

### Highlight of the Month:

- Guar complex surged higher this month supported by firm export demand and shortage expectations of carry-out stocks.
- Lower production estimates also supported the upside.
- Arrivals have slowed down as producer anticipate further upside and are holding onto stocks.
- Harvest is in full swing in Rajasthan and Gujarat; harvest will come to an end in January 1<sup>st</sup> week in Haryana.
- Guar Seed stocks at NCDEX (as of December 26<sup>th</sup>) was 66,378 MT compared to 43,848 MT on November 28<sup>th</sup> and Guar Gum stocks at NCDEX (as of December 26<sup>th</sup>) declined to 12,936 MT compared to 10,607 MT on November 28<sup>th</sup>.

### Market Dynamics:

Guar complex ended higher as millers and exporters were actively buying in the market. However traders added that speculative buying in the futures counter influenced the cash counter and helped the markets to move higher. Arrivals may increase from next week as arrivals have commenced from Gujarat and may restrict upside.

Millers and exporters are active buyers in the market. Currently, out of the total arrivals 75-80% is gathered up by the millers and rest is gathered up by exporters. Sources revealed that millers are buying from all important markets like Ganganagar, Hanumangarh, Jodhpur, and Bikaner directly. Exporters are buying from traders in major markets. Peak arrival season has started and arrivals may increase next week. The quality of the stock coming into the market is of 5% black variety.

Traders believe that fresh stock will not be available after the month of December and are gathering up stock for the future. Sources also speculated that millers are not processing seed to gum in anticipation of higher prices for guar gum. This has lead to stocking up of fresh stocks. Sources added that millers are stocking up as they fear that fresh arrival will exhaust in January and there will no stocks available till June 2012.

The Indian rupee remain weak against the US dollar so exporters say that this is good opportunity before the Christmas and New Year holiday starting on 20th of December. Arrivals due to lower production this year and producers are bring in lower stocks in anticipation of higher prices. Millers were only buying for their daily consumption and rest of stocks is gathered up by stockiest.

NCDEX has imposed further Special Margin of 10% on the Long side will be imposed on all running contracts and yet to be launched contracts. Thus, the total Special Margin levied on the long side will be 30% of which 15% shall be collected in cash effective beginning of day December 27, 2011. Hence, effective beginning of day December 27, 2011 the Special Margin on Guar Gum and Guar Seed shall be as under:

Commodity	Special Margin		Special Cash Margin		Total Special Margin	
	Long Side	Short Side	Long Side	Short Side	Long Side	Short Side
<b>GUAR SEED</b>	15%	0	15%	0	30%	0

<b>GUAR GUM</b>	15%	0	15%	0	30%	0
-----------------	-----	---	-----	---	-----	---

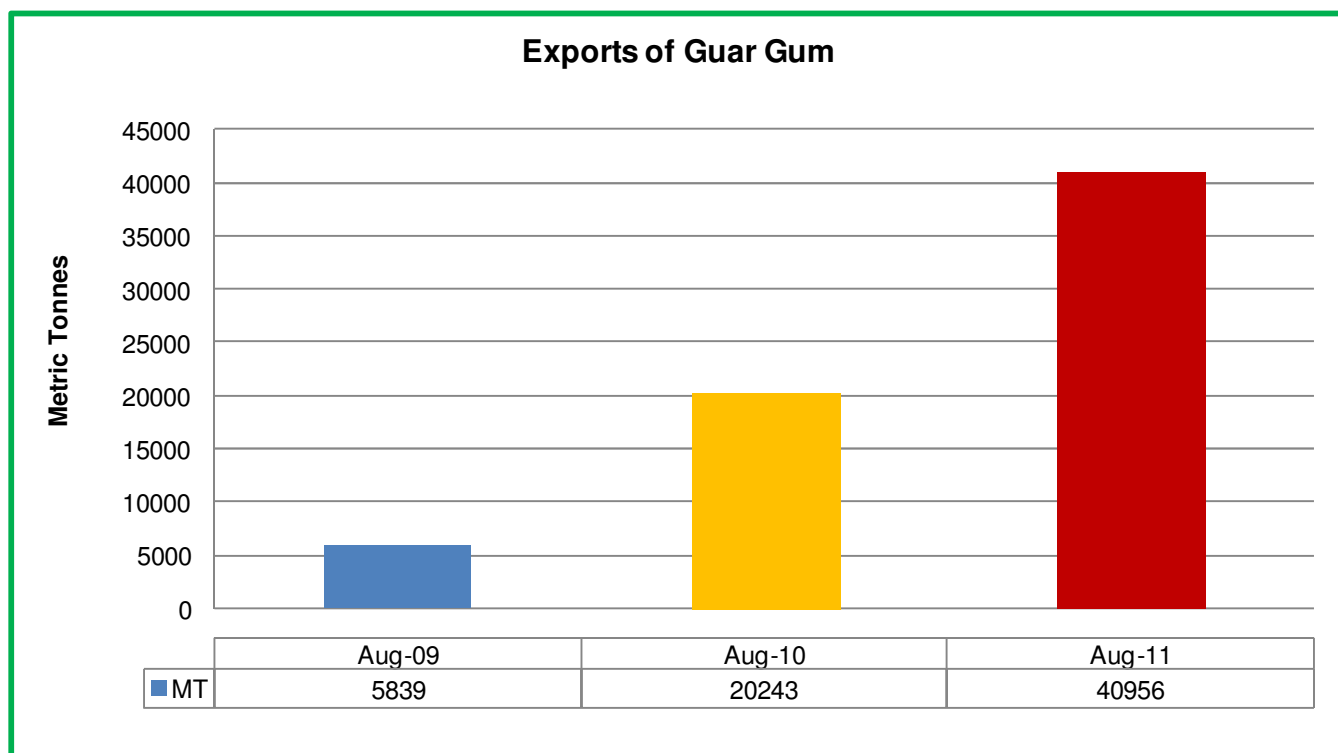
Exporters are also buying but may wait for a dip in prices. Presently, the industry buys gum powder at an average \$7,500-7,600 per tonne (Rs 40,000 a qtl) as compared with last year's average price realization of \$1,600 a tonne.

The Forward Markets Commission (FMC) is mulling a last resort to calm Guargum and Guarseed prices, through introduction of trade-to-trade for the first time in the commodity derivatives market. Under trade-to-trade, a client must deposit the entire value of the trade upfront. The order is settled when the seller ensures delivery. In other words, the system will function like spot trade.

According to market sources, crop output for India this year would be close to a million tonnes (equivalent to 300,000 tonnes of guar gum} and the carryover stock from last year would be 75,000 tonnes. So, total gum availability would be 375,000 tonnes, while expected demand is 450,000 tonnes.

## Export of Guar Gum

Export demand continues to drive prices higher. Guar gum exports for the month of August 2011 were up at 40,956 metric tonnes. Exports were down up 15.6% from June 2011 at 48,544 metric tonnes. However, exports in August 2011 were higher compared to last 2 year exports in the month of August. The chart shows the comparative view of exports over the last 3 years-



Source: APEDA

## Crop Condition & Weather

Currently guar seed crop is in harvesting stage in Rajasthan and Haryana and prevailing weather favours smooth harvesting of the matured crop. 80% of crop has been harvested in Rajasthan and we expect the harvest to increase to 82-83%. Meanwhile, 95% crop has been harvested in Haryana and Punjab and we expect the harvest to increase to 98%. 25% of crop has been harvested in Gujarat and we expect the harvest to increase to 30%.

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
<b>Rajasthan</b>	2907000	80	2325600	813960	732564	-	-
<b>Haryana</b>	256000	95	243200	85120	76608	-	-
<b>Gujarat</b>	120000	25	30000	10500	9450	-	-
<b>Total</b>	3283000	79.16	2598800	909580	818622	517100	63.17

#### Area in Hectares, Production & Arrivals in

The above table shows comparison of % of Arrivals out of Net Production. So far after calculations, about 79.16% of area has been harvested and 63.17% of fresh crop arrivals have to come in the domestic mandi's throughout India.

**Tonnes, Yield Assumed to be 0.35tonnes/Ha**

#### Prices of Guar gum Split, Powder and Meal

Commodity	Variety	25th Dec, 2011	25th Nov, 2011	Change
<b>Guargum Split</b>		4650	3500	1150
<b>Guargum Powder</b>	200 Mesh 5000 CPS	6000	4500	1500
	200 Mesh 3500 CPS	5900	4400	1500
<b>Guargum Meal</b>		250	225	25
<b>Prices in \$/MT and FOB Mundra Port</b>				

In tandem with the increasing guar seed and gum prices, by-products prices also moved during the month supported by firm export demand.

#### Prices of Churi and Korma

Commodity	25th Dec, 2011	25th Nov, 2011	Change
<b>Churi</b>	525	545	-20
<b>Korma</b>	715	745	-30
<b>Prices in Rs/75kg</b>			

## Crop Estimates

### State-Wise Area, Production and Yield

According to state agriculture department of Rajasthan production estimate is expected to be 11.34 lakh tonnes in 2011-12 lower compared to 14.88 lakh tonnes a year ago. Area sowed has also declined to 29.07 lakh hectares in 2011-12 lower compared to 29.52 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 390 Kg/HA from 504 Kg/HA.

The following table shows the State-Wise Area, Production and Yield of guar seed-

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

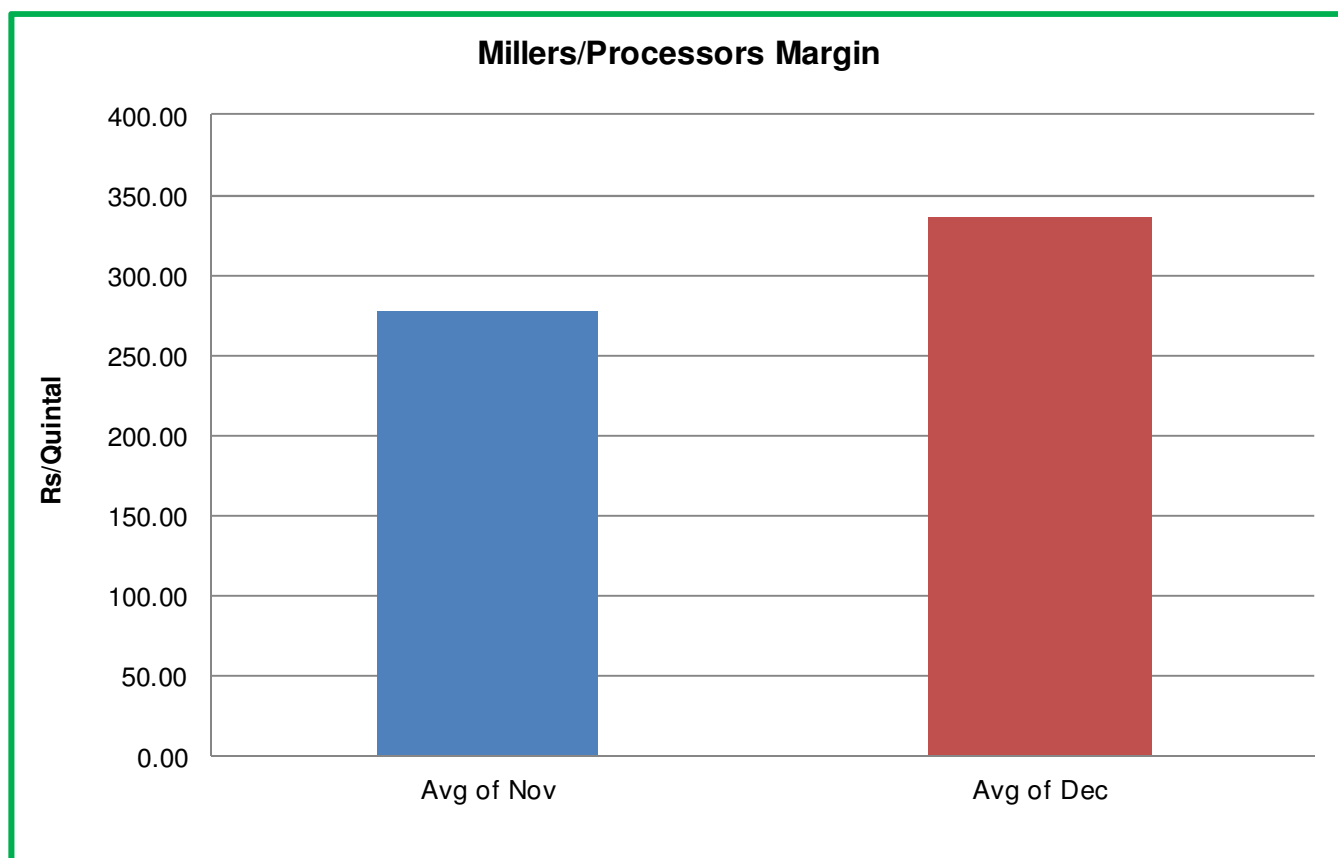
\*-Estimates

Source: State Agriculture Boards (Rajasthan, Haryana and Gujarat)

Area-Lakh Hectares, Production-Lakh Tonnes, Yield-Kg/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 average margins improved for millers over the previous month. In the month of November raw material (Guarseed, Guargum Churi and Korma) prices remained lower so margins remained lower. However margins started to increase in December as raw material prices improved with higher returns.

## Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		29-12-11	29-11-11	
Guar Seed	Jodhpur (Delivery)	7550	5300	2250
	Jodhpur (Loose)	6970	4900	2070
	Bikaner	7000	4850	2150
	Nokha	7050	4650	2400
	Hanumangarh	6900	4900	2000
	Sri-Ganganagar	7050	4853	2197
	Adampur	7150	5050-5060	2090
	Sirsa	7100	5100	2000
	Bhiwani	7200	5000	2200
	Deesa	6250	4670-4700	1550
	Nagaur	6300	4660	1640
	Dhabwali	7100	5050	2050
Guar Gum	Jodhpur	24100	16400	7700
	Bhiwani	24400	16300	8100
	Dhabwali	24800	16500	8300

## 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 6479 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 5800 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 21488 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 19050 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.
- Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices.
- A monthly close at or above 7146 will continue to send bullish signals and may push prices to new highs. However, a monthly close at or below 6850 will turn the monthly trend down.



**GUAR SEED**


**Strategy:** Sell near resistance.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Seed	NCDEX	February	6389	6864	7340	7622	7903

**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.
- 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

Guar Gum Jodhpur 1202(NCGMG2)2011/12/25 - Weekly B:24762.00 A:24799.00

O 23722.00 H 25229.00 L 22382.00 C 24760.00 V 27,645 I 15,690 +660

EMA(12) 18551 (26) 18551



**Strategy:** Sell near resistance.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Gum	NCDEX	February	21276	23018	24760	25865	26970

### 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>  
© 2005 Indian Agribusiness Systems Pvt Ltd.