

**Highlights of the Month:**

- Guar seed and guar gum prices witnessed recovery during the month amid lack of sufficient rainfall in the growing regions.
- According to IMD, rainfall was excess/normal in 14 and deficient/scanty in 22 out of 36 meteorological subdivisions in India till last week of July.
- In Rajasthan and Haryana, major guar growing states, acreage till date is lower compared to previous year.
- Sowing can be done in Rajasthan till third week of this month. Expected rains during this period will help in sowing activities.
- In irrigated areas of Rajasthan and Haryana, sowing is almost completed.
- Progress of south –west monsoon will influence the market in the coming days.

**Current Market Dynamics:**

Guar seed and guar gum prices recovered losses to certain extent during the last week of the month. Scanty rainfall in the guar seed growing regions is supporting the market. Good demand of seed for sowing purpose also lent some support to the market.

Guar seed planting requires minimum 40 millimeters of rain. In western Rajasthan, till date rains are 55 percent below long –term averages. In the neighbouring state of Haryana, which received rains nearly 70 percent below average, it is likely to fall. According to sources at Vikas WSP, their target was to cover 50,000 hectares under guar seed in Punjab and Haryana. Till date 44,000 hectares has been covered in Punjab districts of Abohar, Fazilka, Mansa, Bathinda, Sangrur, and Patiala.

Lack of sufficient rainfall in the guar seed growing regions till date is likely to affect the crop's acreage. Guar seed acreage was expected to increase 2 -3 times initially during the season following better returns during the previous year. However if rains are not sufficient during this month, acreage is likely to be affected. Exact picture on sowing will be clear by this month. Rajasthan is the major producer of guar gum, which is majorly exported to US to be used as a sealant in oil and gas production. Most of the areas in Rajasthan like Jodhpur, Balmer, Jaisalmer and Bikaner are dependent on rains. In other areas like Hanumangarh, Sri –Ganganagar, Bharatpur and Alwar, guar seed has been sown with the help of irrigation. The crop requires 4 -5 regular rains till it is sown.

Higher prices of guar gum during the recent times has affected many industries including the food industry. Cheaper alternatives were being looked upon. Premier Ingredients has launched Premigum XPJ -12008 and Premium XPJ -12017, as substitute to guar gum for use in the making of apple juice, mayonnaise and ketchup etc. These substitutes were tested in a standard model system. The application of the substitutes will vary depending on customer's requirement. Search for cheaper alternatives to be used in oil fracking is being looked upon. Higher cost of guar gum has affected the profit margins of the oil drilling companies in the U.S.

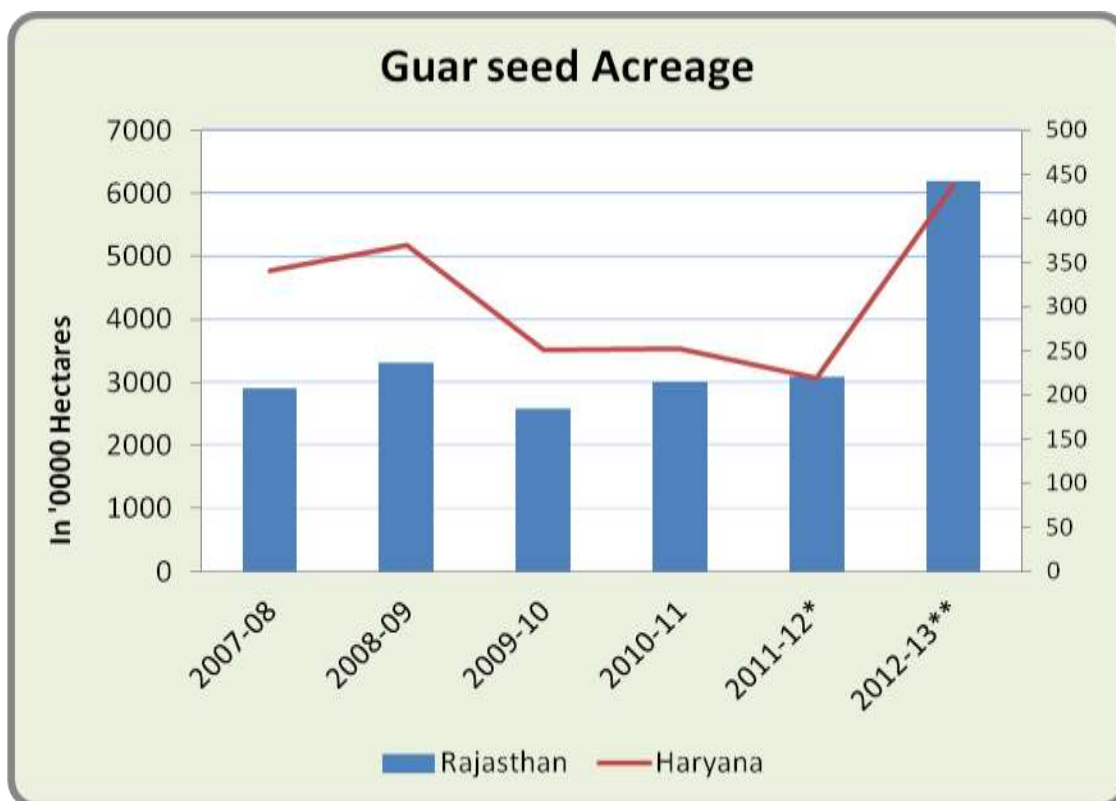
**Export and Import Scenario**

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, initial expectation of higher output during the season may not be met following lower acreage in the growing regions. Sowing activities in rain –fed areas is expected to pick up in the coming days. Till date south –west monsoon is 22 percent deficit all over India and 39 percent in north –west India. Sowing is almost completed in the irrigated areas and guar seed acreage under irrigated areas accounts for 30 -40 percent of total acreage. In the irrigated areas, crop size could double depending on progress of rains in the coming days. Progress of south –west monsoon in non –irrigated areas for another two weeks will determine total acreage.

In Rajasthan sowing can be done till third week of August and in Haryana, it can be done for another ten days. Guar seed sowing has so far covered around 1.12 million hectares in Rajasthan as on 27th July 2012 as against 1.32 million hectares during the same period previous year. According to State Agricultural sources, acreage under guar seed in Gujarat as on 23rd July 2012 is reported at 111000 hectares compared to 58100 hectares during same period last year. 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. Exact acreage position will be clear by this month. Assuming acreage to increase by atleast two times amid normal rainfall, graph below shows estimated acreage in Rajasthan and Haryana in 2012-13.



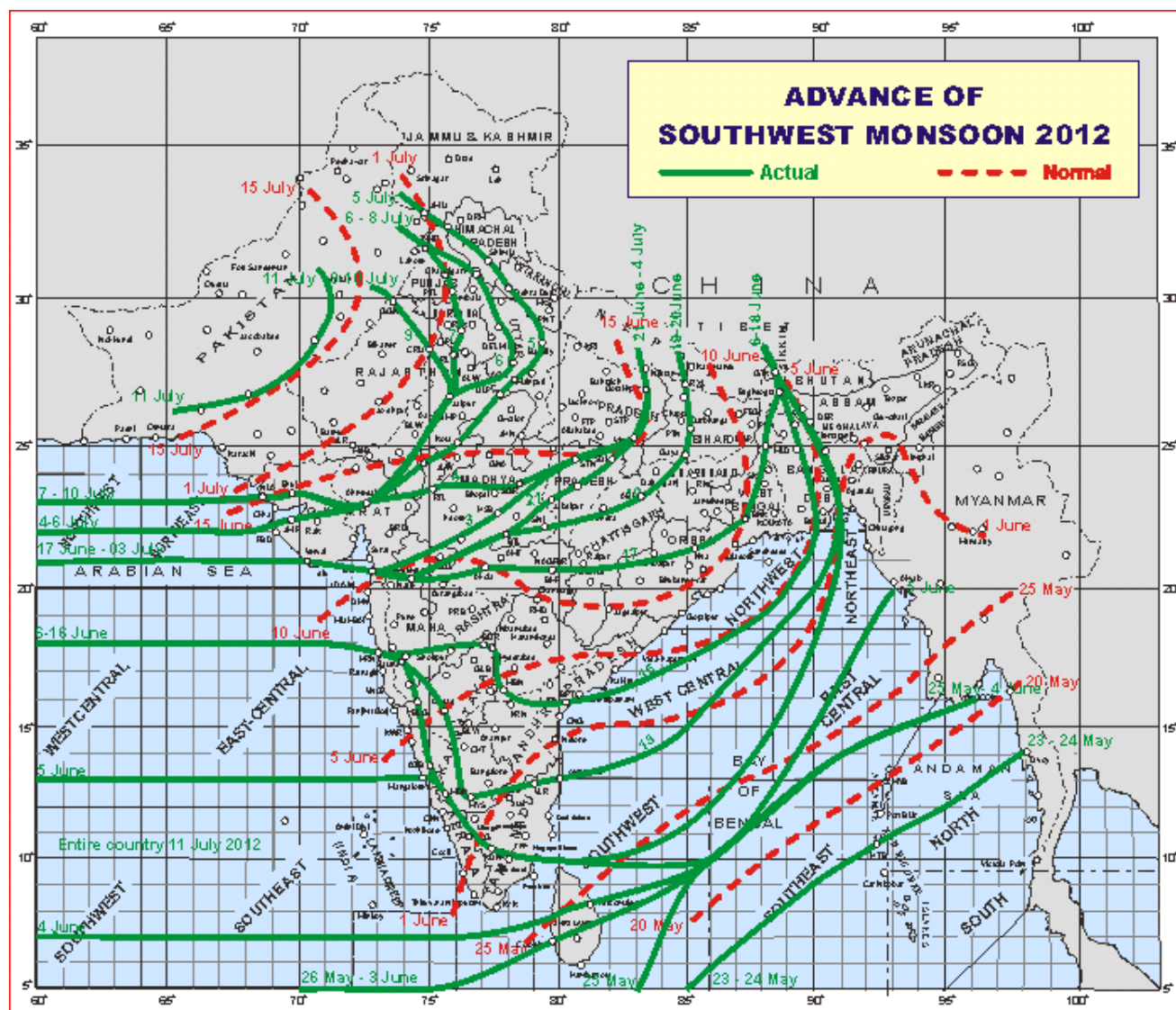
\*Provisional

\*\*Trade Estimates

## Weather Watch

According to IMD, out of 36 meteorological sub-divisions, rainfall was excess/normal in 12, deficient in 15 and scanty in 09 sub-divisions (mainly in northwest and south Peninsula) during the week. In area-wise distribution, 39% area of the country received excess/normal rainfall. Remaining 61% area received deficient/scanty rainfall.

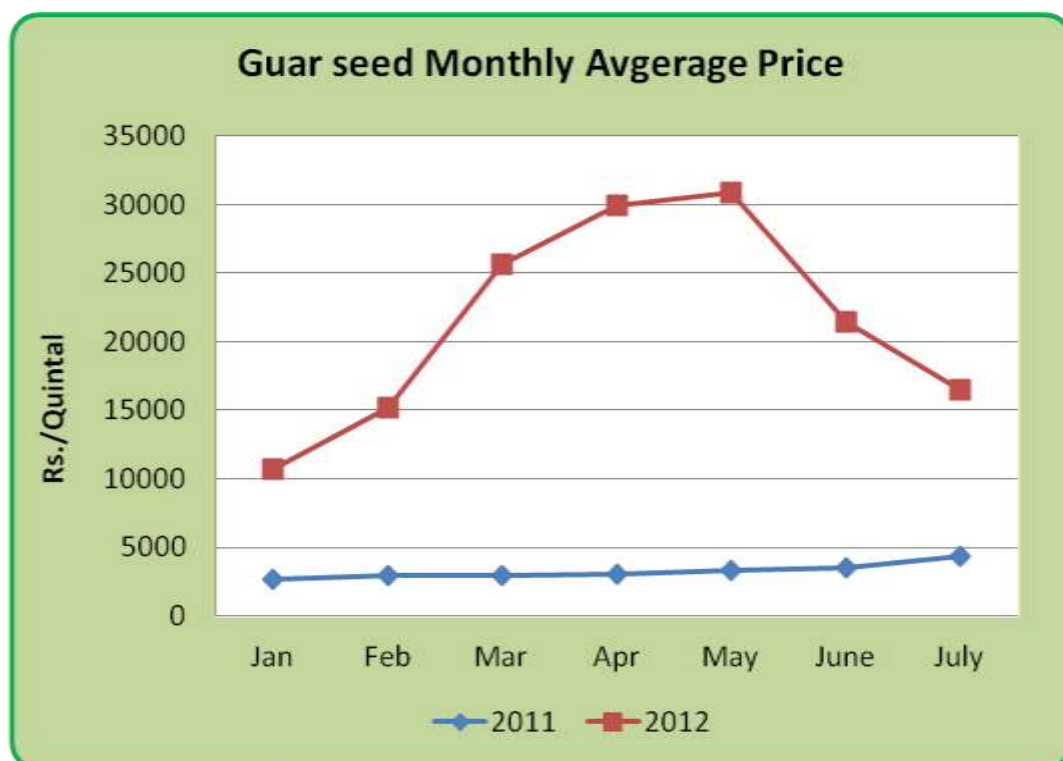
According to IMD, rains are expected in east Rajasthan, west Rajasthan, Punjab and Haryana in the coming days. Rainfall is expected over few places in north –west India during the week. Rains have been covered in most parts of the country. The picture below shows the progress of rain till date in India.



Source: IMD

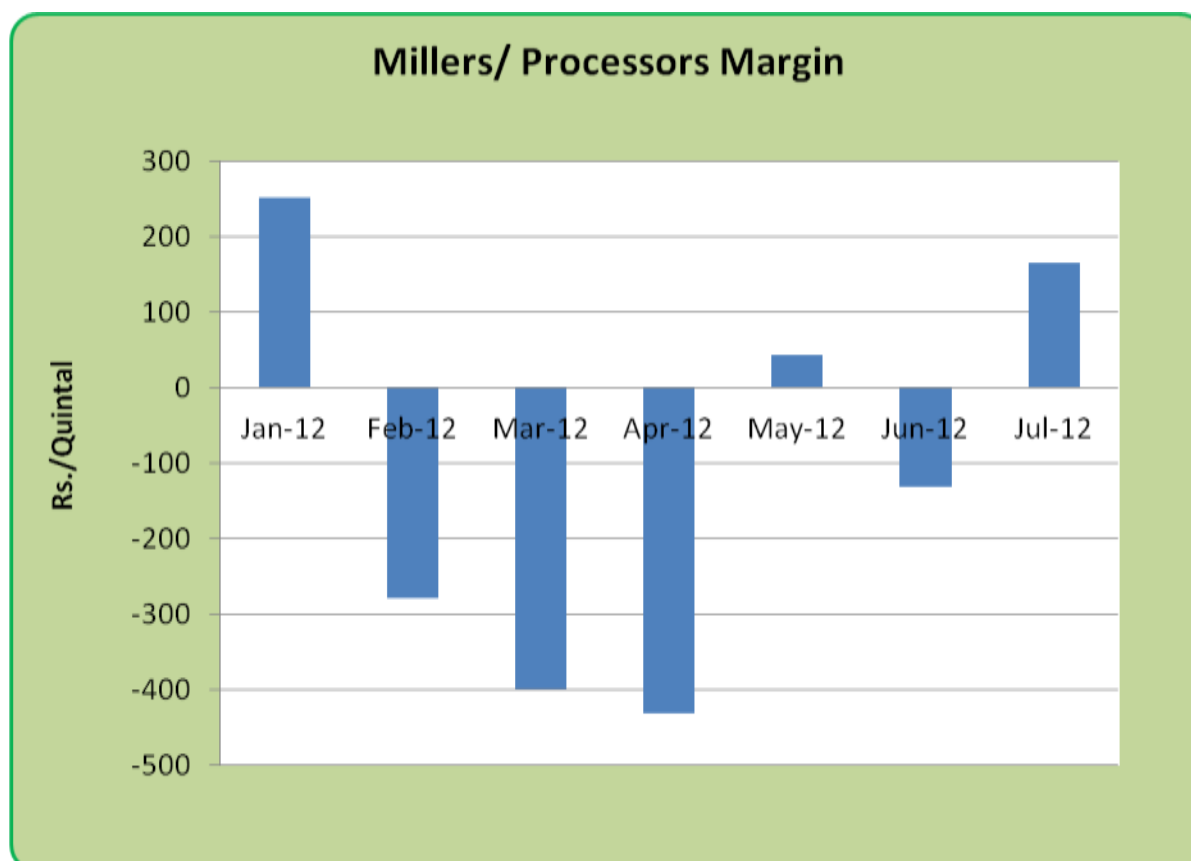
### Price Scenario

Guar seed and guar gum prices declined month-on-month basis in Jodhpur market. However prices witnessed some recovery by third week of July. The average price of guar seed declined by 23% to Rs.16460/Qtl and that of guar gum declined by 24% to Rs.51390/Qtl in comparison with the month of June. 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 increased in the month of July compared to June. Margin improved amid decline in price of guar seed and higher prices of churi and korma following good demand. The average crush margin in the month of July stood at Rs.165.36/Quintal compared to average crush margin of - Rs. 131.95/Quintal in the month of June. Guar seed prices have declined amid expectation of higher acreage in the coming season. Margin is expected to improve amid expected decrease in price of guar seed.

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

Commodity	Variety	31 <sup>st</sup> July, 2012	30 <sup>th</sup> June, 2012	Change
Guargum Split		11000	10500	+500
Guargum Powder	200 Mesh 5000 CPS	12750	12000	+750
	200 Mesh 3500 CPS	12600	11800	+800
Guargum Meal		300	285	+15
Prices in \$/MT and FOB Mundra Port				

**Prices of Churi and Korma**

Commodity	31 <sup>st</sup> July, 2012	30 <sup>th</sup> June, 2012	Change
Churi	950	700	+250
Korma	1700	1050	+650
Prices in Rs/75kg			

**Guar Prices at Key Spot Markets**

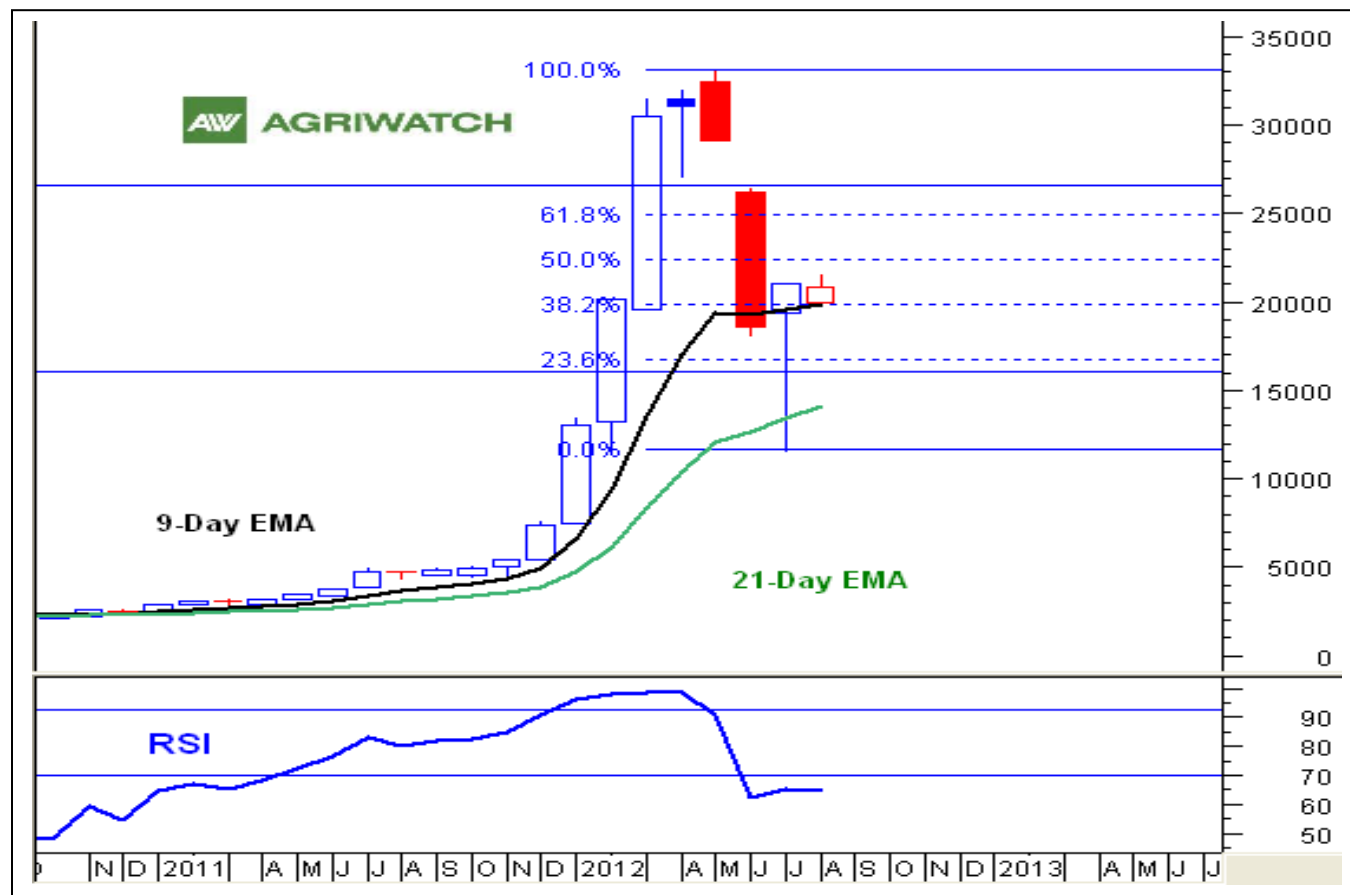
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-07-12	30-06-12	
Guar Seed	Jodhpur *	21000	18500	+2500
	Jodhpur	19700	17300	+2400
	Bikaner *	21000	17500	+3500
	Nokha	20100	18200	+1900
	Hanumangarh	-	17000	-
	Sri-Ganganagar *	20000	18200	+1800
	Adampur	20000	19000	+1000
	Sirsa	21000	18000	+3000
	Bhiwani*	19500	16500	+3000
	Deesa	20100	20950	-850
	Nagaur	-	20000	-
	Dhabwali	-	-	-
Guar Gum	Jodhpur	64000	57000	+7000
	Bhiwani	62000	57000	+5000
	Dhabwali	-	-	

\*Delivery Price

**Guar Cumulative Arrivals in Key Centers**

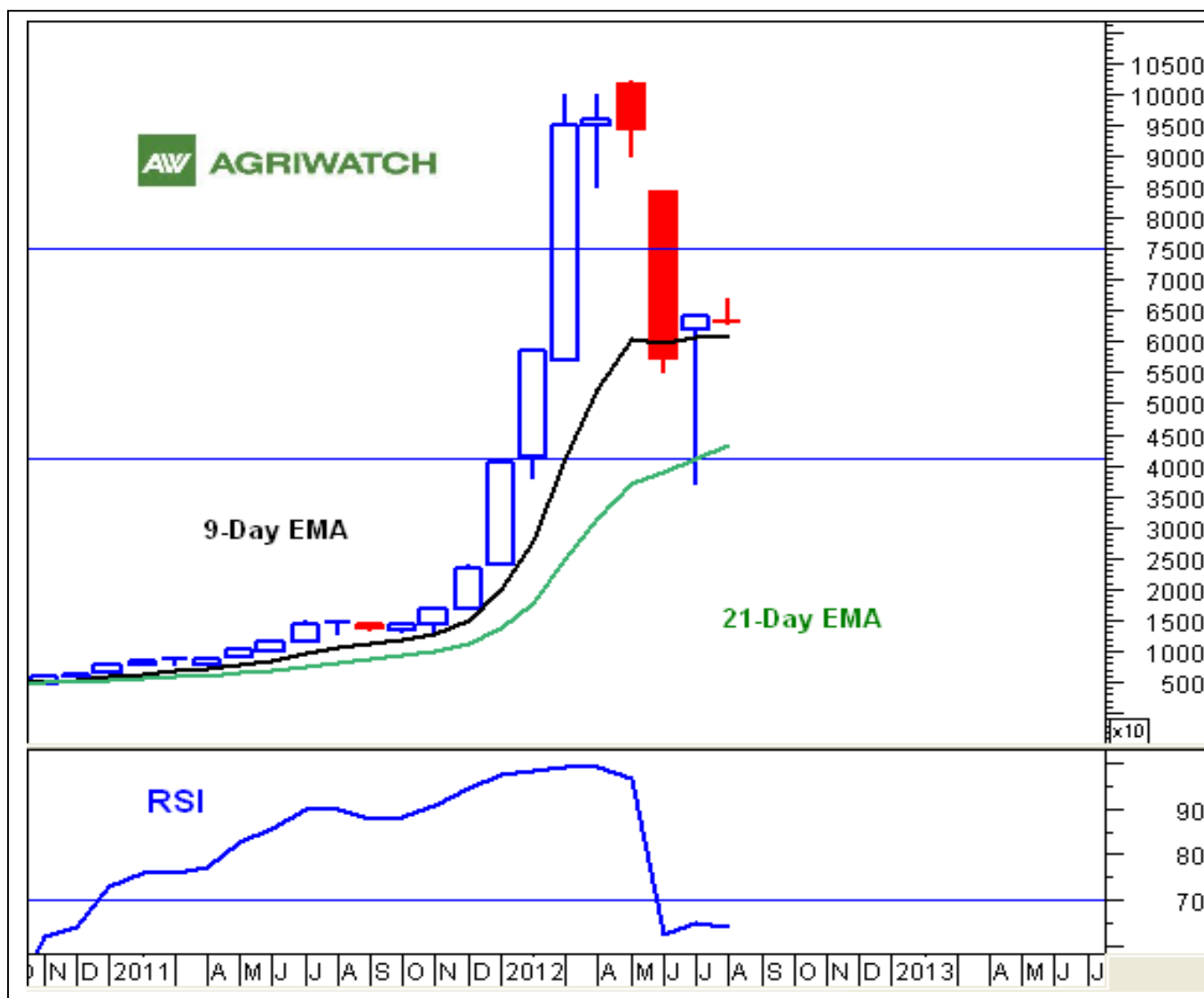
Centre	Arrivals (Quintals)		Change
	Total Month Ending 31-07-2012	Total Month Ending 30-06-2012	
Bikaner	2015	3425	-1410
Nokha	72	270	-198
Sri-Ganganagar	-	-	-
Adampur	5865	8600	-2735
Bhiwani	-	950	-
All India	31350	33400	-2050



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

**Fig-1 – Guar Seed Monthly Spot Prices (Jodhpur)**

Prices witnessed some gains and then closed lower during the month. Buying support around lower levels added to the positive tone of the market. Prices noticed recovery initially as seen in the chart and break above 22150 levels will denote continuation of the firm tone. Prices are likely to test these levels in the near –term. RSI is increasing in the neutral region supporting firm tone in the near –term. MACD is in the positive territory denoting increasing bullish momentum. On the downside there is support at Rs.17000 levels. The next support is at Rs.15000/Qtl levels. On the upside there is resistance at Rs.26330/Qtl levels and Rs.30000/Qtl levels respectively. Traders are advised to wait for better buying levels in the medium –term.

**Prices are likely to witness some initial weakness and trend towards Rs.25000/Qtl levels.**

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

**Fig-2 – Guar Gum Monthly Spot Prices (Jodhpur)**

Guar gum prices witnessed some initial gains and then closed lower during the month. Addition of long positions around lower levels lent some support to the market. Prices are likely to notice some weakness and then trend towards Rs.75000/Qtl levels in the medium –term. RSI is increasing in the neutral region supporting the firm tone of the market. Prices are holding above 9 –Day and 21 –Day EMA adding to the overall positive tone of the market. On the downside there is support at Rs.50000/Qtl levels. The next support is at Rs.41200/Qtl level. On the upside there is resistance at Rs. 72000/Qtl levels and Rs.80000/Qtl levels respectively. Traders are advised to wait for better buying levels in the medium –term.

**Prices are likely to trend towards Rs.75000/Qtl levels in the medium –term.**



### Spot Market Outlook:

Both Guar seed and Guar gum prices are expected to witness some recovery in the coming days. Traders are advised to wait for better buying levels in the medium –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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