

Domestic Market Recap:

- Guar seed and guar gum prices noticed recovery during the week except weakness in Deesa market.
- Anticipation of likely crop damage lent support to the market.
- Guar seed crop requires another spell of rain.
- Lack of stocks in the spot market added to the positive tone of the market.
- According to IMD, south –west monsoon is retreating and weather is expected to be mostly dry in guar seed growing regions.
- Xanthan gum, a cheaper alternative to guar gum has been developed for application in food processing industry.

Current Market Dynamics

Guar seed and guar gum prices noticed recovery during the week. Lack of rains during the week might damage the crop to certain extent. There are not much trading activities in the market amid lack of stocks. Traders are expecting better prices in the medium –term following likely crop damage.

In the current season, initial expectation of increase in guar seed output was 2 -3 times following increase in acreage. In states like Maharashtra, Andhra Pradesh and Madhya Pradesh, guar seed has been sown and there is no clear picture of the crop area in these states. Onset of south –west monsoon was delayed in the guar seed growing regions and sowing was completed by August –first week of September. Another spell of rain is required for the development of the crop. There could be some damage to the crop amid lack of rains during the week.

According to trade sources, around 25 -30% of the crop could be affected in Bikaner and 10-12% of the crop could be affected in other districts of Rajasthan like Barmer, Nokha, Churu etc. The size of the crop will be clear by next month. Till date, FMC has not taken any decision regarding re-launching of guar complex futures in NCDEX.

Xanthan gum is widely used as a substitute for egg whites in salad dressings, sauces, and fillings. It is also often added to low-fat or non-fat dairy products such as some types of non-dairy ice cream to bring a "fatty feel" to the food. Total global production in 2012 is expected to be in excess of 110,000 tonnes. China became the world's largest producer of xanthan gum in 2005 and now produces and exports about two thirds of the world's supply. Other major producers and exporters are the US, France, Austria and Japan (Source: The HindubusinessLine). Xanthan gum is used as a cheaper alternative to guar gum for application in food processing and oil industry.

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 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 17th September 2012 is reported at 233700 hectares compared to 129000 hectares during the same period last year. Production of guar seed is expected to increase by atleast 50 percent this season.

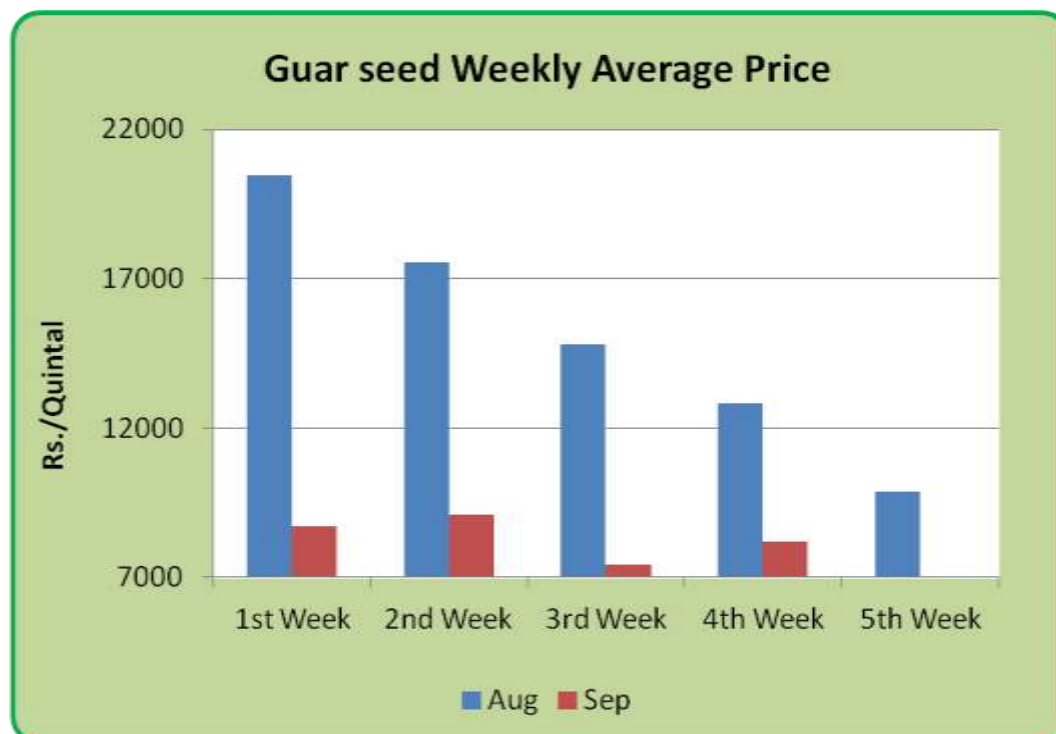
In the current season, onset of south –west monsoon was delayed in the growing regions. However there has been good rainfall in August and September 2012. Lack of rains in certain growing regions during the week might affect the crop. Based on rainfall till date, yield should be atleast at last year's 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 28.-30 lakh metric tonnes in the current 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

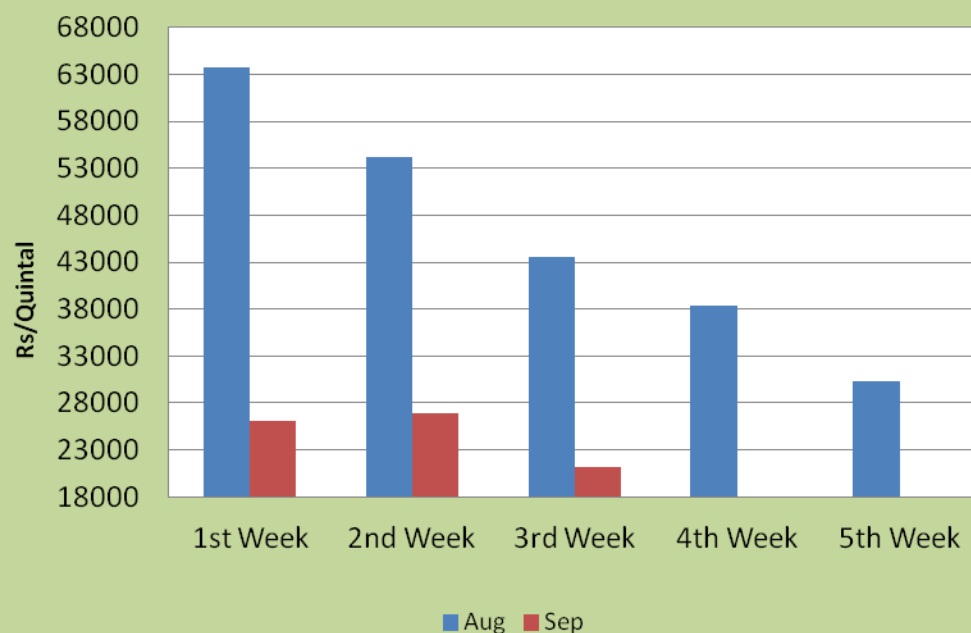
According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions. In area-wise distribution, 70% area of the country received excess/normal rainfall. Remaining 30% area received deficient rainfall. For the country as a whole, seasonal 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 and Gujarat.

Price Scenario

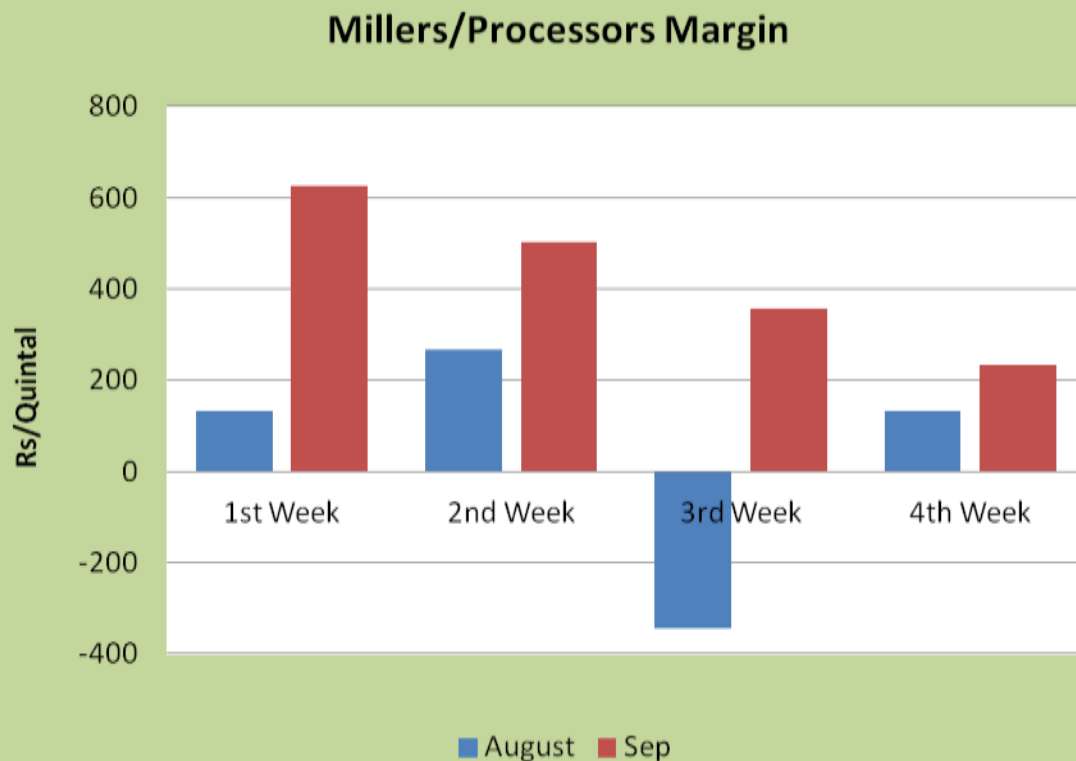
Guar seed and guar gum prices noticed recovery during the week. In the fourth week of September, the average price of guar seed increased by 10% to Rs.8180/Qtl and that of guar gum declined by 9% to Rs.23100/Qtl compared to previous week. The graph below illustrates the weekly average price movement 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 recovery in the price of guar seed. In the current week of September, average crush margin stood at Rs. 232.13/Quintal compared to previous week's crush margin of Rs. 357.00/Quintal. Margin is expected to decline in the coming days amid expected recovery in the price of guar seed.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
		28.9.2012	21.9.2012	
Guar Seeds	Jodhpur (Delivery)	8100	7200	+900
	Jodhpur (Loose)	7600	6500	+1200
	Bikaner (Loose)	7500	6600	+900
	Bikaner (Delivery)	8000	7000	+1000
	Nokha (Loose)	7300	6000	+1300
	Hanumangarh (Loose)	NA	NA	-
	Sri-Ganganagar (Delivery)	7500	7000	+500
	Adampur (Loose)	8500	7500	+1000
	Sirsa (Loose)	8000	7500	+500
	Bhiwani (Delivery)	8500	7200	+1300
	Deesa (Loose)	6665	7231	-566
	Nagaur (Loose)	NA	NA	-
	Dhabwali (Loose)	NA	NA	-
Guar Gum	Jodhpur	23500	22500	+1000
	Bhiwani	22500	19000	+3500
	Dhabwali	NA	NA	-

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		28.9.2012	21.9.2012
Churi	Jodhpur	1000	1000
Korma	Jodhpur	2000	1925

Guar Export Prices:

Commodity	Variety	\$/MT	
		28.9.2012	21.9.2012
Guargum Split		4800	4400
Guargum Powder	200 Mesh 5000 CPS	6000	5500
	200 Mesh 3500 CPS	5600	5200
Guargum Meal		350	350

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 28.9.12	Week Ending 21.9.12	
Jodhpur	900	700	+200
Bikaner	NA	25	-
Nokha	NA	NA	-
Hanumangarh	NA	NA	-
Sri-Ganganagar	NA	NA	-
Adampur	60	300	-240
Sirsa	NA	NA	-
Bhiwani	NA	NA	-
Deesa	40	65	-25
Nagaur	NA	NA	-
Dhabwali	NA	NA	-
All India	1000	1090	-90

Spot Market Technical Analysis of Guar seed & Guar gum

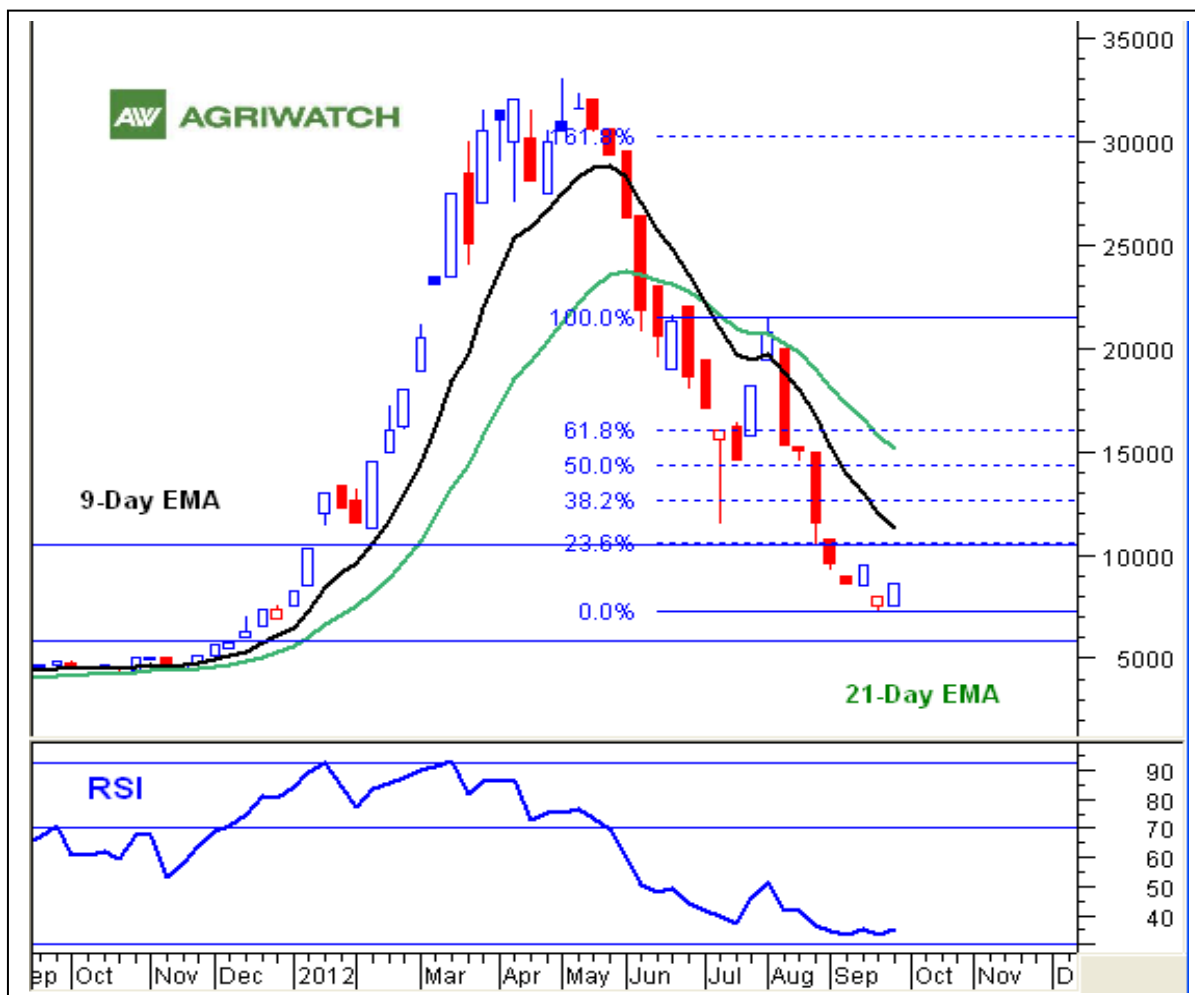


Fig-1 – Guar Seed Weekly Spot Prices (Jodhpur)

Prices noticed recovery during the week after touching a low of Rs.7200/Qtl. For the decline in prices from Rs.21500/Qtl till Rs.7200/Qtl, prices are likely to continue the recent recovery towards 23.6% Fibonacci retracement level of Rs.10500/Qtl. 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 the positive tone of the market. On the downside there is support at Rs.7500/Qtl. The next support is at Rs.6000/Qtl. On the upside there is resistance at Rs.10500/Qtl and Rs.12600/Qtl levels respectively. Traders are advised to purchase their near – term requirement around current levels as prices are likely to continue recovery for some time. Closing above Rs.12600/Qtl level will denote further continuation of the positive tone.

Prices are likely to continue recovery towards Rs. 10000/Qtl levels in the near –term.

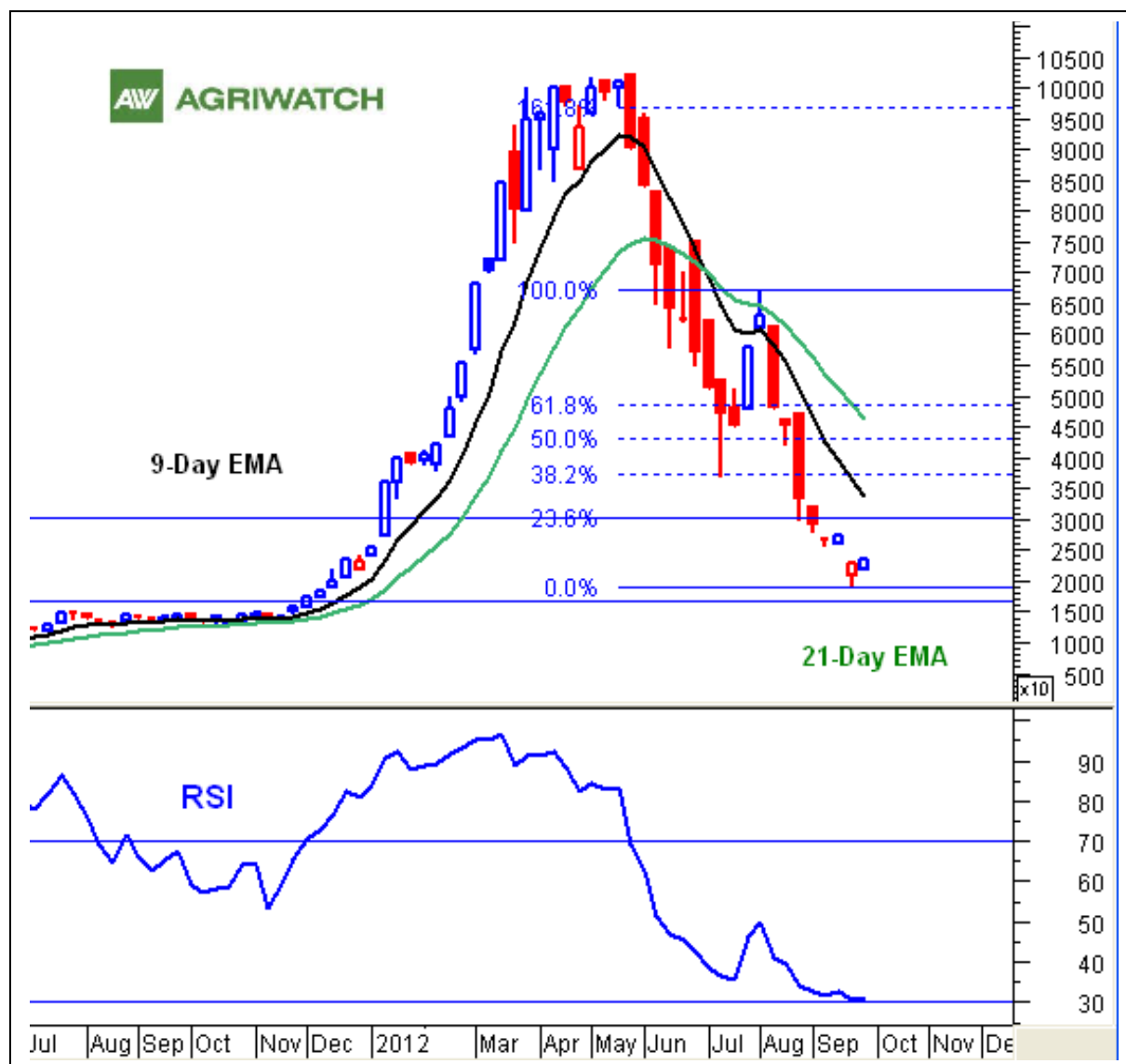


Fig-2 – Guar Gum Weekly Spot Prices (Jodhpur)

Guar gum prices moved in accordance with guar seed prices. Prices touched a low of Rs.19000/Qtl and are currently recovering. For the decline in prices from Rs.67000/Qtl till Rs.19000/Qtl, prices could witness recovery towards 23.6% Fibonacci retracement level of Rs.30230/Qtl. MACD is in the negative territory supporting the overall weak tone of the market. On the downside there is support at Rs.19000/Qtl. The next support is at Rs.16500/Qtl. On the upside there is resistance at Rs.30000/Qtl and Rs.36000/Qtl levels respectively. Prices are likely to continue the recent recovery in the near –term..

Prices are likely to trend towards Rs.27000/Qtl levels in the near –term.



Spot Market Outlook:

Both Guar seed and Guar gum prices are likely to continue the recent recovery in the coming days. Buyers can purchase their near –term requirement around current levels.

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