

### Highlight of the Month:

- Guar complex surged higher this month as demand remained firm at lower levels.
- Lower production estimates and lower carry-in stocks for 2011-12 season also supported the upside.
- Market participant expects prices to decline from current levels on new crop arrival pressure and demand from millers and exporters are declining at higher levels.
- According to state agriculture boards total production of India this season would be around 15.13 lakh tonnes with 11.36 lakh tonnes contribution from Rajasthan, 3.07 lakh tonnes from Haryana and 0.70 lakh tonnes from Gujarat.
- Harvest is in full flow in Rajasthan and Haryana; harvest has started in Gujarat and will gather momentum in another week.
- Guar Seed stocks at NCDEX (as of November 28<sup>th</sup>) declined to 43,848 MT compared to 54,760 MT last month and Guar Gum stocks at NCDEX (as of November 28<sup>th</sup>) declined to 10,607 MT compared to 16,896 MT last month.

### Market Dynamics:

Guar prices remained steady to firm as arrivals remained lower in major centers. Demand remained firm at current market prices. Export demand may remain weak in the New Year as traders are reporting lot of defaults for the old inquiries due to crisis in Eurozone. However, weaker rupee will continue to supports exports to the U.S and China. Harvesting is in full swing in North and West of Rajasthan. Harvesting and post harvesting is in full swing in Haryana. Harvest has started in Gujarat and will gather momentum in another week or so.

Millers are active buyers in the market. Currently, out of the total arrivals 100% is gathered up by the millers. Sources revealed that millers are buying from all important markets like Ganganagar, Hanumangarh, Jodhpur, and Bikaner directly. However Ruchi Soya is booking profits in the markets. Sources added that Ruchi Soya who bought at 2300 levels were releasing old stocks into the markets and booking profits. This may restrict upside. Peak arrival season will start in the next week and with Ruchi Soya also releasing stocks may restrict upside. The quality of the stock coming into the market is of 5% black variety where only 5% of moisture is seen in the fresh stock. Traders added that the futures surged higher in the last 3-4 sessions as Forward Markets Commission (FMC) are asking the finance ministry for a proposal of stamp duty in commodity derivatives to be completely exempted.

Commodity	Variety	25th Nov, 2011	25th Oct, 2011	Change
<b>Guargum Split</b>		3500	3000	+500
<b>Guargum Powder</b>	200 Mesh 5000 CPS	4500	4000	+500
	200 Mesh 3500 CPS	4400	3950	+450
<b>Guargum Meal</b>		225	225	Unch
<b>Prices in \$/MT and FOB Mundra Port</b>				

In tandem with the declining guar seed and gum prices, by-products prices also eased during the period besides the subdued demand from feed makers.

Commodity	25th Nov, 2011	25th Oct, 2011	Change
<b>Churi</b>	545	510	+35
<b>Korma</b>	745	670	+75
<b>Prices in Rs/75kg</b>			

## Export Scenario

The Directorate General of Foreign Trade (DGFT) may consider a levy of 20% on export duty on guar gum. The request was sent to the DGFT from a group of exporters to levy a minimum of 20% and remove the 6% subsidy currently provided for guar gum exports. The government had set up 6% to encourage exports.

The Indian government should consider the 20% on export duty on guar gum as China which introduced import duty on guar gum powder and splits would be forced to roll back duty on guar gum and this may benefit India in the long run. China, levies an import duty of 15 per cent on guar gum powder and seven per cent gum splits. The withdrawal of incentives and imposition of export duty would result in a substantial revenue generation.

India also exports a by-product of guar gum know as guar meal. Meal export increased by 85% from 218,000 tonnes in 2009-10, to 403,000 tonnes in 2010-11. Exports of the meal in this financial year in April-June 2011 also increased to 145,000 tonnes from 71,340 tonnes in the same quarter last year. If the trend continues, the country may export about 581,000 tonnes of guar derivatives in 2012-13

At this time, 5% of free-on-board (FOB) value of exports are waived by way of duty credit while importing goods for guar gum splits, powder and guar meal exports. The products also see 1% duty drawback. The 20 per cent export duty may fetch around Rs 1,250 crore over and above the Rs 375 crore it is currently doling out as incentives. The demand which expected to increase in the next year in view of the strong growth of exports, increasing prices of the products and excellent margins is beneficial to processors, exporters and importers.

## Crop Estimates

According to state agriculture department of Rajasthan, Haryana and Gujarat production estimate for India is expected to be 15.13 lakh tonnes in 2011-12 lower compared to 19.48 lakh tonnes a year ago. Area sowed has also declined to 32.83 lakh hectares in 2011-12 lower compared to 33.92 lakh hectares a year ago. The decline in estimate is mainly due to the very wet condition (excess moisture) at the time of sowing. The yield is also expected to decline this year to 723 Kg/HA from 841 Kg/HA. The chart below shows APY for 2011-12,

The following table shows the 5 year comparison of Area, Production and Yield of guar seed-

<b>All India APY</b>			
Year	Area	Production	Yield
<b>2006-07</b>	33.09	4.83	569
<b>2007-08</b>	34.47	17.68	654
<b>2008-09</b>	38.36	19.16	690
<b>2009-10</b>	29.66	3.94	731

<b>2010-11</b>	33.92	19.48	841
<b>2011-12*</b>	32.83	15.13	723
<b>*Estimates</b>			

Source: State Agriculture Boards

#### State-Wise Area, Production and Yield

State	Area	Production	Yield	Area	Production	Yield
	2010-11			2011-12*		
<b>Rajasthan</b>	29.52	14.88	504	29.07	11.36	390
<b>Haryana</b>	3.00	3.60	1305	2.56	3.07	1200
<b>Gujarat</b>	1.40	1.00	714	1.20	0.70	580

Source: State Agriculture Boards

#### Crop weather and Condition

Reportedly the crop is in harvesting stage and weather over the key growing region of Rajasthan currently favours smooth harvesting of the matured crops as well as maturity of the crops. Crop is in harvesting stage in Haryana and harvest will go on till January. Harvest is just started in Gujarat and may go on till February. Currently guar seed crop is in harvesting stage in Rajasthan and Haryana and prevailing weather favours smooth harvesting of the matured crop. 50% of crop has been harvested in Rajasthan and we expect the harvest to increase to 70% till December. Meanwhile, 80% crop has been harvested in Haryana and Punjab and we expect the harvest to be completed till December. 5% of crop has been harvested in Gujarat and we expect the harvest to increase to 15% till December.

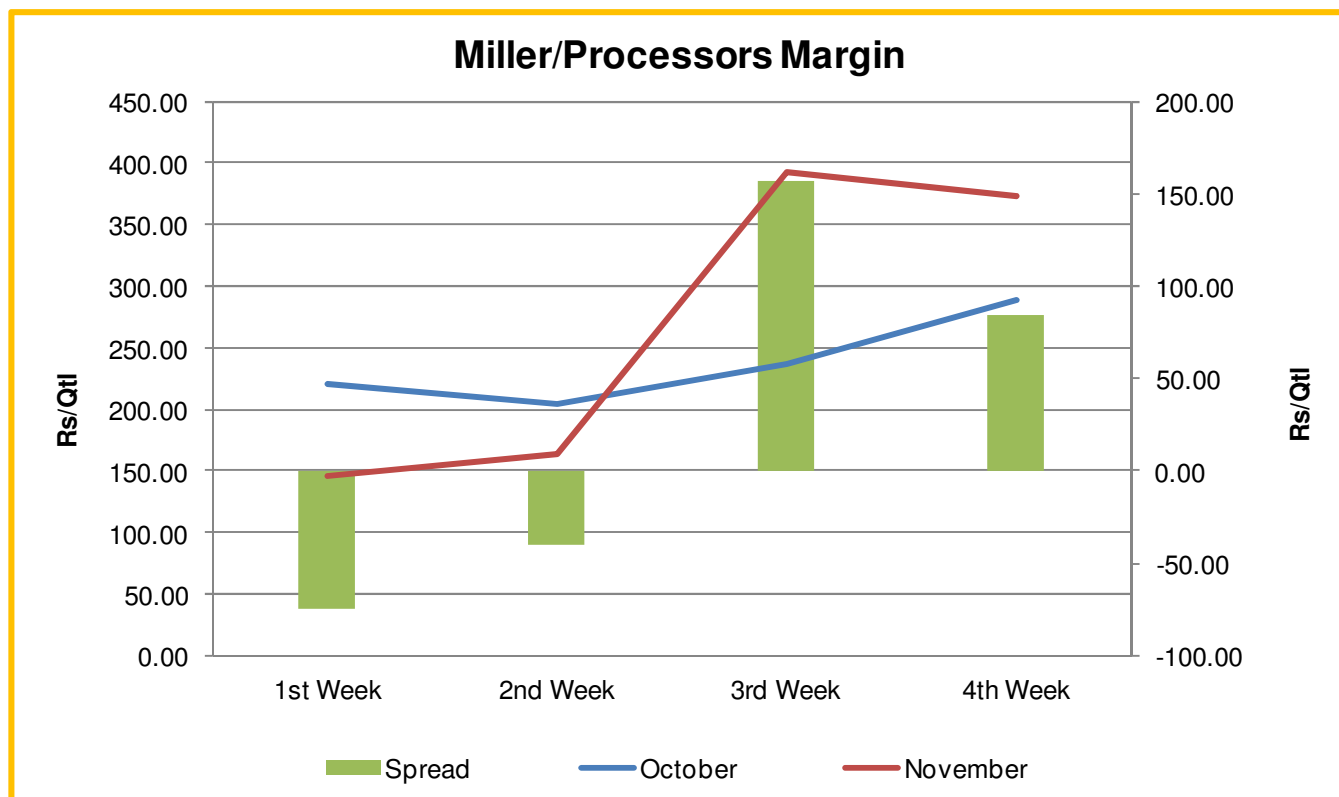
The following table shows the Area, Production and Arrivals in Tonnes for All India-

States	Total Sown Area	% Area Harvested So far	Area harvested so far	Gross Production from harvested area	Net Production after the Post harvest losses	All India arrivals so far	% of Arrivals out of Net Production 4 <sup>th</sup> Week
<b>Rajasthan</b>	2907000	50	1453500	508725	457852.5	235100	51.35
<b>Haryana</b>	256000	80	204800	71680	64512	235100	45.01
<b>Gujarat</b>	120000	5	6000	2100	1890	235100	45.01
<b>Total</b>	3163000	52.43	1658300	580405	522364.5	235100	45.01

Area in Hectares, Production & Arrivals in Tonnes, Yield Assumed to be 0.35tonnes/Ha

#### Miller/Processors Margin\*

The chart below shows the comparison between the average margin differences over the 2 months-



\*Margin calculated taking loose prices for guar seed and guar gum

From the chart we can observe that margins improved for millers over the previous month. In the first and second week of November raw material (Guarseed, Guargum Churi and Korma) prices remained lower so margins remained lower. However margins started to increase towards the third and final week of November as raw material prices improved with higher returns.

#### Arrivals Comparison of Guar seed at key markets over the last 2 months

Centre	Cumulative Arrivals (Quintals)		
	November 2011	October 2011	November 2010
Bikaner-Rajasthan	73,050	5,700	30,300
Nokha-Rajasthan	75,280	8,350	22,000
Sri-Ganganagar- Rajasthan	33,360	27,975	73,300
Hanumangarh- Rajasthan	20,697	3,500	43,700
Bhiwani-Haryana	136,500	43,900	31,680
Sirsa-Haryana	45,500	10,500	38,620
Adampur-Punjab	133,000	43,050	97,000
All India	19,00,00,0	336,000	19,70,00,0

Arrivals improved this month as November is the peak arrival time. However, arrivals remained lower compared to last year as production estimates remain lower and sowing was delayed due to unfavourable weather. Going forward arrivals may gathered momentum in Rajasthan, Haryana, Punjab and Gujarat.

#### Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		29-11-11	29-10-11	
Guar Seed	Jodhpur (Delivery)	5300	5000	300
	Jodhpur (Loose)	4900	4300	600
	Bikaner	4850	4550	300
	Nokha	4650	4400	250
	Hanumangarh	4900	4400	500
	Sri-Ganganagar	4853	4800	53
	Adampur	5050-5060	5100	-40
	Sirsa	5100	5000	100
	Bhiwani	5000	4950	50
	Deesa	4670-4700	4160-4200	500
	Nagaur	4660	4300	350
	Dhabwali	5050	4800	250
Guar Gum	Jodhpur	16400	14500	1900
	Bhiwani	16300	14200	2100
	Dhabwali	16500	14200	2300

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



Fig-1 – Guar Seed Monthly Spot Prices (Jodhpur) Technical Analysis

As evident from the guar seed monthly chart, the trend remains up and intact. Prices are well above the short term EMAs (9 and 18 days) which supports firm market. Prices are moving up into uncharted territory. Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Indicator, MACD is moving up in the positive region suggesting increase in bullish sentiments. A monthly close at or above 4804 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 4465 will turn the monthly trend down.



**Fig-2 – Guar Gum Monthly Spot Prices (Jodhpur) Technical Analysis**

As evident from the guar gum monthly chart, the trend remains up and intact. Prices are well above the short term EMAs (9 and 18 days) which supports firm market. Prices are moving up into uncharted territory. Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Indicator, MACD is moving up in the positive region suggesting increase in bullish sentiments. A monthly close at or above 15531 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 14400 will turn the monthly trend down.

## Futures Market Technical Analysis:

### Technical Commentary Guar Seed (NCDEX December Contract):

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



- According to the Fibonacci Retracement, prices at above 23.6% levels of 4877 and this levels acts as a good support. If prices remain above the support then we could see prices moving to new highs. However, if the support is broken then we could prices down to 38.2% Retracement level of 4580.
- Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices.
- Indicator, MACD is moving up in the positive region suggesting increase in bullish sentiments.
- A monthly close at or above 5186 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 5012 will turn the monthly trend down.

**GUAR SEED**


**Strategy:** Buy near supports.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Seed	NCDEX	December	4746	5012	5278	5452	5626

**Technical Commentary Guar Gum (NCDEX January Contract):**

- Guar gum prices overall the trend remains up and have closed above the short term EMAs (9 and 18 day) which hints for firm market. Prices are moving up into uncharted territory
- According to the Fibonacci Retracement, prices at above 23.6% level of 15918 and this levels acts as a good support. If prices remain above the support then we could see prices moving to new highs. If this level is breached then we could prices at 38.2% Retracement level of 15248.
- Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices.
- A monthly close at or above 16400 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 15800 will turn the monthly trend down.

**GUAR GUM**


**Strategy:** Buy near supports.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Gum	NCDEX	January	14852	15803	16755	17352	17950



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