

Highlights of the Month:

- Guar seed and guar gum prices continued weak tone during the month with some recovery in between.
- Anticipation of higher output of guar seed in the current season weighed on prices.
- Lack of stocks in the ready market might lent some support to the market.
- According to trade sources, there could be 10 -12% crop damage in certain districts of Rajasthan. Exact yield levels will be clear by this month.
- Farmers have paid higher prices of seed for sowing purpose and are worried of returns amid decline in prices.
- According to IMD, weather is expected to be mostly dry in the guar seed growing regions during the month.

Current Market Dynamics:

Guar seed and guar gum prices continued weak tone during the week. Anticipation of higher output during the current season and sluggish demand around current levels are weighing on prices. Lack of rains during the last few days might affect the crop to certain extent. In case of deficit, output of guar seed is expected to increase by 50% during this season.

In the current season, initial expectation of increase in guar seed output was 2 -3 times following increase in acreage. In states like Maharashtra, Andhra Pradesh and Madhya Pradesh, guar seed has been sown and there is no clear picture of the crop area in these states. Onset of south –west monsoon was delayed in the guar seed growing regions and sowing was completed by August –first week of September. Another spell of rain is required for the development of the crop. There could be some damage to the crop amid lack of rains in the near -term.

According to trade sources, around 25 -30% of the crop could be affected in Bikaner and 10-12% of the crop could be affected in other districts of Rajasthan like Barmer, Nokha, Churu etc. The size of the crop will be clear by next month.

According to USDA, production of guar seed in India is expected at 24.41 lakh metric tonnes in the current season. Companies in the overseas markets have stocked up guar and are also developing cheaper alternatives to guar gum for use in food processing industry and oil fracking. Halliburton in US has launched Permstim as an alternative to guar gum to be used in oil fracking. The company has started placing its PermStim in around 40 wells, in the last quarter, in U.S. basins. Henceforth, this alternative to guar gum will help to stabilize costs and improve its profit margins in the coming period. Lower export demand following availability of cheaper alternatives

and higher production in the domestic market will weigh on prices in the medium –term. FMC has not taken any decision regarding re-launching of guar complex futures in the near –term.

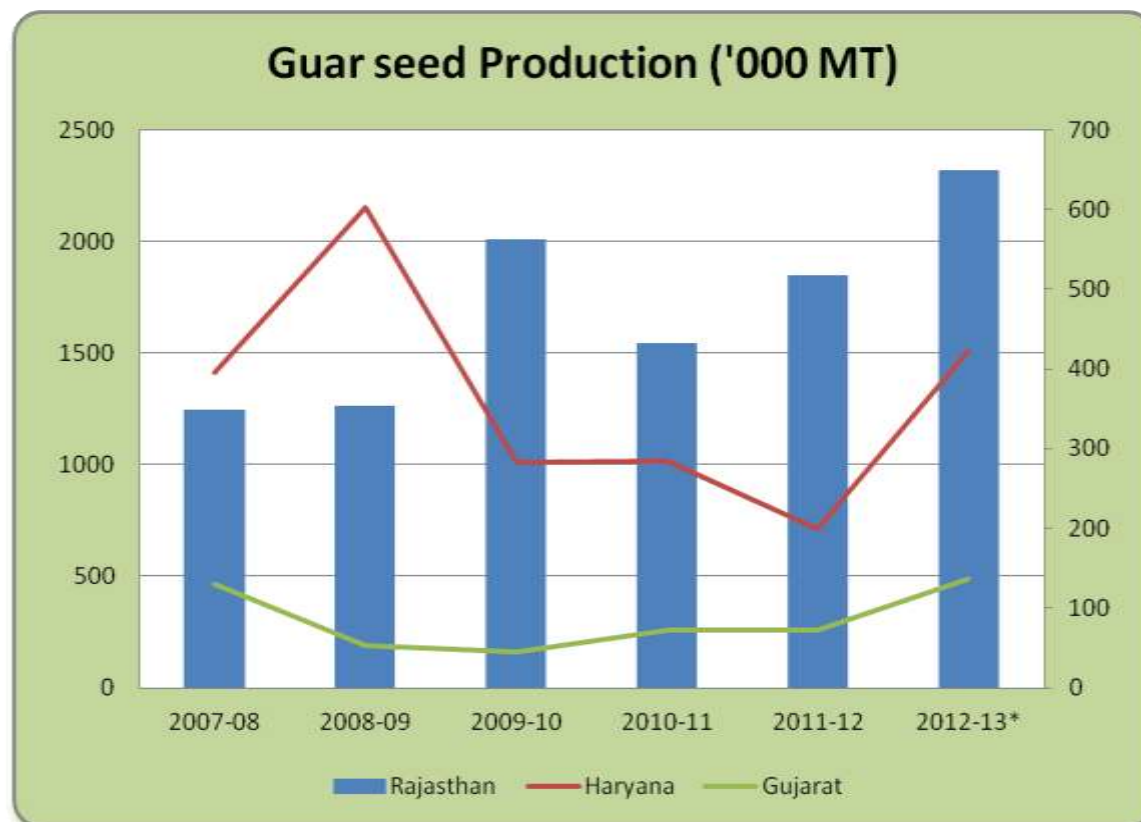
Export and Import Scenario

As per sources, both Gum and Powder demand remains lack –luster in the export market. Companies in the overseas markets have stocked up guar and are also developing cheaper alternatives to guar gum for use in food processing industry and oil fracking. In the current season, export orders could be lower, thereby weighing on the market. In March 2012, 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

According to the first advance estimates of Haryana agricultural department, guar production in the current season is estimated at 3.75 lakh metric tonnes compared to 2.0 lakh metric tonnes in the previous season. In Punjab, farmers normally sow guar seed in 3000 –4000 acres. However following meteoric rise in prices during the previous season, farmers have sown guar seed in nearly 50,000 acres during this season. According to State Agricultural sources, acreage under guar seed in Gujarat till 17th September 2012 is reported at 233700 hectares compared to 129000 hectares during the same period last year. Production of guar seed is expected to increase by atleast 50 percent this season.

In the current season, onset of south –west monsoon was delayed in the growing regions. However there has been good rainfall in August and September 2012. Lack of rains in certain growing regions during the week might affect the crop. Based on rainfall during June –September, yield should be atleast at last year's level in the states of Rajasthan and Gujarat and around 1200kg/Ha in Haryana (5 –year's average yield). Based on these yields, Agriwatch's production estimates of guar seed is expected to be around 28.-30 lakh metric tonnes in the current season. Other states like Maharashtra, Madhya Pradesh. Andhra Pradesh could contribute some small amount during this season, which is not clear as on date. The graph below shows the production of guar seed in major states during the last few years.



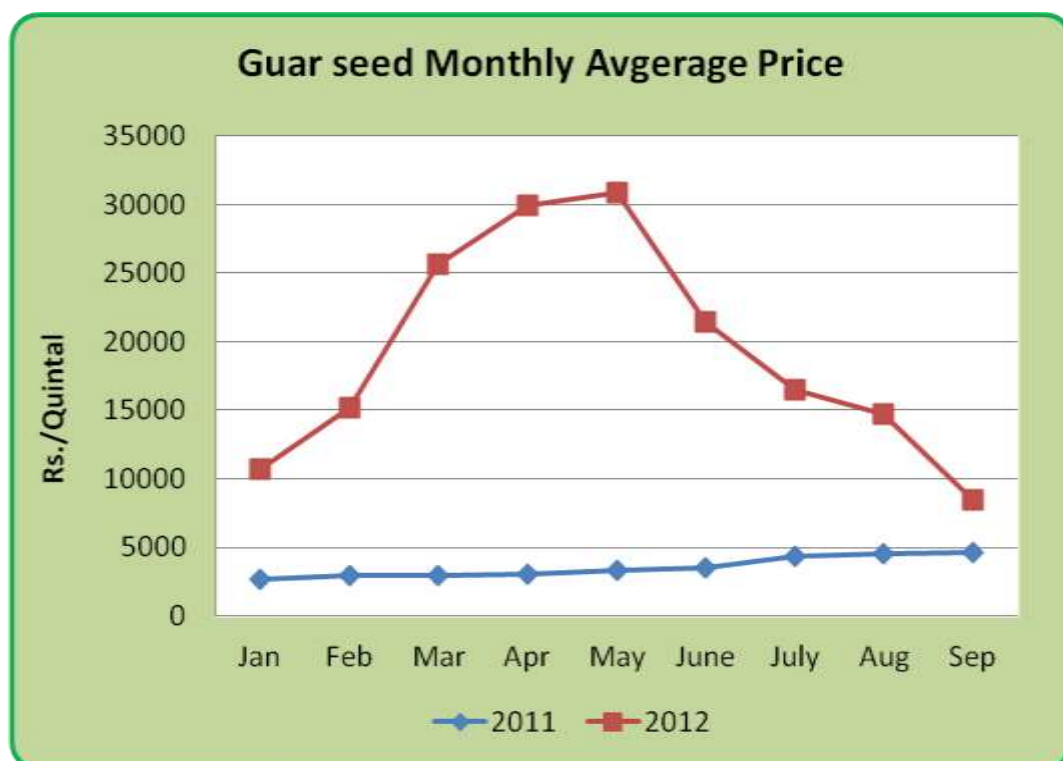
***Agriwatch Estimates**

Weather Watch

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions. In area-wise distribution, 70% area of the country received excess/normal rainfall. Remaining 30% area received deficient rainfall. For the country as a whole, seasonal rainfall up to 26 September was 07% below the LPA as against 05% by the end of last week ending 19 September. According to IMD, weather is expected to be dry in parts of north-west India and Gujarat.

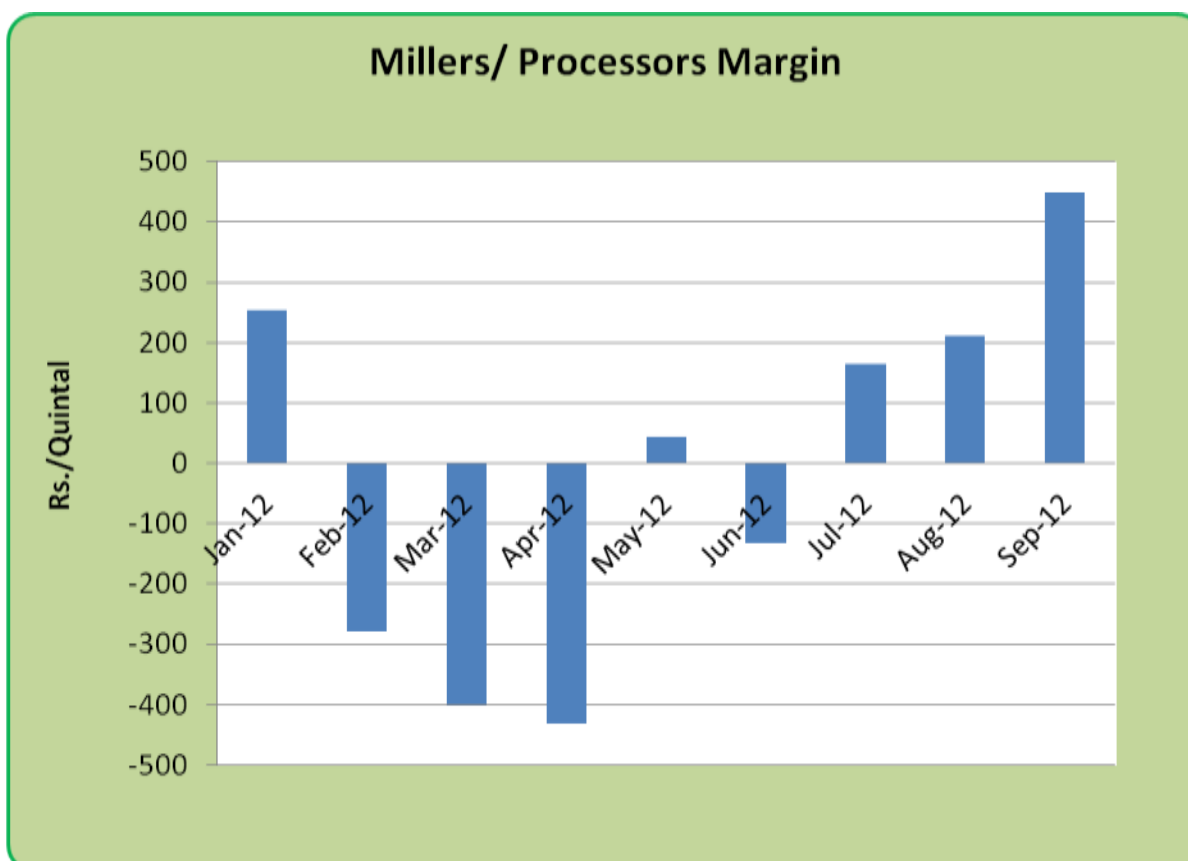
Price Scenario

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 43% to Rs.8445/Qtl and that of guar gum declined by 45% to Rs.24650/Qtl in comparison with the month of August. 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 increased in the month of September compared to August. Margin improved amid decline in price of guar seed and higher prices of churi and korma. The average crush margin in the month of September stood at Rs.448.88/Quintal compared to average crush margin of Rs. 210.88/Quintal in the month of August. Guar seed prices have declined following anticipation 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 | 29th September, 2012 | 31 st August, 2012 | Change |
|-------------------------------------|-------------------|----------------------|-------------------------------|--------|
| Guargum Split | | 4800 | 6000 | +1200 |
| Guargum Powder | 200 Mesh 5000 CPS | 6000 | 6800 | -800 |
| | 200 Mesh 3500 CPS | 5600 | 6600 | -1000 |
| Guargum Meal | | 350 | 350 | Unch |
| Prices in \$/MT and FOB Mundra Port | | | | |

Prices of Churi and Korma

| Commodity | 29th September, 2012 | 31 st August, 2012 | Change |
|-------------------|----------------------|-------------------------------|--------|
| Churi | 1050 | 1100 | -50 |
| Korma | 2000 | 1950 | +50 |
| Prices in Rs/75kg | | | |

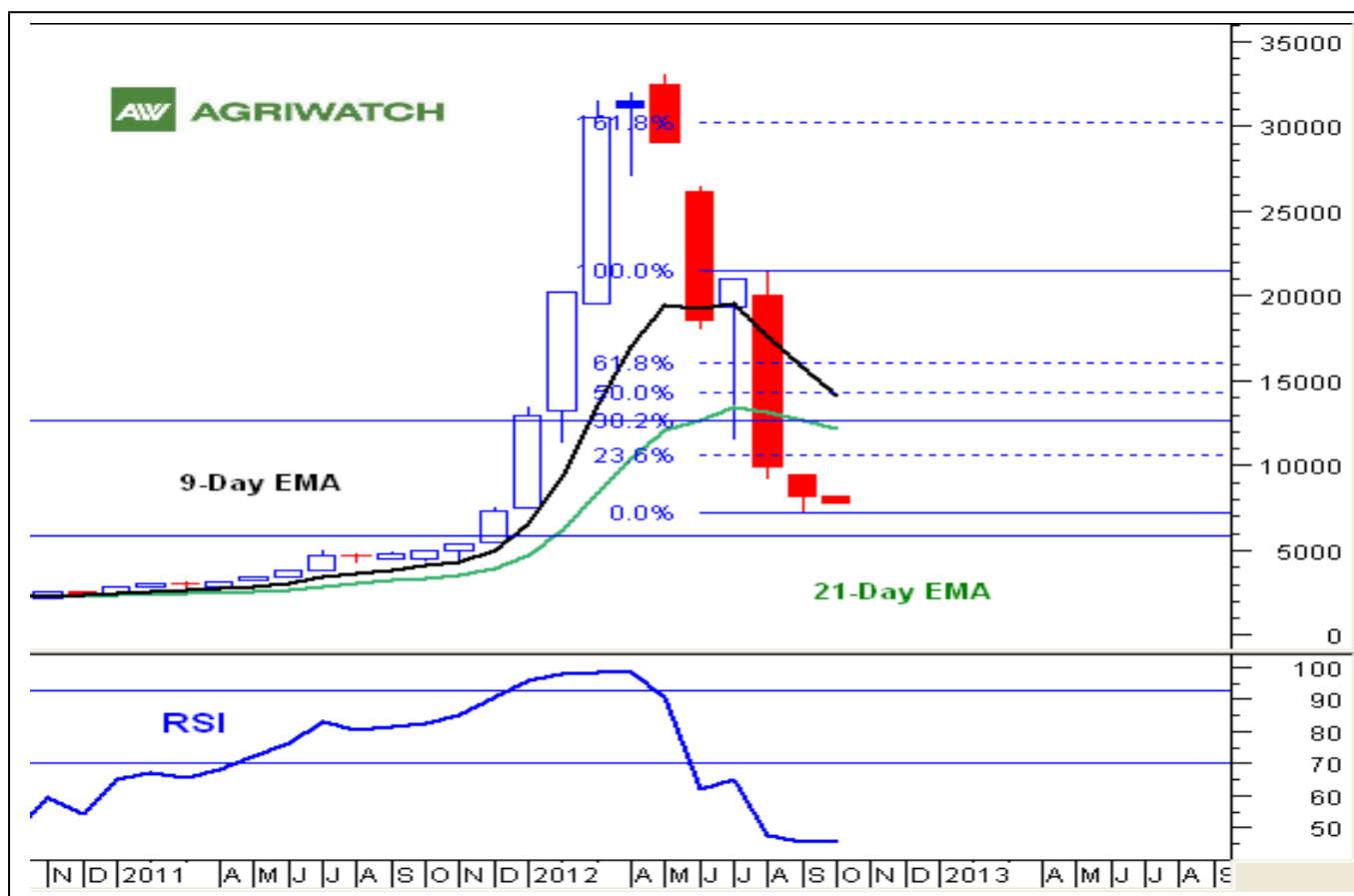
Guar Prices at Key Spot Markets

| Commodity | Centre | Prices (Rs/Qtl) | | Change |
|-----------|------------------|-----------------|----------|--------|
| | | 29-09-12 | 31-08-12 | |
| Guar Seed | Jodhpur * | 8100 | 9800 | -1700 |
| | Jodhpur | 7700 | 9000 | -1300 |
| | Bikaner * | 8000 | 9500 | -1500 |
| | Nokha | 7500 | 8350 | -850 |
| | Hanumangarh | NA | - | - |
| | Sri-Ganganagar * | 8000 | 9000 | -1000 |
| | Adampur | 8000 | 9600 | -1600 |
| | Sirsa | NA | 10000 | - |
| | Bhiwani* | 8000 | 11000 | -3000 |
| | Deesa | 6540 | 10140 | -3600 |
| | Nagaur | NA | - | - |
| | Dhabwali | NA | - | - |
| Guar Gum | Jodhpur | 23500 | 31000 | -7500 |
| | Bhiwani | 22500 | 34000 | -11500 |
| | Dhabwali | NA | - | - |

*Delivery Price

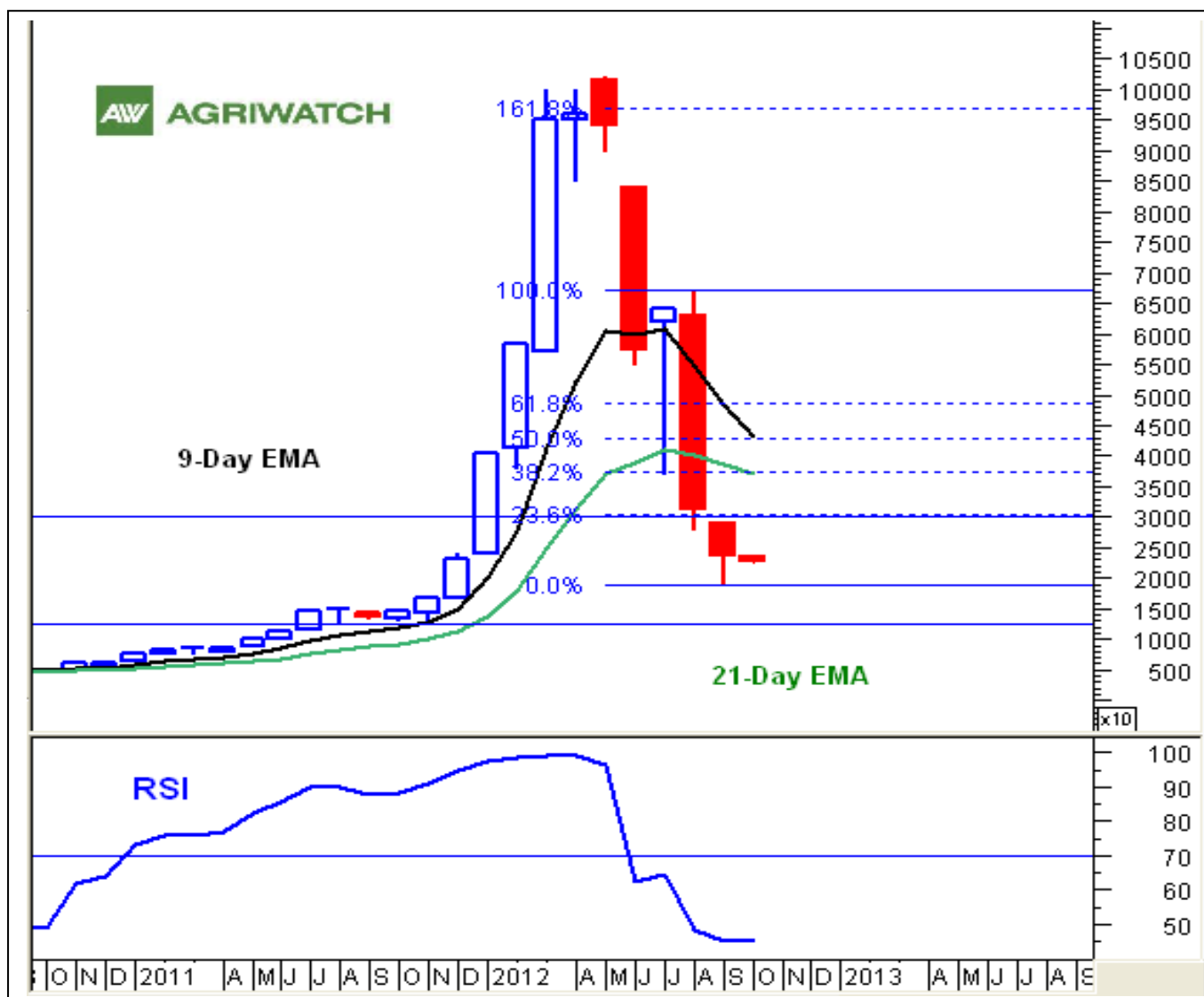
Guar Cumulative Arrivals in Key Centers

| Centre | Arrivals (Quintals) | | Change |
|----------------|-------------------------------|-------------------------------|--------|
| | Total Month Ending 29-09-2012 | Total Month Ending 31-08-2012 | |
| Bikaner | 1990 | 1165 | +825 |
| Nokha | 10 | 175 | -165 |
| Sri-Ganganagar | - | - | |
| Adampur | 3290 | 2975 | +315 |
| Bhiwani | - | - | |
| All India | 5290 | 4315 | +975 |

Spot Market Monthly Price Trend of Guar seed at Jodhpur

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

Prices continued weak tone and traded in a narrow range during the month. For the decline in prices from Rs.21500/Qtl till Rs.7200/Qtl, prices are likely to continue the recent recovery towards 23.6% Fibonacci retracement level of Rs.10500/Qtl. Prices are holding below 9 –Day and 21 –Day EMA supporting the overall weak tone of the market. RSI is declining in the neutral region supporting weakness in the near –term. On the downside there is support at Rs.7200/Qtl. The next support is at Rs.6000/Qtl. Prices are likely to hold these levels. On the upside there is resistance at Rs.12650/Qtl and Rs.15000/Qtl levels respectively. Traders are advised to purchase their near –term requirement around current levels as prices are likely to continue recovery for some time. Cloisng above Rs.12600/Qtl level will negate the overall bearish scenario of the market to certain extent..

Prices are likely to notice recovery towards Rs.10000/Qtl levels in the near –term and then continue overall weak tone.

Spot Market Monthly Price Trend of Guar Gum at Jodhpur

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

Guar gum prices noticed weakness during the month and moved towards Rs.20000/Qtl levels. For the decline in prices from Rs.67000/Qtl till Rs.19000/Qtl, prices could witness recovery towards 23.6% Fibonacci retracement level of Rs.30230/Qtl. MACD is declining in the positive territory denoting weakness in the near –term. On the downside there is support at Rs.16500/Qtl. The next support is at Rs.12600/Qtl. On the upside there is resistance at Rs.30000/Qtl and Rs.36000/Qtl levels respectively. Stochastic oscillator is declining in the oversold region supporting firm tone in the coming days.

Prices are likely to trend towards Rs.30000/Qtl levels and thereafter continue the overall weak tone .



Spot Market Outlook:

Both Guar seed and Guar gum prices are expected to continue recent recovery. Traders are advised to wait for better buying levels in the medium –term as prices are expected to continue overall weak tone after recent recovery.

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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