

Domestic Market Recap:

- Guar seed and guar gum prices witnessed weak tone during the week.
- Anticipation of higher acreage during this season weighed on prices.
- In Gujarat, as on 25th June 2012, acreage under guar seed is reported at 11800 hectares.
- According to IMD, rainfall has occurred in some places of northwest and east Rajasthan and is expected to advance further in the near –term.
- Acreage will increase amid favourable rainfall in the growing regions by end of July.
- Progress of monsoon will influence the market in the coming days.

Current Market Dynamics

Guar seed and guar gum prices noticed weak tone during the week. Expected increase in acreage during the season and lack of demand are weighing on prices. Buyers are waiting for better buying levels in the medium – term.

Lack of sufficient rainfall in the guar seed growing regions till date is likely to affect the crop's acreage. Guar seed acreage is expected to increase 2 -3 times during the season following better returns during the previous year. However if rains are not sufficient till the end of July, acreage is likely to be affected.

Rajasthan is the major producer of guar gum, which is majorly exported to US to be used as a sealant in oil and gas production. Most of the areas in Rajasthan like Jodhpur, Balmer, Jaisalmer and Bikaner are dependent on rains. In other areas like Hanumangarh, Sri –Gangagar, Bharatpur and Alwar, guar seed has been sown with the help of irrigation. The crop requires 4 -5 regular rains till it is sown. According to IMD, rains been reported in some places of north-west and east Rajasthan and is expected to advance further in the near –term. According to Central Research Institute for Dryland Agriculture, a national institute which carries out basic and applied research in rain-fed farming guar seed output may go down up to 25% if the state doesn't receive sufficient rainfall till July -end.

Guar gum is primarily used as a thickening agent in various industries like food, paper, textiles, cosmetics, oil drilling etc. However in the United States with more private companies being allowed into oil drilling, demand for guar gum in hydraulic fracturing has increased. Prices of guar gum in the domestic market increased by 5- 10 times during last one year. In the overseas market, industries are looking for cheaper alternatives to guar gum.

The gum grown in India is most in demand because it develops specific properties during bursts of rain in the monsoon season. Cheaper alternatives to guar gum continue to be in search as higher cost of guar gum is affecting the margins of various companies. In response to the growing demand, farmers in India are expected to increase the acreage by 2 -3 times during this season.

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.

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. In the current season acreage under guar seed could increase by 60% -200% in Rajasthan based on rainfall. Sowing of guar seed is going on in the irrigated areas. In Haryana, acreage is expected to increase by 50%-300% depending on the rainfall in the coming days. According to sources, sowing of guar has been done in Hanumangarh, Sri –Ganganagar, Bharatpur and Alwar. In Gujarat as on 25th June 2012, sowing of guar seed has been done in 11800 hectares. Progress of south –west monsoon in the coming days will determine sowing activities of guar seed. 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.

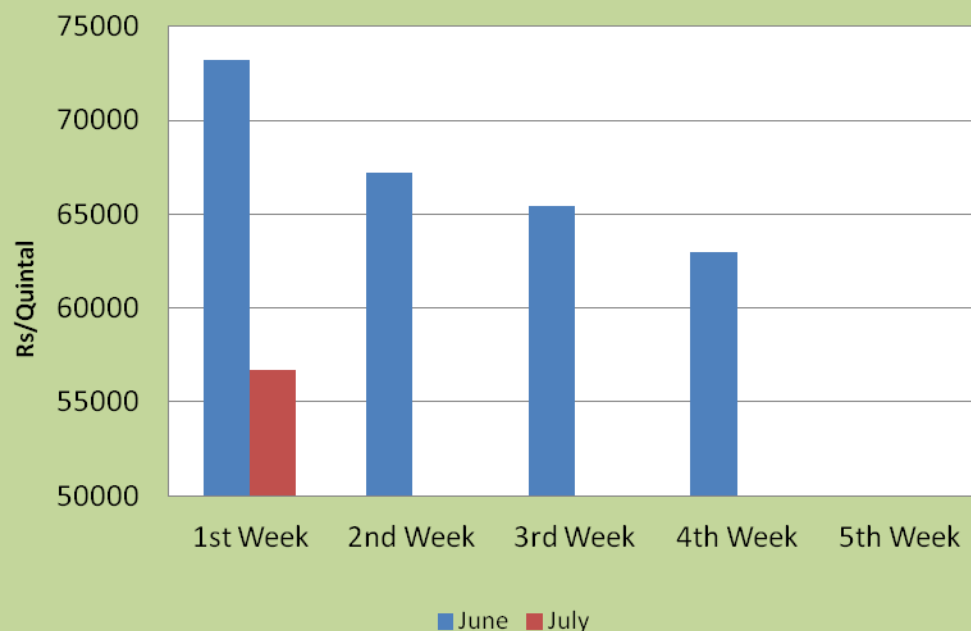
Price Scenario

Guar seed and guar gum prices continued weak tone during the week. In the first week of July, the average price of guar seed declined by 9.3% to Rs.17980/Qtl and that of guar gum declined by 10% to Rs.56700/Qtl compared to previous week. The graph below illustrates the weekly average price movement of guar seed and guar gum in Jodhpur market.

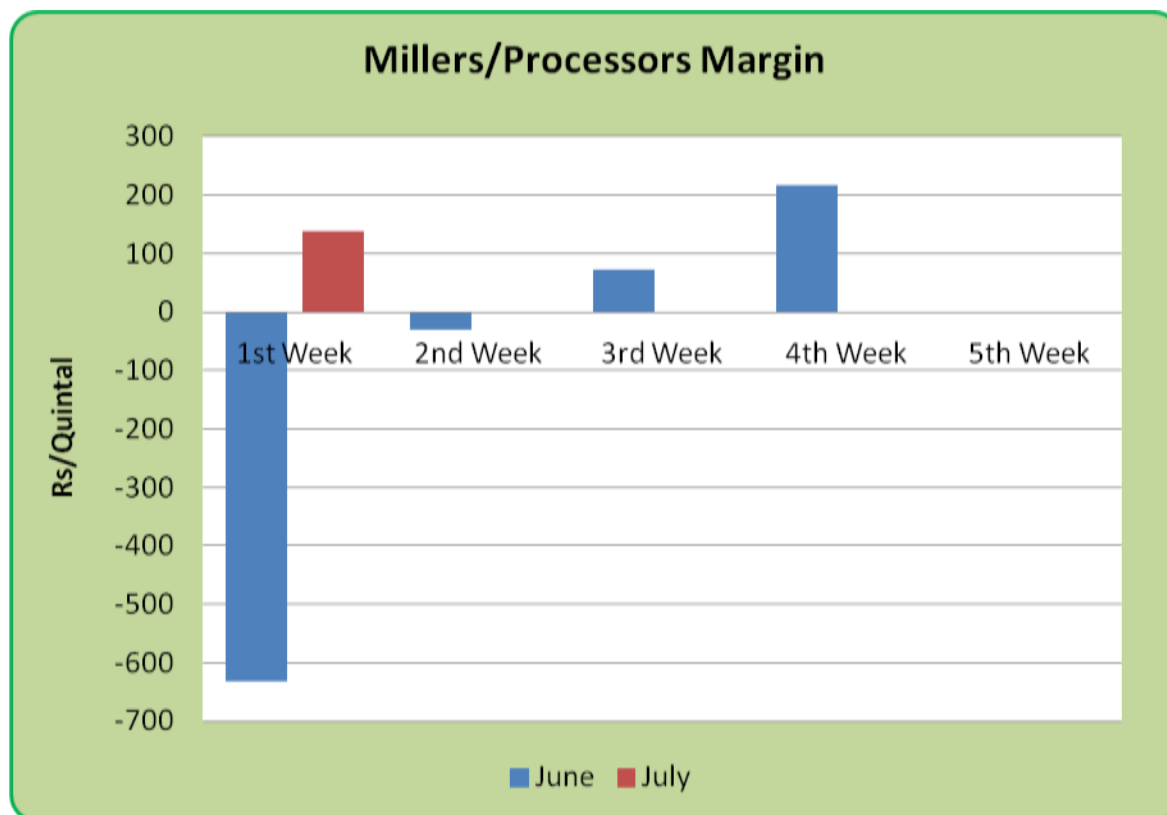
Guar seed Weekly Average Price



Guar gum Weekly Average Price



Millers/Processors Margin



As seen in the chart above, the crushing margin of guar seed declined compared to previous week. Margins improved amid decline in the price of guar seed.. In the current week of July, average crush margin stood at Rs. 138.57/Quintal compared to previous week's crush margin of Rs. 215.92/Quintal. Margin could improve in the near –term amid expected decline in the price of guar seed. Further progress of south –west monsoon is expected in the guar seed growing regions in the near –term.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		06.7.2012	29.6.2012	
Guar Seeds	Jodhpur (Delivery)	17800	19300	-1500
	Jodhpur (Loose)	17100	17900	-800
	Bikaner (Loose)	17000	19000	-2000
	Bikaner (Delivery)	18000	20000	-2000
	Nokha (Loose)	17000	18200	-1200
	Hanumangarh (Loose)	-	17200	-
	Sri-Ganganagar (Delivery)	17800	21000	-3200
	Adampur (Loose)	18000	18500	-500
	Sirsa (Loose)	18000	18000	Unch
	Bhiwani (Delivery)	17000	16500	+500
	Deesa (Loose)	19020	21220	-2200
	Nagaur (Loose)	15000	17000	-2000
	Dhabwali (Loose)	-	-	-
Guar Gum	Jodhpur	56000	62000	-6000
	Bhiwani	55000	55000	Unch
	Dhabwali	-	-	-

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		06.7.2012	29.6.2012
Churi	Jodhpur	670	700
Korma	Jodhpur	1070	1050

Guar Export Prices:

Commodity	Variety	\$/MT	
		06.7.2012	29.6.2012
Guargum Split		10300	10500
Guargum Powder	200 Mesh 5000 CPS	11700	12000
	200 Mesh 3500 CPS	11500	11800
Guargum Meal		295	285

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 06.7.12	Week Ending 29.7.12	
Jodhpur	1500	1500	Unch



Bikaner	125	100	+25
Nokha	15	-	-
Hanumangarh	-	-	-
Sri-Ganganagar	-	-	-
Adampur	500	400	+100
Sirsa	-	-	-
Bhiwani	-	-	-
Deesa	60	60	Unch
Nagaur	-	-	-
Dhabwali	-	-	-
All India	2200	2060	+140

Spot Market Technical Analysis of Guar seed & Guar gum

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

Prices continued correction towards Rs.17000/Qtl levels during the week. Continuation of selling weighed on prices. For the increase in prices from Rs.4000 till Rs. 33000 levels, prices have noticed 50% correction and are likely to trend towards Rs.15000/Qtl levels in the near –term. RSI is declining in the neutral region supporting weakness in the near –term. On the downside there is support at Rs.15000/Qtl. On breaking this level, overall scenario will be bearish and prices will trend towards Rs.10000/Qtl levels. MACD is declining in the positive region supporting the weakness in the market. On the upside there is resistance at Rs.26500/Qtl and Rs.300000/Qtl levels respectively. Traders can consider selling on the rise.

Prices are likely to notice weak tone towards Rs.12000/Qtl levels in the medium -term.

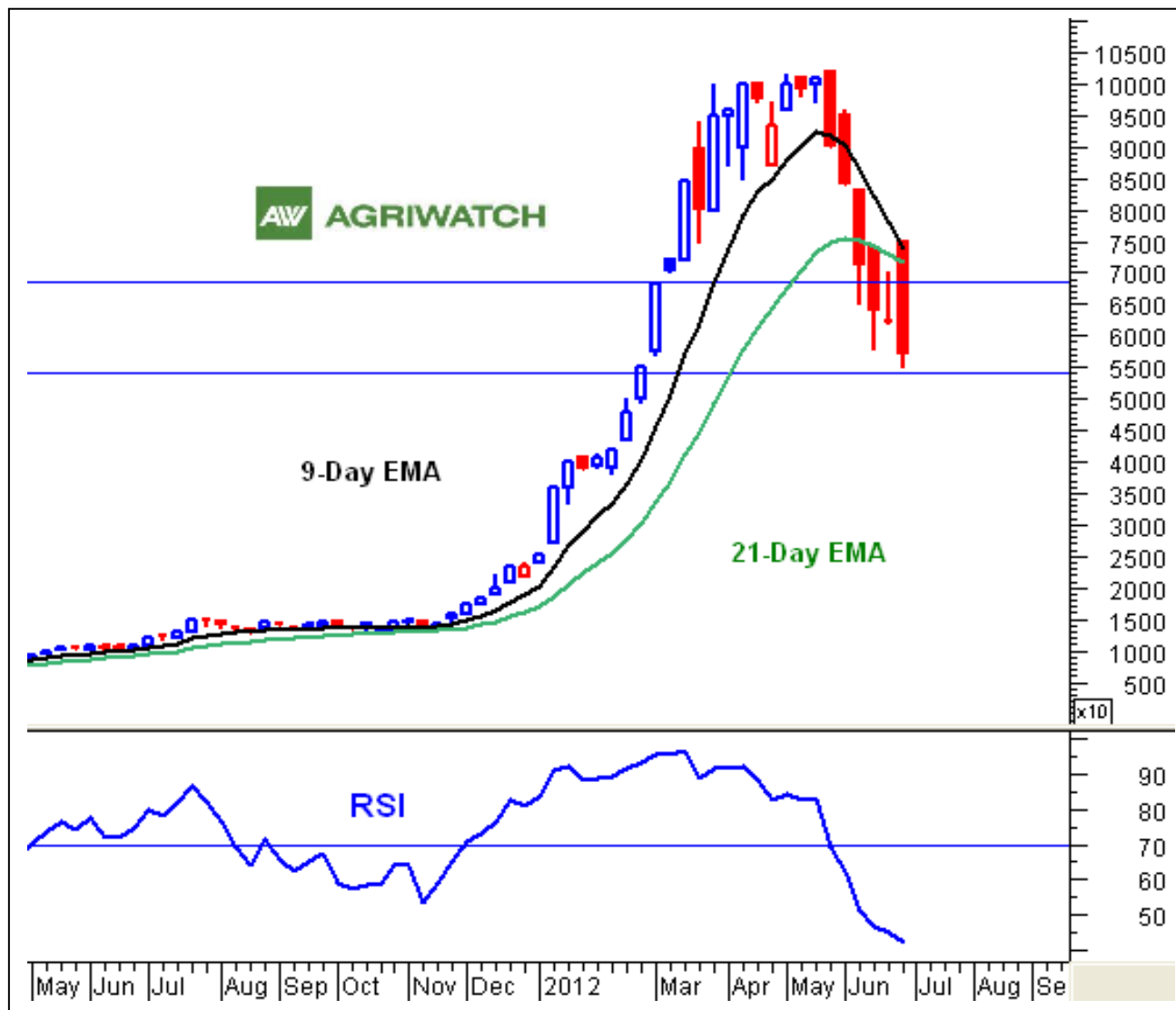


Fig-2 – Guar Gum Weekly Spot Prices (Jodhpur)

Guar gum prices declined in tandem with guar seed during the week. Profit-booking around higher levels weighed on the market. Overall outlook is bearish and prices are likely to continue the weak tone. Prices are holding below 9 –Day and 21 –Day EMA supporting the overall weak tone of the market. On the downside there is support at Rs.40920/Qtl levels. The next support is at Rs.24730/Qtl levels. Prices are likely to ease towards these levels in the medium –term. Stochastic oscillator is declining in the neutral region supporting weakness in the medium –term. On the upside there is resistance at Rs. 68450/Qtl and Rs.80000/Qtl levels respectively. Traders can wait for better buying levels in the coming days.

Prices are likely to ease towards Rs.45000/Qtl levels in the medium –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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