

## Domestic Market Recap:

- Guar seed and guar gum prices continued weak tone during the week except slight firmness in Nokha, Sirsa and Sri-Ganganagar markets.
- Lack-luster buying from the exporters around current levels and expected increase in acreage during the season weighed on the market.
- Rains were reported in certain areas of Rajasthan during the week, thereby adding to the weak tone of the market.
- The progress of south-west monsoon has been delayed in most of the areas. Progress of south –west monsoon will give further direction to the market.
- Buyers are waiting for better buying levels in the medium –term.
- Likely delay in the onset of monsoon in the guar seed growing regions will lend some support to the market.

## Current Market Dynamics

Guar seed and guar gum prices noticed weak tone during the week. Lack-luster buying by the exporters, expected increase in acreage and rains in certain areas of Rajasthan weighed on the market. Progress of south-west monsoon will give further direction to the market. Margin has improved for the millers during the week

In Punjab, farmers are likely to shift around 5-7% of the area under cotton towards guar seed. In Rajasthan around 25% of the area and in Haryana around 17-18% of the area under cotton is likely to shift towards guar seed. In Andhra Pradesh, around 5-7% of the area under cotton is likely to be diverted towards guar seed. According to trade sources, sowing of guar is taking place in Muzzafarnagar, Meerut and Saharanpur areas of Uttar Pradesh. The crop is expected by next month.

Guar seed, a rain-fed crop depends on south-west monsoon during its sowing and growing period. Till date monsoon rainfall in India has been 40 percent below normal. Following good realization from guar seed in 2011-12, farmers are motivated to grow more guar seed in the coming season.

There is diversion of area from cotton, jowar, moong etc. towards guar seed this year. However considering the slow progress of south-west monsoon till date, farmers are worried about the progress of sowing of guar seed. As of date, acreage under guar seed is expected to increase by 30-40 percent in the coming season.

Vikas WSP has distributed 3,000 tonnes of seed worth Rs 92 crore to 225,000 farmers, to cover around 500,000 ha of sowing area this season. Last year, the company had distributed around 800 tonnes of seed worth around Rs 2 crore.

Demand for guar gum has increased during the recent times from U.S. as more private companies have been allowed into oil drilling business. Hydraulic fracturing allows to have access to untapped energy resources and U.S. could become net exporter of natural gas in the coming days. Halliburton is the biggest provider of 'hydraulic fracturing services' in U.S. and guar gum is one of the main ingredients used in hydraulic fracturing. Importing countries having been looking for alternatives of guar gum. However there is no confirmation on the same. Higher prices of guar gum is affecting the margin of the company. Currently guar gum prices in the domestic market are ruling around Rs.65000/Qtl.

### **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 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.

### **Sowing Interest & Crop Outlook**

As per market participants, this year there will be bumper crop as farmers will shift to guar looking at the prices. According to IMD, south-west monsoon is progressing in north-eastern states and along the west coast. This year onset of monsoon has been delayed and may affect sowing of guar seed in the near –term. According to sources, sowing of guar has started in some areas of Hanumangarh, Sangaria, Nagaur and Sri-Ganganagar having irrigation facility. This covers around 2-3% of the area currently. In the current season, acreage under guar seed is likely to increase by 30-40%. Moreover there is demand for seed for sowing purpose from Madhya Pradesh, Maharashtra and Andhra Pradesh also. 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.

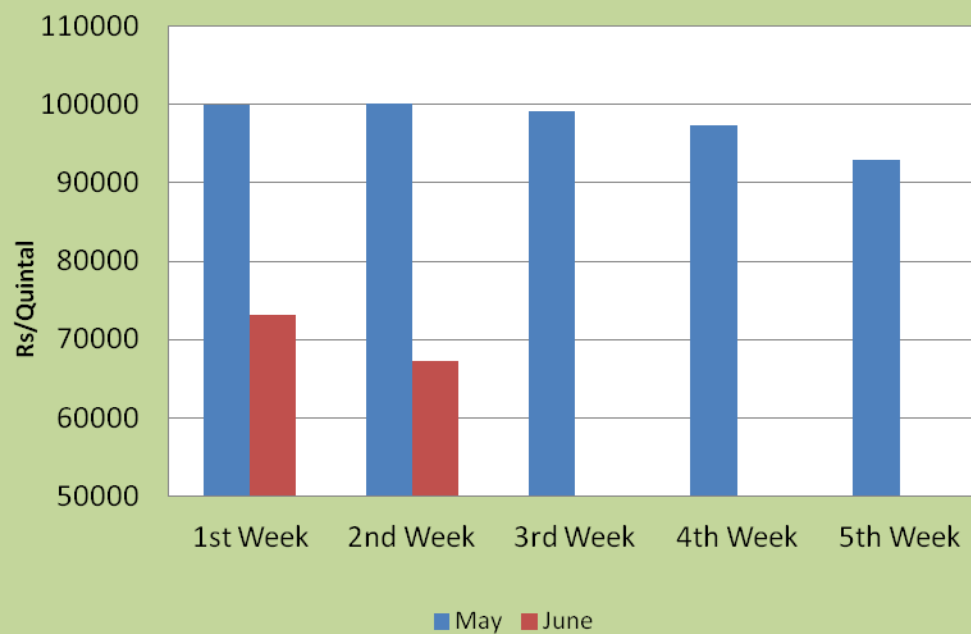
### **Price Scenario**

Guar seed and guar gum prices continued weak tone during the week. In the second week of June, the average price of guar seed declined by 10% to Rs.21260/Qtl and that of guar gum declined by 8.20% to Rs.67200/Qtl compared to previous week. The graph below illustrates the weekly average price movement of guar seed and guar gum in Jodhpur market.

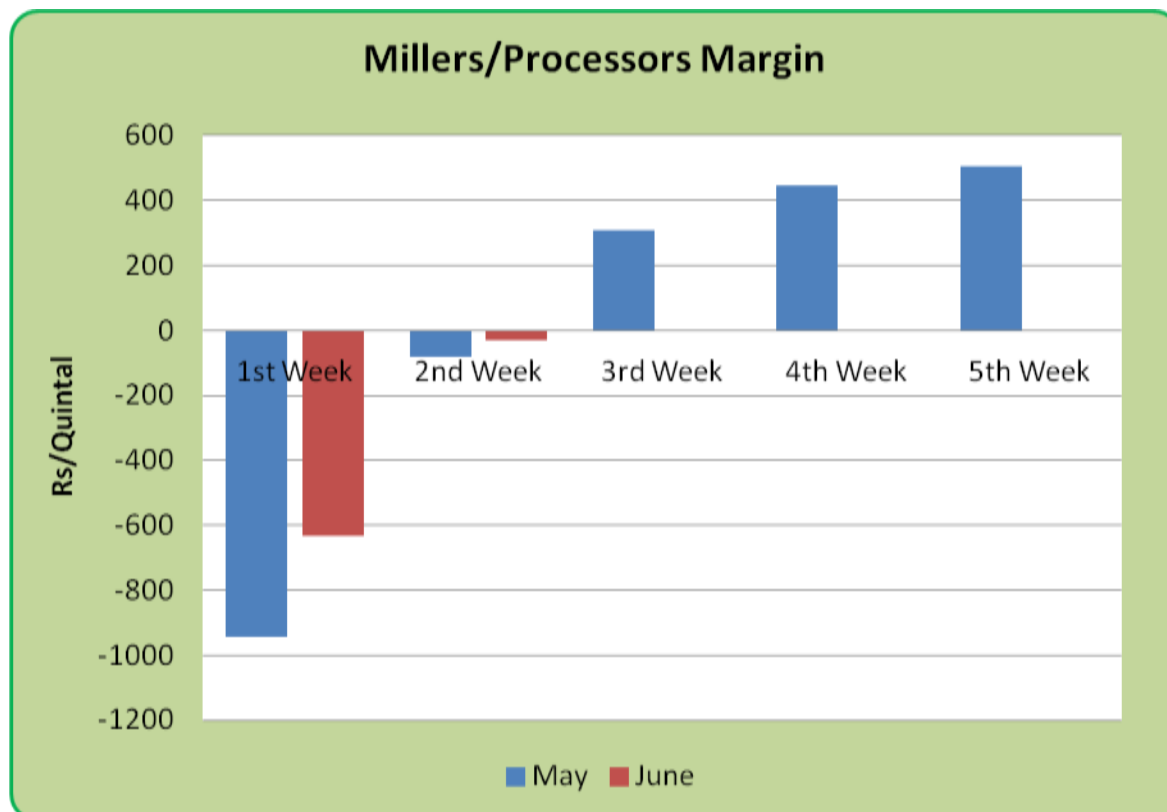
### Guar seed Weekly Average Price



### Guar gum Weekly Average Price



### Millers/Processors Margin



As seen in the chart above, the crushing margin of guar seed improved compared to previous week. Margins improved amid decline in the processing cost of guar seed.. In the current week of June, average crush margin stood at –Rs. 30.45/Quintal compared to previous week's crush margin of -Rs. 632.04/Quintal. Margin could improve in the near –term amid expected decline in the price of guar seed.

**Guar Prices at Key Spot Markets**

Commodity	Centre	Prices (Rs/Qtl)		Change
		15.6.2012	8.6.2012	
Guar Seeds	Jodhpur (Delivery)	21000	22600	-1600
	Jodhpur (Loose)	19000	21800	-2800
	Bikaner (Loose)	19500	21000	-1500
	Bikaner (Delivery)	20200	22000	-1800
	Nokha (Loose)	21000	19500	1500
	Hanumangarh (Loose)	20000	21500	-1500
	Sri-Ganganagar (Delivery)	21500	21000	500
	Adampur (Loose)	21400	22000	-600
	Sirsa (Loose)	20700	20000	700
	Bhiwani (Delivery)	19000	22500	-3500
	Deesa (Loose)	23900	24630	-730
	Nagaur (Loose)	20000	22000	-2000
	Dhabwali (Loose)	-	-	-
Guar Gum	Jodhpur	67000	68000	-1000
	Bhiwani	62000	69000	-7000
	Dhabwali	-	-	-

**Guar by – Products Prices:**

Commodity	Centre	Price in Rs/75Kg	
		15.06.2012	08.06.12
Churi	Jodhpur	600	615
Korma	Jodhpur	900	900

**Guar Export Prices:**

Commodity	Variety	\$/MT	
		15.06.2012	11.06.2012
Guargum Split		-	13700
Guargum Powder	200 Mesh 5000 CPS	-	15000
	200 Mesh 3500 CPS	-	14900
Guargum Meal		-	290

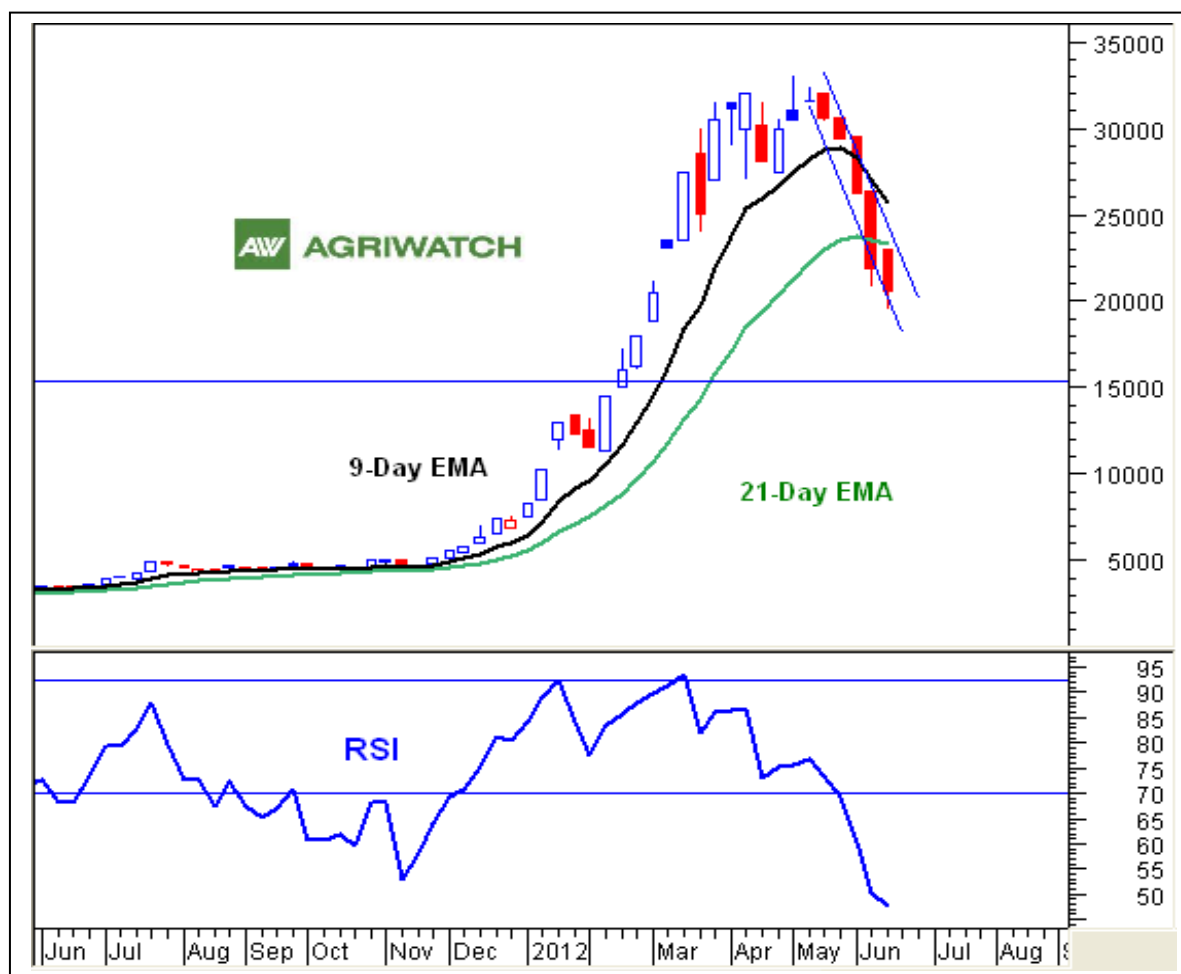
**Guar Cumulative Arrivals in Key Centers**

Centre	Arrivals (Quintals)		Change
	Week Ending 15.06.12	Week Ending 08.06.12	
Jodhpur	1500	2000	-500
Bikaner	100	200	-100
Nokha	20	30	-10



Hanumangarh	-	-	-
Sri-Ganganagar	-	-	-
Adampur	150	1200	-1050
Sirsa	-	-	-
Bhiwani	-	150	-
Deesa	72	58	14
Nagaur	-	10	-
Dhabwali	-	-	-
All India	1842	3648	-1806

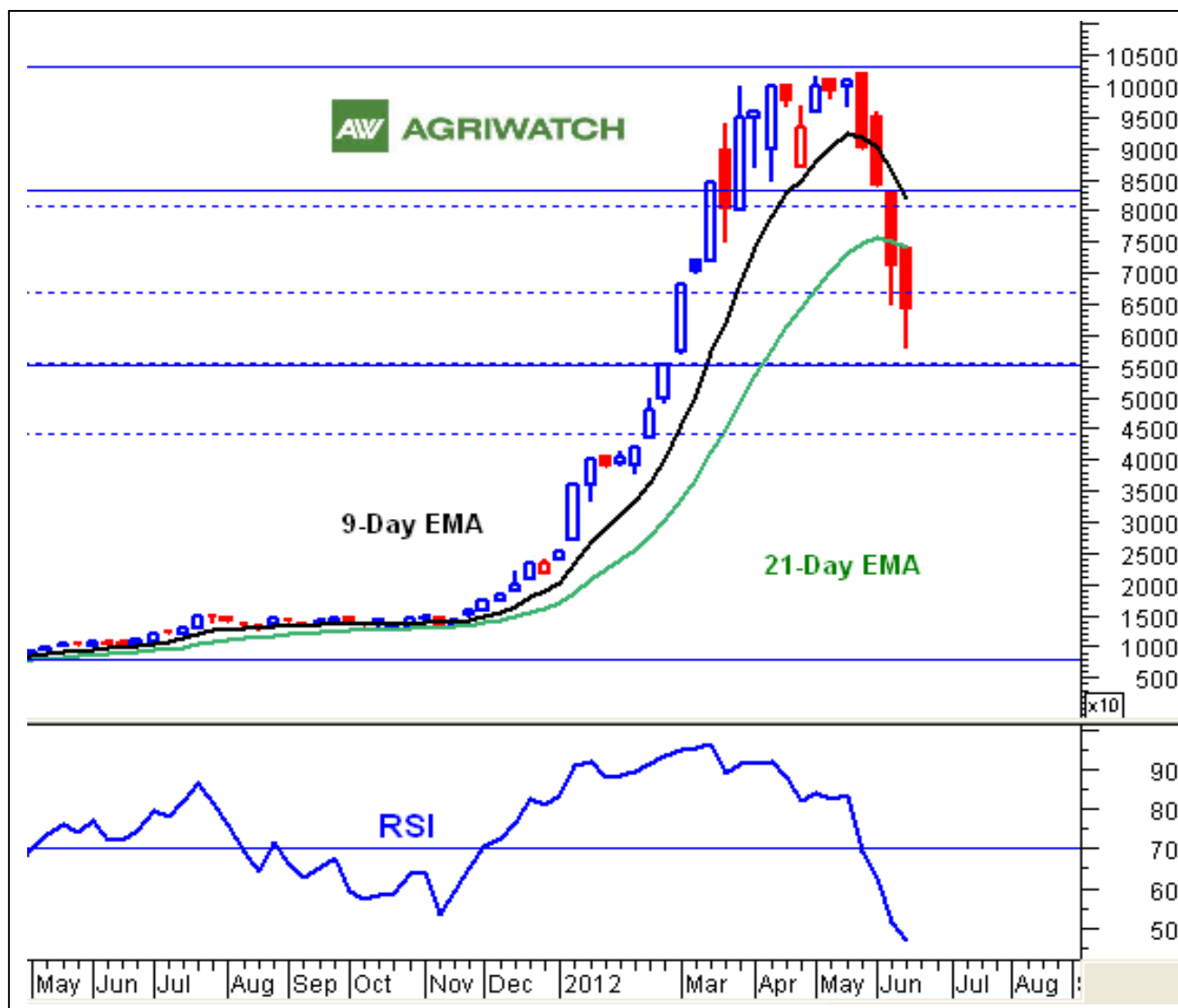
### Spot Market Technical Analysis of Guar seed & Guar gum



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

Prices noticed weak tone during the week. As expected prices are continuing the downtrend towards 50% retracement level of Rs.18700/Qtl. Stochastic oscillator is declining in the oversold region supporting some recovery in the near –term. Any recovery in the near –term should be considered as good selling opportunity. Prices are holding below 9-Day and 21-Day supporting the weak tone of the market. On the downside there is support at Rs.18700/Qtl and next support is at Rs.15370/Qtl. On the upside there is resistance at Rs.23000/Qtl and Rs.25000/Qtl levels respectively.

**Prices are likely to breach Rs.20000/Qtl levels in the coming days.**



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

Guar gum prices noticed weak tone during the week. MACD is declining in the positive territory supporting the bearish momentum in the market. For the increase in prices from Rs.8000/Qtl till Rs.10000/Qtl levels, prices are likely to notice 50% correction towards Rs.5500/Qtl levels. RSI is declining in the neutral region supporting weakness in the near –term. On the downside there is support at Rs.5500/Qtl. On breaking this level, prices will find support around Rs.5000/Qtl. On the upside there is resistance at Rs.7500/Qtl and Rs.8000/Qtl levels respectively.

**Prices are likely to continue weak tone towards Rs.5500/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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