

GUAR SEED & GUAR GUM

20- 25 August, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

MARKET COMMENTARY OF MAJOR MARKETS

Guar Physical Market

Guar seed and guar gum prices traded weak initially starting August 20th on news of rainfall over the Rajasthan region, while recovered smartly thereafter on good physical demand against lower arrivals. Recent rainfalls over the Rajasthan region hindered the arrivals in the market, which also boosted the sentiment. The expectations of lower production in Rajasthan along with lower carry forward stocks in the current season are further imparting bullishness. It is noted that due to failure of second spell of monsoon rains over Rajasthan, sowing is lagging behind in key areas in Western and Central Rajasthan. However, considering the higher acreage in Northern, NE Rajasthan, Haryana and expected steady production in Gujarat, the total production is likely to remain steady or decline marginally, which is supposed to remain below the overall demand. However, recent heavy rainfalls over entire Rajasthan region restricted the up move and pressurized the prices to some extent in the mid of the week as it is beneficial for the early and recently sown crops growth, yield. There are still no reports of fresh sowing in key areas of Rajasthan, sources reported and if any fresh sowing takes places then it will pressurize the prices in medium to long term. So it is advisable to watch and monitor the rainfall activity as well as the acreage as the prices react on these two factors. Meanwhile, following quality issues on Indian guar gum raised by the European Commission on Aug 14, the Danone Company took steps to stop use of the suspect guar gum and has withdrawn an unspecified number of Yoghurts from the Romanian market citing risk of dioxin contamination. This is likely to hit exports of Indian guar gum used in food additives to some extent. Food contamination is viewed seriously world over and India should try to resolve this soon. In Jodhpur spot market guar seed prices traded in the range of Rs 1830-1890/mtl and in Bikaner it was offered at Rs 1745-1835/mtl. Guar gum prices in Jodhpur markets traded at Rs 4625-4850/mtl. Total arrivals at various spot markets declined from the previous week's level of 2500 to 2000-2100 bags.

Guar Futures Market

Guar futures witnessed roller coaster movement during the period and ended the week in weaker note. The October contract of Guar seed in both the exchanges i.e.; MCX and NCDEX traded in the range of Rs 1827-1915/mtl and Rs 1835-1954/mtl. Volume declined towards the week-end while open interest remained steady. Guar seed stocks in MCX warehouses declined from the previous week's level

and stood at 3,739.156 MT while improved marginally in NCDEX and stood at 23,720 MT as on 23rd August 2007.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/mt)

Particular	Centre	Date		Change
		18.08.07	25.08.07	
Guar Seed	Bikaner	1755	1770-80	+25
	Jodhpur	1860	1860	-
	Nokha	1730	1740-50	+20
Guar Gum	Jodhpur	4675-90	4750	+60

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/mt)

Dates	Bikaner	Jodhpur	Guar Gum
18.08.07	1769.60	1738.50	4666.15
20.08.07	1740.00	1722.95	4606.25
21.08.07	1797.50	1767.70	4761.90
22.08.07	1783.90	1757.05	4735.00
23.08.07	1785.00	1751.85	4696.25
24.08.07	1800.00	1764.60	4755.70
25.08.07	1746.25	1741.70	4675.00
Change	-23.35	+3.20	+8.85

Guar Seed Futures Prices at NCDEX

Dates	Sept-Contract		Oct-Contract		Nov-Contract	
	Open	Close	Open	Close	Open	Close
18.08.07	1834	1828	1872	1868	1907	1905
20.08.07	1821	1798	1862	1840	1900	1879
21.08.07	1799	1879	1840	1927	1883	1971
22.08.07	1874	1849	1926	1894	1963	1940
23.08.07	1840	1854	1882	1901	1925	1941
24.08.07	1860	1853	1910	1898	1946	1937
25.08.07	1845	1802	1891	1844	1927	1884

Guar Gum Futures Prices at NCDEX

Dates	Sept-Contract		Oct-Contract		Nov-Contract	
	Open	Close	Open	Close	Open	Close
18.08.07	4633	4645	4740	4731	4820	4822
20.08.07	4620	4548	4710	4652	4759	4754
21.08.07	4595	4776	4749	4879	4847	4973
22.08.07	4750	4694	4845	4788	4950	4891
23.08.07	4650	4674	4729	4782	4845	4863
24.08.07	4790	4690	4840	4778	4968	4872
25.08.07	4650	4584	4760	4648	4826	4726

PRICE DRIVERS:

- Good physical demand
- Lower arrivals & stocks in the market
- Stockists hoarding stocks
- Expectation of lower production in Rajasthan this year
- Marginal improvement in stock position in warehouses
- Quality concern of Indian guar gum
- Improvement in rupee
- Demand for by-product of guar seed (Churi & Korma)
- Clear weather across the Rajasthan region

OUTLOOK:

Short Term (1 Week): Prices are likely to remain range bound with firm bias due to good physical demand & clear weather over Rajasthan.

Medium Term (1 Month): Volatile due to speculation over acreage and rainfall.

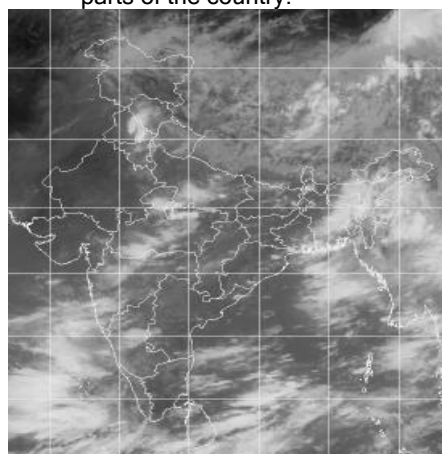
Long Term (3 Months): Likely to remain firm in expectation of fall in overall production.

METEOROLOGICAL ANALYSIS (22.08.07)

- A cyclonic circulation lay over Gangetic West Bengal and adjoining Bangladesh extending upto mid-tropospheric level on 17th. Under its influence, a low pressure area formed over north Bay of Bengal and adjoining West Bengal and Bangladesh on 18th morning. It became well marked over the same area on 18th evening. The well marked low pressure area lay over Gangetic West Bengal and neighbourhood on 19th. It lay as a low pressure area over Jharkhand and adjoining areas of north Orissa and Gangetic West Bengal on 20th and over East Madhya Pradesh and neighbourhood on 21st. It became less marked on 22nd. However, the associated upper air cyclonic circulation lay over northwest Madhya Pradesh and adjoining East Rajasthan extending upto 4.5 km above sea level.
- The axis of the monsoon trough at mean sea level gradually shifted southwards from its last week's position along the foothills of the Himalayas. It lay to the south of its normal position towards the end of the week.
- Last week's off shore trough from Gujarat coast to Karnataka coast ran from Gujarat coast to Konkan coast during 16-19th, from Gujarat coast to Karnataka coast on 20th and from Gujarat coast to Kerala coast on 21st and 22nd.
- Last week's upper air trough running from Bihar to North Bay of Bengal with embedded cyclonic circulation at lower levels over Bihar persisted on 16th and became less marked on 17th.
- A trough in westerlies at times embedded with cyclonic circulation extending upto lower/mid tropospheric levels affected western Himalayan region and adjoining plains during 16-20th.

Outlook for the Week Ending On August 29th 2007

- Numerical Weather Prediction Models suggest gradual shifting of monsoon trough towards foothills of the Himalayas during next 2-3 days. Under this scenario, enhanced rainfall activity with fairly widespread rainfall with isolated heavy to very heavy falls is likely over northeastern states, Sub-Himalayan West Bengal & Sikkim, Bihar and Uttar Pradesh.
- Scattered rainfall activity is likely over peninsula India.
- Subdued rainfall activity is likely over remaining parts of the country.



SATELLITE PICTURE OF MONSOON PROGRESS (25.08.07)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Guar futures witnessed roller coaster movement during the period with higher volatility and ended the week in weaker note. EMA and MACD remains firm for the medium-term. Stockists and RSI is moving down in the neutral region. Major support is at 1796 level from where prices may bounce back.

Market Outlook:

Prices are expected to trade range bound with weak bias.



TECHNICAL ANALYSIS

Commodity: Guar Gum

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Guar futures witnessed roller coaster movement during the period with higher volatility and ended the week in weaker note. EMA and MACD remain weak for the medium-term. Stockists and RSI is moving down in the neutral region. Major support is at 1796 level from where prices may bounce back.

Market Outlook:

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