

# After rally, guar prices set to stabilise

Higher carry-over stocks, limited overseas buying cap the upside .

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The rally in guar futures may face resistance in coming weeks on expectations of possible corrections due to higher carryover stocks and limited export demand.

This recent boost in prices is mainly on reports of lower estimates of sowing area. In the past month, on the National Commodity and Derivative Exchange (NCDEX), the prices of its gum and seed have witnessed a jump of more than 33 per cent to ₹6,630 a quintal and 18 per cent to ₹3,600, respectively.

Guar prices have been declining in the last two years and this sudden jump in prices may encourage farmers and stockists to sell their stocks in the physi-

cal market, when demand is still not substantial to drive up prices.

## Acreage drop

Preliminary reports coming from the major growing States of Rajasthan, Haryana and Gujarat see a drop of guar planting during this kharif season due to a shift to pulses, cotton and other cash crops.

According to Agriculture Department reports, the area under guarseed was down 40.20 per cent in Rajasthan at 7.89 lakh hectares (lh) as on July 11 from 13.1 lh last year.

In Haryana, area under guar-seed crop was lagging behind by 83 per cent at 35,000 hectares, while in Gujarat only 4,400 hectares were sown compared to 58,200 hectares last year.

Lower acreage may result in guarseed production falling by half from about 24.5 lakh tonnes (lt) in 2015-16.



Guar seed is the raw material for guar gum, which is in demand for fracking of shale gas, particularly in the US.

As per the data released by the Department of Commerce, guar product exports in the current marketing year (2015-16) have touched a six-year low of 3.66 lt (6.35 lt).

Moreover, during the first two months of financial year 2016-17, exports were down 12 per cent at 52, 244 tonnes (59,549 tonnes).

## Price outlook

The annual consumption of guar in last two years was

pegged between 15 and 18 lt against the total production of over 25 lt.

Thus, the country is expected to have a carryover stock of over 15 lt. Even if the crop declines by half, the total availability will be around 25-27 lt.

## Further pressure

This may put further pressure on prices if exports do not pick up. We expect NCDEX October contracts for guarseed will have stiff resistance at around ₹4,000/4,200 per quintal (CMP: ₹3,830) and guar gum at ₹8,000/8,300 per quintal (CMP: ₹7,200).

Prices may break these resistance points in the case of higher crude oil prices and higher export demand for guar gum.

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