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Guar industry seeks Centre's help to rein in surging prices



Rates have risen by 25% in just two weeks

The guar industry has sought the Centre's intervention to prevent prices of the commodity from spiralling out of control.

The market is on the boil, Dilip Soni, a Jodhpur, Rajasthan-based trader, told *BusinessLine*. "During the last couple of weeks, the market has gone up by almost 25 per cent. This is not a good sign for the guar Industry," Soni said.

Speculation based on emerging weather seems to have started once again with the Australian weather bureau indicating a 50 per cent chance of El Nino returning. Speculators in the agri commodity seem to have surmised that the monsoon will be severely affected in the bargain.

This comes at a time when the India Met Department has clarified that El Nino will not have any impact on the monsoon, Soni said.

The rationale given is that the South-West monsoon starts around March and at least till May, the El Nino phenomenon will not be present. So it will not have any impact on the South-West monsoon.

Unlike in 2011-12, the food industry and oil drilling industry, principal end-users of guar, are better prepared with substitutes lined up for just this type of situation. "The moment they find that guar prices are increasing, they can easily switch to these products, whose prices are more stable or are cheaper.

“There may be no coming around if they opt to permanently shift to other products, favouring price stability over advantages guar offers.”

Demonetisation effect

Post-demonetisation, the market had stabilised to a great extent. Through November, 2016, to mid-February, 2017, prices had fluctuated between a very narrow range. This was well accepted by international buyers who started to buy guar. This was good for the Indian Industry which was severely effected due to the fall in oil prices and consequent reduction in drilling activities. After all, the industry as a whole was operating at just around 15-20 per cent of capacity. The last time the situation had spiralled out of control, the Centre had to suspend the guar future contracts. This time around there is still time, and the Centre should take immediate steps to control the situation, Soni added.

Export demand

India accounts for 80 per cent of the world’s production, followed by Pakistan. Rajasthan is the leading producer, contributing 70 per cent of India’s production.

The country mainly produces guar gum, or guar splits made from guar seed, which are further processed into guar gum powder.

Over 80 per cent of the products are exported, mainly to the US, Germany and China. The top consuming industry is oil & gas, accounting for 60-65 per cent, followed by food (25-30 per cent) and pharmaceuticals.

The textile printing industry is the major consumer domestically. Guar gum has played a key role in the extraction of shale oil and gas through the fracking process.