

Domestic Market Recap:

- Guar seed and guar gum prices noticed some recovery during the week except slight weakness in Bikaner, Adampur and Deesa markets.
- Buying interest around lower levels lent some support to the market.
- Excessive rains in certain guar seed growing regions might affect the crop.
- Lack of stocks in the ready market added to the positive tone of the market.
- As of date, output is expected to be nearly two times higher compared to previous year.
- Progress of rainfall in the month of September will influence the size of the crop.

Current Market Dynamics

Guar seed and guar gum prices noticed some recovery after declining towards Rs.8000/Qtl levels and Rs.25000/Qtl levels respectively. Excessive rains in certain areas of Rajasthan might affect the crop. Buying interest around lower levels is supporting the market.

Guar is a drought resistant crop and does not require much rainfall once it is sown. Rainfall in the month of September in the guar seed growing regions will influence the crop. According to agriwatch sources, in Barmer and Nagaur districts of Rajasthan, fields are filled with water. More rains in the coming days is likely to affect the crop. Fungus has been reported in certain areas of northern Rajasthan and southern Haryana. Farmers might sow chana and rapeseed in October if the guar seed crop is affected. Sowing of guar seed is complete in the major growing states of Rajasthan, Haryana and Gujarat. Other states like Maharashtra, Madhya Pradesh, Uttar Pradesh and Andhra Pradesh are likely to contribute to guar seed production this season. Exact crop position will be clear in the medium –term.

According to USDA, production of guar seed in India is expected at 24.41 lakh metric tonnes in the current season. 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 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

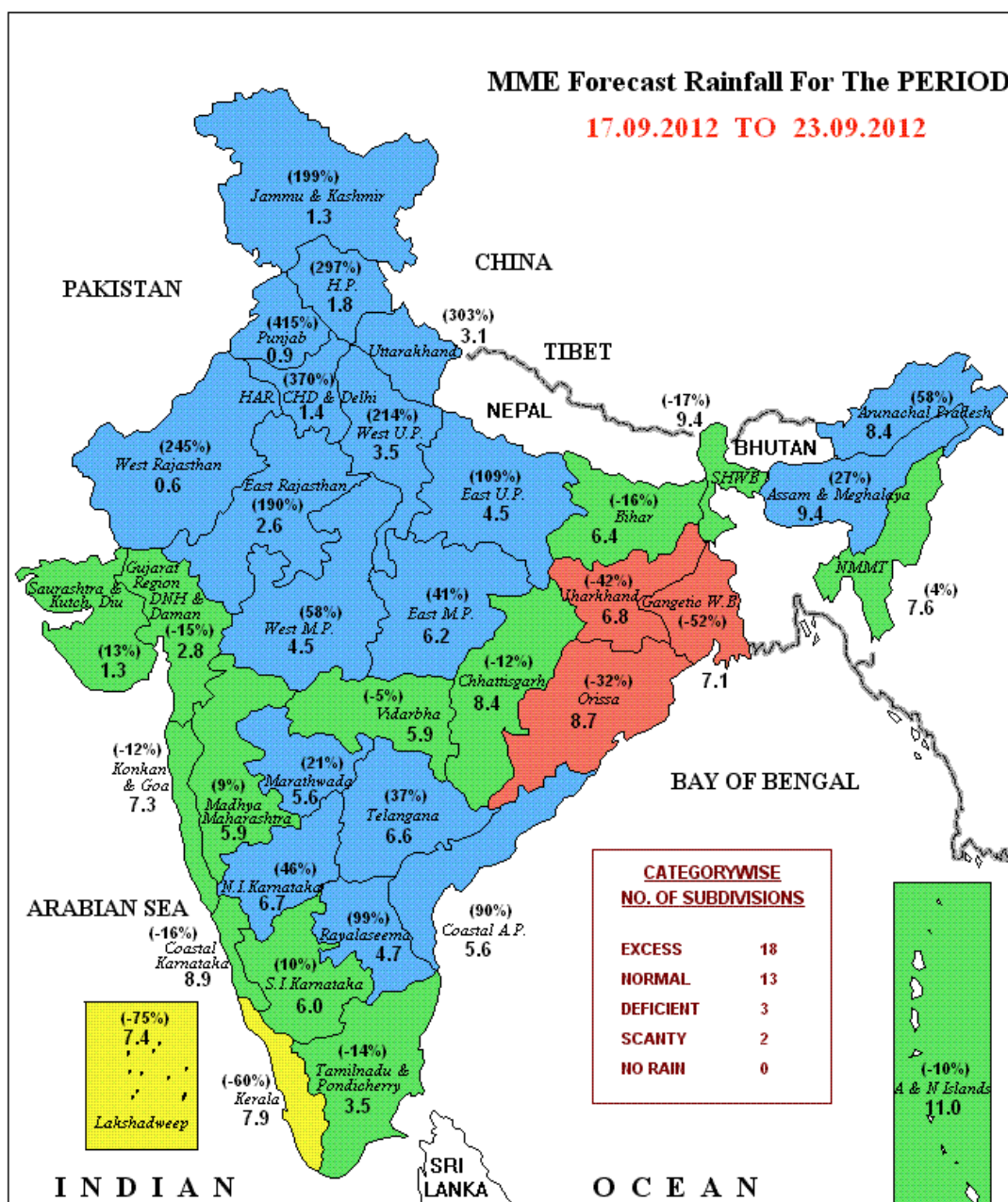
According to the first advance estimates of Rajasthan agricultural department, guar production in the current season is estimated at 16.57 lakh metric tonnes compared to 12.5 lakh metric tonnes in the previous season. According to the first advance estimates of Haryana agricultural department, guar production 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 10th September 2012 is reported at 198900 hectares compared to 126000 hectares during the same period last year. Production of guar seed is expected to increase by atleast 50 percent this season in case of scanty rain fall. Output of guar seed is estimated to be 19-20 lakh metric tonnes compared to 12.5 lakh metric tonnes in the previous season. Exact yield position will be clear by this month.

In the current season, onset of south –west monsoon was delayed in the growing regions. However there has been good rainfall in August 2012. In September, rainfall is expected to be normal. Based on rainfall till date, yield should be atleast at last year's level in the states of Rajasthan and Haryana. In Gujarat assuming total rainfall to be below normal during June –September, yield is estimated to be around 300 Kg/Ha. Based on these yields, Agriwatch's production estimates of guar seed is expected to be around 20.31 lakh metric tonnes in the current season compared to 12.5 lakh metric tonnes in the previous season. Other states like Maharashtra, Madhya Pradesh. Andhra Pradesh could contribute some small amount during this season, which is not clear as on date.

Weather Watch

According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 23 and deficient in 13 subdivisions. In area-wise distribution, 67% area of the country received excess/normal rainfall. Remaining 33% area received deficient rainfall. For the country as a whole, seasonal rainfall up to 12 September 2012 was 8% below the LPA as against 10% by the end of last week ending 05 September. Rain/thundershowers would at many places over Rajasthan, Punjab and Haryana in the near –term.

भारत मौसम विज्ञान विभाग INDIA METEOROLOGICAL DEPARTMENT



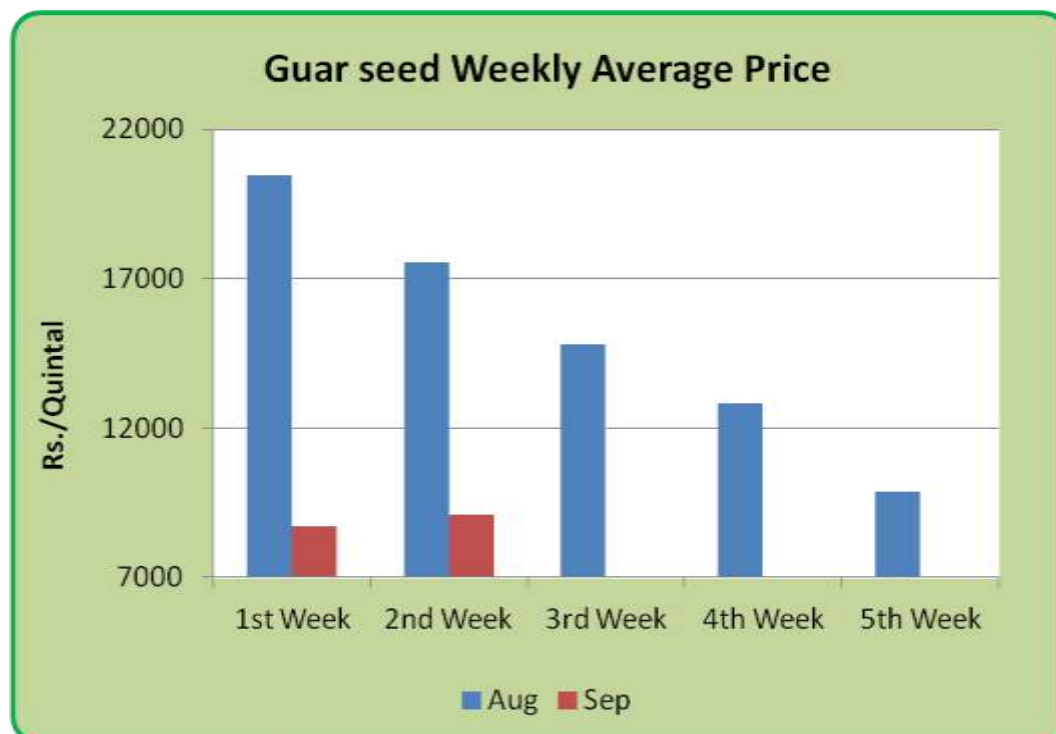
LEGEND: ■ EXCESS [+20% OR MORE] ■ NORMAL [+19% TO -19%] ■ DEFICIENT [-20% TO -59%]
■ SCANTY [-60% TO -99%] ■ NO RAIN [-100%] ■ NO DATA

NOTES:

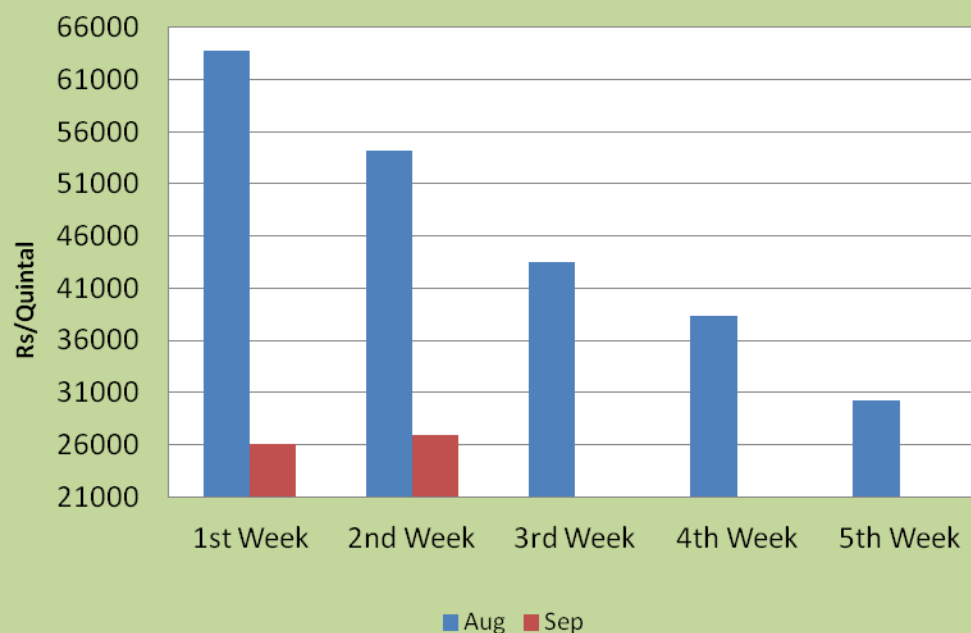
- (a) Rainfall figures are based on MME Forecast.
 (b) Bold figures indicate Forecast Normal rainfall (mm.)
 (c) Percentage Departures of Rainfall are shown in Brackets.

Price Scenario

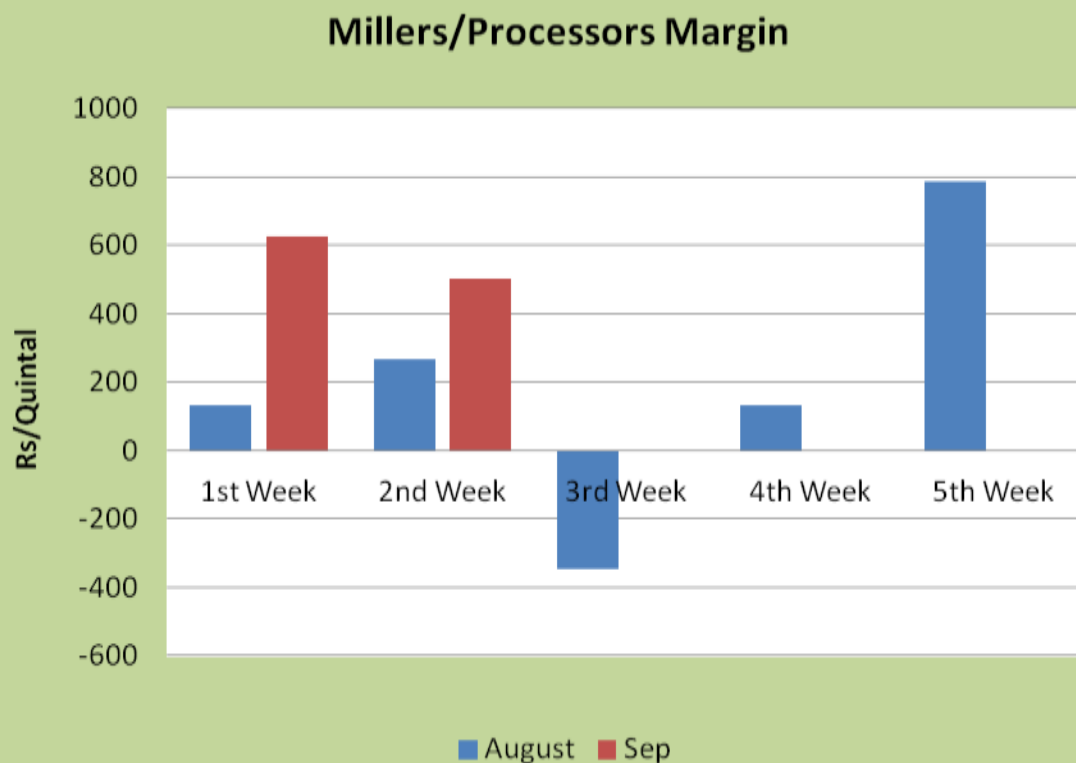
Guar seed and guar gum prices noticed recovery during the week. In the second week of September, the average price of guar seed increased by 4.5% to Rs.9100/Qtl and that of guar gum increased by 3.5% to Rs.26960/Qtl compared to previous week. The graph below illustrates the weekly average price movement 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 declined compared to previous week. Margin declined following decline in the price of churi and korma. In the current week of September, average crush margin stood at Rs. 503.36/Quintal compared to previous week's crush margin of Rs. 624.36/Quintal. Margin is expected to increase in the coming days following decline in the price of guar seed.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		14.9.2012	7.9.2012	
Guar Seeds	Jodhpur (Delivery)	9500	8500	+1000
	Jodhpur (Loose)	8200	7900	+300
	Bikaner (Loose)	7500	7800	-300
	Bikaner (Delivery)	7800	8200	-400
	Nokha (Loose)	8000	7500	+500
	Hanumangarh (Loose)	NA	8200	-
	Sri-Ganganagar (Delivery)	8500	8000	+500
	Adampur (Loose)	8000	8500	-500
	Sirsa (Loose)	9000	7000	+2000
	Bhiwani (Delivery)	8500	7800	+700
	Deesa (Loose)	8050	8860	-810
	Nagaur (Loose)	NA	-	-
	Dhabwali (Loose)	NA	-	-
Guar Gum	Jodhpur	27500	26000	+1500
	Bhiwani	26500	26000	+500
	Dhabwali	NA	-	-

Guar by – Products Prices:

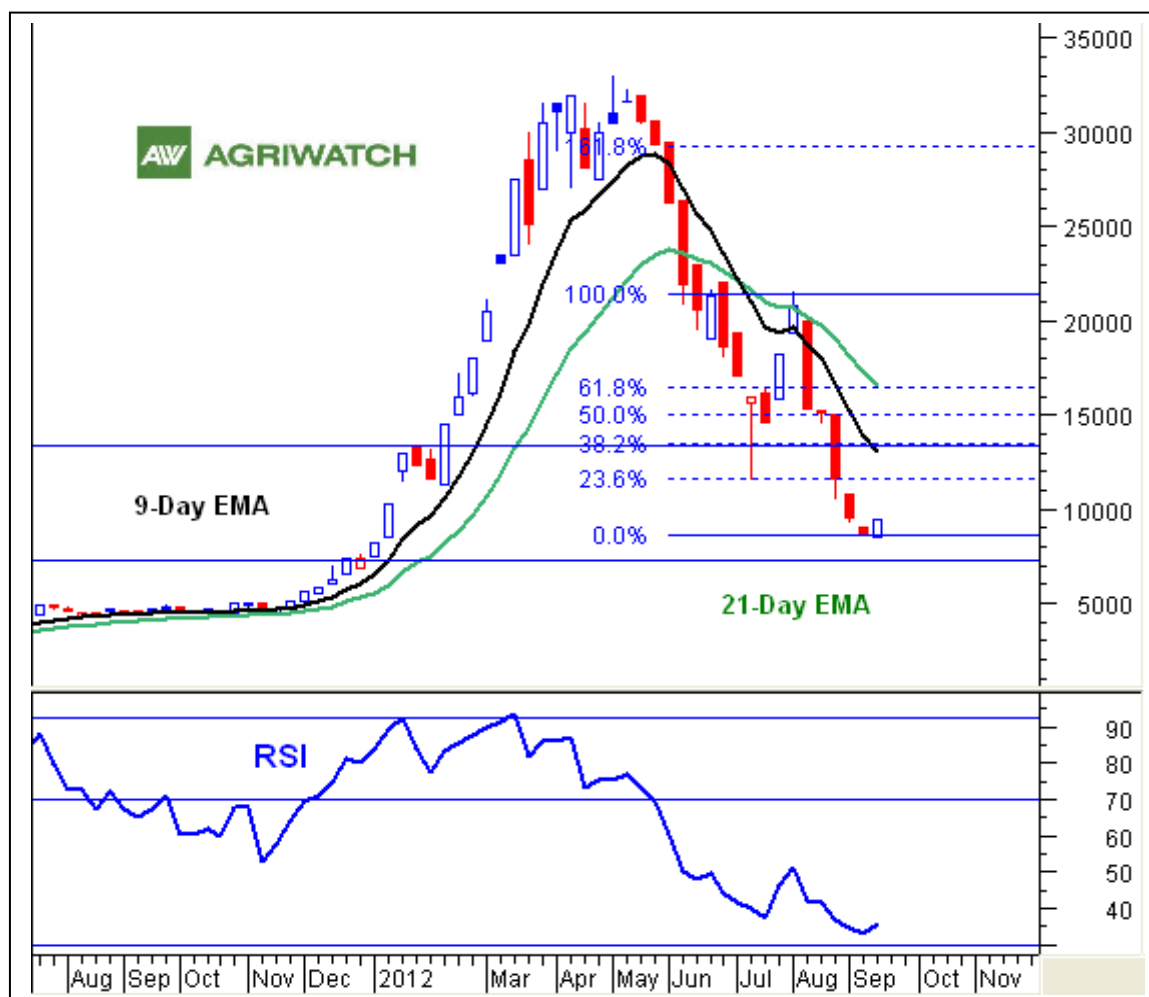
Commodity	Centre	Price in Rs/75Kg	
		14.9.2012	7.9.2012
Churi	Jodhpur	1000	1025
Korma	Jodhpur	1900	1925

Guar Export Prices:

Commodity	Variety	\$/MT	
		14.9.2012	7.9.2012
Guargum Split		4600	4600
Guargum Powder	200 Mesh 5000 CPS	6000	5700
	200 Mesh 3500 CPS	5700	5400
Guargum Meal		350	345

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 14.9.12	Week Ending 07.9.12	
Jodhpur	-	500	-500
Bikaner	125	125	-
Nokha	-	-	-
Hanumangarh	-	-	-
Sri-Ganganagar	-	-	-
Adampur	150	150	-
Sirsa	-	-	-
Bhiwani	-	-	-
Deesa	62	55	+7
Nagaur	-	-	-
Dhabwali	-	-	-
All India	337	830	-493

Spot Market Technical Analysis of Guar seed & Guar gum

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

Prices witnessed recovery during the week after declining towards Rs.8500/Qtl levels. For the decline in prices from Rs.21500/Qtl till Rs.8500/Qtl levels, prices could notice 23.6% recovery towards Rs.11500/Qtl levels. Prices can continue recovery towards Rs.13400/Qtl levels. This short –term recovery should be considered as good selling opportunity within the overall bearish scenario of the market. RSI is increasing in the neutral region supporting positive tone in the near –term. Prices will find support around Rs.8500/Qtl levels. The next support is at Rs.7300/Qtl levels. On the upside there is resistance at Rs.11500/Qtl and Rs.12900/Qtl levels respectively.

Prices are likely to notice short –term recovery towards Rs.10000/Qtl levels before continuing the overall weak tone.

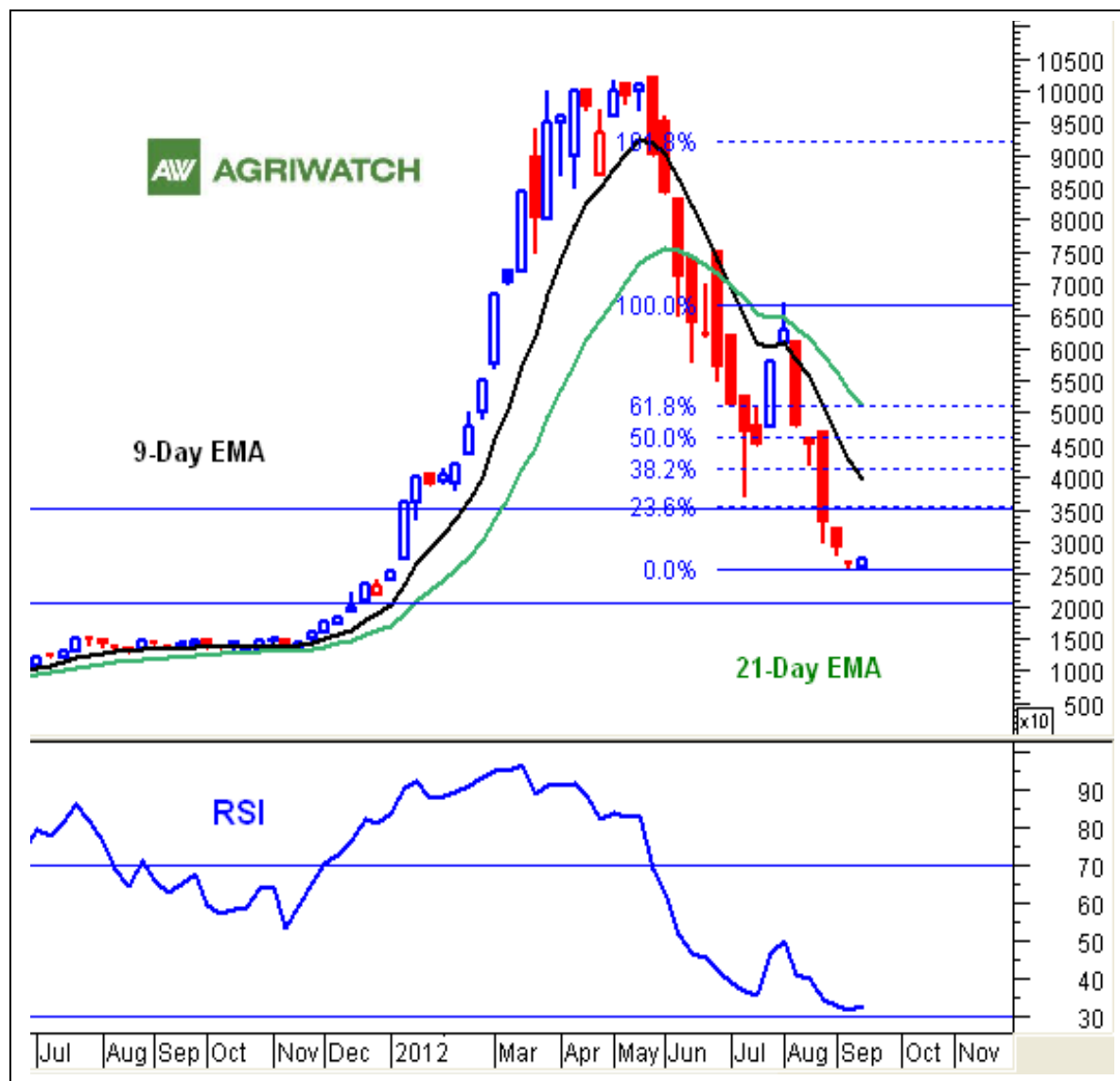


Fig-2 – Guar Gum Weekly Spot Prices (Jodhpur)

Guar gum prices witnessed recovery during the week. For the decline in prices from Rs.67000/Qtl levels till Rs.25750/Qtl levels, prices could witness 23.6% recovery towards Rs.35230/Qtl levels. Overall scenario is bearish and prices are likely to decline after witnessing short –term recovery. Stochastic oscillator is declining in the oversold region supporting some recovery in the near –term. MACD is in the negative territory supporting overall bearish tone of the market. Prices will find support around Rs.25000/Qtl levels. The next support is at Rs.23470/Qtl levels.

Prices are likely to decline towards Rs.25000/Qtl levels in the near –term.



Spot Market Outlook:

Both Guar seed and Guar gum prices are likely to continue the weak tone in the coming days. Buyers are advised to wait for better buying levels.

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