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The INDOPAK guar paper markets remain firm, trading narrowly for the past month. Prices have come off the high of late July and early August. However, it's clear that the speculators are holding out for more money keeping a tight grip on seed by selling only small quantities each day.

As for the new crop, the 2011 planting season was slow to start and longer than usual on account of late rains. However, late rains did arrive towards the end of August and early September, providing for sufficient soil moisture and substantial acreage planted with guar. Early estimates put the crop yield similar to 2010 (a record harvest), 12-15 million bags of seed. Rains last week were plentiful and widespread and the same is forecasted for this week. All in all, we are more confident of another bumper crop.

This year we saw demand increase rapidly in the first and second quarters trickling into the 3<sup>rd</sup> quarter. The oil field service companies seemed to operate hand to mouth, willing to pay any price to keep their frac rigs from standing idle. As of late though, US inventories have dramatically improved with little panic of running out before the next load arrives. Although the manufacturing plants continue to run at capacity, orders are beginning to ship and arrive on time.

On the other side of the supply curve is the demand expectations of 2012. Clearly the oil field frac sector will continue to lead the way, consuming the largest piece of the pie. The million dollar question is, will there be enough supply? Our opinion is yes, the expected 2011 crop yield should be sufficient to meet demand but carry forward into next year's crop will be light. As we discussed throughout 2011, the substantial hard to swallow almost daily price increases were not due to supply of seed rather demand for less than adequate manufacturing capacity. All guar plants ran and continue to run at capacity but most if not all will have increased capacity in 2012. We are hopeful this increased production capacity will ease the pressure allowing for better pricing in the future.