

Domestic Market Recap:

- Guar seed and guar gum prices continued weak tone during the week.
- Arrivals have picked up slightly in the mandis.
- Expectation of higher acreage under guar seed in the coming season weighed on prices.
- Guari crop is expected in Gujarat in the near –term. Size of the crop will be clear by next month.
- Lack –luster buying activities around current levels added to the weak tone of the market.
- Normal sowing of guar will begin in the third week of June-July with the commencement of monsoon in the growing regions.

Current Market Dynamics

Guar seed and guar gum prices witnessed mostly steady to weak tone during the week. Lack-luster demand around current levels weighed on prices. Expectation of higher acreage under guar seed in the coming season added to the weak tone of the market. Buyers are expecting better levels in the medium –term. Sowing progress of the crop will give further direction to the market.

Guari crop is expected in Gujarat in the near –term. Sowing of guari has been completed in Rajasthan and Haryana and is likely to be harvested by next month. As of date, size of the crop is not clear. Normal sowing of the guar crop will start in the third week of June-July. However in certain areas of Haryana and Sri-Ganganagar, Kota in Rajasthan having irrigation facility, sowing of guar has started. According to trade sources, around 2-3% of the sowing has been completed in Haryana. In the current season, guar is likely to be sown in Andhra Pradesh, Tamil Nadu and Madhya Pradesh also. Vikas WSP Ltd, leading exporter of guar gum in India is distributing guar seeds for free to farmers and have contracted with them for the crop.

Expectation of higher guar seed output amid normal monsoon and better returns during the previous month will weigh on prices in the medium –term. According to trade sources, sowing is likely to increase by more than 40 percent to five million hectares, compared to 3.5 million hectares last year due to higher profit realization in 2011/12 season. There will be likely shift in acreage from cotton, jowar, bajra and moong towards guar. In Rajasthan around 20-25% of the area under cotton is likely to shift towards guar. The actual area sown and crop size will depend on seed availability and monsoon in the growing regions. According to IMD, onset of monsoon is likely to be delayed till middle of next week.

In U.S. demand of guar gum has increased for drilling oil and gas in shale formations. With more private companies allowed for oil drilling in U.S., demand will increase in the current year.

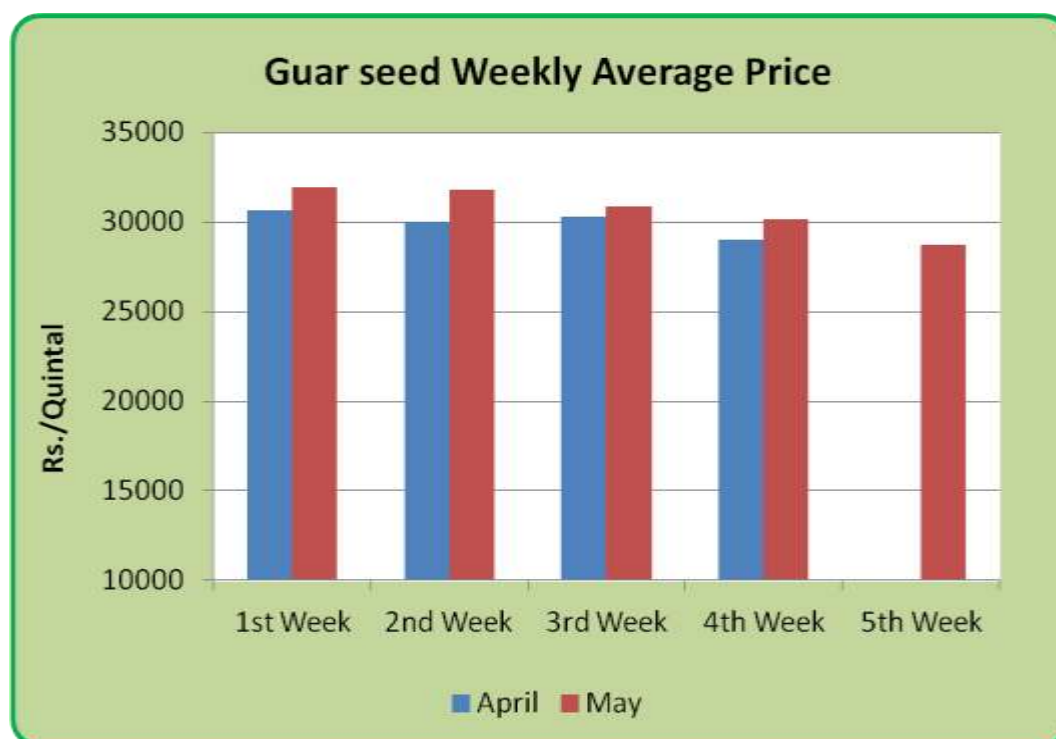
According to U.S. industry researchers, the global fracking business will grow to 29.44€ billion in 2012, up 4.77€ billion from a year earlier. U.S. has been looking for alternatives to guar gum for oil fracking. However currently alternatives have not been used in oil fracking.

Export and Import Scenario

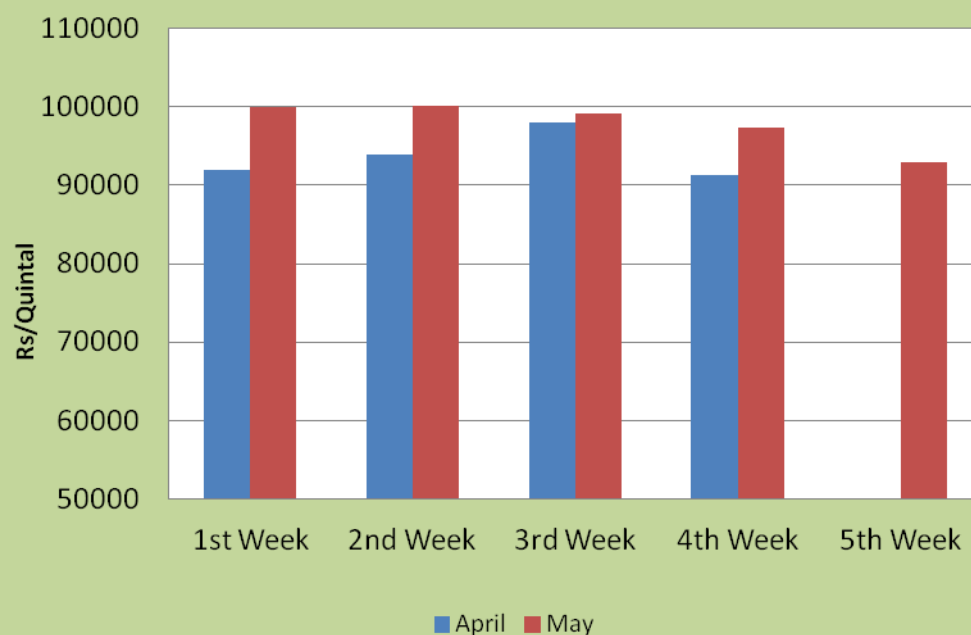
As per sources, both Gum and Powder demand continues to rise in overseas market. Major buyers like China, Europe and U.S continue to queue in the market to fulfill their daily requirement, mainly for industrial use. As per APEDA, Guar gum exports registered an increase of 75.8% to 3.48 lakh tonnes during Apr-Oct 2011 against 1.98 lakh tonnes recorded during the same period of the previous year. Latest official export figures are not available in APEDA.

Price Scenario

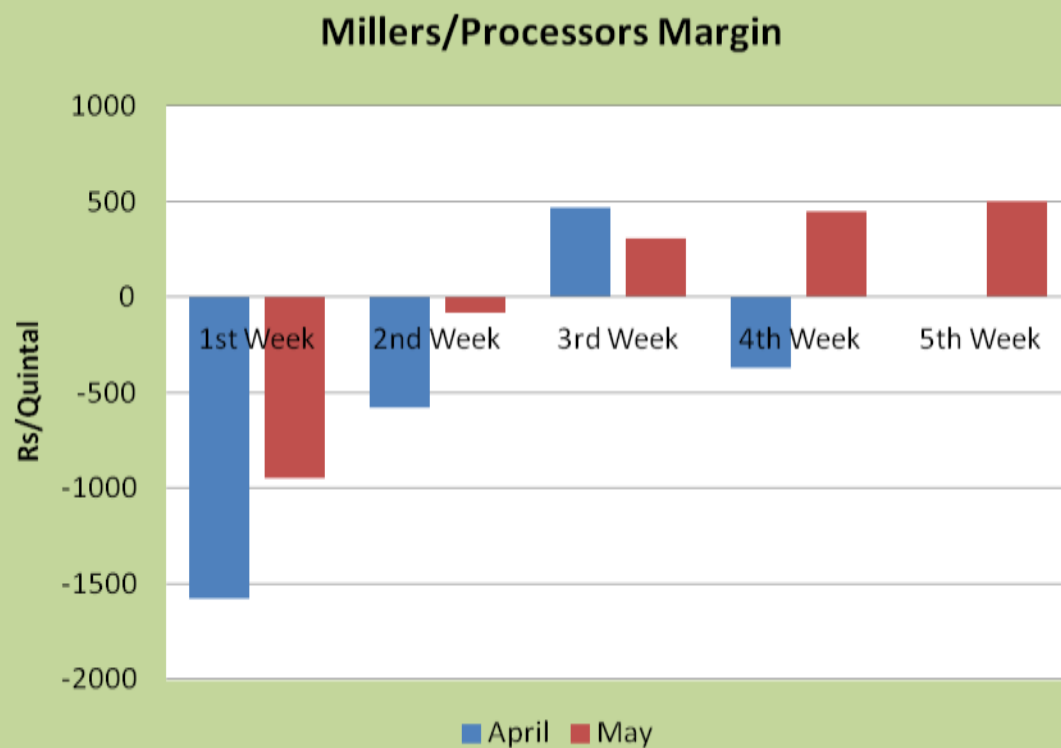
Guar seed and guar gum prices closed lower week-on-week basis. In the fifth week of May, average price of guar seed declined by 4.6% to Rs.28720/Qtl and that of guar gum declined by 4.5% to Rs.93000/Qtl compared to previous week. The graph below illustrates the weekly average price movement of guar seed and guar gum in Jodhpur market.



Guar gum Weekly Average Price



Millers/Processors Margin



As seen in the chart above, the crushing margin of guar seed continued to improve during the week. In the current week of May, average crush margin stood at Rs.503.73/Quintal compared to previous week's crush margin of Rs. 446.53/Quintal amid decline in price of guar seed. Millers are increasing the processing capacity to meet increasing export demand. Price of guar seed is expected to decline in the medium –term amid higher acreage during the coming season. Margin is expected to increase in the coming week amid expected decline in price of guar seed.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices in Rs/Qtl		Change
		01-06-2012	25-05-12	
Guar Seed	Jodhpur (Delivery)	26200	29500	-3300
	Jodhpur (Loose)	25300	28500	-3200
	Bikaner (Delivery)	26500	29500	-3000
	Bikaner (Loose)	25500	28300	-2800
	Nokha	23500	28900	-5400
	Hanumangarh	25500	29200	-3700
	Sri-Ganganagar	27000	30000	-3000
	Adampur	25000	29000	-4000
	Sirsa	25500	30000	-4500
	Bhiwani	24500	29000	-4500
	Deesa	25610	25640	-30
	Nagaur	25000	28500	-3500
	Dhabwali	-	-	-
	Jodhpur	84000	93000	-9000
Guar Gum	Bhiwani	82500	97000	-14500
	Dhabwali	-	29500	-

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		01-06-2012	25-05-12
Churi	Jodhpur	620	650
Korma	Jodhpur	920	950

Guar Export Prices:

Commodity	Variety	\$/MT	
		01-06-2012	25-05-12
Guargum Split		-	18300
Guargum Powder	200 Mesh 5000 CPS	-	19500
	200 Mesh 3500 CPS	-	19350
Guargum Meal		-	290

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 01-06-12	Week Ending 25-05-12	
Jodhpur	1500	-	-
Bikaner	200	200	Unch
Nokha	20	20	Unch
Hanumangarh	-	-	-
Sri-Ganganagar	-	-	-
Adampur	300	1500	-1200
Sirsa	-	-	-
Bhiwani	-	100	-
Deesa	58	45	+13
Nagaur	-	-	-
Dhabwali	-	-	-
All India	2078	1865	+213

Spot Market Technical Analysis of Guar seed & Guar gum

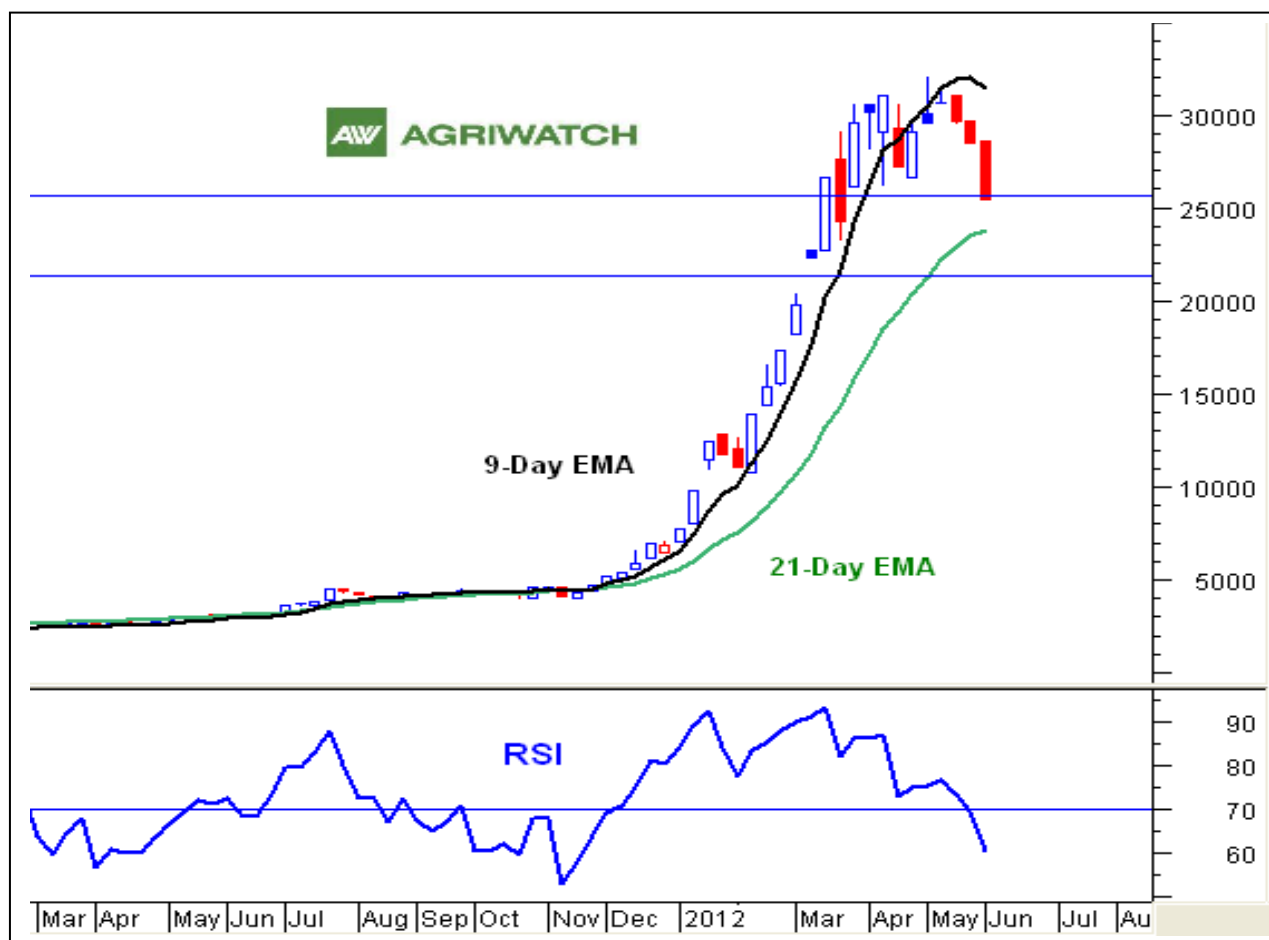


Fig-1 – Guar Seed Weekly Spot Prices (Jodhpur)

Prices witnessed correction during the week. As expected, selling pressure at higher levels weighed on the market. Prices are holding between 9-Day and 21-Day EMA supporting sideways to weak tone in the market. For the increase in prices from Rs.4500/Qtl till Rs.33000/Qtl levels, prices are likely to notice 38.2% correction towards Rs.22085/Qtl levels in the medium -term. Stochastic oscillator is declining in the overbought region supporting weakness in the near -term. On the downside there is near -term support at Rs.25000/Qtl levels. Close below these levels will change the overall bullish scenario of the market. On the upside there is resistance at Rs.31000/Qtl and Rs.33000/Qtl levels respectively.

Prices are likely to ease towards Rs.22000/Qtl levels in the near -term.

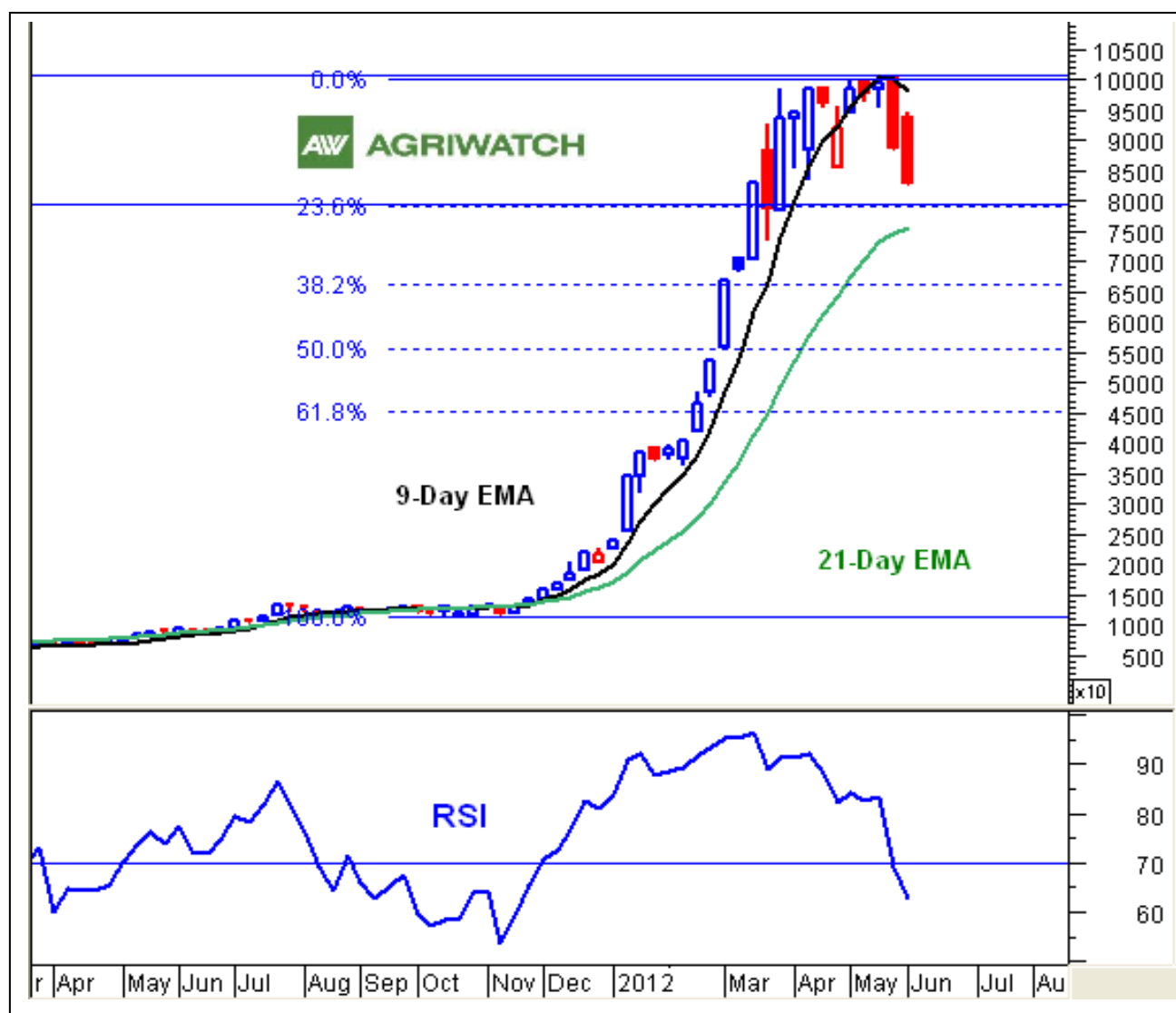


Fig-2 – Guar Gum Weekly Spot Prices (Jodhpur)

Guar gum prices noticed weak tone during the week. MACD is in the positive territory supporting the overall positive tone of the market. Prices are likely to witness further correction towards 80780 levels in the near – term. RSI is steady in the overbought territory supporting weakness in the near –term. On the downside there is support at Rs.80000 levels and the next support is at Rs.75000/Qtl. On the upside there is resistance at Rs.90000 and Rs.95000 levels respectively. Buyers are advised to wait for better buying levels in the medium –term.

Prices are likely to notice weakness towards Rs.80000/Qtl levels in the near –term.



Spot Market Outlook:

Both Guar seed and Guar gum prices are likely to continue weak tone in the near –term.

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