

**Highlights of the Month:**

- Guar seed and guar gum prices noticed recovery during the month.
- Lack of rains in the guar seed growing regions during the withdrawal phase of south –west monsoon lent support to the market.
- Crop damage in parts of Rajasthan, Haryana and Gujarat added to the positive tone of the market.
- Good quality crop arrival is expected by mid -November.
- Trading community is expecting re-launching of guar complex futures in the near –term.
- Dry weather in parts of north –west India will help in harvesting activities.

**Current Market Dynamics:**

Guar seed and guar gum prices noticed recovery during the month. Anticipation of re –launch of guar complex futures and crop damage in certain areas of Rajasthan, Haryana and Gujarat lent support to the market. There is not much trading activities amid lack of stocks and sluggish demand in the ready market.

Crop has been damaged in certain parts of Rajasthan, Haryana and Gujarat following lack of sufficient rainfall during the month of October. Another spell of rain was required in October following delay in sowing of guar seed during this season. According to our field sources crop damage could be around 30 -40% in certain parts of Rajasthan, Haryana and Gujarat. Size of the crop will be lower than our initial estimates of 28 -30 lakh metric tonnes. Arrival of the new crop is picking up in various mandis.

Good quality arrival is expected by November. Currently there is not much demand from the millers following higher moisture content in the new crop arrival. Moisture content in the new crop arrival in certain areas of Rajasthan is reported to be around 12 -15%.

Currently average arrival in India is around 25000 -30000 bags. Arrivals are expected to pick up in the coming days. Millers demand is expected to pick up by mid -November. Export demand could be lower this season as oil companies have stocked up guar.

FMC has submitted report to Food Ministry and decision regarding re-launch of guar complex futures is likely to be taken in the near-term. There has also been opposition from certain trade segments in the country. Trading community is hoping guar complex futures to start.

In the overseas market, oil and gas companies have stocked up guar during the previous season at higher prices, thereby affecting the profit margin of the companies. Expected lower export demand during the season will weigh on prices in the medium-term. According to industry sources, Guar gum exports to the US during the period under review amounted to 2.01 billion, accounting for 88.9 per cent of India's total exports of the commodity. The share of the US in India's overall export basket has grown to 14.3 per cent in the first quarter, against 11.3 per cent in 2011-12.

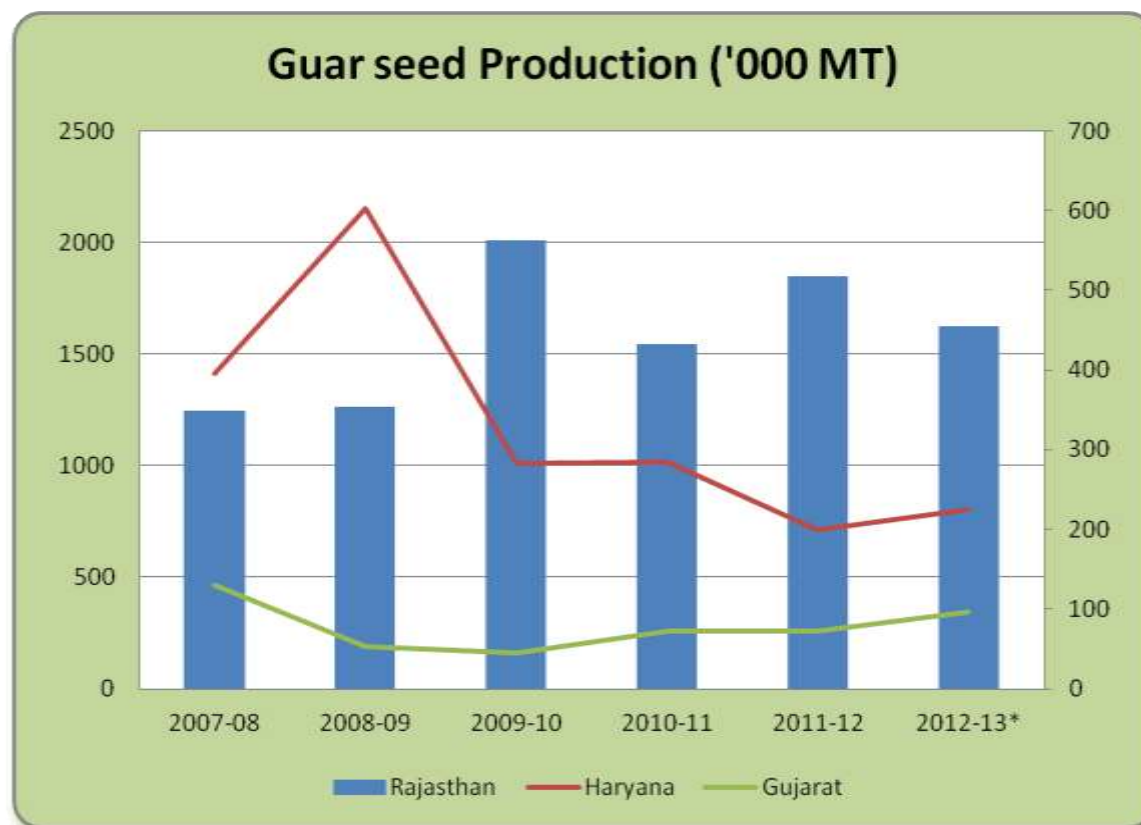
### **Export and Import Scenario**

As per sources, both Gum and Powder demand is likely to be sluggish during the season as many oil companies in the overseas markets have stocked up guar. 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 7.07 lakh tonnes during 2011-2012 against 4.41 lakh metric tonnes recorded during 2010-11.

### **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 1<sup>st</sup> October 2012 is reported at 237500 hectares compared to 129000 hectares during the same period last year. Production of guar seed is expected to increase by at least 50 percent this season.

In the current season, onset of south-west monsoon was delayed in the growing regions. Lack of rains in certain growing regions during the month of October has affected the crop. Based on rainfall during June-September, there could be around 30-40% crop damage in parts of Rajasthan, Haryana and Gujarat. Based on this, Agriwatch's production estimates of guar seed is expected to be around 20-23 lakh metric tonnes in the current season compared to the initial estimates of 28-30 lakh metric tonnes. Other states like Maharashtra, Madhya Pradesh. Andhra Pradesh could contribute some small amount during this season, which is not clear as on date.



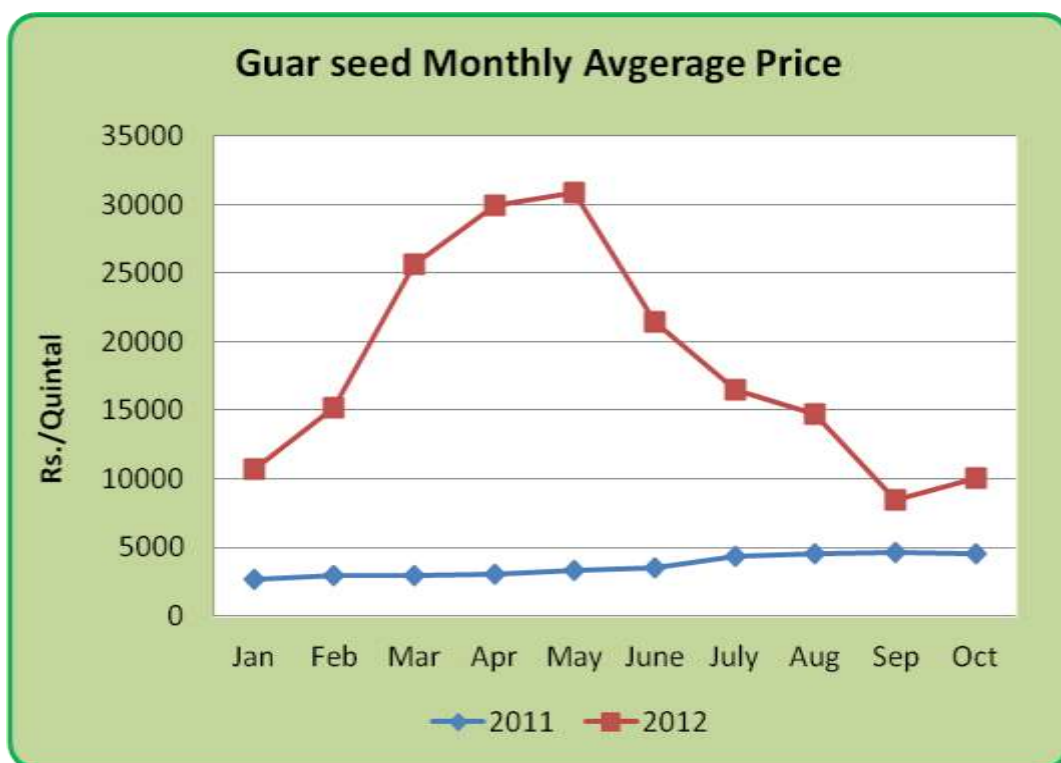
**\*Agriwatch Estimates**

### Weather Watch

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions during this season, June -September. 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 in the near -term. This will help in harvesting activities.

### Price Scenario

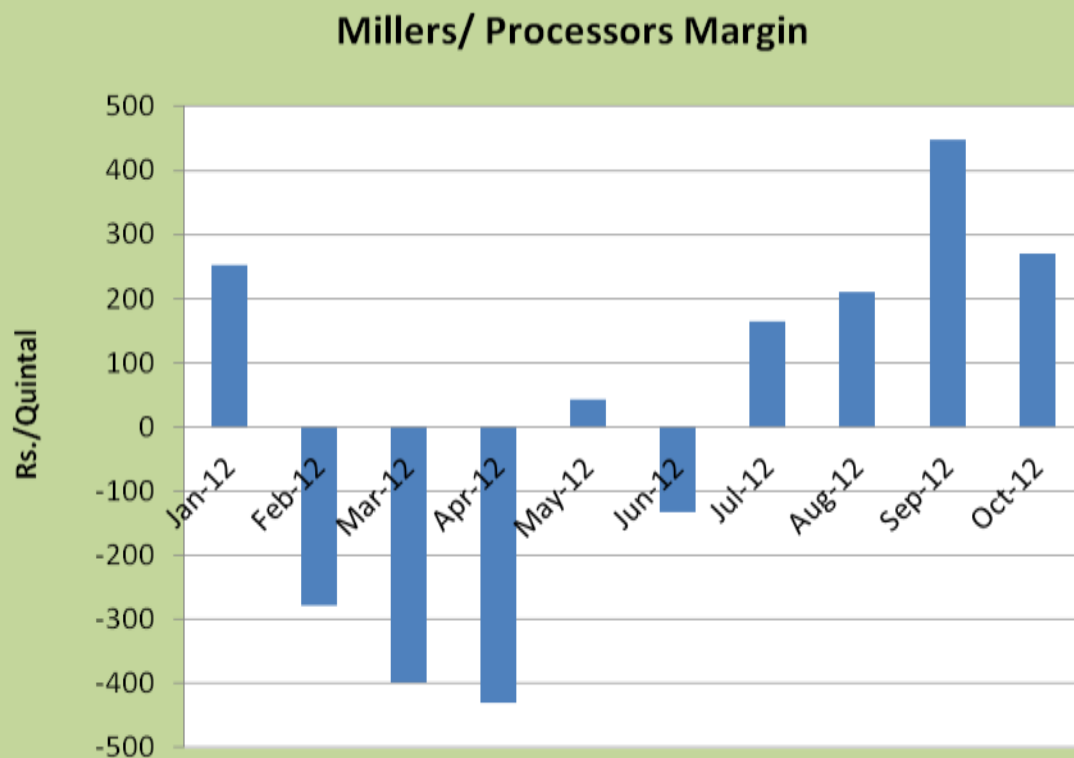
Guar seed and guar gum prices increased month-on-month basis in Jodhpur market. The average monthly price of guar seed increased by 19% to Rs.10040/Qtl and that of guar gum increased by 18% to Rs.29076/Qtl in comparison with the month of September. Anticipation of lower output is supporting prices. The graph below illustrates the monthly average price movement of guar seed and guar gum in Jodhpur market.



### Guar gum Monthly Average Price



### Millers/Processors Margin





As seen in the chart above, average crushing margin for guar seed millers declined in the month of October compared to September. Margin declined amid recovery in price of guar seed. The average crush margin in the month of October stood at Rs.270.00/Quintal compared to average crush margin of Rs. 448.00/Quintal in the month of September. Guar seed prices have increased following anticipation of lower output in the coming season. Margin is expected to decline amid expected increase in the price of guar seed.

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

Commodity	Variety	31 <sup>st</sup> October, 2012	29th September, 2012	Change
<b>Guargum Split</b>		5140	4800	<b>+340</b>
<b>Guargum Powder</b>	200 Mesh 5000 CPS	6100	6000	<b>+100</b>
	200 Mesh 3500 CPS	6000	5600	<b>+400</b>
<b>Guargum Meal</b>		320	350	<b>-30</b>
<b>Prices in \$/MT and FOB Mundra Port</b>				

**Prices of Churi and Korma**

Commodity	31 <sup>st</sup> October, 2012	29th September, 2012	Change
<b>Churi</b>	1175	1050	<b>+125</b>
<b>Korma</b>	1950	2000	<b>-50</b>
<b>Prices in Rs/75kg</b>			

**Guar Prices at Key Spot Markets**

Commodity	Centre	Prices (Rs/Qtl)		Change
		31-10-12	29-09-12	
<b>Guar Seed</b>	Jodhpur *	9800	8100	<b>1700</b>
	Jodhpur	9300	7700	<b>1600</b>
	Bikaner *	9600	8000	<b>1600</b>
	Nokha	9200	7500	<b>1700</b>
	Hanumangarh	9300	NA	-
	Sri-Ganganagar *	11500	8000	<b>3500</b>
	Adampur	9500	8000	<b>1500</b>
	Sirsa	9000	NA	-
	Bhiwani*	9000	8000	<b>1000</b>
	Deesa	8245	6540	<b>1705</b>
	Nagaur	NA	NA	-
	Dhabwali	NA	NA	-
<b>Guar Gum</b>	Jodhpur	30400	23500	<b>6900</b>
	Bhiwani	27000	22500	<b>4500</b>
	Dhabwali	NA	NA	-

\*Delivery Price

**Guar Cumulative Arrivals in Key Centers**

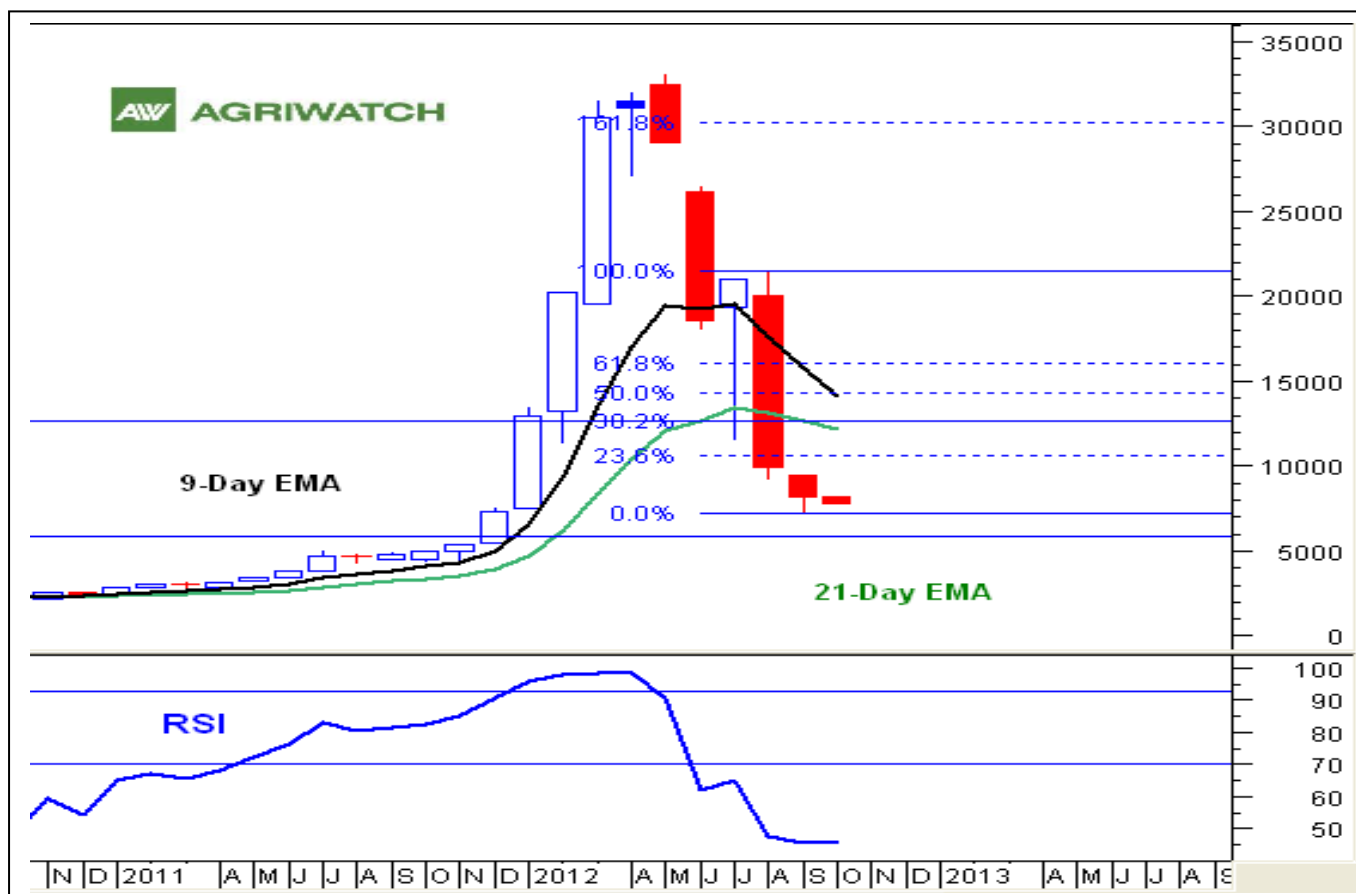
Centre	Arrivals (Quintals)		Change
	Total Month Ending 31-10-2012	Total Month Ending 29-09-2012	
<b>Jodhpur</b>	79850	16500	<b>63350</b>
<b>Bikaner</b>	1935	1990	<b>-55</b>
<b>Nokha</b>	83	10	<b>73</b>



Hanumangarh	2665	NA	-
Sri-Ganganagar	5570	NA	-
Adampur	9180	3290	5890
Sirsa	777	NA	-
Bhiwani	5500	NA	-
Deesa	2854	1183	1671
Nagaur	NA	NA	-
Dhabwali	NA	NA	-
All India	108414	22973	85441



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

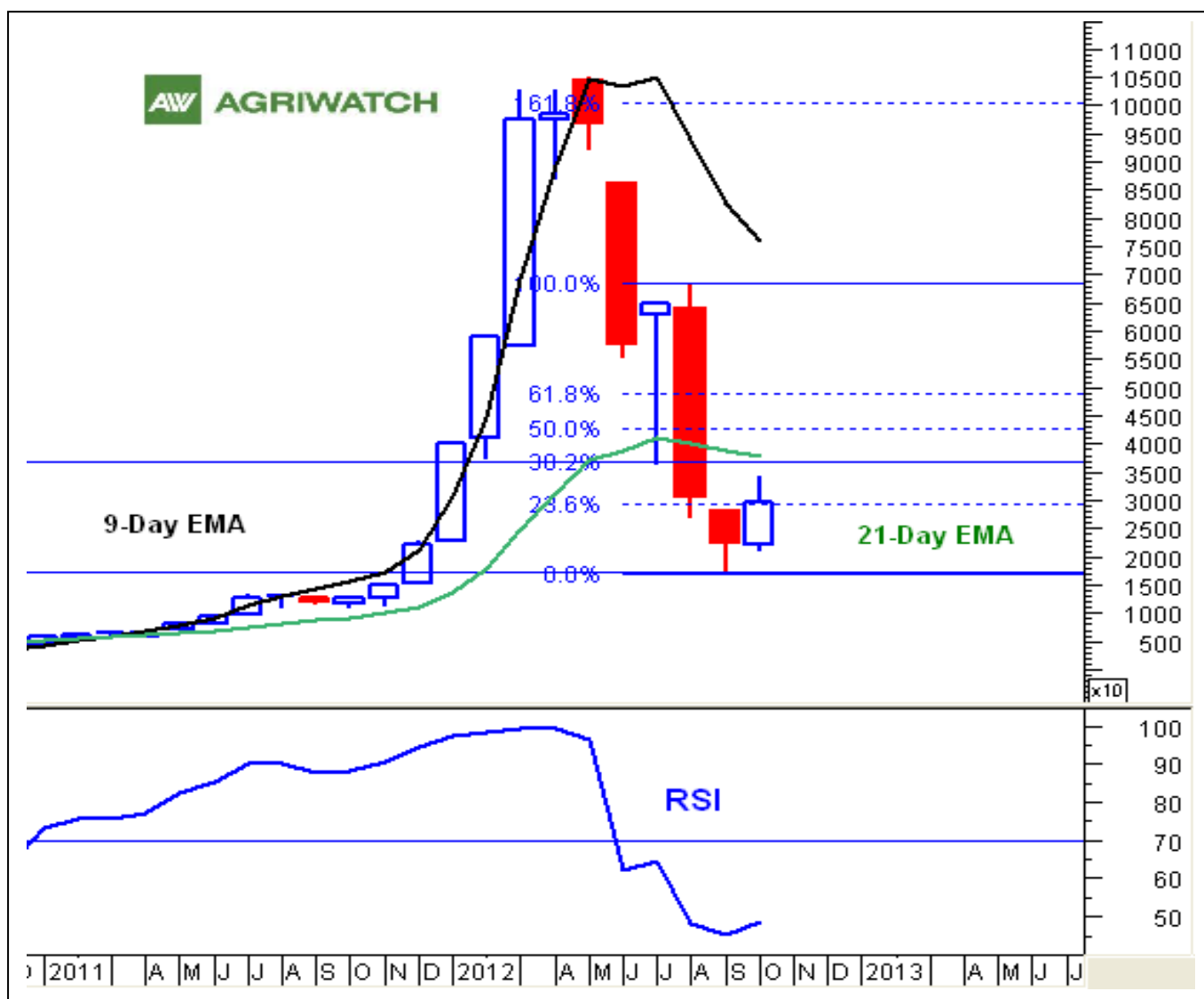


**Fig-1 – Guar Seed Monthly Spot Prices (Jodhpur)**

Prices witnessed recovery during the month. For the decline in prices from Rs.33000/Qtl till Rs.7200/Qtl levels, prices are likely to move towards 23.6% retracement level of Rs.13250/Qtl. Closing above Rs.20000/Qtl will change the overall weak tone of the market. MACD is declining in the positive territory supporting the overall weak tone of the market. In the medium –term, prices could move towards Rs.15000/Qtl levels with some weakness in between. Stochastic oscillator is declining in the oversold territory supporting some recovery in the near –term. Prices will find support around Rs.7200/Qtl. The next support is at Rs.5230/Qtl. Prices are likely to hold Rs.5000/Qtl levels. On the upside there is resistance at Rs.13250/Qtl and Rs.15000/Qtl levels respectively. Traders are advised to purchase on any weakness towards Rs.6000/Qtl levels for their medium –term requirement.

**Prices are likely to notice some weakness towards Rs.7000/Qtl levels in the near –term and then trend upwards 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 witnessed recovery during the month. For the decline in prices from Rs.67000/Qtl till Rs.19000/Qtl levels, prices are likely to continue recovery towards 38.2% retracement level of Rs.37000/Qtl levels. Before continuing the positive tone prices could notice some weakness towards Rs. 21000/Qtl levels. Traders can consider buying on any weakness towards Rs.20000/Qtl levels for their medium –term requirement. Prices are holding below 9 –Day and 21 –Day EMA supporting the overall weak tone of the market. RSI is increasing in the neutral region supporting firm tone in the near –term. Prices will find support Rs.18680/Qtl. The next support is at Rs.15000/Qtl. On the upside there is resistance at Rs.37000/Qtl and Rs.43250/Qtl levels respectively.



Prices are likely to notice some weakness and trend towards Rs.400000/Qtl levels in the medium –term.

### Spot Market Outlook:

Both Guar seed and Guar gum prices are expected to notice weakness in the near –term. Traders are advised to buy on any weakness for their medium –term requirement.

### 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.