

GUAR SEED & GUAR GUM

Dec 10-15, 2007

MAJOR ACTIVITY HIGHLIGHTS

- **Guar Futures: Witnessed Slight Weakness**
- **Spot Market Witnessed Steady to Slightly Weak Sentiment**

MARKET COMMENTARY OF MAJOR MARKETS

Guar Spot Market

Guar continues to trade slightly weak pressured by subdued demand and continued healthy supply in the market. Demand from stockists as well as exporters have become prices sensitive. Stockists who have made hefty losses last year on aggressive buying during harvesting season last year are buying cautiously, whereas exporters are only buying at bargained prices as strong domestic currency is hurting their margins. As the EU's final report on quality issue of Indian guar is pending demand from European countries is slightly weak this year. Though the exports to US is normal but continued weakness in dollar against rupee is hurting export realization of exporters. Healthy supplies in domestic markets are also not letting the prices to move on the higher side especially when the price elasticity of demand has increased. Farmers too seem are not keen in holding their produce, which is ensuring continued healthy supplies. The market is witnessing consistent arrivals to the tune of 40000 bags to 50000 bags. As the harvest is almost over, the arrivals might see some shrinkage in the coming weeks, which might support the prices. Further, as the arrivals are not likely to surge higher from the current levels, the downside potential of the prices seems limited. The off-season prospects are still bright despite strong rupee as guar production in Pakistan is expected to decline this year. The prices are expected to remain range bound in a short run until the export demand rekindles or arrivals start declining.

Guar Futures Market

Guar futures recouped some of the initial losses towards the end of the week on buying support at lower levels. The January futures at MCX traded firm in the range of Rs 1640-1700/qrtl during the week. Guar futures for January delivery at NCDEX surged to the highs of Rs 1762/qrtl on Monday, however the prices couldn't sustain higher levels and slipped down to see the lows of Rs 1662 per quintal before finally closing the week at Rs 1690 per quintal. Volume and open interest both declined during the period. High warehouse stocks to the tune of 45333 tonnes in NCDEX warehouses suggests that speculative longs will be under pressure to liquidate their positions to avoid delivery.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/qrt)

Dates	Bikaner	Jodhpur	Guar Gum
15.12.07	1570	1660-1670	4125

Guar Seed Futures Prices at NCDEX

Dates	Dec-Contr1703act		Jan-Contract		March-	
	Open1701	Close	Open	Close	Open	Close
10.12.07	1650	1630	1688	11676	1775	1755
11.12.07	1632	1639	1677	1683	1753	1763
12.12.07	1639	1618	1684	1663	1764	1742
13.12.07	1618	1607	1663	1654	1740	1734
14.12.07	1607	1599	1657	1649	1736	1728
15.12.07	1600	1593	1651	1649	1723	1729

Guar Gum Futures Prices at NCDEX

Dates	Dec-Contract		Jan-Contract		Mar-Contract	
	Open	Close	Open	Close	Open	Close
10.12.07	4165	4139	4270	4215	4429	4387
11.12.07	4121	4130	4219	4223	4389	4399
12.12.07	4100	4090	4217	4185	4385	4356
13.12.07	4075	4067	4185	4169	4350	4339
14.12.07	4050	4022	4166	4133	4398	4311
15.12.07	4025	4029	4135	4144	4305	4313

PRICE DRIVERS:

- Consistent healthy supplies
- The market awaits EU's final report
- Stockists buying cautiously
- Harvest is nearly complete
- Strong rupee is hurting the margins of exporters
- Export to European countries is sluggish
- Lower production expected in Pakistan
- Lower availability of quality seeds

OUTLOOK:

Short Term (1 Week): Steady to slightly weak on healthy supplies and subdued exports

Medium Term (1 Month): Slightly firm on dwindling supplies

Long Term (3 Months): Firm on off-season premiums

METEOROLOGICAL ANALYSIS (15.12.07)

Last week's upper air cyclonic circulation in lower tropospheric levels over Jammu & Kashmir and neighbourhood moved away eastwards on 6th.

A western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 6th, over Jammu & Kashmir and neighbourhood on 7th and moved away eastward thereafter.

Another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 9th, over Jammu & Kashmir and neighbourhood on 10th, over Himachal Pradesh & neighbourhood on 11th and moved away eastward on 12th.

An upper air cyclonic circulation in lower tropospheric levels lay over Rajasthan & neighbourhood on 11th and over West Madhya Pradesh & neighbourhood on 12th.

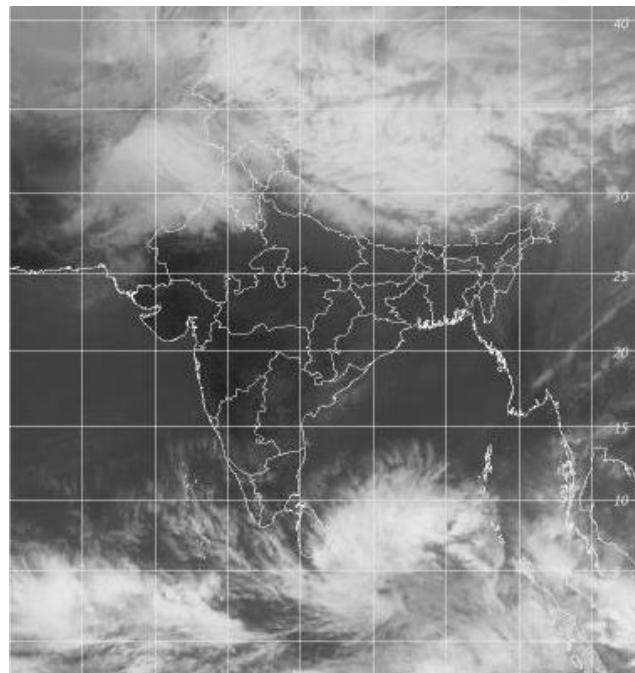
Easterly waves sometimes embedded with upper air cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea. Under its influence, a low pressure area formed over southwest Bay of Bengal off southeast coast of Sri Lanka on 11th. It

persisted over the same area on 12th. **Outlook for the Week Ending On December 19th 2007**

Fairly widespread rain/thundershowers with isolated heavy to very heavy falls are likely over extreme south peninsula during first half of the week.

Cold wave conditions are likely to develop over plains of northwest India, West Madhya Pradesh and Rajasthan during second half of the week.

Fog conditions are likely over some parts in the plains of northwest India.



SATELLITE PICTURE OF MONSOON PROGRESS (15.13.07)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)

NCDEX January Contract

Technically, guar futures are showing weakness and the long-term trend is still bearish. MACD is slowly running downward in negative region, which shows increasing bearish momentum. Oversold levels of stochastic however warrant caution to bears.

Market Outlook:

Sell on recovery



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