

### Highlight of the Month:

- Total guar gum exports for the season projected at 3.6 lakh tonnes against last year's 2.18 lakh tonnes.
- Good demand from guar gum manufacturers in the market amid higher demand from exporters for guar gum.
- In view of normal and timely arrival of monsoon stockiest are gradually offloading their stocks at higher prices.
- Carry-out stocks are expected to fall by 40% to around 90,000 tonnes
- Ministry of Commerce on May 26<sup>th</sup> removed the restriction on exports of guar gum exports to EU, which was imposed on May 18<sup>th</sup> as some consignments were found containing PCP of 0.01 mg/Kg.

### Market Dynamics:

In the current market scenario, all India arrivals for guar seed reported higher for the month ended May 30<sup>th</sup>, 2011 at 2,22,000 bags (1 bag = 100Kg) as compared to the previous month's 1,86,000 bags as stockiest offloaded their stocks at higher prices. All India arrivals in May 2011 is also significantly higher by 2,10,800 bags as compared to same period last year due to higher production (14.9 lakh tonnes) in 2010-11.

In spite of higher production during 2010-11 season guar seed prices traded higher due to sturdy demand from guar gum exporters amid strong overseas demand mainly from the US, China and EU countries which influenced guar gum manufacturers to remain active in the market which supported the guar seed prices.

In Jodhpur cash market the average guar seed and guar gum prices during the month (May 2011) rose to Rs.3352 and Rs.9772 per quintal respectively as compared to corresponding period last year's Rs.2471 and Rs.5132 per quintal. Owing to increased overseas demand both guar gum powder (5000 CPS) and guar split FOB (Mundra Port) prices surged to US \$3100/MT and US \$2500/MT respectively up by US \$1760/MT and US \$1365/MT compared to same period last year.2010.

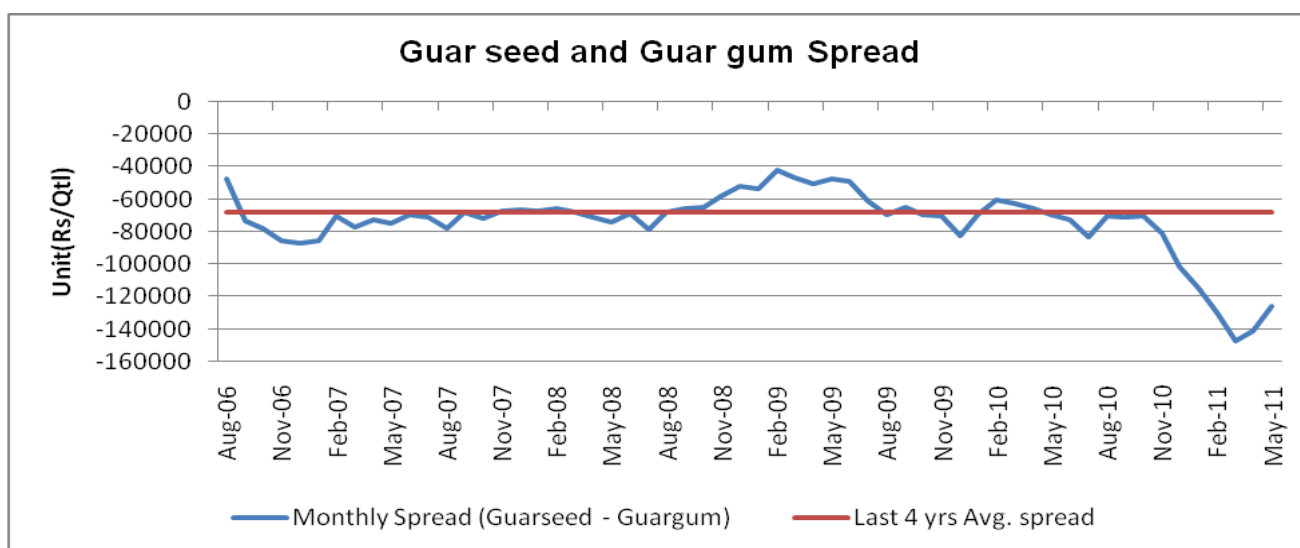
Commodity	Variety	30 <sup>th</sup> May, 2011 (\$/MT)	30 <sup>th</sup> May, 2010 (\$/MT)	Change
Guargum Split		2500	1135	1365
Guargum Powder	200 Mesh 5000 CPS	3100	1340	1760
	200 Mesh 3500 CPS	3000	1290	1710

According to the trade sources, demand for guar gum from US and China increased this year by 35 - 40% compared to last year as in 2010-11 guar crop in Pakistan was badly hit by floods due to which overseas demand shifted towards India. Overseas demand in India is expected to remain good in days to come which may further support prices. In the current year, (April – Dec, 2010) exports of guar gum stood at 2, 76,197 tonnes as compared to 1, 51,355 tonnes same period last year up by 1,24,842 tonnes. Total exports for the fiscal April'10-Mar'11 is expected to remain higher at 3,60,000 tonnes (AW Estimate) against last year's 2,18,460 tonnes. Amid estimated higher guar gum exports, utilization of guar seed to

manufacturer guar gum also increased significantly by 5,24,223 tonnes to 13,33,334 tonnes compared to last year due to which guar seed stocks in the country is expected to fall significantly to around 80,000-90,000 tonnes compared to 1,50,000 tonnes last year which remain a positive for guar seed and gum. Meanwhile, Commerce Ministry on May 26<sup>th</sup> has withdrawn the restriction on export of guar gum which is imposed on May 18<sup>th</sup> saying that there should not be any Pentachlorophenol (PCP) in guar gum exports, earlier which was 0.01 mg/Kg, supporting the sentiment.

### **Guar gum and Guar seed Spread and Ratio Analysis**

In the below chart shows, the spread between guar seed and guar gum on monthly basis from the year 2006 to 2011.



\*price taken from Jodhpur spot market; Spread = guar seed – guar gum **Fig - 1**

As depicted in the chart, historical spread between guar seed and guar gum normally range between -68125 to -78151 per quintal. During Aug 2006 to Aug 2010 spread was found between the four years average spread of (68125). But, from Nov 2010 the spread gap widened to (-147157) due to robust export demand for guar gum during this period. However, from May 2011 the spread gap between guar seed and guar gum is closer to (-126029) and it is expected the spread gap will become narrow and it is expected to touch the average spread on expectation of normal monsoon forecast. The spread gap between guar seed and guar gum is expected to widen further on expected delay of monsoon report.

The ratio between guar gum and guar seed prices also illustrate the same which is given as shown below -

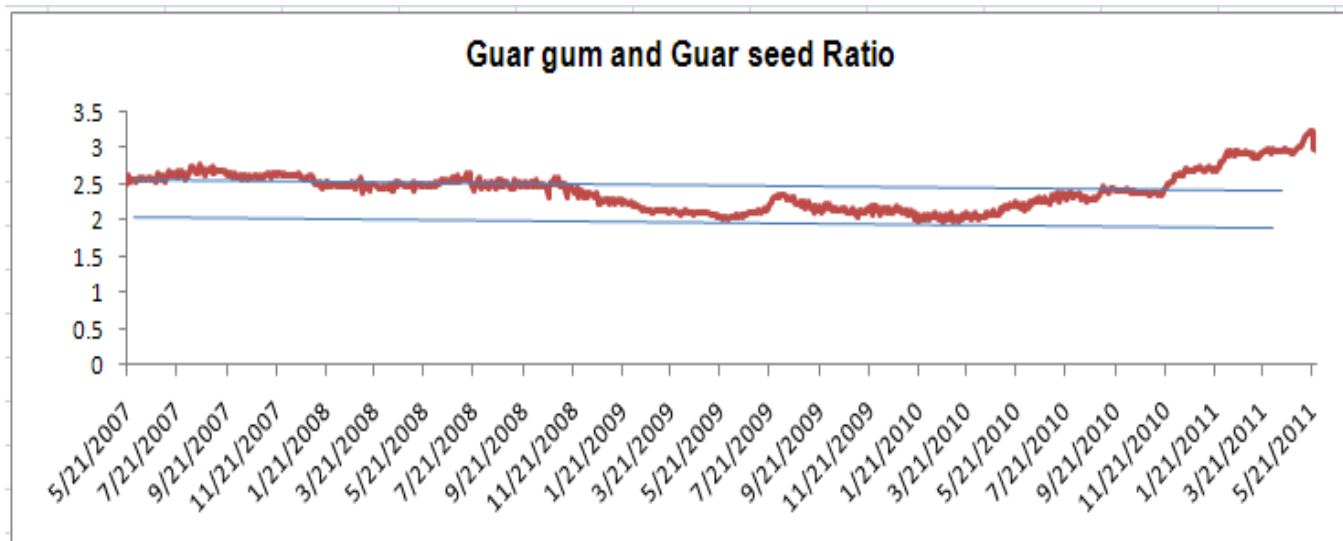


Fig - 2

As shown in the chart, historical ratio between guar gum and guar seed normally remained between 2.1 to 2.6 per quintal. In 2010 (Jan-Dec) average ratio between guar gum and guar seed were recorded at 2.7 per quintal, while in the same period last year (2009) 2.2 per quintal. In 2011 (Jan-Apr) the ratio between guar gum and guar seed increased up to 3.1 per quintal due to increased export demand from the oil extraction companies from OPEC countries. However, from mid of May the ratio reduce to 2.9 and it will expect to touch the average ratio. If the monsoon forecast by IMD is normal than it will favourable for guar crop though guar is a rainfed crop it normally needs to be irrigated twice. Normal monsoon might increase the guar acreage which also supports for higher production and it may pressure on guar prices in coming days. Generally, guar sowing starts from the end of June or the first half of July month.

### Crop Scenario for Kharif 2011:

According to the trade sources, this year if monsoon remains normal over the NW India particularly in Rajasthan then there are huge possibility that guar area this year may shift of other lucrative crop like cotton due to comparatively higher prices which may keep guar seed prices on higher side. Sources further revealed that In Haryana, already around 30-35 per cent guar area shifted towards cotton cultivation after the pre-monsoon showers.

### Monsoon Watch:

Southwest monsoon has further advanced in some more parts of south Bay of Bengal, remaining parts of Andaman sea and some parts of east central Bay of Bengal and conditions are favourable for further advance of southwest monsoon over some more parts of Arabian sea, remaining parts of Kerala, some more parts of Tamil Nadu, central & south Bay of Bengal and some parts of Karnataka during next 2-3 days.

**Guar Prices at Key Spot Markets**

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		30-05-2011	30-04-2011	
	Jodhpur (Delivery)	3430	3150	+280
	Jodhpur (Loose)	3100	2850	+250
	Bikaner	3180	2980	+200
	Nokha	3150	2900	+250
	Hanumangarh	3210	3025	+185
	Sri-Ganganagar	-	-	-
	Adampur	3410	3170	+240
	Sirsa	3410	3170	+240
	Bhiwani	3410	3170	+240
	Deesa	3160	2910	+250
	Nagaur	-	-	-
	Dhabwali	3225	3035	+190
Guar Gum	Jodhpur	10100	8650	+1450
	Bhiwani	10300	9200	+1100
	Dhabwali	10300	9250	+1050

\*Arrivals in bags & prices in Rs. /Quintal

**Guar Export Prices:**

Commodity	Variety	Month Ending 30 <sup>th</sup> May (\$/MT)	Last Month 30 <sup>th</sup> April (\$/MT)	Change
Guargum Split		2500	2050	+450
Guargum Powder	200 Mesh 5000 CPS	3100	2625	+475
	200 Mesh 3500 CPS	3000	2575	+425

**Guar Arrivals in Key Centers**

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		30-05-2011	30-04-2011	
	Jodhpur (Delivery)	-	-	-
	Jodhpur (Loose)	6000	5000	+1000
	Bikaner	800	300	+500
	Nokha	700	500	+200
	Hanumangarh	-	-	-
	Sri-Ganganagar	-	-	-
	Adampur	3000	-	-
	Sirsa	-	-	-
	Bhiwani	-	-	-
	Deesa	270	300	-30
	Nagaur	-	-	-
	Dhabwali	-	-	-

### Spot Market Technical Analysis of Guar seed & Guar gum



**Fig-3 – Guar Seed Monthly Spot Prices (Jodhpur) Technical Analysis.**

As evident from the above monthly chart, guar seed prices are moving in the rising channel and overall the trend remains up and intact. Prices are well above the short term EMAs (9 and 18 days) which remains supports firm market. Market indicators MACD is moving up in positive zone, indicates the bullish sentiment in the market. However, oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Immediate good support can be seen at 3003 level and resistance at 3347 level. Guar seed prices for the coming month is expected to remain in the range of 3003-3347 and one should opt for buying guar seed at 3003 for the target of 3347.



**Fig-4 – Guar Gum Monthly Spot Prices (Jodhpur) Technical Analysis.**

As reflected in the above chart, prices are moving up. Overall guar gum prices trend remains up and intact. Momentum indicator MACD also indicate for a firm market ahead. Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Immediate good support is at 9335 level and resistance at 10531 levels. Guar gum prices for the coming month are expected to remain in the range of 9335-10531 and one should opt for buying guar seed at 9335 in cash market.



## Futures Market Technical Analysis:

**Commodity:** Guar Seed  
**Contract:** June

**Exchange:** NCDEX  
**Expiry:** June 20<sup>th</sup>, 2011

### GUAR SEED

#### Technical Commentary:

As depicts in the chart, overall guar seed prices trend remains up and prices are well above the short term EMAs (9 and 18 day) which hints for firm market.

However, oscillator RSI shows sign of negative divergence, which shows possible weakness in the market.

Immediate good support can be seen at 3068 level and resistance at 3364 level. Guar seed prices for the coming month is expected to remain in the range of 3068 – 3364 and one should opt for buying guar seed at 3068 for the target of 3364.



**Strategy:** Buy on dips near support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Seed	NCDEX	June	2988	3068	3271	3464	3486
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Seed	NCDEX	June	BUY	>3068	3354	3464	2925

**Commodity:** Guar Gum  
**Contract:** June

**Exchange:** NCDEX  
**Expiry:** June 20<sup>th</sup>, 2011

### GUAR GUM

#### Technical Commentary:

Guar gum prices are moving in the rising channel and overall the trend remains up and intact. Oscillator RSI shows sign of negative divergence in prices, which shows possible weakness in the market.

Immediate good support can be seen at 9334 level and resistance at 10495 level. Guar gum prices are remaining range between 9334 – 10495.



**Strategy:** Buying from lower levels is advisable. However, if the prices closed two consecutive days below 9077 which is a good trend line support level also, there is a possibility of drag down the prices.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Gum	NCDEX	June	9077	9334	10020	10495	10520
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Gum	NCDEX	June	BUY	>9334	9934	10495	9034