

## GUAR SEED & GUAR GUM

30 July - 4 August, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### MARKET COMMENTARY OF MAJOR MARKETS

#### Guar Physical Market

Both guar seed and guar gum prices traded firm initially starting the week July 30th on good physical demand and dry spell over Rajasthan a major guar producer, while the prices crashed thereafter erasing all the initial gains amidst forecast of rains over Rajasthan and rainfall over NW part of India particularly Haryana the second largest guar producing state. Forecast of revival monsoon and rains over the Rajasthan region coupled with rains over Haryana and Gujarat imparted bearishness. Traders offloaded their inventories due to better crop prospect. It is noted that the sowing of the commodity in Haryana, Gujarat and in some part of Rajasthan (Sriganganagar and Hanumangarh) were completed while the sowing of crop in key growing areas in Rajasthan is likely to start after the second spell of monsoon rains. The early sown guar crop is in vegetative stage in Haryana and Gujarat and condition are further favourable. Thus, considering the above factor prices are expected to remain weak in both spot and futures market on forecast of rains over Rajasthan. Meanwhile, quality concerns over Indian guar gum are likely to adversely affect the exports and overseas demand of guar gum and conversely the prices. Swiss News Agencies reported that Indian guar gum is contaminated with Dioxin, a chemical used in fertilizers and fungicides. The levels of dioxin in a Swiss Farm's (Unipektin) guar gum product were found to be several times higher than allowed in the EU, which is not fit for consumption. As per the news agency, the farm used the preserver / thickener (guar gum) imported from India. However, demand for guar split and gum from Gulf countries growing continuously as the guar gum and split is also used in drilling, which may restrict the down slide of prices. Further, good demand from millers and exporters reported during the period at lower prices. Overall arrivals at major markets in Rajasthan reportedly stood at 2000-2500 bags on daily basis as stockists hoarding stocks in expectation of price rise. In Jodhpur spot market guar seed prices traded in the range of Rs 1800-1840/mtl and in Bikaner it was offered at Rs 1680-1710/mtl. Guar gum prices in Jodhpur markets stood at Rs 4525-4575/mtl.

#### Guar Futures Market

Guar futures started the week on weaker node while recouped the losses in the mid of week on renewed buying interest with some profit booking towards the weekend. The August contract of Guar seed in both the exchanges i.e.; MCX and NCDEX traded in the range of Rs 1670-1711/mtl and Rs 1713-1794/mtl with volume and open interest

declining during the period. Guar seed stocks in MCX and NCDEX warehouses declined from the previous week's level and stood at 4,189.905 MT and 24,922 MT as on 26th July 2007 respectively.

#### Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/mt)

Particular	Centre	Date		Change
		28.07.07	04.08.07	
Guar Seed	Bikaner	1680	1670-80	-
	Jodhpur	1800	1780	-20
	Nokha	1650	1650	-
Guar Gum	Jodhpur	4525	4450	-75

#### Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/mt)

Dates	Bikaner	Jodhpur	Guar Gum
28.07.07	1710.85	1714.15	4523.85
30.07.07	1735.10	1736.50	4617.50
31.07.07	1745.00	1734.70	4621.90
01.08.07	1744.10	1730.10	4626.30
02.08.07	1716.75	1710.85	4549.65
03.08.07	1676.65	1665.00	4385.10
04.08.07	1650.90	1674.50	4411.45
Change	-59.95	-39.65	-112.40

## Guar Seed Futures Prices at NCDEX

Dates	Aug-Contract		Sept-Contract		Oct-Contract	
	Open	Close	Open	Close	Open	Close
28.07.07	1741	1734	1785	1773	1819	1804
30.07.07	1740	1774	1780	1816	1820	1853
31.07.07	1780	1793	1822	1837	1866	1875
01.08.07	1800	1780	1845	1821	1880	1859
02.08.07	1770	1732	1811	1768	1846	1804
03.08.07	1725	1654	1764	1685	1795	1714
04.08.07	1660	1681	1690	1714	1720	1744

## Guar Gum Futures Prices at NCDEX

Dates	Aug-Contract		Sept-Contract		Oct-Contract	
	Open	Close	Open	Close	Open	Close
28.07.07	4475	4459	4565	4538	4651	4616
30.07.07	4515	4561	4571	4618	4709	4703
31.07.07	4588	4567	4650	4669	4739	4753
01.08.07	4531	4541	4695	4642	4765	4720
02.08.07	4520	4485	4620	4538	4685	4633
03.08.07	4469	4322	4510	4325	4585	4415
04.08.07	4270	4298	4367	4380	4410	4459

## PRICE DRIVERS:

- Quality concern of Indian guar gum
- Early sown guar seeds are now in vegetative stage in Haryana & Gujarat
- Sowing is likely to start aftprogressing well in rest part of Rajasthan
- Haryana is expecting the increase of acreage by 20% this year.
- Acreage is likely to increase by 1 lakh hectares in current crop season & production is expected to touch 10 lt
- Expectation of higher yield of 500 kg/hectare during the current season compared with 375 kg/hectare last year
- Growing overseas demand from China, USA, EU countries for guar gum and Saudi Arabia for Guar gum split
- Guar gum exports are likely to rise by 47% to 2.2 lakh tonnes during current fiscal
- Good domestic demand from millers / processors and exporters
- Strengthening rupee has cast a shadow on the margins of exporters

## OUTLOOK:

**Short Term (1 Week):** Range bound with firm bias on good physical demand at lower levels coupled with stockists hoarding.

**Medium Term (1 Month):** Volatile on speculation over crop estimates and monsoon progress.

**Long Term (3 Months):** Steady to sluggish on higher acreage and increased output estimates.

## METEOROLOGICAL ANALYSIS (01.08.07)

- The axis of the monsoon trough ran close to the foothills of the Himalayas on 26th. It ran north of its normal position across Punjab, Haryana, Uttar Pradesh, Bihar and Assam during remaining days of the week.
- Last week's upper air cyclonic circulation in the lower tropospheric levels lay over Assam & adjoining Arunachal Pradesh persisted on 26th and moved away eastwards on 27th.
- The other cyclonic circulation over Tamil Nadu & neighbourhood became less marked on 26th.
- An off-shore trough extended from south Maharashtra coast to Kerala coast during 26-29th and from south Gujarat coast to Kerala from 30th July to 1st August.
- An upper air cyclonic circulation extending upto mid-tropospheric level lay over southwest Bay of Bengal and adjoining coastal areas of north Tamil Nadu and south Andhra Pradesh during 30th July to 31st July. It lay over south Coastal Andhra Pradesh & neighbourhood between 1.5 to 5.8 a.s.l. on 1st August.
- Last week's trough in westerlies extending from Jammu & Kashmir to northeast Arabian Sea across Pakistan persisted in lower tropospheric levels during 26 - 29th and became less marked thereafter. An embedded cyclonic circulation lay over north Pakistan and adjoining Punjab during 27 to 29th.
- Another trough in westerlies ran from north Pakistan to northwest Arabian Sea on 30th & 31st in lower troposphere levels. It ran from Jammu & Kashmir to northeast Arabian Sea on 1st August with embedded upper air cyclonic circulation over north Pakistan and adjoining Punjab.

## Outlook for the Week Ending On August 8th 2007

- The current meteorological conditions and interpretation of various numerical weather prediction models suggest the revival in monsoon activity over central & adjoining peninsular India, as a low pressure area is likely to form over northwest Bay of Bengal on 4th August along with a southward shift in monsoon trough. The low pressure area is likely to become more marked and move slowly in a west-northwesterly direction.
- Under this scenario, the enhanced rainfall with isolated heavy to very heavy falls are likely over Orissa, north Andhra Pradesh and Chhattisgarh during 4th to 7th August. Subsequently, the enhanced rainfall belt is likely to shift to Madhya Pradesh, Maharashtra, Gujarat and south Rajasthan during 8th -11th. Gujarat, Konkan & Goa and Madhya Maharashtra are also likely to receive extremely heavy rainfall (>25cm) particularly on 10th & 11th.

- Fairly widespread rainfall with isolated heavy to very heavy fall is likely along the west coast.
- Decrease in rainfall activity over Bihar, Sub-Himalayan West Bengal & Sikkim and northeastern states during the week.



SATELLITE PICTURE OF MONSOON PROGRESS (06.08.07)

## TECHNICAL ANALYSIS

**Commodity: Guar Seed**

**Perspective: Very Short Term (Weekly)**  
**NCDEX September Contract**

After trading firm initially, prices tumbled as reflected in chart pattern breaking the channel and trend line. EMA becomes very weak after the two consecutive falls. MACD turned bearish and made a bearish crossover in neutral region. Stochastic has also made a bearish crossover in neutral region while RSI is slumping in neutral region and about to enter oversold zone. Prices are expected to remain weak in few more trading sessions. A major support is at 1634 level in September contract.

### Market Outlook:

Prices are expected to trade range bound with weak bias.



## TECHNICAL ANALYSIS

**Commodity: Guar Gum**

**Perspective: Very Short Term (Weekly)**  
**NCDEX September Contract**

After trading firm initially, prices tumbled as reflected in chart pattern breaking the channel and trend line. EMA becomes very weak after the two consecutive falls. MACD turned bearish and made a bearish crossover in neutral region. Stochastic has also made a bearish crossover in neutral region while RSI is slumping in neutral region and about to enter oversold zone. Prices are expected to remain weak in few more trading sessions. A major support is at 1634 level in September contract.

### Market Outlook:

Prices are expected to trade range bound with weak bias.



## Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>