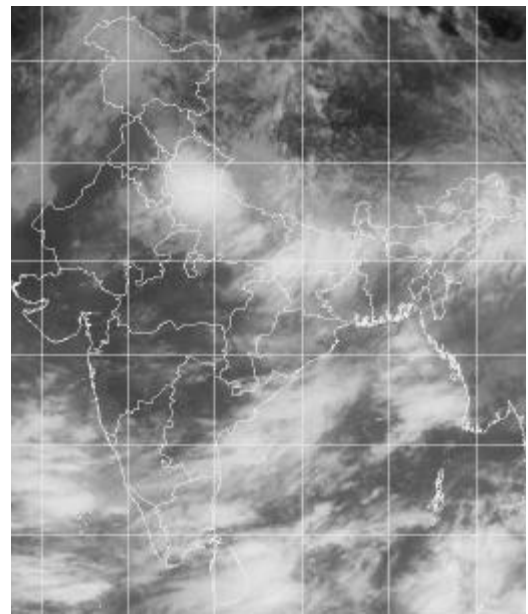
METEOROLOGICAL ANALYSIS (11.07.07)

- An upper air cyclonic circulation extending upto mid-tropospheric level lay over north Bay of Bengal on 12th. Under its influence, a low pressure area formed over northwest Bay of Bengal off north Orissa and West Bengal coasts on 13th. It became well marked over the same area on 14th. It lay over northwest Bay of Bengal and coastal areas of north Orissa and West Bengal on 15th, over Jharkhand & neighbourhood on 16th and over East Uttar Pradesh and adjoining Bihar on 17th. It lay as a low pressure area over East Uttar Pradesh and adjoining Bihar on 18th.
- The axis of the monsoon trough passed through normal position during beginning of the week. However, the western end of the monsoon trough gradually shifted northwards and lay close to the foothills of the Himalayas on 18th. The eastern end of the monsoon trough ran from centre of low pressure area, Patna, Asansol and thence southeastwards to northeast Bay of Bengal.
- An off-shore trough ran from Konkan coast to Kerala coast during the week.

- An upper air cyclonic Circulation lay over north Pakistan and adjoining Jammu & Kashmir extending between 1.5 to 5.8 km a.s.l. on 13th. It lay over Punjab & neighbourhood in the lower tropospheric levels during 14th to 17th. It lay over Jammu & Kashmir and neighbourhood on 18th.
- Last week's upper air cyclonic circulation over central Rajasthan & neighbourhood extending upto mid-tropospheric level lay over central Pakistan and adjoining Rajasthan on 12th extending upto 1.5 km a.s.l. It persisted over the same area and extended upto 0.9 km a.s.l. on 13th and became less marked on 14th.

Outlook for the Week Ending On July 18th 2007

- Enhanced rainfall activity with scattered heavy to very heavy falls are likely over north eastern states, Sub-Himalayan West Bengal & Sikkim and Bihar during next week. Isolated extremely heavy falls (>25 cm) are also likely over Assam & Meghalaya on a few days.
- Increase in rainfall activity over southeast peninsula.
- Subdued rainfall activity likely over remaining parts of the country



SATELLITE PICTURE OF MONSOON PROGRESS (23.07.07)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)

NCDEX August Contract

Candlestick: Formation of Candlestick pattern shows that Prices has extended previous weeks rally and traded up on account of steady buying supports. Price closed above EMA's, indicating firmness may continue in medium term.

Stochastic: The Stochastic is moving up in over bought region so possibility of some technical correction can not be ruled out.

MACD: MACD has entered into positive region and rising smartly.

RSI: RSI is rising in the neutral region favouring bulls.

Market Outlook:

Prices are expected to trade up with profit booking at higher levels.



TECHNICAL ANALYSIS

Commodity: Guar Gum

Perspective: Very Short Term (Weekly)

NCDEX May Contract

Candlestick: Formation of Candlestick pattern shows prices were traded up on account of the steady buying support.

Stochastic: The stochastic is moving upward in overbought region

MACD: MACD is in negative region and moving upward

RSI: RSI is in neutral region and moving flat

Market Outlook:

Prices are expected to trade up with profit booking at higher levels.



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