

Highlights of the Month:

- Guar seed and guar gum prices noticed weakness during the month amid good rains in the growing regions.
- Sowing is complete in the major growing states of Rajasthan, Haryana and Gujarat. Acreage is expected to increase two –three times during the season compared to previous season.
- Expectation of higher output during the season is weighing on prices.
- According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 22, deficient in 13 and scanty in 01 sub-divisions (Saurashtra & Kutch).
- Demand remains sluggish in the market around current levels. Buyers are waiting for better buying levels in the medium –term.
- Rainfall in the month of September will determine the size of the crop.

Current Market Dynamics:

Guar seed and guar gum prices noticed weakness during the month. Profit –booking around higher levels weighed on the market. Good rains in the month of August helped in sowing activities. Sowing is almost complete in the states of Rajasthan, Haryana and Gujarat. Expectation of higher output in the current season compared to previous season is adding to the overall weak tone of the market.

Sowing has been late during the season following delay in the onset of south –west monsoon in the growing regions. In many areas, farmers have shifted acreage from bajra, cotton and moong towards guar seed. Acreage is reported to be three times higher compared to previous season in the states of Rajasthan and Haryana. In Gujarat, till date acreage is reported to be higher. According to trade sources, more rainfall in September could affect crop output. Rainfall in the coming days will determine crop output during the season and will give further direction to the market.

Most of the mills remain closed as there are no stocks of guar seed in the market. There is very little arrivals of guari crop in Sri-Ganganagar and Deesa markets. Demand remains normal for the guari crop in the ready market. Expected higher crop output will weigh on the market in the medium –term.

According to the President of Indian Guar Gum Manufacturer's Association, the exports of guar gum in the current season could decline by 20% compared to 500,000 metric tonnes in the previous year. Higher stocks with oil fracking companies like Halliburton and slowdown in demand is likely to affect exports. Export enquiries are lower

as many oil companies have stocked up guar gum earlier. Prices have declined from Rs.33000/Qtl levels and are currently trading around Rs.8500-10000/Qtl levels.

Trading in guar complex futures had stopped in March 2012 following meteoric rise in prices amid lower output and good demand. FMC is likely to launch new contracts in guar after studying the size of the kharif guar crop. In order to provide fair practices in the market, the crop output should be sizeable enough to meet demand. Preliminary crop estimates are likely by third week of September –October.

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 has been revived following good rains in the growing regions. Sowing activities are complete in Rajasthan and Haryana and is expected to be completed in Gujarat by this week. According to trade sources, acreage in Rajasthan and Haryana is expected to be three times more compared to previous season. Progress of south –west monsoon in non –irrigated areas for another two weeks will determine total crop size.

Guar seed sowing has so far covered around 3.01 million hectares in Rajasthan as on 31st August 2012 as against 2.76 million hectares during the same period previous year. In Haryana, guar seed has been sown in 3.52 lakh hectares till 29th August 2012 compared with 2.15 lakh hectares during the same period previous year. According to State Agricultural sources, acreage under guar seed in Gujarat till 27th August 2012 is reported at 187000 hectares compared to 117600 hectares during the same period last year. According to trade sources, production of guar seed is expected to increase by atleast 50 percent this season in case of scanty rainfall. Output of guar seed is estimated to be 19-20 lakh metric tonnes compared to 12.5 lakh metric tonnes in the previous season. Exact yield position will be clear by this month.

Agriwatch Guar seed Production Estimates

State	Normal Area Under Kharif ('000 Ha)	Current Known Acreage in 2012-13 ('000 Ha)	5-Yr Average Yield (Kg/Ha)	Expected Production in 2012-13 (Lakh Tn)	Yield Based on Rainfall (Kg/Ha)	Expected Production in 2012-13 (Lakh Tn)
Rajasthan	2920	3010	326.8	9.84	515	15.50
Haryana	287	352	1188.8	4.18	1200	4.22
Gujarat	141	187	467.8	0.87	300	0.56
Total				14.89		20.29

In the current season, onset of south –west monsoon was delayed in the growing regions. However there has been good rainfall in August 2012. In September, rainfall is expected to be normal except Gujarat. Based on rainfall till date, yield should be atleast at last year's level in the states of Rajasthan and Haryana. In Gujarat assuming total rainfall to be below normal during June –September, yield is estimated to be around 300 Kg/Ha. Based on these yields, production of guar seed is expected to be around 20.29 lakh metric tonnes in the current

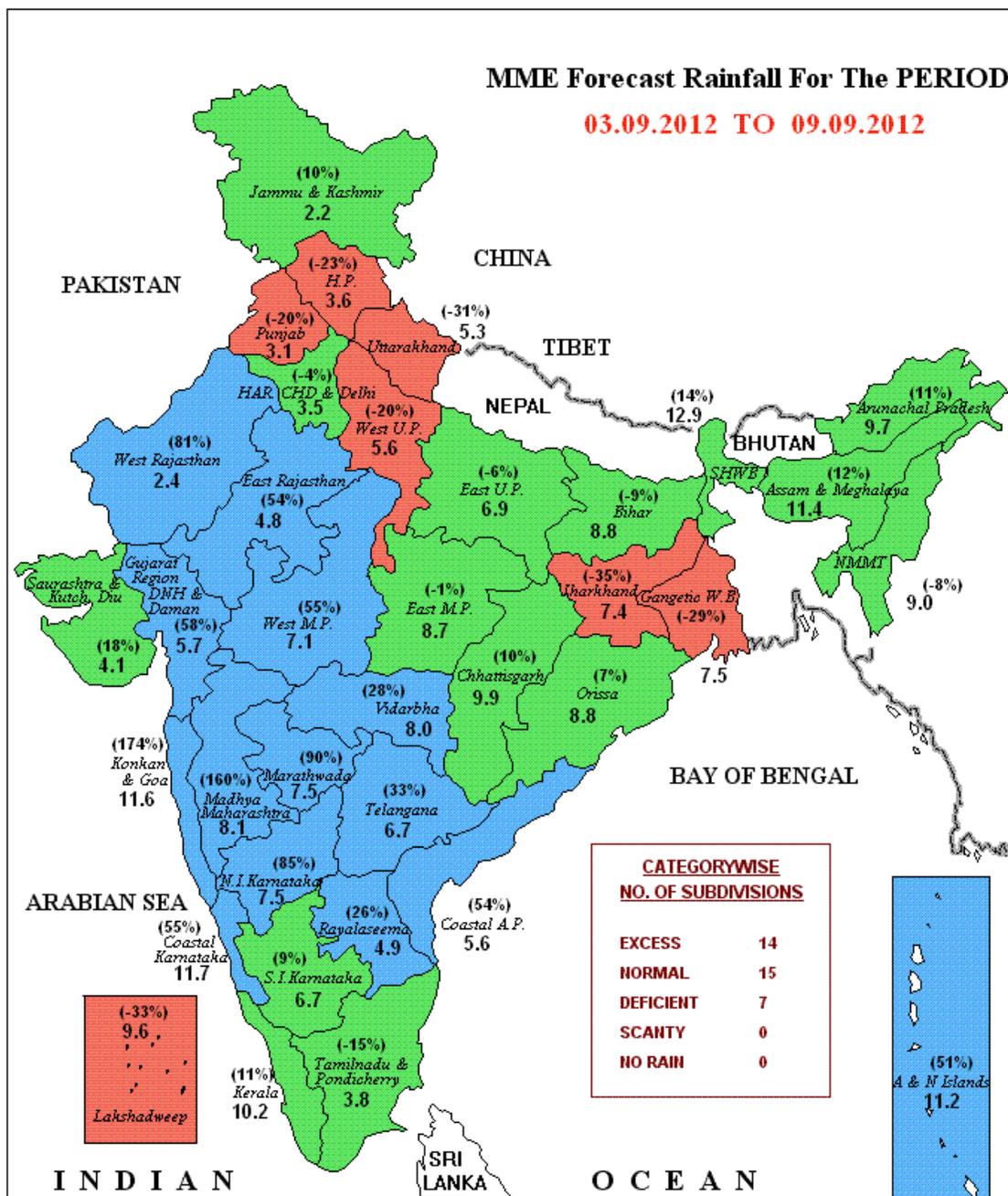
season compared to 12.5 lakh metric tonnes in the previous season. Other states like Maharashtra, Madhya Pradesh. Andhra Pradesh could contribute some small amount, which is not clear as on date.

Weather Watch

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 22, deficient in 13 and scanty in 01 sub-divisions (Saurashtra & Kutch) as on 29th August 2012. In area-wise distribution, 68% area of the country received excess/normal rainfall. Remaining 32% area received deficient/scanty rainfall for the week ending 31st August 2012. For the country as a whole, seasonal rainfall up to 29 August 2012 was 12% below the LPA as against 14% by the end of last week ending 22nd August.

Fairly wide spread rainfall would also occur over central India, Gujarat and Rajasthan during next two days and decrease in the middle of the week. Scattered rainfall would occur over northwest India during first half of the week which will increase in the second half.

भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT



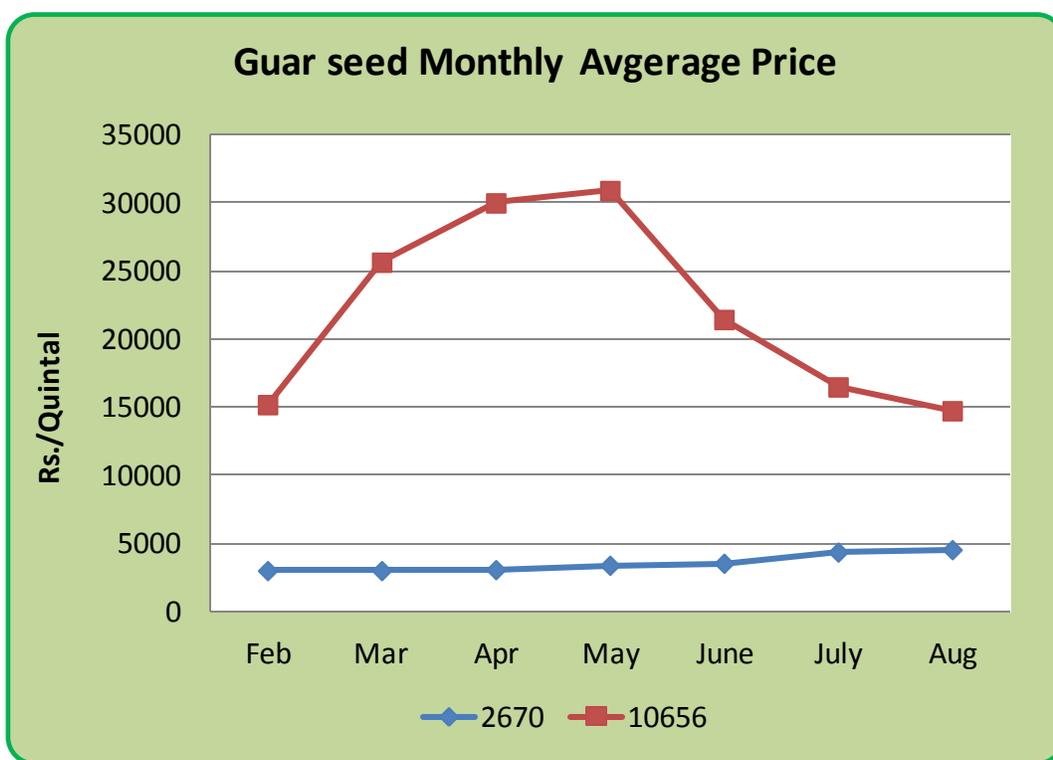
LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)
■ SCANTY (-60% TO -99%) ■ NO RAIN (-100%) NO DATA

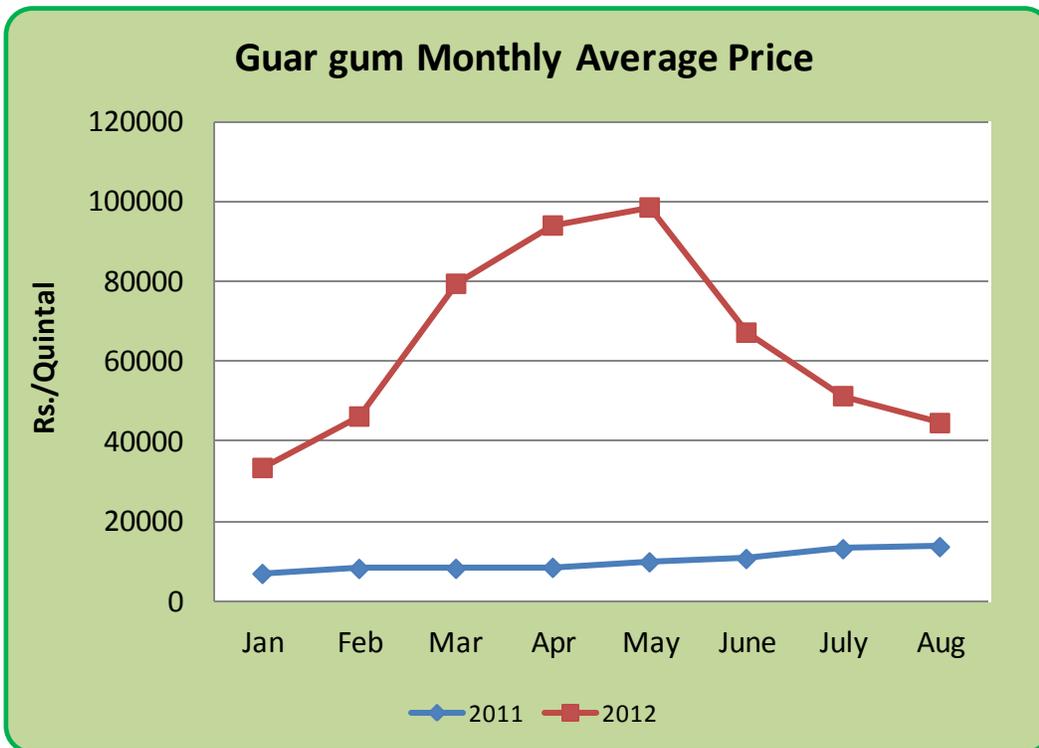
NOTES:
 (a) Rainfall figures are based on MME Forecast.
 (b) Bold figures indicate Forecast Normal rainfall (mm.)
 (c) Percentage Departures of Rainfall are shown in Brackets.

Source: IMD

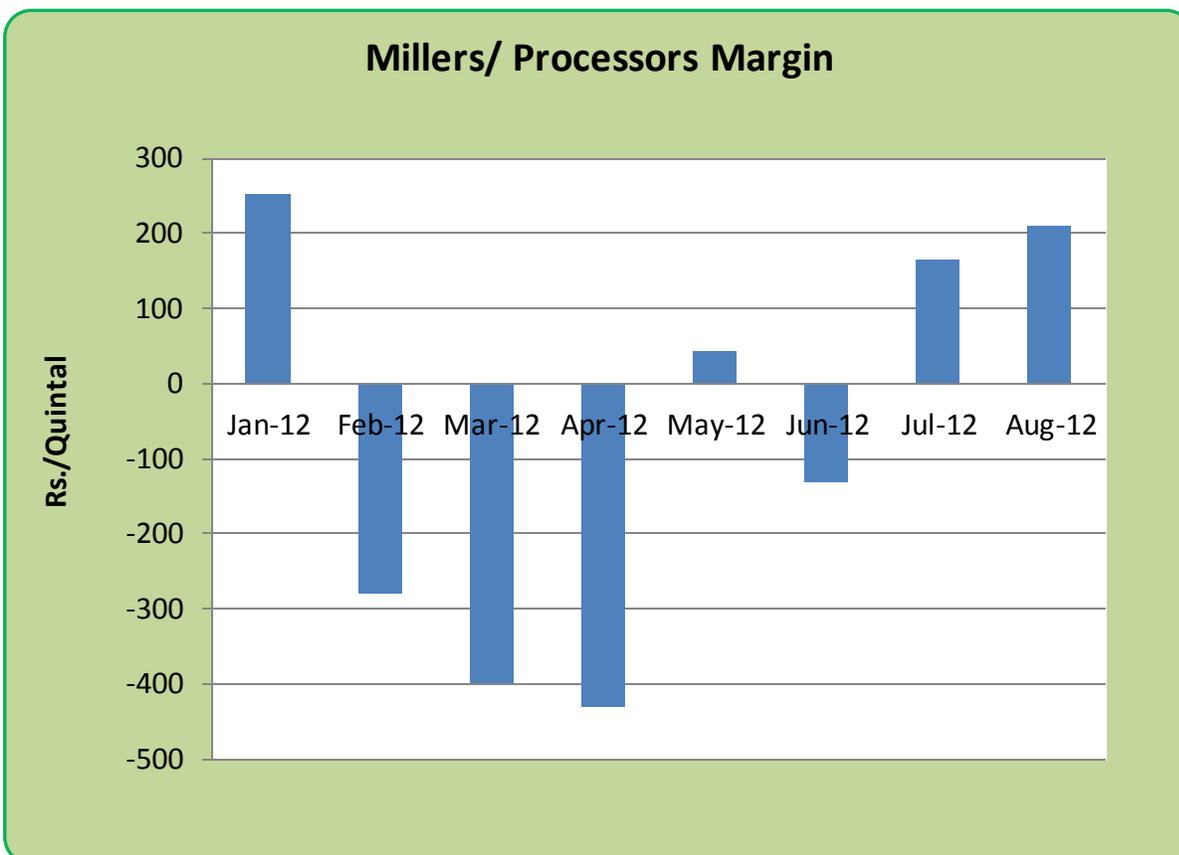
Price Scenario

Guar seed and guar gum prices continued to decline month-on-month basis in Jodhpur market. The average monthly price of guar seed declined by 10% to Rs.14710/Qtl and that of guar gum declined by 13% to Rs.44660/Qtl in comparison with the month of July. Expected increase in output 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 improved in the month of August compared to July. Margin improved amid decline in price of guar seed and higher prices of churi and korma. The average crush margin in the month of August stood at Rs.210.88/Quintal compared to average crush margin of Rs. 165.36/Quintal in the month of July. Guar seed prices have declined amid expectation of higher output in the coming season. Margin is expected to improve amid expected decline in the price of guar seed.

Prices of Guar gum Split, Powder and Meal

Commodity	Variety	31 st August, 2012	31 st July, 2012	Change
Guargum Split		6000	11000	-5000
Guargum Powder	200 Mesh 5000 CPS	6800	12750	-5950
	200 Mesh 3500 CPS	6600	12600	-6000
Guargum Meal		350	300	+50
Prices in \$/MT and FOB Mundra Port				

Prices of Churi and Korma

Commodity	31 st August, 2012	31 st July, 2012	Change
Churi	1100	950	+150
Korma	1950	1700	+250
Prices in Rs/75kg			

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		31-08-12	31-07-12	
Guar Seed	Jodhpur *	9800	21000	-11200
	Jodhpur	9000	19700	-10700
	Bikaner *	9500	21000	-11500
	Nokha	8350	20100	-11750
	Hanumangarh	-	-	-
	Sri-Ganganagar *	9000	20000	-11000
	Adampur	9600	20000	-10400
	Sirsa	10000	21000	-11000
	Bhiwani*	11000	19500	-8500
	Deesa	10140	20100	-9960
	Nagaur	-	-	-
	Dhabwali	-	-	-
Guar Gum	Jodhpur	31000	64000	-33000
	Bhiwani	34000	62000	-28000
	Dhabwali	-	-	-

*Delivery Price

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Total Month Ending 31-08-2012	Total Month Ending 31-07-2012	
Bikaner	1165	2015	-850
Nokha	175	72	+103
Sri-Ganganagar	-	-	-
Adampur	2975	5865	-2890
Bhiwani	-	-	-
All India	4315	7952	-3637

Spot Market Monthly Price Trend of Guar seed at Jodhpur

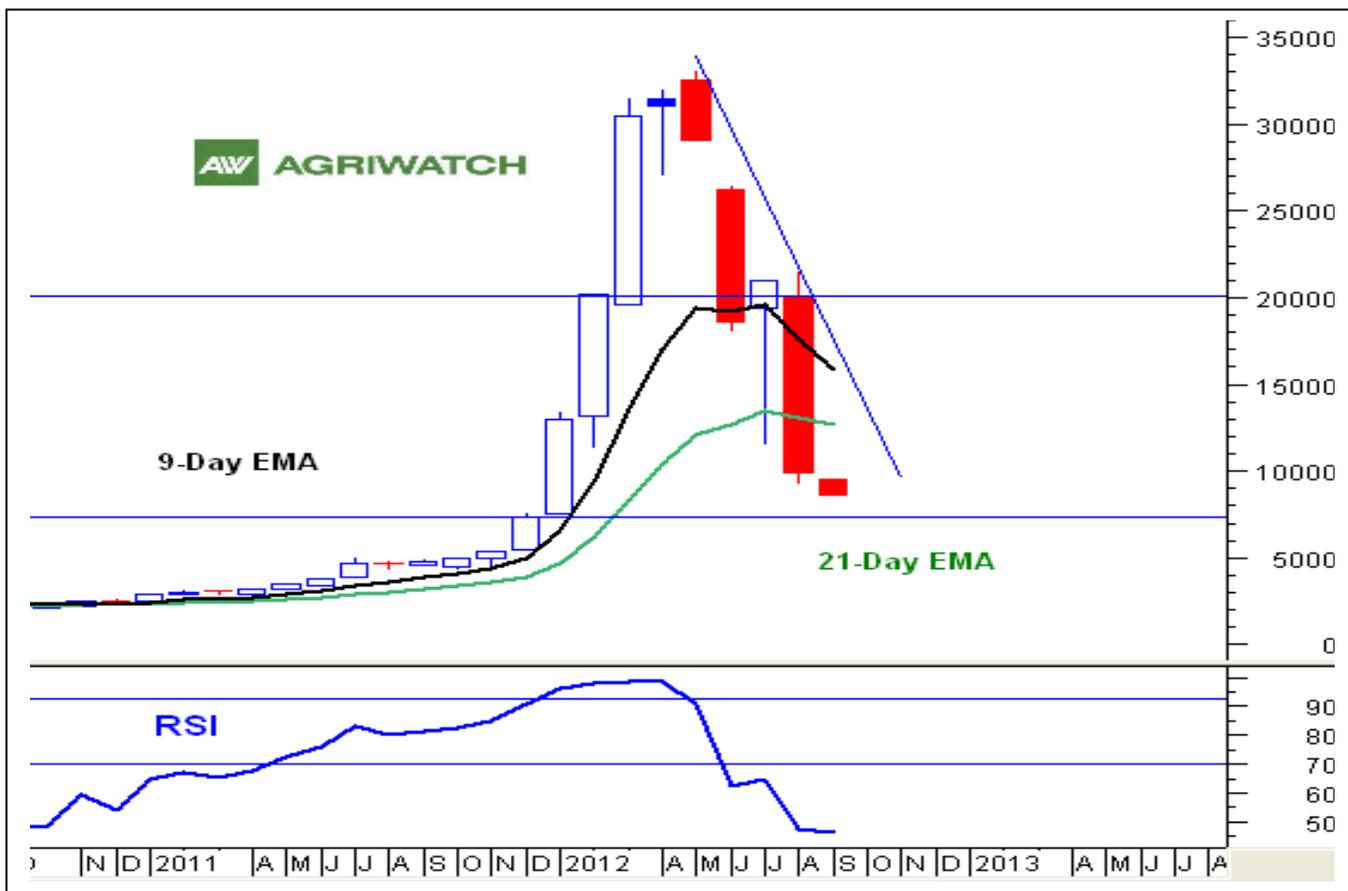


Fig-1 – Guar Seed Monthly Spot Prices (Jodhpur)

Prices noticed weak tone during the month and eased below Rs.10000/Qtl levels. Continuation of selling pressure weighed on the market. Prices are holding below the downtrend line in the monthly chart. RSI is declining in the neutral region and prices are likely to enter the oversold region denoting weakness in the near –term. Prices could witness some recovery in between within the overall bearish scenario of the market. Any recovery in the near –term should be considered as good selling opportunity. Prices will find support around Rs.7300/Qtl levels. The next support is at Rs.6000/Qtl levels. On the upside there is resistance at Rs.12900/Qtl and Rs.15000/Qtl levels respectively.

Prices are likely to likely to continue the weakness towards Rs.5000/Qtl levels in the medium –term.

Spot Market Monthly Price Trend of Guar Gum at Jodhpur

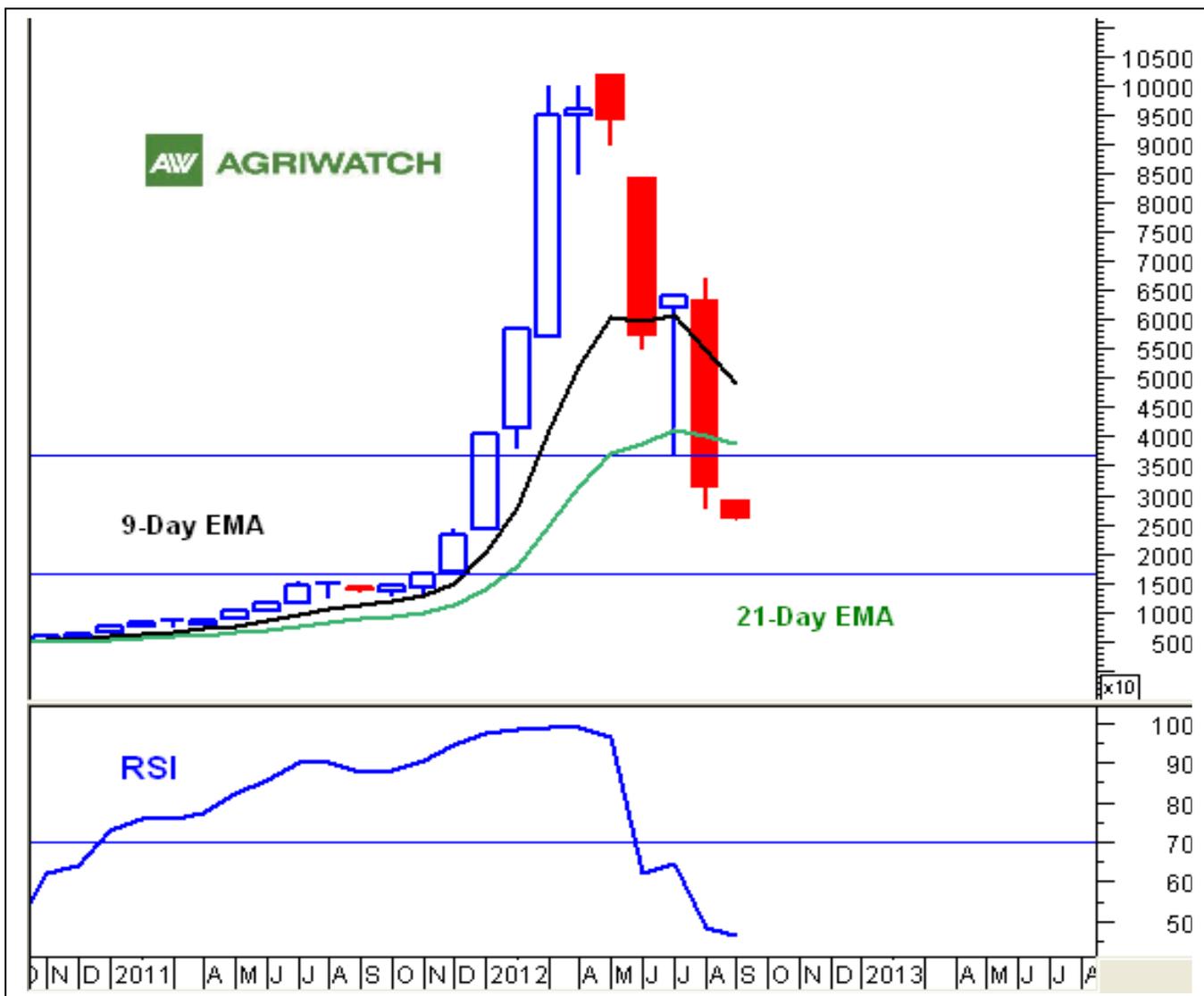


Fig-2 – Guar Gum Monthly Spot Prices (Jodhpur)

Guar gum prices moved in accordance with guar seed prices. Profit booking around current levels weighed on the market. Stochastic oscillator is declining in the oversold region denoting some recovery in the near –term. MACD has entered the negative territory adding to the overall weak tone of the market. Prices are likely to ease towards Rs.20000/Qtl levels in the coming days. Buyers can wait for better buying levels in the medium –term. Prices will find support around Rs.20000/Qtl levels. The next support is at Rs.16520/Qtl levels. On the upside there is resistance at Rs.36670/Qtl and Rs.40000/Qtl levels respectively.

Prices are likely to decline towards Rs.15000/Qtl levels in the medium –term.

Spot Market Outlook:

Both Guar seed and Guar gum prices are expected to continue weak tone 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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