

## GUAR SEED & GUAR GUM

27 August - 01 September, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### MARKET COMMENTARY OF MAJOR MARKETS

#### Guar Spot Market

Guar seed and guar gum prices declined during the period starting August 27th amidst subdued demand and continued debate of EU over quality concerns of Indian guar gum coupled with talks in the market that Hungry has rejected one consignment of guar gum. Forecast of rainfall over NW part of India, besides rains over East and West Rajasthan further imparted bearishness, as it is favourable for yields of guar crop. Guar gum exporters fear India may lose out to Pakistan in the global markets due to continued debate over Indian guar gum quality in the EU. As reported earlier a EU team is scheduled to arrive in India on Sept. 3rd to test Indian guar gum. It will also inspect the testing facilities available with major Indian guar gum manufacturers. Their findings are crucial for Indian guar gum exports to EU (currently around 19000-20000 tonnes every year to EU). Meanwhile, the Dept. of Commerce, GOI has convened a meeting among the stakeholders and decided within the next one month; wide sampling of the entire chain of guar gums will be verified. Although the Hyderabad-based Vimta Lab has the necessary equipment to test the presence of dioxins in guar gum, but it is necessary to identify the source of contamination right from the stage of cultivation along with samples of air, water and soil at the crop growing area, manufacturing process, etc. Following the EU advisory, Vimta had already procured 8 samples so far for testing. It has already been requested to the government to shift the testing facility set up by the export council at Chennai to be relocated at Jodhpur, as bulk of exporting units are located there. The export council will submit a note on the steps taken to ensure contamination-free internationally accepted supplies. The EU team will appraise the steps taken to tackle the situation, facilities available at the manufacturing centres in Jodhpur and to assess testing facility at Hyderabad. However, prices recovered towards the weekend on reports of insufficient rains over Haryana and Punjab. Sources reported that rains are crucial at the moment in Haryana and Punjab, as the yield of guar crop depends on rains and if there are no rains in next 7-10 days then the yield will be affected and consequently the production may fall. It was also reported that production in Gujarat during the current season is expected to fall by 3-4 lakh bags due to unfavourable conditions and lower acreage there; Madhya Pradesh is expected to produce 1-2 lakh bags. Further, unconfirmed reports of an export order to China coupled with report of crop damage due to some fungal disease in few parts of Sriganganagr (Rajasthan) also aided to the recovery. Good demand from exporters and millers reported towards the weekend at lower price level. In Jodhpur spot market guar seed prices traded in the range of Rs 1790-1800/qlt and in Bikaner it was offered at Rs

1680-1730/qlt. Guar gum prices in Jodhpur markets traded at Rs 4550-4600/qlt. Total arrivals at various markets stood steady at previous week's level of 2000-2100 bags.

#### Guar Futures Market

Guar futures traded weak during the period starting August 27th on increased selling pressure with some recovery towards the week end on profit taking and ended the week in firm note. The October contract of Guar seed in both the exchanges i.e.; MCX and NCDEX traded in the range of Rs 1722-1850/qlt and Rs 1751-1834/qlt. Both volume and open interest declined towards the week-end. Guar seed stocks in MCX warehouses declined from the previous week's level and stood at 3,719.076 MT while improved marginally in NCDEX and stood at 24,358 MT as on 30th August 2007.

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

(Prices in Rs/qlt)

Particular	Centre	Date		Change
		25.08.07	01.09.07	
Guar Seed	Bikaner	1770-80	1690-1700	-80
	Jodhpur	1860	1830-40	-20
	Nokha	1740-50	1680	-70
Guar Gum	Jodhpur	4750	4675	-75

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

(Prices in Rs/qlt)

Dates	Bikaner	Jodhpur	Guar Gum
25.08.07	1746.25	1741.70	4675.00
27.08.07	1678.55	1705.50	4558.15
28.08.07	1688.50	1704.30	4577.80
29.08.07	1696.35	1699.15	4580.90
30.08.07	1700.00	1709.05	4575.60
31.08.07	1700.00	1700.90	4590.20
01.09.07	1726.65	1726.80	4637.50
Change	-19.60	-14.90	-37.50

## Guar Seed Futures Prices at NCDEX

Dates	Sept-Contract		Oct-Contract		Nov-Contract	
	Open	Close	Open	Close	Open	Close
25.08.07	1845	1802	1891	1844	1927	1884
27.08.07	1791	1753	1834	1791	1871	1826
28.08.07	1756	1741	1791	1775	1823	1810
29.08.07	1732	1739	1776	1772	1802	1804
30.08.07	1754	1771	1779	1808	1816	1843
31.08.07	1775	1755	1814	1792	1854	1827
01.09.07	1765	1785	1798	1824	1830	1861

## Guar Gum Futures Prices at NCDEX

Dates	Sept-Contract		Oct-Contract		Nov-Contract	
	Open	Close	Open	Close	Open	Close
25.08.07	4650	4584	4760	4648	4826	4726
27.08.07	4507	4428	4601	4517	4710	4585
28.08.07	4440	4423	4525	4496	4568	4574
29.08.07	4380	4439	4450	4502	4542	4614
30.08.07	4470	4525	4555	4614	4650	4703
31.08.07	4540	4476	4650	4566	4740	4660
01.09.07	4497	4541	4597	4649	4690	4742

## PRICE DRIVERS:

- Good physical demand following a demand from China & US countries
- Lower arrivals as stockists holding back stocks, lower stocks in the market
- Reports of insufficient rains over Haryana and Punjab
- Unconfirmed reports of crop damage in Sriganagar due to fungal disease
- Expectation of lower production this year
- Quality concern of Indian guar gum
- Forecast of rains over NW part of India
- Marginal improvement in stock at warehouses
- Demand for by-product of guar seed (Churi & Korma)

## OUTLOOK:

**Short Term (1 Week):** Prices are likely to remain range bound with weak bias due to quality issue of guar gum & forecast of rains over NW India.

**Medium Term (1 Month):** Volatile due to speculation over acreage, rainfall & crop damage.

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

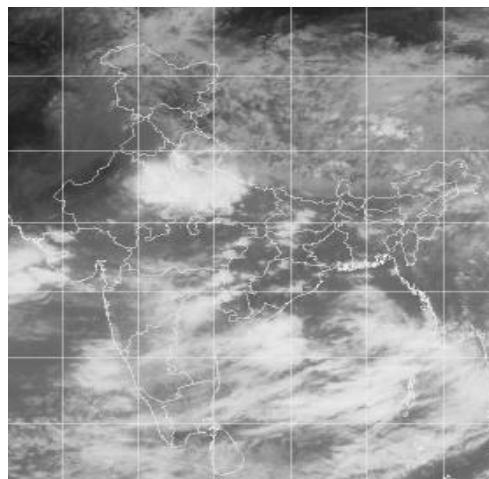
## METEOROLOGICAL ANALYSIS (29.08.07)

- The western end of the monsoon trough gradually shifted northward and lay north of its normal position till 27th. It then gradually shifted southwards and lay south of its normal position on the last day of the week. The eastern end of the monsoon trough lay near its normal position during the week. However, a secondary trough extended from East Uttar Pradesh to North-East Assam during this period.
- A cyclonic circulation lay over West-Central Bay of Bengal off Andhra Pradesh coast between 3.1 km and 5.8 km above sea level on 23rd. It persisted over the same area extending upto mid-tropospheric level on 24th. It lay over south Telangana and adjoining areas of Coastal Andhra Pradesh and Rayalaseema on 25th, over North Interior Karnataka and neighbourhood on 26th; over South Madhya Maharashtra and neighbourhood on 27th; over north Madhya Maharashtra and neighbourhood on 28th and over southwest Madhya Pradesh and neighbourhood on 29th.
- An off shore trough extended from Konkan coast to Kerala coast during 23rd 24th August and from south Gujarat coast to Kerala coast thereafter.
- Last week's upper air cyclonic circulation over northwest Madhya Pradesh and adjoining East Rajasthan extending upto 4.5 km above sea level lay over West Rajasthan and neighbourhood at lower tropospheric level on 23rd August and moved away westwards on 24th.
- An upper air cyclonic circulation lay over Gangetic West Bengal extending between 1.5 and 5.8 km above sea level on 27th. It lay over Jharkhand and neighbourhood on 28th extending upto 5.8 km above sea level and over East Uttar Pradesh and neighbourhood extending upto 3.1 km above sea level on 29th.
- An upper air cyclonic circulation lay over North Pakistan and adjoining Jammu & Kashmir in the lower levels on 23rd and over Jammu & Kashmir and adjoining Himachal Pradesh on 24th & 25th. It moved away Eastwards on 26th. A fresh upper air cyclonic circulation in the lower levels lay over North Pakistan and adjoining Jammu & Kashmir on 26th and over Himachal Pradesh and adjoining areas on 27th. It moved away eastwards on 28th.
- Another upper air cyclonic circulation in lower levels lay over Central Uttar Pradesh on 25th; over Bihar and neighborhood on 26th, over Sub-Himalayan west Bengal and adjoining Assam & Bangladesh on 27th and over North-East Assam and neighbourhood on 28th. It moved away eastwards on 29th.

## Outlook for the Week Ending On September 5th 2007

- A low pressure area is likely to form over West-Central & adjoining North-West Bay of Bengal around 2nd September. Under its influence, fairly widespread rainfall with isolated heavy to very heavy falls is likely over Andhra Pradesh and adjoining Orissa upto 3rd September and decrease thereafter. Subsequently, the fairly widespread rainfall with isolated heavy to very heavy falls is likely over Chhattisgarh and East Madhya Pradesh.

- Fairly widespread rainfall with isolated heavy to very heavy falls is likely along the West coast and North-eastern states.
- Subdued rainfall activity is likely over North-West India.



SATELLITE PICTURE OF MONSOON PROGRESS (03.09.07)

## TECHNICAL ANALYSIS

**Commodity: Guar Seed**

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

Guar futures traded weak during the period as reflected in candlestick chart pattern and ended the week in firm note. EMA and MACD remain weak for the medium-term. Stockists has made bullish crossover in oversold region, so bounce back from these level cannot be ruled out. RSI is heading down in the neutral region. Immediate resistance at 1822-23 and support at 1745-48 levels. Range bound movement is expected in market with weak bias.

### 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 firm 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:

Prices are expected to trade range bound with weak bias.



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