

Domestic Market Recap:

- Cash market continued to move higher supported by higher demand from millers and exporters.
- Harvest is in full swing in Rajasthan and Haryana; harvest has started in Gujarat and will gather momentum in another week.
- Guar Seed stocks at NCDEX (as of November 28th) declined to 43,848 MT compared to 51,536 MT last week and Guar Gum stocks at NCDEX (as of November 28th) declined to 10,607 MT compared to 11,898 MT last month.

Current 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 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.

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 known 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.

Traders are skeptical about the levy of 20 per cent export duty on guar gum. Traders added that if Directorate General of Foreign Trade (DGFT) considers the export duty then exporter would have to export at a higher price to U.S, Eurozone and China and with the Eurozone crisis in hand causing a global recession, export demand will take a hit and exports may slow down.

Crop Estimates

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*		
Rajasthan	29.52	14.88	504	29.07	11.34	390
Haryana	3.00	3.92	1305	2.56	3.07	1200
Gujarat	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

Spot Market Technical Analysis of Guar seed & Guar gum



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

As evident from the chart, prices are moving up into uncharted territories. Overall trend remains up and intact. Prices have closed above 9 & 18-day EMAs supporting the bullish sentiments in the market. RSI is moving up the neutral region and favours the bullish momentum in the market. Close above the weekly level at 5069 may continue to support the bullish signal in the market, but a close below the 4700 level may change the weekly trend down. Prices in the coming week may trade in range from 4700-5050.



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

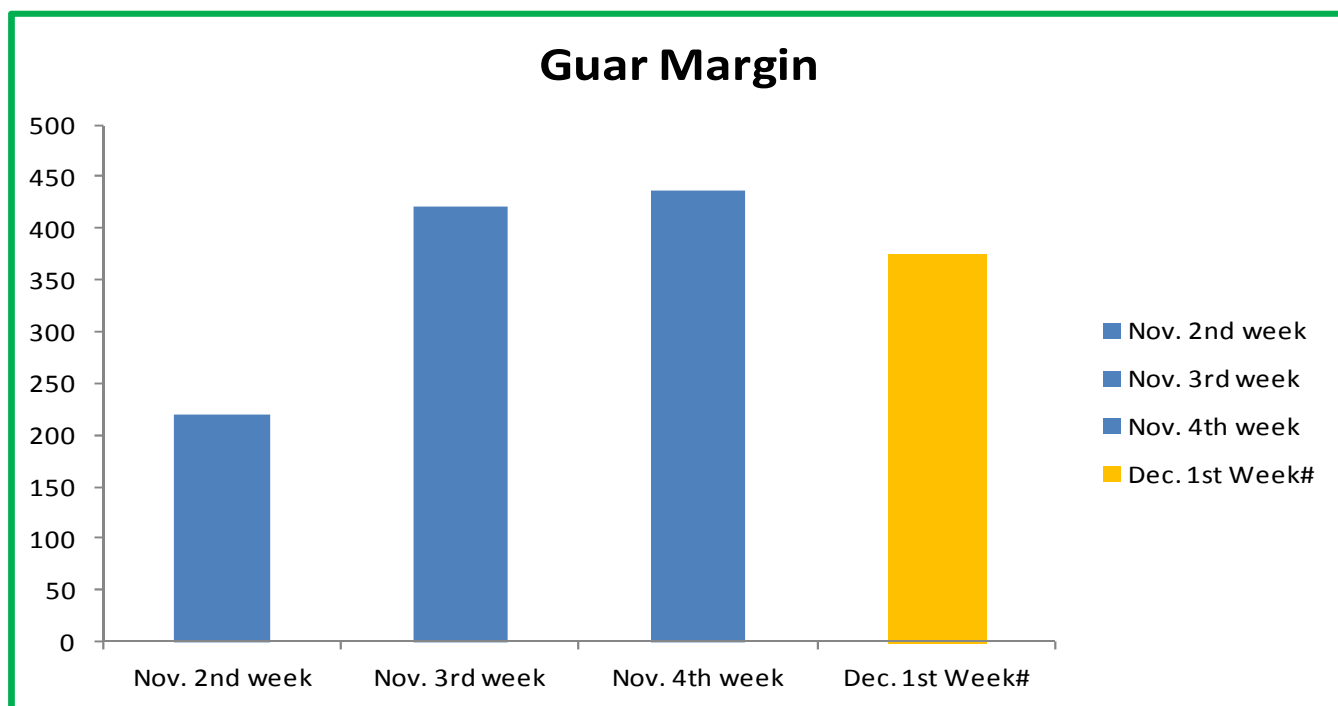
As evident from the chart, prices are moving up into uncharted territories. Overall trend remains up and intact. Prices have closed above 9 & 18-day EMAs supporting the bullish sentiments in the market. RSI is moving up the neutral region and favours the bullish momentum in the market. Close above the weekly level at 16492 may continue to support the bullish signal in the market, but a close below the 15200 level may change the weekly trend down. Prices in the coming week may trade in range from 16400-16900.

Spot Outlook:

Both Guarseed and Guargum prices are expected to trade range bound to firm on firm demand and lower fresh arrival anticipation. However, arrivals may increase in the next week which may restrict the upside. Lower production estimates this year prices may see support at 5000-5050 levels for guar seed and 16400-16450 levels for guar gum.

Miller/Processors Margin*

The chart below shows the average margin the last 4 weeks-



*Margin calculated taking loose prices for guar seed and guar gum, #-expected average margin for next week

From the chart we can observe that margins declined for millers over the previous week. In the 3rd week of November average margin for millers was Rs.379.41/Quintal and the average margin for millers in the 4th week was Rs.341.78/Quintal higher and touched a low of Rs.250.13/quintal. We can see from the chart that the spread between the 3rd and 4th week mostly remained in the negative out of the 6 trading days. Over the last 2 weeks the margins has been averaging out around Rs.345.77/Quintal. Millers say that even though prices of raw material like guar seed, gaur gum has remained higher with higher processing cost; returns were also higher in turn increasing margins. However, millers added that if prices of raw material keep rising then margins may be

affected as processing cost will increase and margins will decline. Taking average of the range bound movement from 4700-5050 and guar gum prices from 16400-16700 levels the yellow bar in the chart is the expected average margin for the next week to come down to Rs.375/quintal due to higher pricing of raw materials. The Churi and Korma Pricing is expected to remain stagnant at 540 per 75kg and 675 per 75kg.

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. 60% of crop has been harvested in Rajasthan and we expect the harvest to increase to 65-70%. Meanwhile, 80% crop has been harvested in Haryana and Punjab and we expect the harvest to increase to 90%. 5% of crop has been harvested in Gujarat and we expect the harvest to increase to 10-12%.

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 Till Date
Rajasthan	2907000	60	1744200	610470	549423	-	0.00
Haryana	256000	80	204800	71680	64512	-	0.00
Gujarat	120000	5	6000	2100	1890	-	0.00
Total	3283000	59.55	1955000	684250	615825	250100	40.61

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

The above table shows comparison of % of Arrivals out of Net Production. So far after calculations, about 40.61% of fresh crop arrivals have come in from Rajasthan and about 59.39% of fresh crop arrivals have to come in the domestic mandi's throughout India.

Arrivals Comparison of Guar seed at key markets and all India

Centre	Arrivals (Quintal)		
	Week Ending 30-11-11	Week Ending 23-11-11	Week Ending 30-11-10
Bikaner-Rajasthan	38,500	23,500	22,500
Nokha-Rajasthan	29,351	24,600	14,200
Sri-Ganganagar- Rajasthan	11,160	8,300	16,500
Hanumangarh- Rajasthan	4,087	5,200	8,700
Bhiwani-Haryana	60,000	45,500	9,500
Sirsa-Haryana	21,200	11,000	12,000
Adampur-Punjab	28,000	17,500	34,000
All India	665,000	450,000	685,000

Arrivals improved this week remained higher compared to last week's arrival as getting better returns for their crop farmers brought in more fresh crop into the markets. However arrivals were also lower compared to last year as delay in sowing in 2011-12 delayed arrivals into the markets. Going forward arrivals may continue to increase next week as harvest has gathered momentum in Rajasthan, Haryana and Punjab. Arrivals has commenced in Gujarat which will also increase the arrivals into the market.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices in Rs/Qtl		Change
		30-10-11	23-10-11	
Guar Seed				
	Jodhpur (Delivery)	5400	4750	650
	Jodhpur (Loose)	4900	4400	500
	Bikaner (Delivery)	5066	4620	446
	Bikaner (Loose)	4916	4470	446
	Nokha	4700	4500	200
	Hanumangarh	4930	4550	380
	Sri-Ganganagar	4950	4480	470
	Adampur	5050-5060	4625	435
	Sirsa	5100	4650	450
	Bhiwani	5150-5200	4625-4630	570
	Deesa (New)	4920-4980	4220-4230	750
	Nagaur	4750	4400	350
	Dhabwali	5100	4550	550
Guar Gum	Jodhpur	16700	14650-14700	2000
	Bhiwani	16800	14650	2150
	Dhabwali	16900	14800	2100

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		30-10-11	23-10-11
Churi	Jodhpur	545	590
Korma	Jodhpur	745	770

Guar Export Prices:

Commodity	Variety	\$/MT	
		30-10-11	23-10-11
Guargum Split		3500	3200
Guargum Powder	200 Mesh 5000 CPS	4500	4200
	200 Mesh 3500 CPS	4400	4150
Guargum Meal		225	225

Exchange Technicals (NCDEX):
Technical Commentary: (Guarseed)

- As evident from the chart, prices are moving up into uncharted territories.
- As evident from the chart, overall guar seed futures prices trend remains firm and are above the short term EMAs (9 and 18 day) which supports the bullish trend in the market.
- According to the Fibonacci retracements prices are above the 23.6% level at 5109 and may move towards 5500 levels if prices remain above the mentioned Fibonacci retracement level.
- Oscillator, RSI is moving up in the overbought region and suggests that prices may see some profit booking.

- Close above the weekly level at 5318 may continue to support the bullish signal in the market, but a close below the 4700 level may change the weekly trend down.

GUAR SEED



Strategy: Buy at mentioned supports and book profits and mentioned resistances.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar seed	NCDEX	January	4882	5145	5409	5582	5756

Technical Commentary: (Guargum)

- As evident from the chart, prices are moving up into uncharted territories.
- As evident from the chart, overall guar seed futures prices trend remains firm and are above the short term EMAs (9 and 18 day) which supports the bullish trend in the market.
- According to the Fibonacci retracements prices are above the 23.6% level at 16031 and may move towards 17150 levels if prices remain above the mentioned Fibonacci retracement level.
- Oscillator, RSI is moving up in the overbought region and suggests that prices may see some profit booking.
- Close above the weekly level at 16505 may continue to support the bullish signal in the market, but a close below the 14800 level may change the weekly trend down.

GUAR GUM


Strategy: Buy at mentioned supports and book profits and mentioned resistances.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar gum	NCDEX	January	14810	15865	16920	17560	18200

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