

GUAR SEED & GUAR GUM

13- 18 August, 2007

MAJOR ACTIVITY HIGHLIGHTS

- **Guar Futures: Witnessed Weak Sentiment**
- **Spot Market Witnessed Weak Sentiment**

MARKET COMMENTARY OF MAJOR MARKETS

Guar Physical Market

The prices of both guar seed and guar gum traded firm initially starting the week on 13th August at most of the major markets in Rajasthan amidst good physical demand against lower arrivals. Lower stock position in warehouses coupled with continued dry spell over the Rajasthan region further imparted bullishness. Rajasthan is the largest guar producing state and accounts for 70% of the production in India followed by Haryana and Gujarat 12% and 11% respectively. But during 2007-08 crop season, production is expected to fall in Rajasthan by at least 15-20 per cent as the sowing of guar is lagging in key areas (Jodhpur, Bikaner, Nokha and few places in Jaisalmer) due to failure of second spell of monsoon rains, which boosted the market sentiment. First fortnight of August month mirrors the expected overall guar seed market, marks the end of sowing. Present weather situation in Rajasthan indicates that the state will not have rains for more than a week. "Even if it rains in a week, chances of sowing is minimal". On other hand, considering the increased acreage (20-25%) in Haryana and in few parts of Rajasthan (Sriganganagar, Hanumangarh, Churu few areas in Jaisalmer) and expected steady production in Gujarat, the total production may decline marginally from the last year or remain steady, which is expected to remain lower than the demand. Thus, prices are likely to remain firm in medium to long-term. However, prices declined towards the end of the week on talks of revival monsoon after 21st August over Rajasthan coupled with improvement in stock position in warehouses. Miller and exporters remained active during the period while stockists holding back stocks. Arrival at the majority of markets improved marginally from the previous week's level of 2000-2100 to 2000-2500 bags during the period. In Jodhpur spot market guar seed prices traded in the range of Rs 1840-1895/ql and in Bikaner it was offered at Rs 1750-1790/ql. Guar gum prices in Jodhpur markets stood at Rs 4680-4770/ql.

Guar Futures Market

Guar futures continued its rally initially stating August 13th on increased buying interest, while declined thereafter on profit booking and selling pressure. The September contract of Guar seed in both the exchanges i.e.; MCX and NCDEX traded in the range of Rs 1765-1842/ql and Rs 1814-1895/ql. Both volume and open interest declined during the period. Guar seed stocks in MCX and NCDEX warehouses improved marginally from the previous week's level and stood at 3,998.251 MT and 23,511 MT as on 16th August 2007 respectively.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/ql)

Particular	Centre	Date		Change
		11.08.07	18.08.07	
Guar Seed	Bikaner	1715	1755	+40
	Jodhpur	1850-60	1860	-
	Nokha	1700	1730	+30
Guar Gum	Jodhpur	4660-70	4675-90	+20

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/ql)

Dates	Bikaner	Jodhpur	Guar Gum
11.08.07	1740.75	1721.10	4614.15
13.08.07	1793.55	1749.55	4712.50
14.08.07	1802.50	1761.35	4737.50
16.08.07	1764.35	1741.05	4651.70
17.08.07	1767.10	1740.00	4675.00
18.08.07	1769.60	1738.50	4666.15
Change	+28.85	+17.40	+52.00

Guar Seed Futures Prices at NCDEX

Dates	Aug-Contract		Sept-Contract		Oct-Contract	
	Open	Close	Open	Close	Open	Close
11.08.07	1765	1775	1800	1811	1844	1851
13.08.07	1780	1836	1818	1875	1859	1918
14.08.07	1835	1820	1870	1865	1915	1907
16.08.07	1844	1802	1875	1840	1901	1883
17.08.07	1802	1792	1838	1827	1882	1867
18.08.07	-	-	-	-	-	-

Guar Gum Futures Prices at NCDEX

Dates	Aug-Contract		Sept-Contract		Oct-Contract	
	Open	Close	Open	Close	Open	Close
11.08.07	4501	4507	4585	4596	4658	4690
13.08.07	4529	4614	4625	4749	4755	4831
14.08.07	4625	4621	4735	4717	4825	4798
16.08.07	4590	4550	4682	4650	4775	4719
17.08.07	4550	4537	4658	4632	4727	4717
18.08.07	-	-	-	-	-	-

Price Drivers:

- Quality concern of Indian guar gum
- Monsoon rains will remain highly subdued in next 3-4 days in northwest and central India
- Dry weather across the Rajasthan region; sowing is lagging in key areas and may harm the standing crop
- Acreage and production is expected to fall in Rajasthan
- Marginal improvement in stock position in warehouses; lower stocks position in market
- Improvement in rupee
- Good domestic demand from millers / processors and exporters
- Demand for by-product of guar seed (Churi & Korma)

OUTLOOK:

Short Term (1 Week): Prices are likely to remain range bound with firm bias due to expectation of fall in production in Rajasthan and good demand

Medium Term (1 Month): Volatile on speculation over total production acreage.

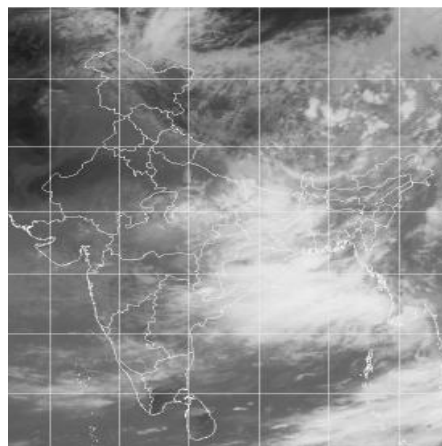
Long Term (3 Months): Likely to remain firm in expectation that overall production remains below demand due to fall in overall production.

METEOROLOGICAL ANALYSIS (15.08.07)

- Last week's well marked low pressure area over West Madhya Pradesh and neighbourhood lay as a low pressure area over Kutch and adjoining south Rajasthan on 9th. It moved away westwards on 10th.
- A fresh low pressure area formed over northwest Bay of Bengal off Orissa-West Bengal coast on 10th. It persisted over the same area and became well marked on 12th. It lay over Gangetic West Bengal and neighbourhood on 13th. It lay as a low pressure area over Bihar and neighbourhood on 14th and became less marked on 15th. However, the associated upper air cyclonic circulation lay over Bihar and neighbourhood extending upto 3.6 km above mean sea level with an upper air trough extending from the centre of cyclonic circulation to north Bay of Bengal.
- An off shore trough ran from Gujarat coast to Kerala coast during first half of the week and from Gujarat coast to Karnataka coast during second half of the week.
- The axis of the monsoon trough lay to the south of its normal position in the beginning of the week. The western end of the monsoon trough gradually shifted northward and lay north of its normal position or close to the foothills of the Himalayas from 11th onwards. With the movement of the low pressure area over northwest Bay of Bengal to Bihar, the eastern end of the monsoon trough also shifted northward and lay close to the foothills of the Himalayas during 14-15th August.
- A trough in westerlies at lower and mid tropospheric levels embedded with cyclonic circulation moved over western Himalayan Region during second half of the week.

Outlook for the Week Ending On August 22nd 2007

- Widespread rainfall with isolated heavy to very heavy falls are likely over northeastern States during first half of the week and decrease thereafter.
- A low pressure area is likely to form over north Bay of Bengal and adjoining north Orissa-West Bengal coast around 18th August. Under its influence, rainfall activity is likely to increase over Orissa, Chhattisgarh and north Andhra Pradesh during 18th-20th August.
- Subdued rainfall activity is likely over northwest India and remaining parts of Peninsular India.



SATELLITE PICTURE OF MONSOON PROGRESS (17.08.07)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)
NCDEX September Contract

Prices continued its rally initially while declined thereafter as reflected in the chart pattern and ended the week in a weaker note breaking the trend line. But still taking support at 1821 level from where it may bounce back. EMA and MACD remains firm for the medium-term. Stockists is moving downward in overbought region following a bearish cross over while RSI is moving down in the neutral region.

Market Outlook:

Prices are expected to trade range bound with firm bias.



TECHNICAL ANALYSIS

Commodity: Guar Gum

Perspective: Very Short Term (Weekly)
NCDEX September Contract

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