

Domestic Market Recap:

- Guar seed and guar gum prices noticed recovery during the week except slight weakness in Deesa market.
- Expected crop damage in parts of Rajasthan and Haryana lend support to the market.
- Lack of stocks in the ready market added to the positive tone of the market.
- Yield level of the crop will be clear by this month.
- Harvesting of the crop in certain areas of Haryana will start by next week.
- FMC will decide on re-launching guar complex futures on October 16, 2012.

Current Market Dynamics

Guar seed and guar gum prices continued positive tone during the week. Lack of rainfall in the guar seed growing regions during the withdrawal phase of south –west monsoon is supporting the market. The crop is likely to be damaged in certain parts of Rajasthan and Haryana.

Initial estimates of 2 -3 times higher guar seed output has been offset with reports of crop damage in various parts of Rajasthan and Haryana. According to our field sources, in Mahendergarh, Bhiwani and certain areas of Haryana crop damage could be around 30-35%. In certain areas, where the crop has been damaged up to 50%, it has been pulled out by farmers and fields are being prepared for mustard seed. According to trade sources in Rajasthan, the crop has been affected around 20 -30% in areas like Barmer, Bikaner, Churu etc. Yield level of the crop will be clear by this month.

Onset of south –west monsoon was delayed in the guar seed growing regions and harvesting of the crop is expected to begin by next week. Good quality crop arrivals are expected in the month of November. Demand is normal in the spot markets. Lack of stocks are supporting prices.

According to industry sources, Guar gum exports to the US during the period under review amounted to 2.01€ billion, accounting for 88.9 per cent of India's total exports of the commodity. The share of the US in India's overall export basket has grown to 14.3 per cent in the first quarter, against 11.3 per cent in 2011-12.

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 1st October 2012 is reported at 237500 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.

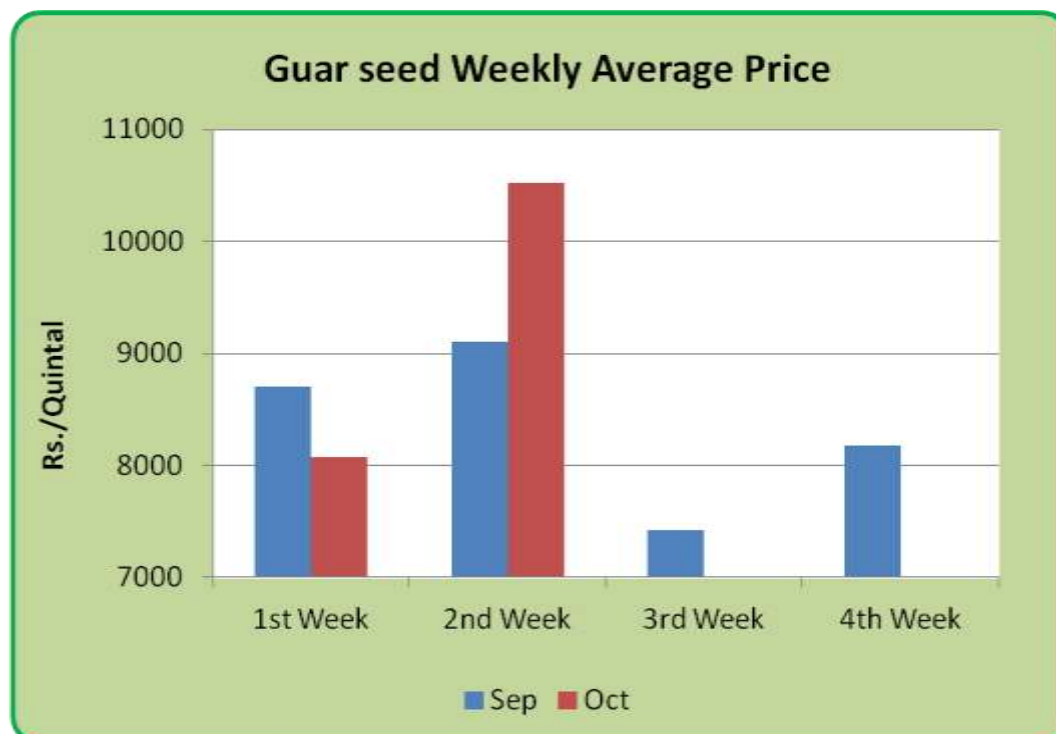
In the current season, onset of south –west monsoon was delayed in the growing regions. However there has been good rainfall in August and September 2012. Lack of rains in certain growing regions during the week might affect the crop. Based on rainfall during June -September, yield should be atleast at last year's level in the states of Rajasthan and Gujarat and around 1200kg/Ha in Haryana (5 –year's average yield). 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. Assuming an average crop damage of around 20%, output is estimated to be around 25 lakh metric tonnes. 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

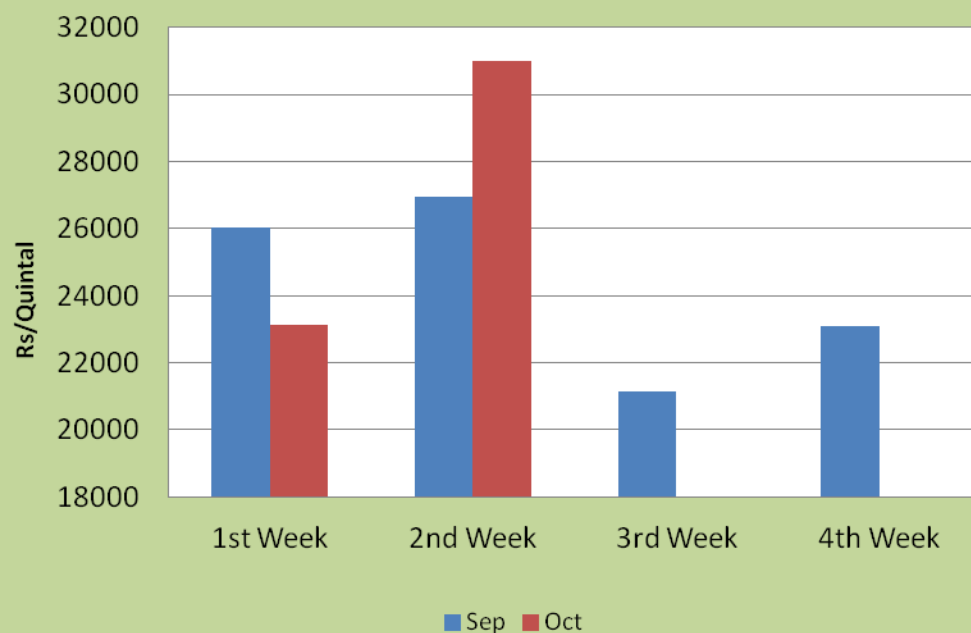
According to IMD, out of 36 meteorological subdivisions, the rainfall has been excess/normal in 24 and deficient in 12 subdivisions during this season, June -September. In area-wise distribution, 70% area of the country received excess/normal rainfall. Remaining 30% area received deficient rainfall. 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 during the week.

Price Scenario

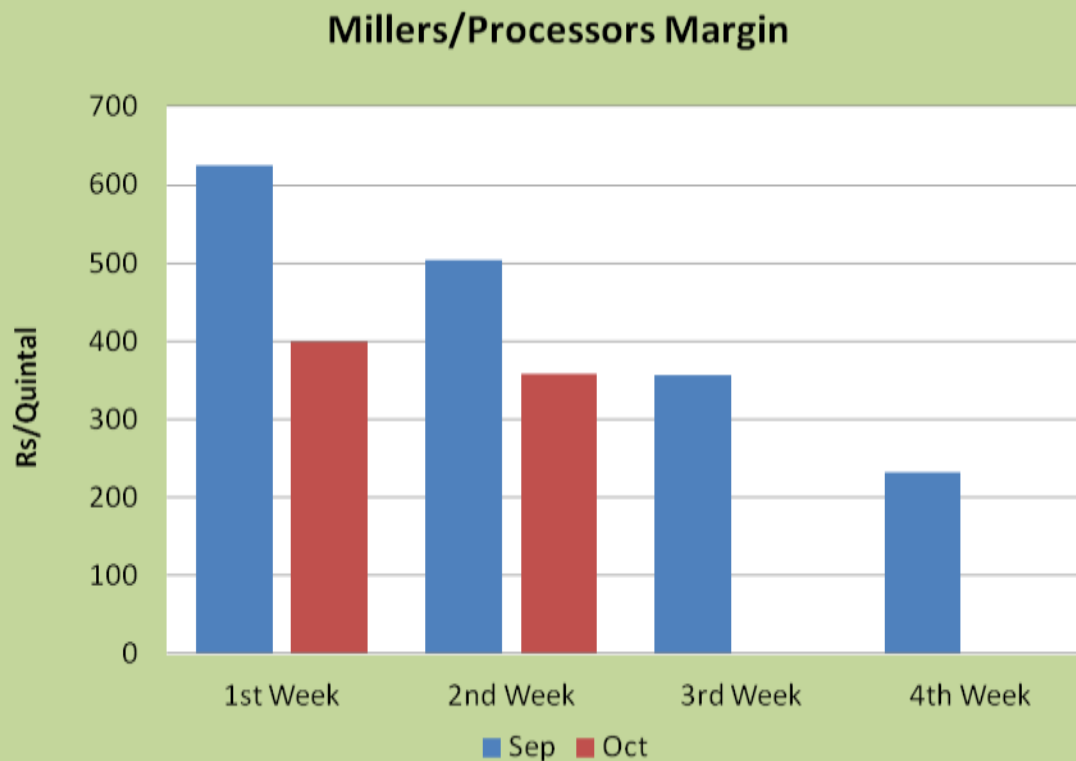
Guar seed and guar gum prices increased during the week. In the second week of October, the average price of guar seed increased by 30% to Rs.10520/Qtl and that of guar gum increased by 34% to Rs.31000/Qtl compared to previous week. The graph below illustrates the weekly average price movement of guar 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 increase in the price of guar seed. In the second week of October, average crush margin stood at Rs. 357.33/Quintal compared to previous week's crush margin of Rs. 398.75/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
		12.10.2012	05.10.2012	
Guar Seeds	Jodhpur (Delivery)	10000	8200	1800
	Jodhpur (Loose)	9000	7700	1300
	Bikaner (Loose)	9300	7500	1800
	Bikaner (Delivery)	9600	7800	1800
	Nokha (Loose)	11000	7800	3200
	Hanumangarh (Loose)	NA	NA	-
	Sri-Ganganagar (Delivery)	12000	8000	4000
	Adampur (Loose)	9500	8000	1500
	Sirsa (Loose)	10000	7500	2500
	Bhiwani (Delivery)	13500	8000	5500
	Deesa (Loose)	NA	6645	-
	Nagaur (Loose)	NA	NA	-
	Dhabwali (Loose)	NA	NA	-
Guar Gum	Jodhpur	28000	23500	4500
	Bhiwani	31500	23000	8500
	Dhabwali	NA	NA	-

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		12.10.2012	05.10.2012
Churi	Jodhpur	1100	1050
Korma	Jodhpur	1950	2000

Guar Export Prices:

Commodity	Variety	\$/MT	
		12.10.2012	05.10.2012
Guargum Split		5500	4600
Guargum Powder	200 Mesh 5000 CPS	6600	5800
	200 Mesh 3500 CPS	6400	5600
Guargum Meal		350	355

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 12.10.12	Week Ending 05.10.12	
Jodhpur	2000	NA	-
Bikaner	50	20	+30
Nokha	NA	NA	-
Hanumangarh	NA	NA	-
Sri-Ganganagar	100	NA	-
Adampur	200	200	Unch
Sirsa	NA	NA	-
Bhiwani	NA	NA	-
Deesa	NA	70	-
Nagaur	NA	NA	-
Dhabwali	NA	NA	-
All India	2350	290	+2060

Spot Market Technical Analysis of Guar seed & Guar gum

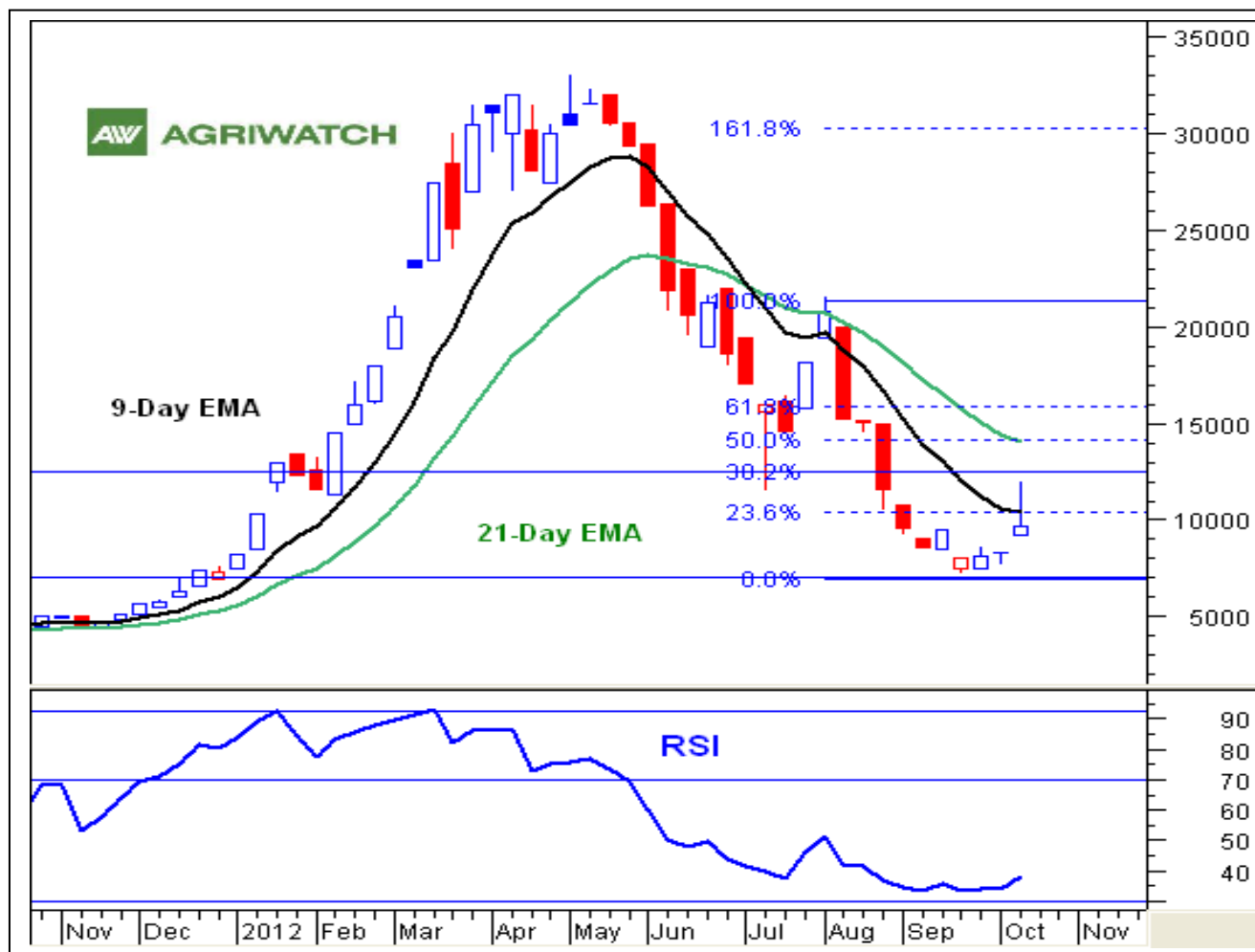


Fig-1 – Guar Seed Weekly Spot Prices (Jodhpur)

Prices continued positive tone with some profit –booking during the weekend. For the decline in prices from Rs.21500/Qtl till Rs.7200/Qtl levels, prices have witnessed around 38.2% retracement and are likely to move towards Rs.14000/Qtl levels. Break out above these levels will support the positive tone of the market. 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 recovery in the near –term. Prices will find support around Rs.7200/Qtl. The next support is at Rs.6000/Qtl levels. Prices are likely to trend towards these levels in the near –term. On the upside there is resistance at Rs.12600/Qtl and Rs.14000/Qtl levels respectively.

Prices are likely to notice some weakness in the coming days.

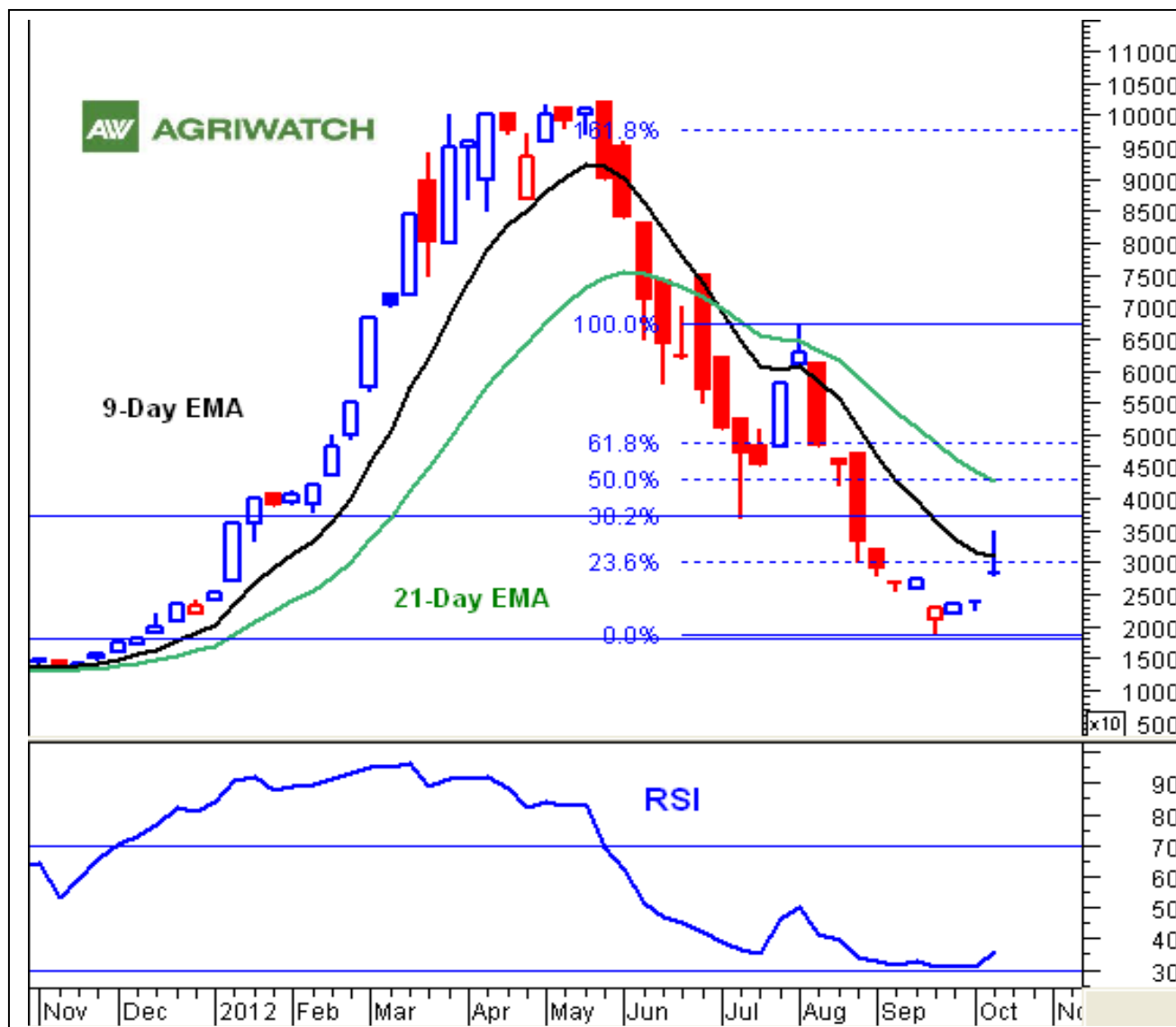


Fig-2 – Guar Gum Weekly Spot Prices (Jodhpur)

Guar gum prices witnessed recovery and could not sustain the early gains. Prices are likely to fill the gap between Rs.23500/Qtl and Rs.28000/Qtl as seen in the chart. For the decline in prices from Rs.67000/Qtl till Rs.19000/Qtl, prices have witnessed nearly 38.2% retracement towards Rs.37350/Qtl level. Prices could notice some weakness in between before continuing the positive tone. MACD is in the negative territory supporting the overall weak tone of the market. RSI is increasing in the neutral region supporting firm tone in the near –term. Prices will find support at Rs.25000/Qtl. The next support is at Rs.22500/Qtl. On the upside there is resistance at Rs.35000/Qtl and Rs.37500/Qtl levels respectively.

Prices are likely to notice some weakness towards Rs.22000/Qtl levels.



Spot Market Outlook:

Both Guar seed and Guar gum prices are likely to notice some weakness before continuing the positive tone. Buyers can wait for better buying levels in the medium -term.

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