

### Highlights of the Month:

- Guar complex witnessed mixed tone during the month. Expected higher acreage in the coming season and good export demand influenced prices.
- According to trade sources, sowing of guar has taken place in certain parts of Gujarat and Rajasthan. Normal sowing of guar will start in July.
- Acreage under guar will increase in the coming season amid better returns during the previous season.
- FMC has been asked to submit further detailed report on rally in guar futures.
- Farmers are facing shortage of seeds for sowing purpose.
- Normal sowing activities of guar are expected in the third week of June -July after the commencement of monsoon. According to IMD monsoon is expected to be normal in the coming season.

### Current Market Dynamics:

Guar seed and guar gum prices witnessed mixed tone during the month. Expected higher acreage in the coming season and good export demand influenced prices. Overall tone is positive amid inquiries from exporters. Acreage under guar seed is likely to increase in the coming season amid profitable returns from guar seed during the previous season.

According to trade sources, guar crop is expected in Gujarat in the near -term. In certain regions of Haryana with irrigation facilities, sowing of guar has started. Normal sowing activities will start in June-July in Rajasthan and Haryana with the commencement of monsoon. As of date, monsoon is expected by June 5<sup>th</sup>, 2012. Rains have been reported in certain growing regions and have increased soil moisture. Sowing could begin early in these areas. According to trade sources, in the current season, guar seed is likely to be sown in Andhra Pradesh, Tamil Nadu and Madhya Pradesh also. Vikas WSP Ltd, leading exporter of guar gum in India is distributing guar seeds for free to farmers and have contracted with them for the crop.

Expectation of higher guar seed output amid normal monsoon and better returns during the previous month will weigh on prices in the medium -term. According to trade sources, sowing is likely to increase by more than 40 percent to five million hectares, compared to 3.5 million hectares last year due to higher profit realization in 2011/12 season. There will be likely shift in acreage from cotton, jowar, bajra and moong towards guar. In Rajasthan around 20-25% of the area under cotton is likely to shift towards guar. The actual area sown and crop size will depend on seed availability and monsoon in the growing regions. According to IMD monsoon is expected to be normal in the coming season.

In U.S. demand of guar gum has increased for drilling oil and gas in shale formations. With more private companies allowed for oil drilling in U.S., demand will increase in the current year.

According to U.S. industry researchers, the global fracking business will grow to 29.44€ billion in 2012, up 4.77€ billion from a year earlier. U.S. has been looking for alternatives to guar gum for oil fracking. However currently alternatives have not been used in oil fracking.

### Crop Sowing and Estimates

As per traders view, upcoming sowing area in 2012 is likely to increase by 30-40% from the previous year sowing area in all over guar seed growing states as farmers realized higher profits this year. Normal sowing of guar is likely to start in June-July with the commencement of monsoon in the growing regions. In Haryana, about 2-3 percent of the crop area has been sown.

The state agriculture department of Rajasthan has pegged guar production at 12.09 lakh tonnes in 2011-12 lower compared to 14.88 lakh tonnes a year ago. In Haryana, production estimate stood at 3.07 lakh tonnes down from the previous year production i.e. 3.60 lakh tonnes and production estimate in Gujarat is estimated at 0.70 lower from previous year.

State	Area	Production	Yield	Area	Production	Yield
	2010-11			2011-12*		
Rajasthan	29.52	14.88	504	30.94	12.09	391
Haryana	3.00	3.60	1305	2.56	3.07	1200
Gujarat	1.40	1.00	714	1.20	0.70	580

\*Estimates

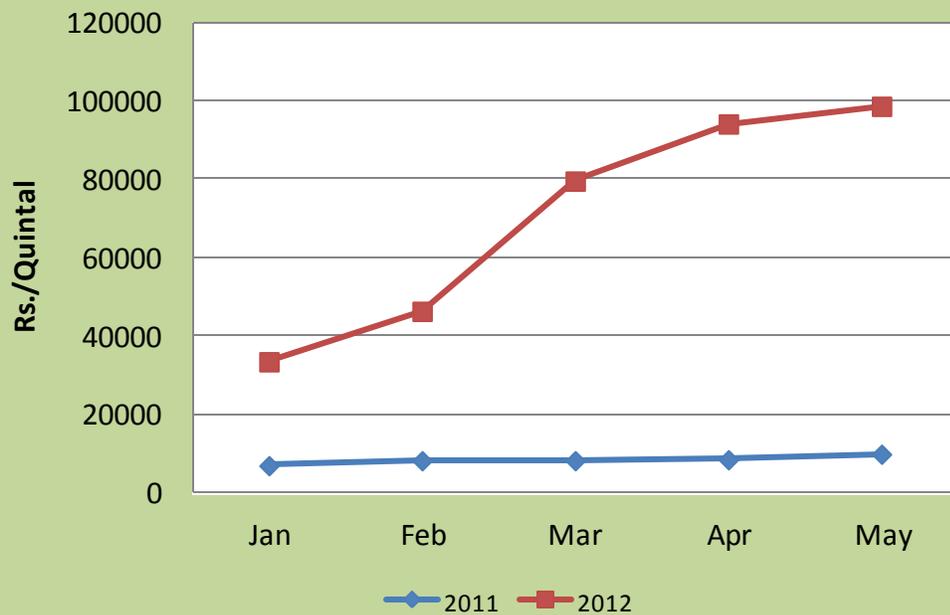
### Price Scenario

Guar seed and guar gum prices increased month-on-month basis in Jodhpur market. The average price of guar seed in the month of May increased by 3.08% to Rs.30876/Qtl and that of guar gum increased by 4.79% to Rs.98600/Qtl compared to the month of April. Increasing export demand and lower stocks in the spot market are supporting prices. The graph below illustrates the monthly average price movement of guar seed and guar gum in Jodhpur market.

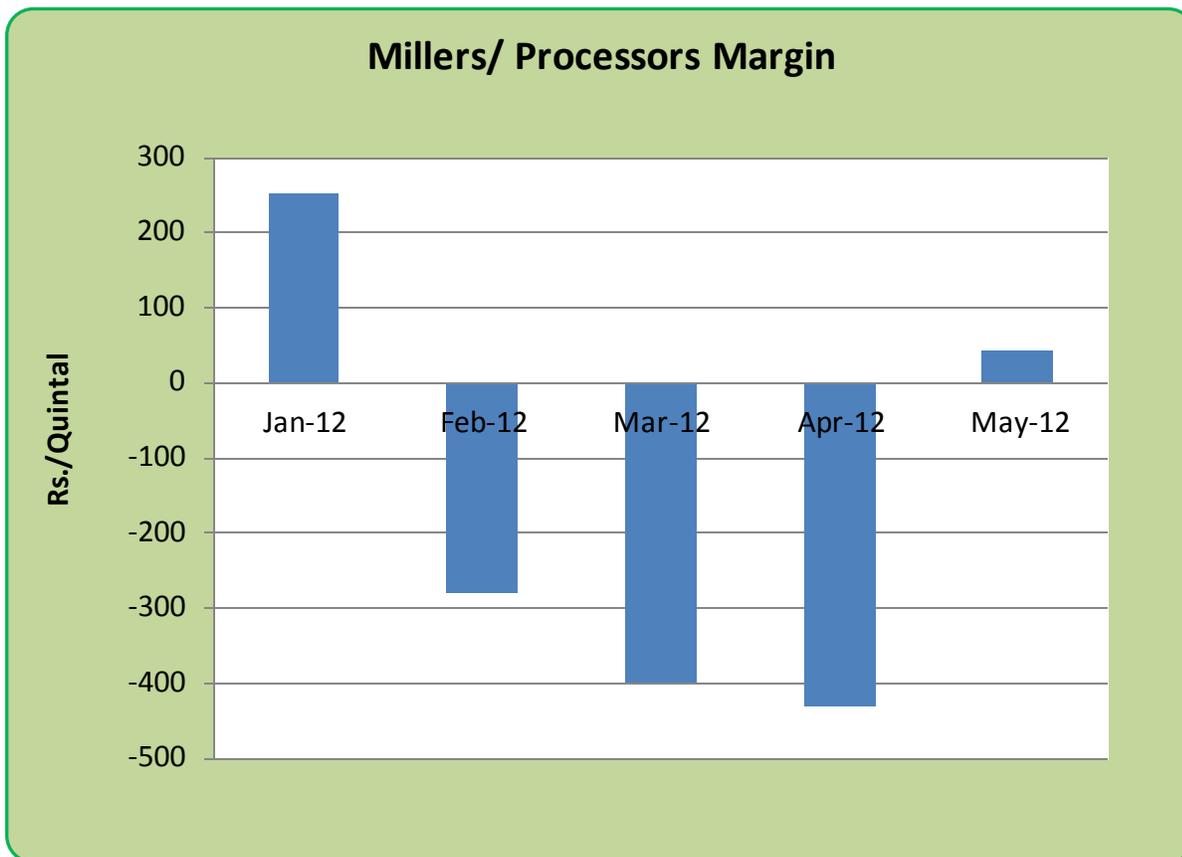
**Guar seed Monthly Average Price**



**Guar gum Monthly Average Price**



**Millers/Processors Margin**



As seen in the chart above, average crushing margin for guar seed millers has improved in the month of May compared to April. Margins have been improving during the last few days. The average crush margin in the month of May stood at Rs.43.72/Quintal compared to average crush margin of Rs. -430.51/Quintal in the month of April. Guar seed prices have declined amid expectation of higher acreage in the coming season. Margin is expected to improve further as cost of the raw material will decline. According to trade sources, millers are increasing the processing capacity of the mills to meet the rising export demand from China, U.S., and Europe.

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

Commodity	Variety	26 <sup>th</sup> May, 2012	30 <sup>th</sup> April, 2012	Change
Guargum Split		18300	19300	-1000
Guargum Powder	200 Mesh 5000 CPS	19500	20600	-1100
	200 Mesh 3500 CPS	19350	20500	-1150
Guargum Meal		290	295	-5
Prices in \$/MT and FOB Mundra Port				

**Prices of Churi and Korma**

Commodity	30 <sup>th</sup> May, 2012	30 <sup>th</sup> April, 2012	Change
Churi	640	650	-10
Korma	930	950	-20
Prices in Rs/75kg			

**Guar Prices at Key Spot Markets**

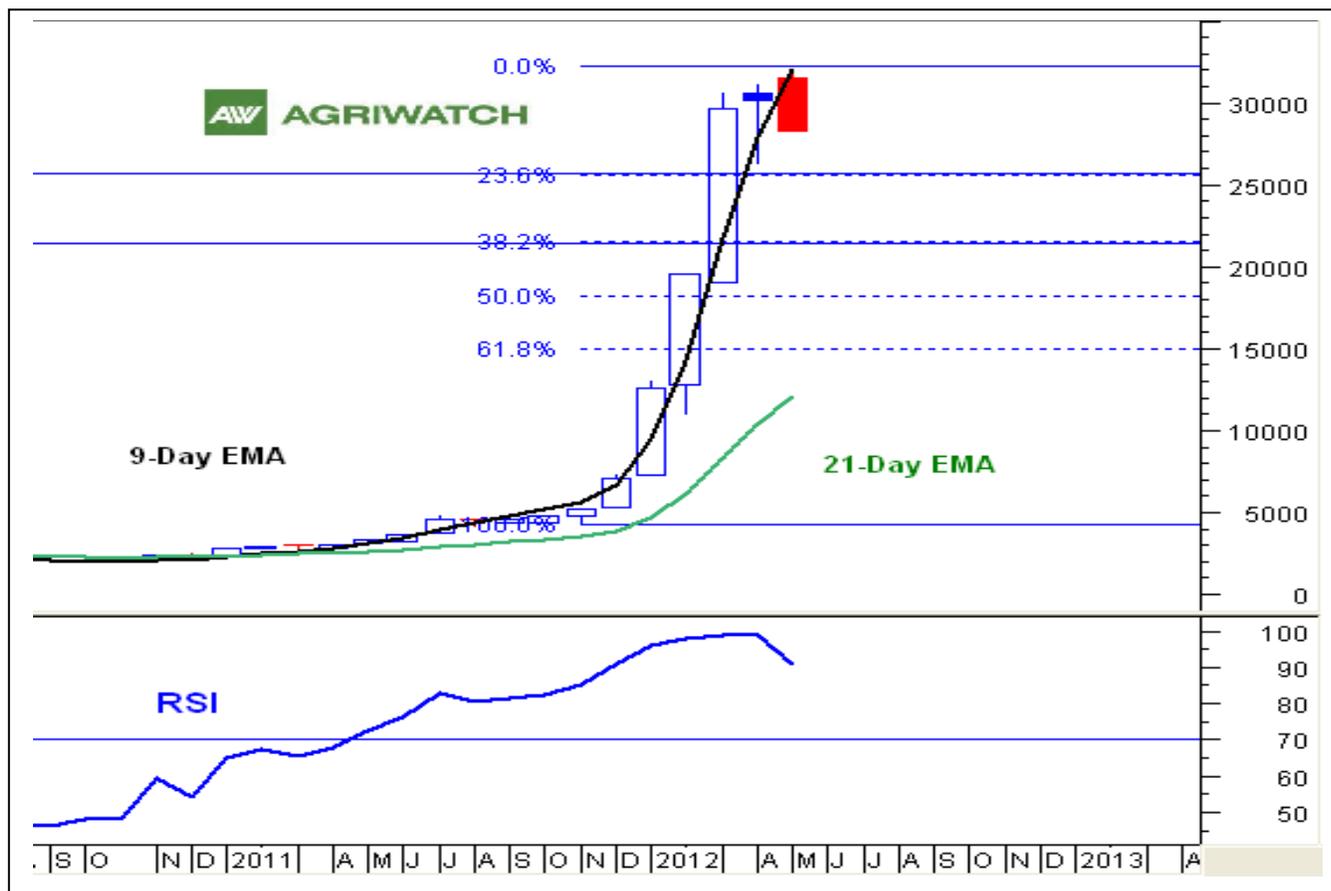
Commodity	Centre	Prices (Rs/Qtl)		Change
		30-05-12	30-04-12	
Guar Seed	Jodhpur *	29300	31000	-1700
	Jodhpur	28400	28000	400
	Bikaner *	28400	29500	-1100
	Nokha	28200	27000	1200
	Hanumangarh	28300	29000	-700
	Sri-Ganganagar *	29300	28500	800
	Adampur	29000	30000	-1000
	Sirsa	29200	29000	200
	Bhiwani*	29100	29500	-400
	Deesa	25600	25800	-200
	Nagaur	28500	26500	2000
	Dhabwali	-	-	-
Guar Gum	Jodhpur	96000	96000	Unch
	Bhiwani	96700	99500	-2800
	Dhabwali	-	-	-

\*Delivery Price

**Guar Cumulative Arrivals in Key Centers**

Centre	Arrivals (Quintals)		Change
	Total Month Ending 30-05-2012	Total Month Ending 30-04-2012	
Bikaner	6150	4150	+2000
Nokha	362	349	+13
Sri-Ganganagar	120	1170	-1050
Adampur	30800	30900	-100
Bhiwani	10700	12200	-1500
All India	48132	48769	-637

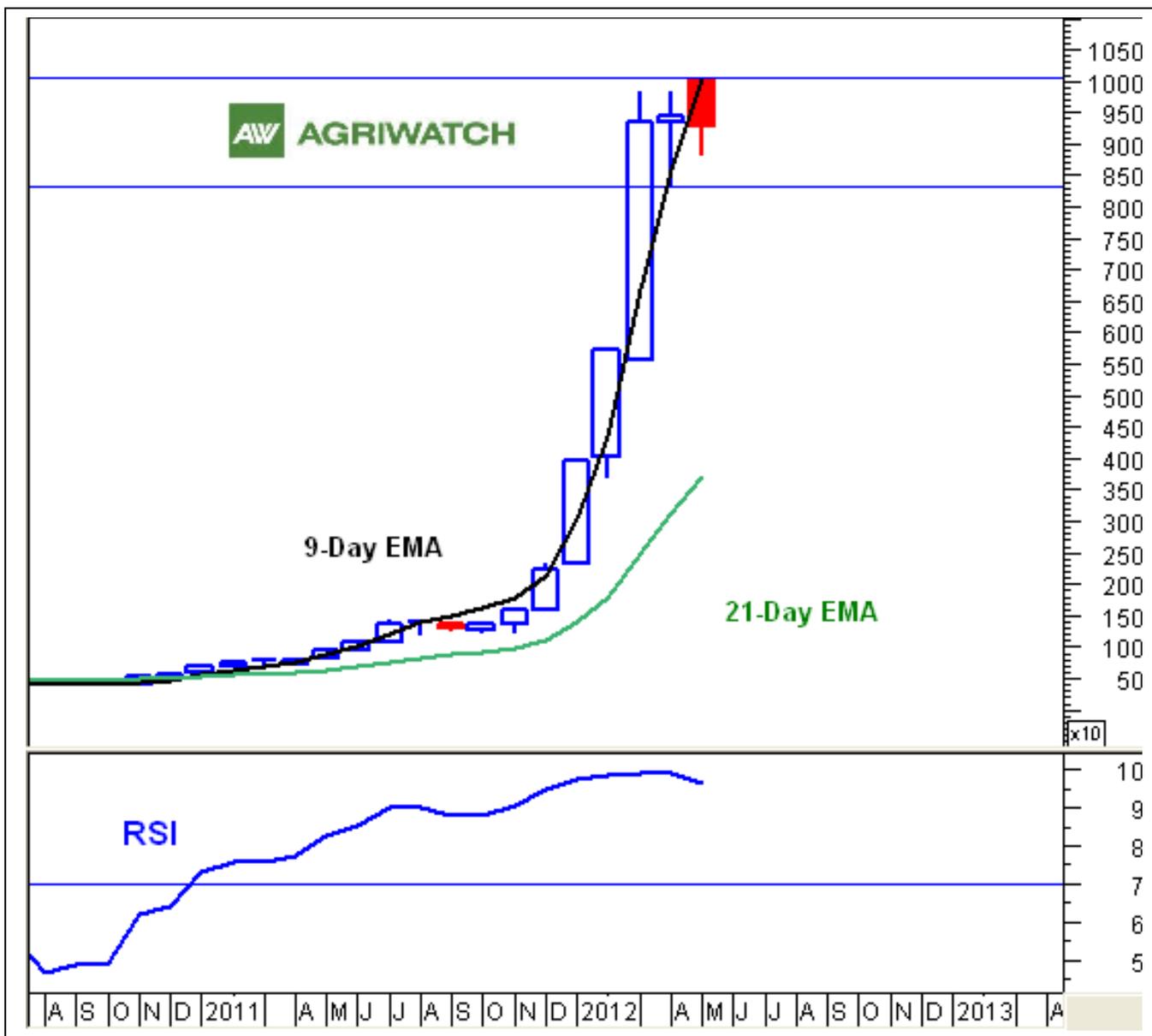
**Spot Market Monthly Price Trend of Guar seed at Jodhpur**



Prices witnessed correction during the month after recording new high at Rs.33000/Qtl. As expected, selling pressure at higher levels weighed on the market. Prices are holding between 9-Day and 21-Day EMA supporting sideways to weak tone in the market. For the increase in prices from Rs.4500/Qtl till Rs.33000/Qtl levels, prices are likely to notice 38.2% retracement towards Rs.22085/Qtl levels. Stochastic oscillator is declining in the overbought region supporting weakness in the near –term. On the downside there is next support at Rs.18780/Qtl levels. Close below these levels will change the overall bullish scenario of the market. On the upside there is resistance at Rs.33000/Qtl and Rs.35000/Qtl levels respectively.

**Prices are likely to ease towards Rs.25000/Qtl –Rs.20000/Qtl levels in the medium –term.**

**Spot Market Monthly Price Trend of Guar Gum at Jodhpur**



Guar gum prices witnessed correction after recording a new high. However buying interest around lower levels helped prices to recover to certain extent. MACD is in the positive territory supporting the overall positive tone of the market. Before witnessing further correction, prices could consolidate between Rs.95000 and Rs.100000 levels. RSI is steady in the overbought territory supporting weakness in the near –term. On the downside there is support at Rs.80000 levels and the next support is at Rs.75000. On the upside there is resistance at Rs.100000 and Rs.105000 levels respectively. Buyers are advised to wait for better buying levels in the medium –term.

**Prices are likely to notice weakness towards Rs.80000/Qtl-Rs.75000/Qtl levels in the medium –term.**

### **Spot Market Outlook:**

Both Guar seed and Guar gum prices are expected to continue weak tone in the near –term.

### **Futures Market Technical Analysis:**

FMC has stopped trading in all guar seed and guar gum futures contracts effective March 28, 2012. Trading will start on further notification by FMC.

#### **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.