

**Highlights of the Month:**

- Guar seed and guar gum prices noticed weak tone during the month amid expected increase in acreage during this season.
- Lack-luster demand in the export market added to the weak tone of prices.
- There could be more diversion of area from bajra, moth and moong towards guar seed in Rajasthan following delay in rainfall in the growing regions, thereby weighing on the market.
- According to trade sources, around 30% of the sowing of guar seed is completed in Gujarat. Sowing of the crop is expected to pick up in Rajasthan by next week.
- Arrival of the new guar crop is reported in certain mandis of Gujarat.
- Monsoon is expected in the growing regions of guar seed during this week. This will further weigh on the market in the near-term.
- According to Ramesh Abhishek, chairman of the Forward Markets Commission, decision on re-launching of guar complex futures will be taken by next month.

**Current Market Dynamics:**

Guar seed and guar gum prices noticed weak tone during the month. Lack-luster demand in the export market and expected increase in acreage during the season weighed on prices. Sowing of guar seed has started mostly with the help of irrigation and is expected to pick up in the rain-fed areas by next week.

In Haryana, acreage is expected to increase by 50%-300% depending on the rainfall in the coming days. In Rajasthan, Jaisalmer and Balmer are the largest guar seed growing regions. Sowing in these regions will start with the commencement of rain. Plantation has been done in 42,000 hectares in the districts of Sri-Ganganagar, Hanumangarh and Bikaner. In the state of Rajasthan, farmers are likely to increase the acreage under guar seed by two times. According to trade sources, farmers have availability of seed for sowing purpose. In Gujarat, as on 25<sup>th</sup> June 2012, acreage under guar seed is reported at 11800 hectares.

The cropping pattern of many States is likely to change during this season including Rajasthan. Following good returns during last year, guar seed is likely to be sown in the states of Andhra Pradesh, Uttar Pradesh, Karnataka, Maharashtra and Madhya Pradesh this season. According to industry sources, guar seed has been sent to Surat and Ankleshwar for sowing purpose. There will be diversion from various crops like moth beans, green grams, bajra, cotton and groundnut towards guar.

Guar, a 90-120 day crop, is a desert crop and requires just about three to four spells of rains with a gap of 20 days between each spell. This crop could see a three-fold rise in area under cultivation according to Mr Om Prakash Mundhra of Nokha Commodity Services. In Sri Ganganagar, the main belt of guar seed, about 40 per cent of sowing has been completed following good irrigation facility in these areas. Encouraged by last year's realisation, Vikas WSP has distributed 3,000 tonnes of seed worth Rs 92 crore to 225,000 farmers, to cover around 500,000 ha of sowing area this season. Last year, the company had distributed around 800 tonnes of seed worth around Rs 2 crore.

FMC is planning to re-launch guar complex futures after the sowing progress of guar seed is clear. Most of the sowing under guar seed is likely to be completed by July. Currently, acreage under guar seed is estimated to be higher and the progress of monsoon in the growing regions will determine the area to be sown. Futures trading in guar complex futures stopped in March 2012 after prices increased more than ten times compared to previous year. According to Ramesh Abhishek, chairman of the Forward Markets Commission, decision will be taken by next month.

The exports of guar and guar products increased from \$38.624 million in July-May last year to \$132.908 million during the first 11 months of current fiscal year according to trade sources in Pakistan.

Guar gum is primarily used as a thickening agent in various industries like food, paper, textiles, cosmetics, oil drilling etc. However in the United States with more private companies being allowed into oil drilling, demand for guar gum in hydraulic fracturing has increased. Prices of guar gum in the domestic market increased by 5-10 times during last one year. In the overseas market, industries are looking for cheaper alternatives to guar gum.

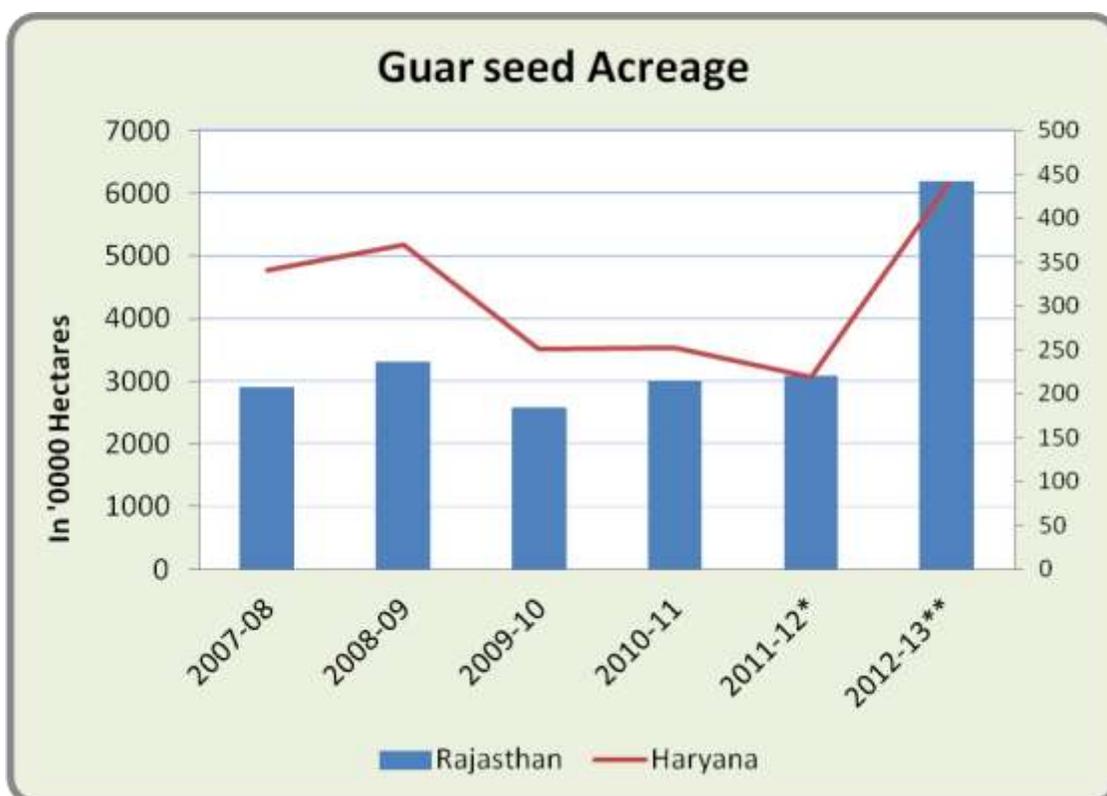
The gum grown in India is most in demand because it develops specific properties during bursts of rain in the monsoon season. Cheaper alternatives to guar gum continue to be in search as higher cost of guar gum is affecting the margins of various companies. In response to the growing demand, farmers in India are expected to increase the acreage by 2 -3 times during this season.

### **Export and Import Scenario**

As per sources, both Gum and Powder demand continues to rise in overseas market. Major buyers like China, Europe and U.S continue to queue in the market to fulfill their daily requirement, mainly for industrial use. In March, the US purchased a record 33,800 tonnes of guar gum from India, up from an average 22,000 tonnes a month last year. As per APEDA, Guar gum exports increased to 5.59 lakh tonnes during Apr-Jan 2012 against 3.50 lakh metric tonnes recorded during the same period of the previous year.

## Crop Sowing and Estimates

As per market participants, this year there will be bumper crop as farmers will shift to guar looking at the prices. In the current season acreage under guar seed could increase by 50% -300% in the states of Rajasthan and Haryana based on rainfall. Plantation has been done in 42,000 hectares in the districts of Sri-Ganganagar, Hanumangarh and Bikaner. Sowing of guar seed is going on in the irrigated areas. According to sources, sowing of guar has started in some areas of Hanumangarh, Sangaria, Nagaur and Sri-Ganganagar having irrigation facility. In Gujarat as on 25<sup>th</sup> June 2012, sowing of guar seed has been done in 11800 hectares compared to normal area of 155800 hectares. According to trade sources, output of guar seed in the current year is estimated at 1.8 million metric tonnes compared to 1.25 million metric tonnes in 2011-12. Assuming acreage to increase by atleast two times, graph below shows estimated acreage in Rajasthan and Haryana in 2012-13.



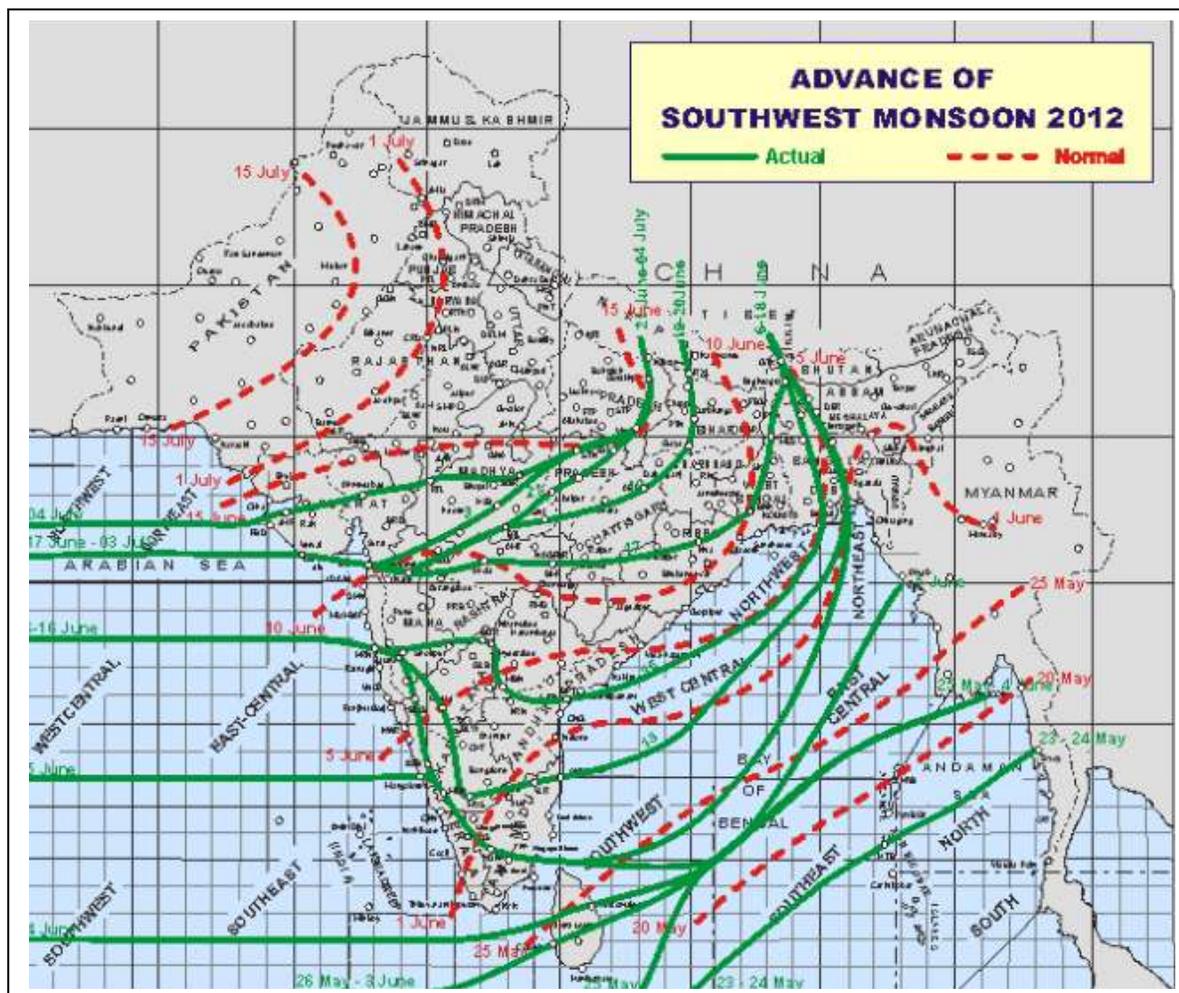
\*Provisional

\*\*Trade Estimates

### Weather

According to IMD, south –west monsoon has covered almost all parts of India and is expected to advance in north-west India by next week. Currently, the Southwest Monsoon has further advanced into some more parts of north Arabian Sea, Gujarat state; remaining parts of Maharashtra and some more parts of Madhya Pradesh. Conditions are favourable for further advance of Southwest Monsoon into some more parts of north Arabian Sea, Gujarat, Madhya Pradesh and Uttar Pradesh and some parts of Uttarakhand, Himachal Pradesh, Jammu & Kashmir and east Rajasthan during next 3 days.

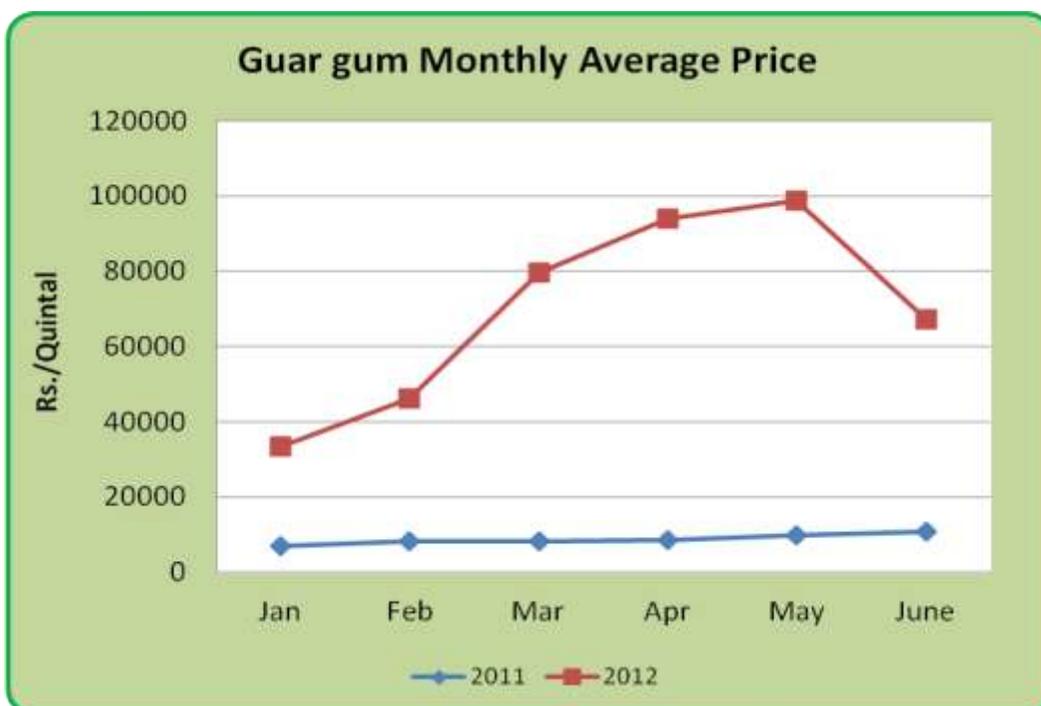
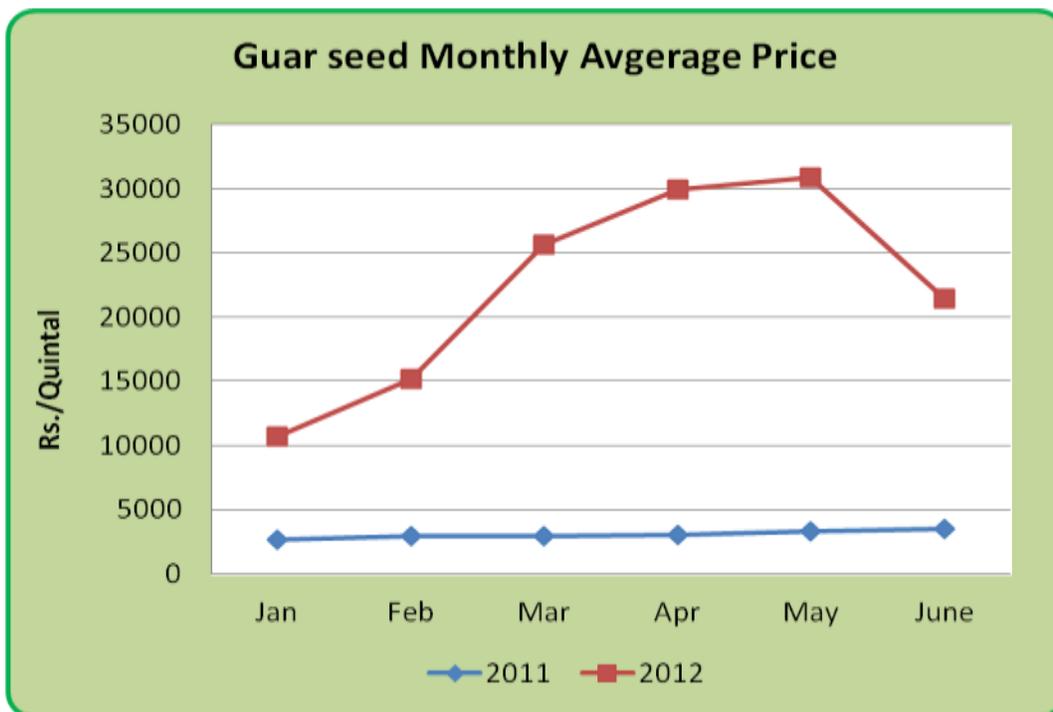
Progress of south –west monsoon in north-west India will determine sowing progress of guar seed in July. In some areas having irrigation facility, sowing has begun. Most of the growing regions in Rajasthan and Gujarat are dependent on rain. If rainfall is normal as predicted, acreage under guar seed is likely to increase by 2 -3 times during the current season. The picture below shows the progress of south-west monsoon as on 05 July, 2012.

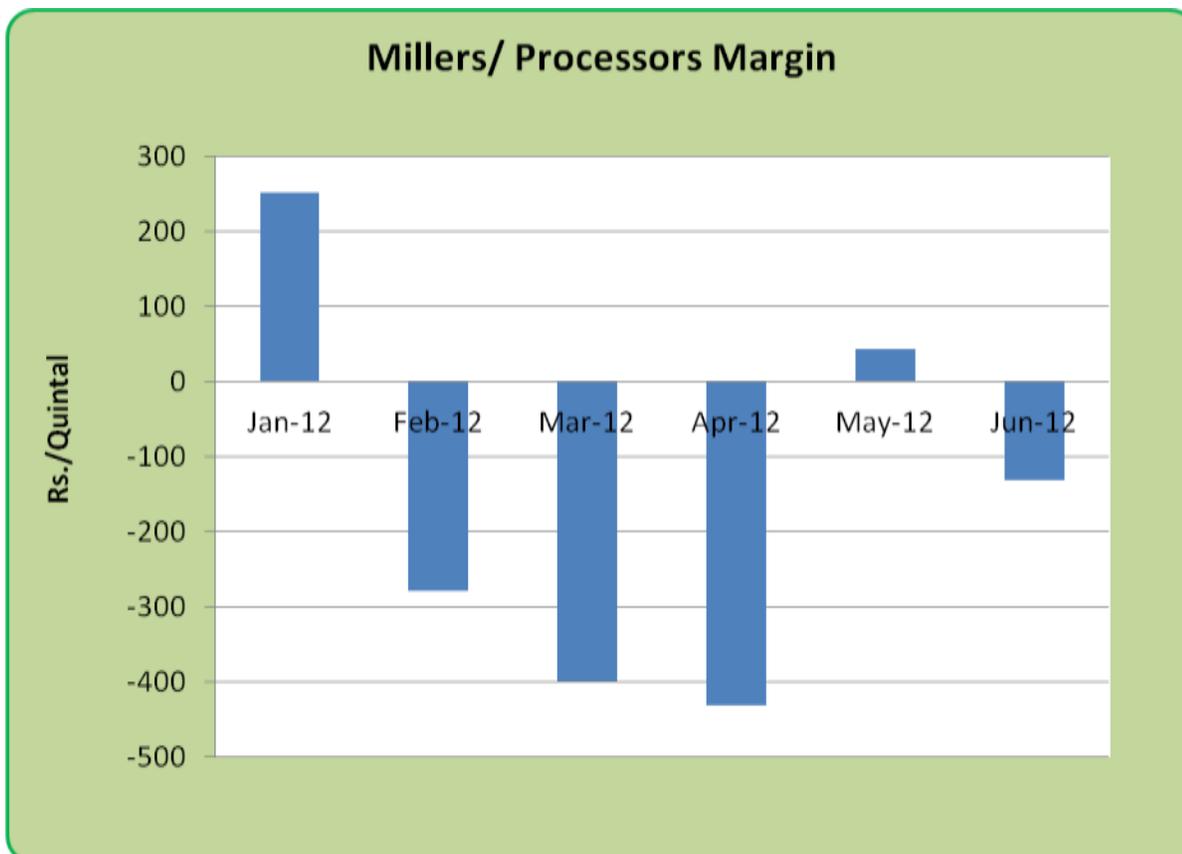


Source: IMD

**Price Scenario**

Guar seed and guar gum prices declined month-on-month basis in Jodhpur market. The average price of guar seed declined by 31% to Rs.21410/Qtl and that of guar gum declined by 32% to Rs.67280/Qtl in comparison with the month of May. Expected increase in acreage during this season is weighing on prices. The graph below illustrates the monthly average price movement of guar seed and guar gum in Jodhpur market.



**Millers/Processors Margin**


As seen in the chart above, average crushing margin for guar seed millers declined in the month of June compared to May. Decline in the price of guar gum was more compared to the price of guar seed. The average crush margin in the month of June stood at - Rs.131.95/Quintal compared to average crush margin of Rs. 43.72/Quintal in the month of May. Guar seed prices have declined amid expectation of higher acreage in the coming season. Margin is expected to improve amid expected increase in demand for guar gum.

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

Commodity	Variety	30 <sup>th</sup> June, 2012	26 <sup>th</sup> May, 2012	Change
Guargum Split		10500	18300	<b>-7800</b>
Guargum Powder	200 Mesh 5000 CPS	12000	19500	<b>-7500</b>
	200 Mesh 3500 CPS	11800	19350	<b>-7550</b>
Guargum Meal		285	290	<b>-5</b>
Prices in \$/MT and FOB Mundra Port				

**Prices of Churi and Korma**

Commodity	30 <sup>th</sup> June, 2012	30 <sup>th</sup> May, 2012	Change
Churi	700	640	<b>+60</b>
Korma	1050	930	<b>+120</b>
Prices in Rs/75kg			

**Guar Prices at Key Spot Markets**

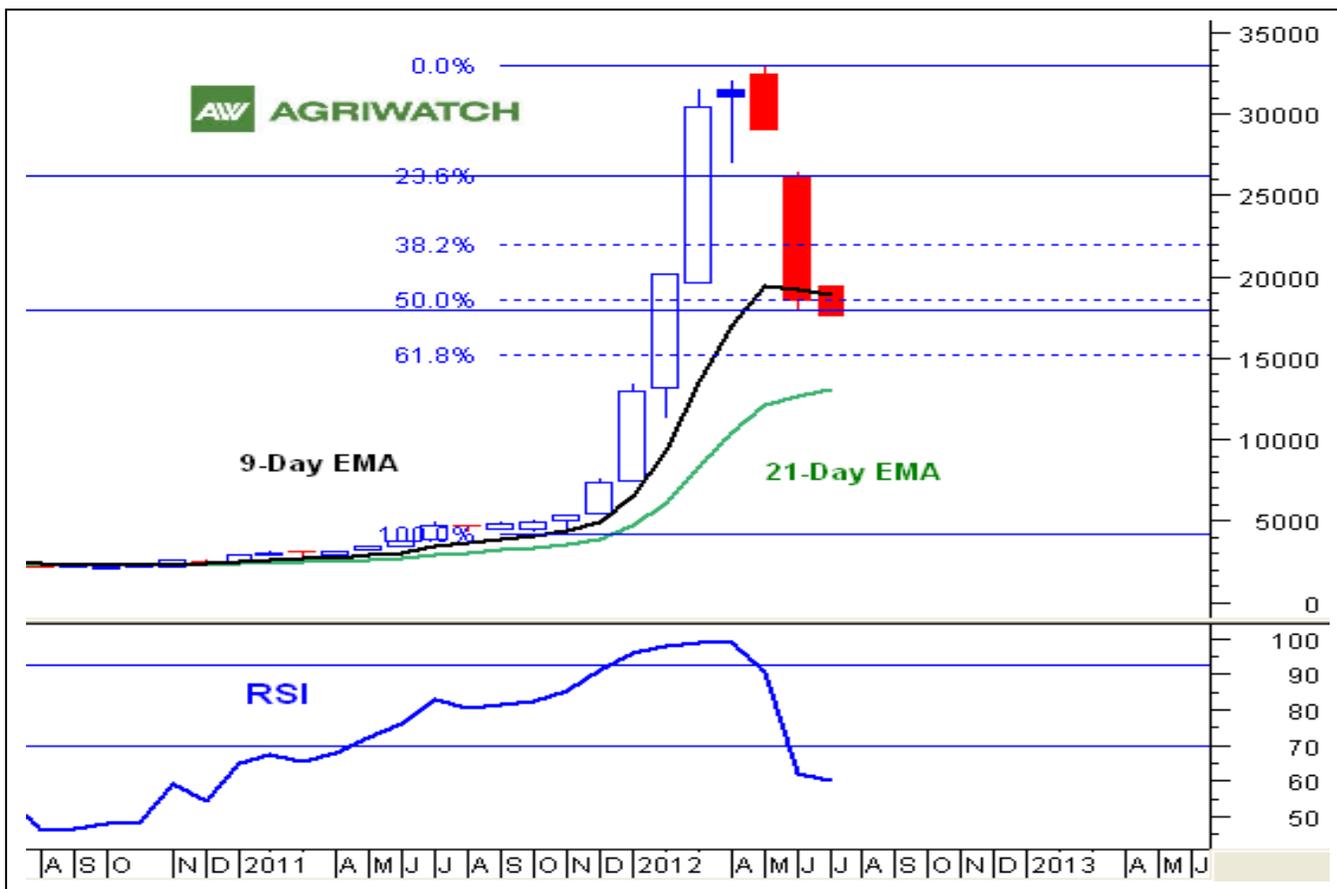
Commodity	Centre	Prices (Rs/Qtl)		Change
		30-06-12	30-05-12	
Guar Seed	Jodhpur *	18500	29300	<b>-10800</b>
	Jodhpur	17300	28400	<b>-11100</b>
	Bikaner *	17500	28400	<b>-10900</b>
	Nokha	18200	28200	<b>-10000</b>
	Hanumangarh	17000	28300	<b>-11300</b>
	Sri-Ganganagar *	18200	29300	<b>-11100</b>
	Adampur	19000	29000	<b>-10000</b>
	Sirsa	18000	29200	<b>-11200</b>
	Bhiwani*	16500	29100	<b>-12600</b>
	Deesa	20950	25600	<b>-4650</b>
	Nagaur	20000	28500	<b>-8500</b>
	Dhabwali	-	-	-
Guar Gum	Jodhpur	57000	96000	<b>-39000</b>
	Bhiwani	57000	96700	<b>-39700</b>
	Dhabwali	-	-	-

\*Delivery Price

**Guar Cumulative Arrivals in Key Centers**

Centre	Arrivals (Quintals)		Change
	Total Month Ending 30-06-2012	Total Month Ending 30-05-2012	
Bikaner	3425	6150	<b>-2725</b>
Nokha	270	362	<b>-92</b>
Sri-Ganganagar	-	120	-
Adampur	8600	30800	<b>-22200</b>
Bhiwani	950	10700	<b>-9750</b>
All India	33400	48132	<b>-14732</b>

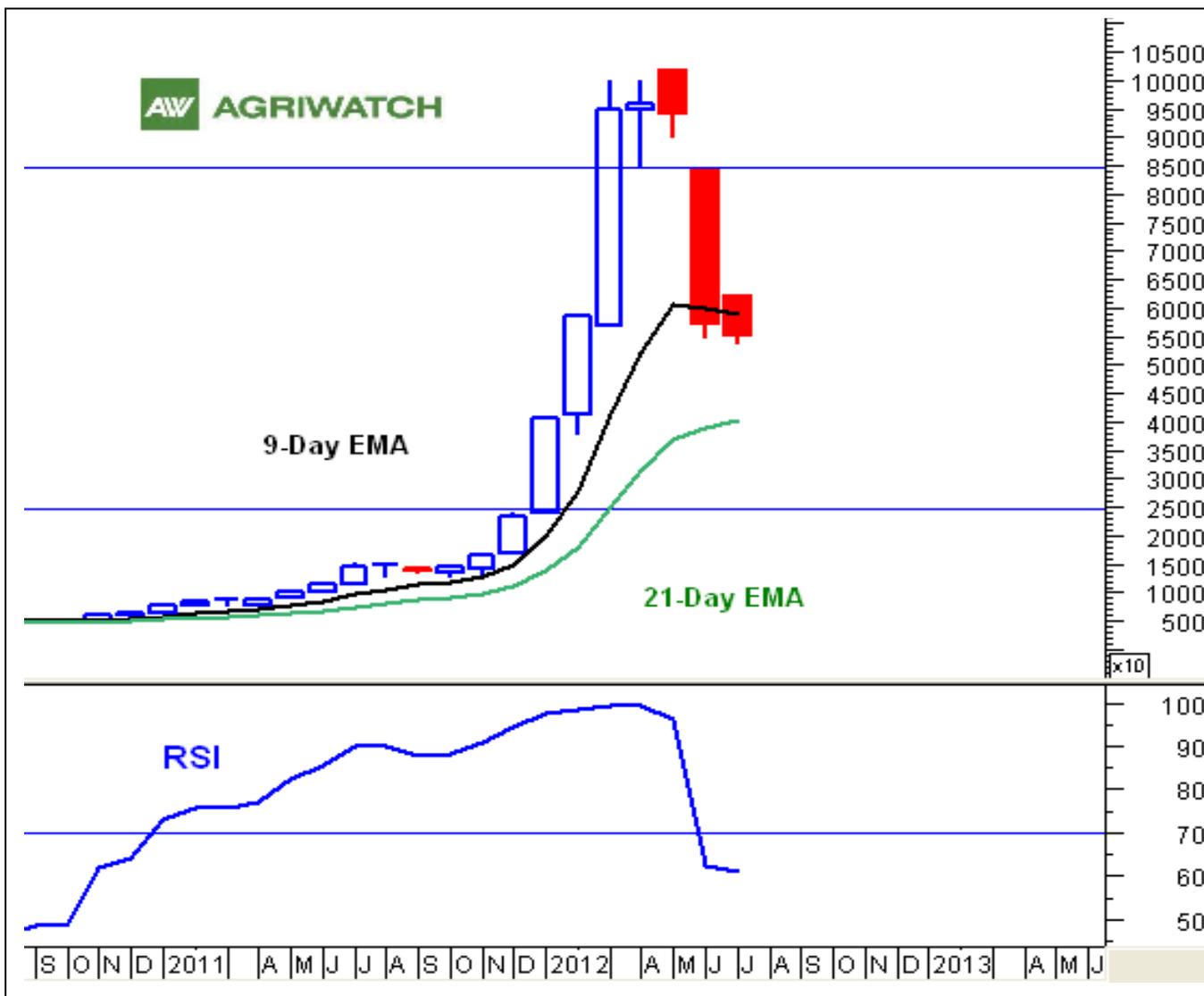
**Spot Market Monthly Price Trend of Guar seed at Jodhpur**



Prices continued correction in the month of June. Continuation of selling weighed on prices. For the increase in prices from Rs.4000 till Rs. 33000 levels, prices have noticed 50% correction and are likely to trend towards Rs.15000/Qtl levels in the near -term. RSI is declining in the neutral region supporting weakness in the near -term. On the downside there is support at Rs.15000/Qtl. On breaking this level, overall scenario will be bearish and prices will trend towards Rs.10000/Qtl levels. MACD is declining in the positive region supporting the weakness in the market. On the upside there is resistance at Rs.26500/Qtl and Rs.30000/Qtl levels respectively. Traders can consider selling on the rise.

**Prices are likely to notice weak tone towards Rs.12000/Qtl levels in the medium -term.**

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



Guar gum prices declined in tandem with guar seed during the month. Profit-booking around higher levels weighed on the market. Overall outlook is bearish and prices are likely to continue the weak tone. Prices are holding below 9 –Day and 21 –Day EMA supporting the overall weak tone of the market. On the downside there is support at Rs.40920/Qtl levels. The next support is at Rs.24730/Qtl levels. Prices are likely to ease towards these levels in the medium –term. Stochastic oscillator is declining in the neutral region supporting weakness in the medium –term. On the upside there is resistance at Rs. 68450/Qtl and Rs.80000/Qtl levels respectively. Traders can wait for better buying levels in the coming days.

**Prices are likely to breach the supports of Rs.50000/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.

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