

RANTEC GUAR REPORT 10-20-2011

No unusual information to report regarding the IndoPak guar markets. Weather is forecasted dry. Rain this week would have helped the western Rajasthan crop. In other areas, rain has the potential to harm the standing crop. Dry weather is needed starting next week for all areas until the crop is harvested. New crop estimates range 12 to 15 million bags of guar seed. World demand for 2011 is estimated at approx 10-12 million bags. 1 million bags of seed converts to approx 29,000 mts of powder.

Old crop raw material is scarce. New crop seed of poor quality is trickling to market in Haryana and Ganganagar. This is typical as the farmers know they can sell poor quality when the buyer has no other options. Splits manufacturers will blend this off with better quality seed. New crop arrivals and quality should increase in approx 2 weeks ex Haryana and Ganganagar to meaningful levels of 50,000 bags per day. The Haryana and Ganganagar crop which is the source of the higher viscosity seed is smaller than last year. Most believe that all splits manufacturers will be buyers as the Haryana and Ganganagar crop comes to market. Most splits plants are shut down waiting for new seed to start up again.

Manufacturers are reporting heavy bookings thru 2011 and into 1Q2012. US demand remains strong and is expected to remain strong for the foreseeable future. We estimate that the total USA 2011 guar demand is up approx 3.5X vs. the long term average of 2005-2009. The frac work related to the new and improved horizontal drilling method is driving essentially all of the 3.5x increase.

If 2012 demand is a repeat of 2011, then a 10-12 million bag crop will meet demand with little carry over for the next year. It is reported that India is adding additional oil field grade capacity of 6,000 mts per month as of 2Q2012. i.e., approx 2,000 mts per month starting January. We will know more about the increased capacity after our November visit to India. The US average imports are currently estimated at approx 23,000 mts per month. The market will be watching to determine if the frac application absorbs all of the new capacity or will the new capacity reduce the strain on the supply side.