

## Domestic Market Recap:

- Cash market prices fell heavily this week on higher fresh arrivals and weaker demand at higher levels.
- According to traders total production from Rajasthan will be around 9.5-10 lakh tonnes, Haryana producing 0.1 lakh tonnes and Gujarat production 0.07 lakh tonnes.
- Guar Seed stocks at NCDEX (as of November 05<sup>th</sup>) declined to 52,772 MT compared to 54,760 MT last week and Guar Gum stocks at NCDEX (as of November 05<sup>th</sup>) declined to 13,619 MT compared to 16,896 MT last week.
- However lower production estimates and lower carry-out stocks will keep supporting at 3800 levels.

## Current Market Dynamics

Guar seed and Guar gum prices may trade range bound to weak on higher fresh crop arrivals. However, millers and exporters may start buying at lower levels in anticipation of lower expectation production and lower carry-out stocks for 2011-12. Demand from exporters remains higher in the market as prices have jumped about 200-300/qtl in the last week. Exporters added that demand will continue till the end of the year and may push markets higher. Exporters will continue to buy at lower levels and demand is still expected to come in from China and U.S. However, due to debt crisis export demand from Europe may slow in the next year.

## Crop Estimates (Traders vs. Government)

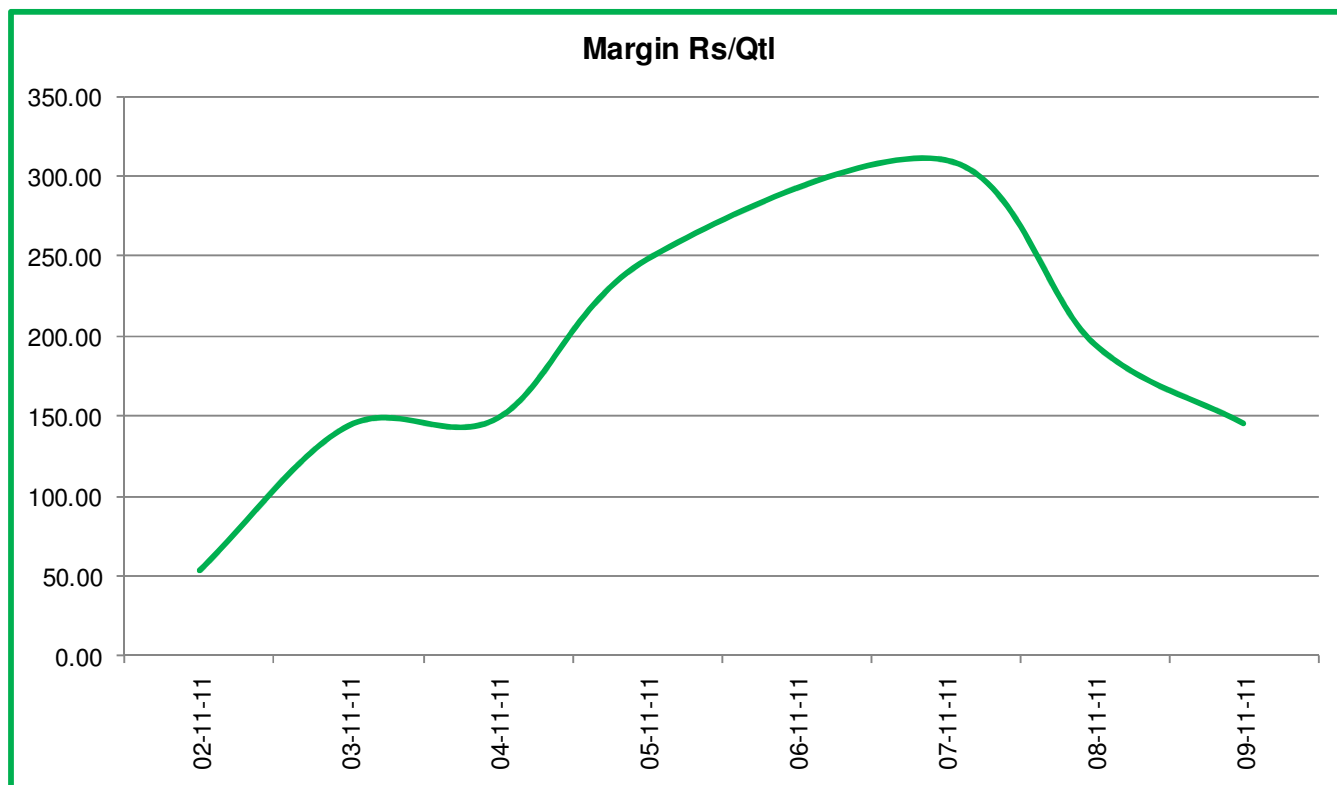
According to state agriculture department of Rajasthan production estimate remains at 11.36 lakh tonnes lower compared to 14.88 lakh tonnes a year ago. However, market participants expect that guar seed production in Rajasthan would be 9.5-10 lakh tonnes earlier which was over 12.5 lakh tonnes. The decline 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 as cold weather which has set in Rajasthan may cause excess moisture in the crop yield will decline from the normal 80qtl/Bhiga to a lower estimate of 60qtl/Bhiga. The table below shows the comparison between trader's estimates and state agriculture department of Rajasthan estimates for 2011-12,

Year	Area	Production	Yield
2009-10	25.81	0.20	230
2010-11	29.52	14.88	504
2011-12*	29.07	11.36	390
2011-12#	29.00	9.50-10.00	315

**Area-Lakh Hectares, Production-Lakh Tonnes, Yield-Kg/HA, \*-Department of Agriculture, #-Traders Estimates**

## Parity Calculation

The chart below shows the parity difference over the last 2 weeks-



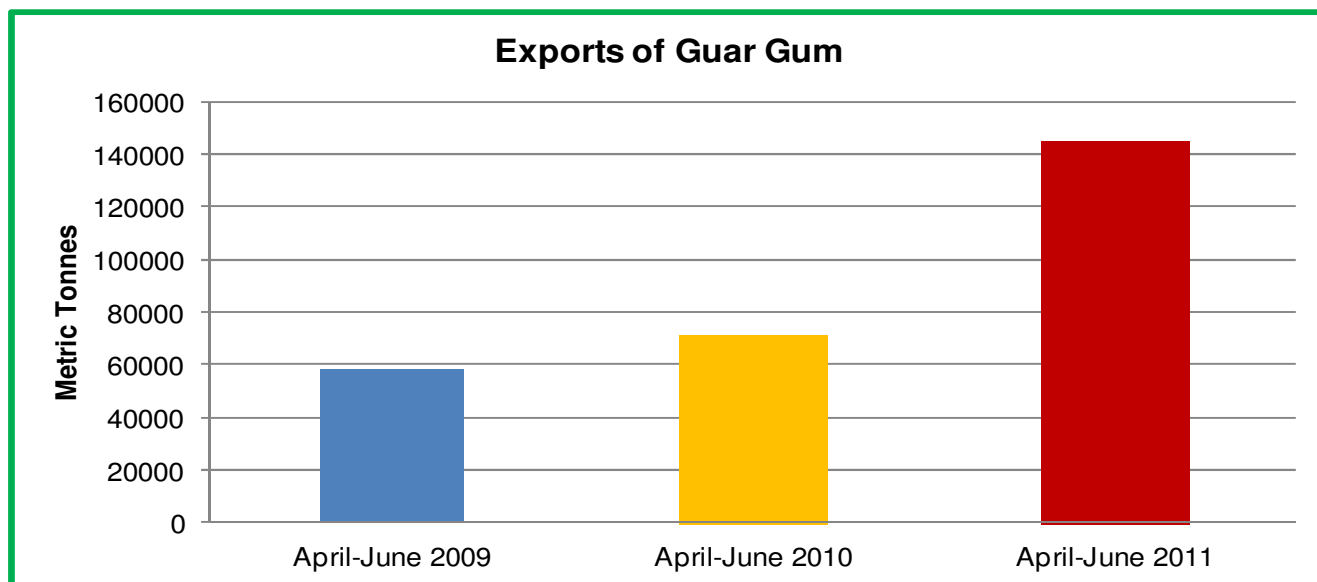
From the chart we can observe that margins have remained for millers over the previous week. As on 09<sup>th</sup> November 2011 margins are at Rs.145.77/Quintal compared to Rs.54.10/Quintal on 02<sup>nd</sup> November 2011. However, margins have declined over the almost 2-3 days due to decline in raw material prices. So we could say that demand has declined from millers over the last 2-3 due to the higher pricing of Guar seed, Guar gum, Churi and Korma.

### Crop Condition & Weather

Currently guar seed crop is in harvesting stage in the key growing regions of Rajasthan and Haryana prevailing weather favours smooth harvesting of the matured crop. 20-21% of crop has been harvested in Rajasthan and we expect the harvest to increase to 25-27% which may pull down prices in the coming week. Meanwhile, 20% crop has been harvested in Haryana and Punjab and we expect the harvest to increase to 25% which may pull down prices in the coming week. Crop in Gujarat is maturity stage to early harvest stage. Harvest will start in late November.

### Guar Gum Exports Jump by 100% during April-June 2011

According to APEDA, Guargum exports have risen to 145,258 MT during the April-June 2011 period higher by 73,918 MT or 103.61% during the same period last year and higher by 58,653 MT or 147.65%. Guar gum exports increased during the period as higher production from Rajasthan at 14.88 lakh tonnes lead to higher surplus of stocks in hand.



Source: APEDA (Agricultural and Processed Food products Export Development Authority)

#### Arrivals Comparison of Guar seed at key markets and all India

Centre	Arrivals (Quintal)		
	Week Ending 09-11-11	Week Ending 02-11-11	Week Ending 09-11-10
Bikaner-Rajasthan	3,600	2,450	1,100
Nokha-Rajasthan	8,250	3,250	3,200
Sri-Ganganagar- Rajasthan	6,300	3,900	19,000
Hanumangarh- Rajasthan	4,250	1,900	11,000
Bhiwani-Haryana	29,500	25,000	3,300
Sirsa-Haryana	5,300	6,000	6,200
Adampur-Punjab	42,000	23,000	20,000
All India	365,000	120,000	290,000

Arrivals improved this week after the festival of Deepavali and harvest has gathered momentum in India. Arrivals were also higher compared to last year. Going forward arrivals may increase next week as harvest has gathered momentum in Rajasthan and Haryana and Punjab. Arrivals are expected start in November 4<sup>th</sup> week in Gujarat.

#### Guar Prices at Key Spot Markets

Commodity	Centre	Prices in Rs/Qtl		Change
Guar Seed		09-10-11	02-10-11	
	Jodhpur (Delivery)	4425	4950	-525
	Jodhpur (Loose)	4050-4100	4500	-400
	Bikaner (Delivery)	4150-4200	4850	-650
	Bikaner (Loose)	4000-4050	4700	-650
	Nokha	4150	4345	-195
	Hanumangarh	4150	4500	-350
	Sri-Ganganagar	4550	4700	-150
	Adampur	4300	4925-4950	-650
	Sirsa	4300	4925-4950	-650
	Bhiwani	4100	4800	-700
	Deesa	4115-4120	4160-4200	-80

Guar Gum	Nagaur	4000	4500	-500
	Dhabwali	4450	4975	-525
	Jodhpur	13250	14250	-1000
	Bhiwani	12450-12500	14800	-2300
	Dhabwali	13000	15800	-2800

**Guar by – Products Prices:**

Commodity	Centre	Price in Rs/75Kg	
		09-10-11	02-10-11
Churi	Jodhpur	490	540
Korma	Jodhpur	600	670

**Guar Export Prices:**

Commodity	Variety	\$/MT	
		09-10-11	02-10-11
Guargum Split		2950	3200
Guargum Powder	200 Mesh 5000 CPS	3950	4150
	200 Mesh 3500 CPS	3900	4100
Guargum Meal		215	225

**Pakistan's Crop Estimates**

Pakistan guar seed crop estimates have come down significantly due to excess of rains in the Sindh province. The country usually produces between 20-25 lakh bags or 2-2.5 million bags. Last year Pakistan produced 20 lakh bags or 2 million bags. This year the estimates have come down by 50% and may only produce 10 lakh bags or 1 million bags. Unfavourable weather in the September and October ruined the crop. Currently crop is harvest stage. This might keep the prices higher in the long run and short supply in Pakistan may prompt buyers like China and U.S to come to India which will support the Indian prices at lower levels.

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



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

As evident from the chart, overall guar seed spot prices trend range bound. Trend remains weak as prices are below 9 & 18-day EMAs. Firm supports are seen at 3992 and 4090 and breaching the supports will take the prices down to 3800 levels. Firm resistances are seen at 4380 and 4572 and breaching the resistances will take the prices up to 4700 levels. RSI is moving down the neutral region and favours the bearish momentum in the market. Indicator, MACD is moving down in the positive region and indicates that the bullish momentum is declining.



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

As evident from the weekly chart, guar gum spot prices trend remains range bound to weak. Prices are below the 9 & 18-day EMAs supporting the bearish sentiments in the market. Firm support is seen at 12779 and 13017 and breaching the supports will take the prices down to 12300 levels. Firm resistance is seen at 13732 and 14209 and breaching the supports will take the prices up to 14500 levels. RSI is moving down the neutral region and favours the bearish momentum in the market. Indicator, MACD is moving down in the positive region and indicates that the bullish momentum is declining.

### Spot Outlook:

Both Guarseed and Guargum prices are expected to trade range bound to weak as fresh arrival will pressurize markets at highs. However due to lower production estimates this year prices may see support at 3800-4000 levels for guar seed and 12300-12500 levels for guar gum.

### Exchange Technicals (NCDEX):

#### Technical Commentary: (Guarseed)

- As evident from the chart, overall guar seed futures prices trend remains weak and are below the short term EMAs (9 and 18 day) which supports the bearish trend in the market.
- Firm support is seen at 3835 and 3960 and breaching the supports will take the prices down to 3635 levels. Firm resistance is seen at 4285 and 4485 and breaching the supports will take the prices up to 4650 levels.
- Oscillator RSI is moving down in the neutral region and supports the bearish sentiments in the short-term.



**GUAR SEED**


**Strategy:** Sell near resistance and book profits at mentioned supports.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar seed	NCDEX	November	3834	3960	4087	4285	4485

**Technical Commentary: (Guargum)**

- As evident from the chart, overall guar seed futures prices trend remains weak and are below the short term EMAs (9 and 18 day) which supports the bearish trend in the market.
- Firm support is seen at 11980 and 12472 and breaching the supports will take the prices down to 11220 levels. Firm resistance is seen at 13723 and 14482 and breaching the supports will take the prices up to 14975 levels.
- Oscillator RSI is moving down in the neutral region and supports the bearish sentiments in the short-term.
- Indicator, MACD is flat in the positive region and indicates that the bullish momentum is declining.

**GUAR GUM**



**Strategy:** Sell near resistance and book profits at mentioned supports.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar gum	NCDEX	November	11980	12472	12964	13723	14482

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