

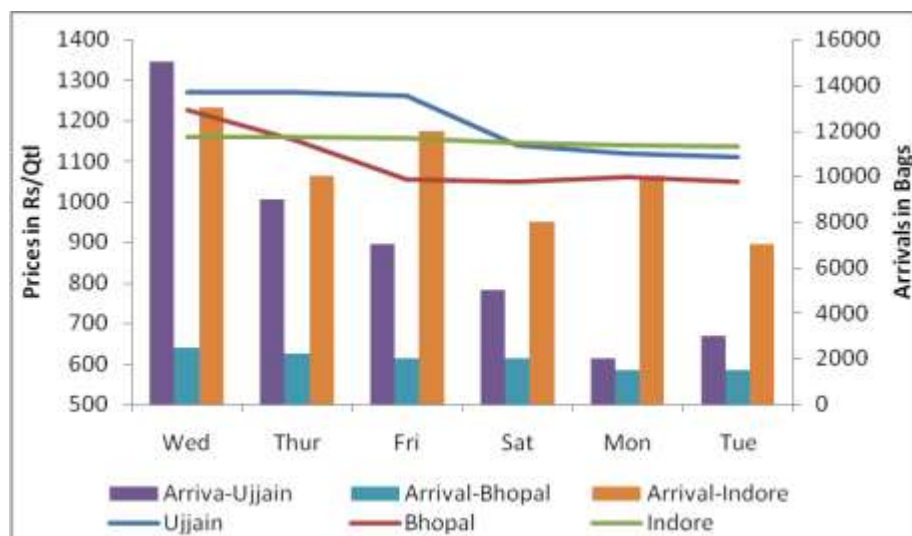
Domestic Market Recap:

- Procurement reaches near 27 MMT in current marketing season 2011-12.
- Wheat prices are under extreme pressure on excessive supply and stock.
- Private trades start releasing stock on bearish outlook.
- Arrivals in Bihar, U.P., Rajasthan and M.P. continue to flow in.
- Punjab contributes 10.92 MMT, Haryana 68.7MMT.
- Madhya Pradesh, Uttar Pradesh and Rajasthan stood at 4.81 million tonnes, 2.42 million tonnes and 1.11 million tonnes respectively.
- Record grain stock likely to pose handling challenge in months ahead.
- Releasing stock in open market to vacate storage space may further distort market.
- Area shifting from wheat to sugarcane in south and U.P. is feared.

Market Fundamental:

Sitting on huge stock supported by bumper production with higher carryout stock, prices of wheat in India will be under extreme pressure in weeks ahead. Arrivals in states like M.P., Bihar, Rajasthan and U.P. are flowing on and escalating downward pressure further. Farmers are getting much lower prices and private trades are taking advantage of the emerging scenario. At the same time at some places they are unwilling to buy on bearish outlook. If FCI releases (likely) some stock in the open market to vacate storage space for kharif it will further distort the market sentiments. It would be difficult to offload stock from central govt.'s godowns in a glut like conditions.

M.P. wheat market is in an uncertain state as margins in wheat trade are approaching near negative levels with declining prices. Prices have come down by Rs 75 to Rs 100 per qtl. as there is lower demand from other states. Wheat is available cheaper in Rajasthan, Gujarat. However, 10 truck loads are being despatched to Pune and Hyderabad at Rs1270 and Rs 1320 (delivery basis) respectively per day at a margin of hardly one percent. Local millers are buying wheat locally at the rate of Rs 1120 to Rs 1130 per qtl. to fulfil their immediate requirements. Sources say that prices of wheat will dip further and wash away even the minimum margin whatever it is now. Following chart denotes falling prices and arrivals in various markets in M.P. during last one week:



Prices of wheat (loose) are ruling Rs 1050 to Rs 1060 per qtl. in Rajasthan and supply pressure weighs on market. Prices of mill delivery basis are quoted in the range of Rs 1140 to Rs 1150 and it has come down by Rs 30 per qtl. in last one week and sources say that it may shed Rs 30 per qtl more in current week on lower demand against higher supply.

Storage problem in Punjab and Haryana, Rajasthan, M.P. and U.P. persists despite some stock shifting out of the states due to record procurement (Punjab: 111 lakh tons, Haryana: 69.8 lakh tons and M.P. 50 lakh tons). This might force state trading agencies to liquidate some of the stock in the domestic markets which will further ease the supply side. Earlier Punjab had demanded movement of almost 25 lakh tonne per month of wheat and rice to other states to tide over the existing storage crisis, but FCI could only shift 15 lakh tonne of food grains.

TOTAL STOCKS OF FOODGRAINS IN CENTRAL POOL AS ON 01.06.2011

East zone total	31.32 lakh T
NE zone total	02.84 lakh T
North zone total	410.00 lakh T
South zone total	88.81 lakh T
West zone total	109.63 lakh T
Grand total	642.00 lakh T
Stock in transit	94.26 lakh T
Wheat lying in mandis	6.56 lakh T

Source: FCI

Note: Wheat lying in Mandies : Punjab - 0.19 LMT, Haryana - 3.78, Rajasthan - 1.00 LMT, Madhya Pradesh - 1.57 LMT, Gujarat - 431 MT and Uttarakhand - 589 MT.

Traders and market experts are of the opinion that the export ban by government in spite of comfortable stocks accompanied by huge carryout will distort market. Export should be opened to sort out the emerging challenge at least through private channels in time otherwise more stock will rot in govt.'s agencies amid decreasing prices of wheat. This will directly impact the overall area of wheat in next season and in south (Tamilnadu and A.P.) some wheat area has been shifted to sugarcane and the possibility in U.P. cannot be ruled out.

The EGOM again sits to discuss export

As the EGOM of the government again sits to discuss export of wheat, the chances are that this time they will allow some exports. The regular news of prospects of dropping yields in Europe, the rising international prices and the successful procurement in this season, has provided enough ammunition for the pro-export lobbies. There seems little arguments against.

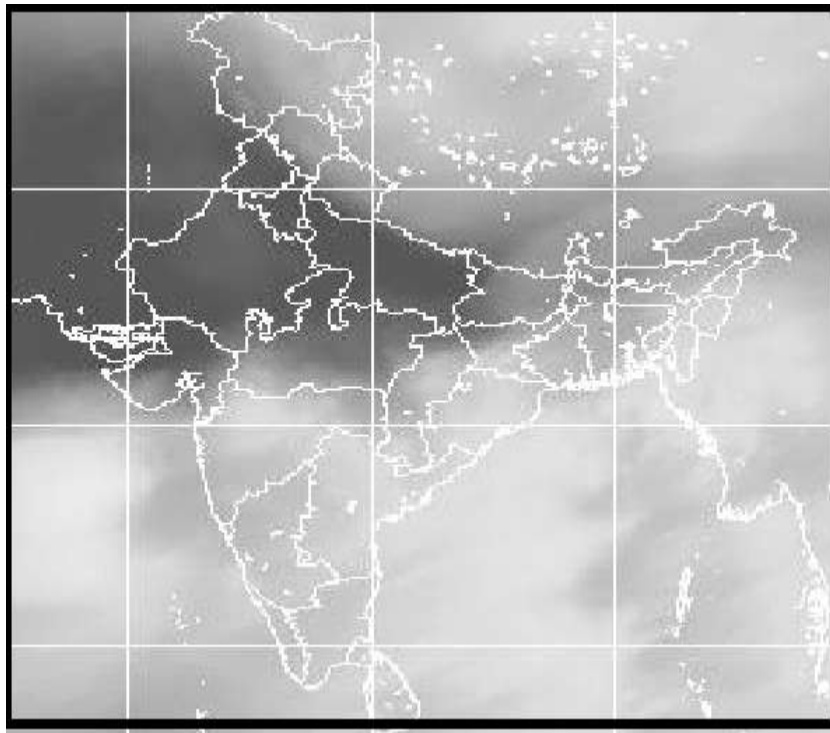
Private traders have started offloading stock and they are selling it on 1 to 2 percent margins as their margin is decreasing fast and there is a possibility of turning it into negative in next two-three weeks. Traders in Bihar are loading wheat for Orissa and Bengal while some illegal trades to Bangladesh and Nepal through various routes have also been reported. Wheat loading from Rajasthan, M.P., and Gujarat is taking place for Puna and Hyderabad. However decreasing margin may affect loading for the same destination in weeks ahead. Sources are expecting some buying interest at lower level especially from animal feed industry.

Weather – Monsoon

There are predictions of a normal monsoon in most of the country, which should provide a good base for the kharif crops especially paddy, maize and oilseeds. Monsoon has already hit Kerala and is expected to hit

northern India by the last week of June. India's June-September monsoon rains are expected to withdraw on schedule, the chief of the weather office said recently, unlike last year when late end-season in August/September rains hit Kharif Pulses output and delayed Rabi sowing. A timely withdrawal of the monsoon, which delivers more than 70 percent of annual rainfall, will boost output. State governments have a crucial role to play, not only in ensuring adequate availability of inputs (seeds, fertilisers, agrochemicals, etc.), but also in closely monitoring the progress of farm operations. On its part, the Union Agriculture Ministry must announce the minimum support price (MSP) for various kharif season crops well ahead of actual planting so that growers can decide which crops to plant and source appropriate inputs.

08.06.2011



Private trade activity

Private trade including MNCs are mostly active in Gujarat, Bihar and U.P. Almost 60 percent wheat from newly harvested crop is being loaded for southern states and Orissa. Lower tax structure and prices (below MSP) in these states ensures good return to the traders and brokers. As per local brokers almost 15 percent wheat is being retained for stocking under private trade locally and almost 8 percent by farmers to take advantage of higher prices in lean season when wheat prices remain at higher side traditionally. Unlike Bihar, U.P., Gujarat and Rajasthan where private traders seen active on the other hand private bodies are virtually absent from Punjab, Haryana and M.P. primarily due to higher tax structure, adequate procurement centres, bonus (Rs 100 per qtl. offered by state govt. in M.P). Higher costing of procurement has kept private trade away from Punjab, Haryana which are the major contributor to the central pool. However, this situation is likely to change in weeks ahead in changed sentiments and outlook for wheat.

Meanwhile, trading activities have come down in most of the major centers with declining arrivals. However, flour millers, small traders and Atta chakkis are actively buying wheat for fulfilling their immediate requirements. Even higher availability of wheat in Punjab and Haryana local flour millers are sourcing wheat from U.P. and Rajasthan due to cheaper availability.

Traded wheat status in different states and percentage participation by govt.&trade

States	Procurement by Private Trade	Stock Retained buy Private Trades from the Procured Quantity	Govt. Participation in Procurement	Stock retained by farmers	Stock being loaded for various destination (Private & Govt.)
Bihar	95%	20%	5%	8%	Orissa
Gujarat	70%	30%	20%	12%	Southern states
U.P.	85%	30%	15%	18%	Punjab, Orissa and A.P.
Rajasthan	75%	25%	25%	18 %	Punjab, Guj., Orissa and A.P.
Punjab	1-2 %	10%	98%	10-12 %	PDS
Haryana	1-2 %	10%	98%	8%	PDS
M.P.	10%	8%	90%	Appx 10 %	PDS

Note: These are private trade estimates expressed by various local grains merchants.

Current Market Dynamics and Outlook
Procurement:

As in the past, the Indian Government holds the key to the wheat market in India. With almost a fourth of the wheat produced in the country being procured by the central and state governments and their agencies, the price of wheat in different parts of India, currently is driven by the procurement network of these agencies. The Government is well on its way to procuring over 27 million tonnes of wheat this season having already procured over 26.58million T by 1st June,2011.

Progressive procurement status:

States	2010-11 (figure in lakh ton)	2011-12 (Progressive)
Punjab	102.08	110.18
Haryana	63.47	69.67
U.P.	16.45	24.14
M.P.	35.38	49.37
Bihar	1.83	1.29
Rajasthan	4.75	10.87
Gujarat	0.62	0.76
Others	-	-
Total	225.13	265.85

Total wheat stock with FCI as on 01.06.2011 registered at 114.41 lakh tonnes

Bumper production of wheat this season and resultantly higher procurement have helped FCI in increasing stock of wheat. Total wheat stock with FCI registered 114.41 lakh tonnes as on 01.06.2011. Out of total stock, zone wise contribution has been given below: NE zone contributed 0.73 lakh tonnes, north zone contributed 79.57 lakh tonnes, south zone contributed 6.02 lakh tonnes, west zone 18.67 lakh tonnes. Stock in transit on

same date is said to be 2.26 lakh tonnes while wheat still lying in mandis is 1.02 lakh tonnes. Thus grand total comes out 117.69 lakh tonnes

Trade margin

Areas with higher density of procurement centers find the local market prices close to the government announced MSP of Rs. 11200 per Tonne plus Rs. 500 per tonne bonus. Other places find the markets ending closer to Rs. 10500-11000 per tonne. This provides arbitrage opportunities to private players who can procure from such areas (mainly in East UP, Bihar, Rajasthan and Gujarat) and transport the same to the southern states where no wheat is grown. Such arbitrage with transportation costs can yield around 1 to 1.5% gross margins. But it is expected to come down soon with declining prices in various destinations amid higher supply side.

Bids for exporting wheat and rice

Government-run trading agencies STC and PEC have invited bids for export of 3 lakh tonne of non-basmati rice and 2 lakh tonne of wheat to Bangladesh under the diplomatic scheme.. Bids floated by STC and PEC will close on May 30, and the decision on awarding the export contract will be taken on the same day. Wheat bidders will export wheat stocked in FCI godowns in Punjab region. Additionally, the rice and wheat consignments is expected to be loaded at Kakinada and Kandla port in Gujarat, respectively.

Export parity

Export parity is not very attractive right now and India can export wheat when prices in the international market go above \$330-340 per ton. Currently CBOT July contract 744 cent per bushel (almost \$304 per ton). It may come down to 725 cent per bushel and is likely to go up once again and may touch 850 cent per bushel in weeks ahead. It may test the level of \$325 per ton. If Prices go up beyond this level India can export in desired destination. Right now export parity is only from Gujarat and Bihar for Bangladesh. But commercial export in bulk quantity is unlikely at current prices. If prices goes down(likely) in domestic market and govt. allow export possibility of export will increase. International market is going through uncertain weather conditions with possibility of Russia entering into the export market and it will be a driving force to guide the overseas wheat market. If crude prices goes up from current level and feed industries demand increases it will support wheat prices in the international market.

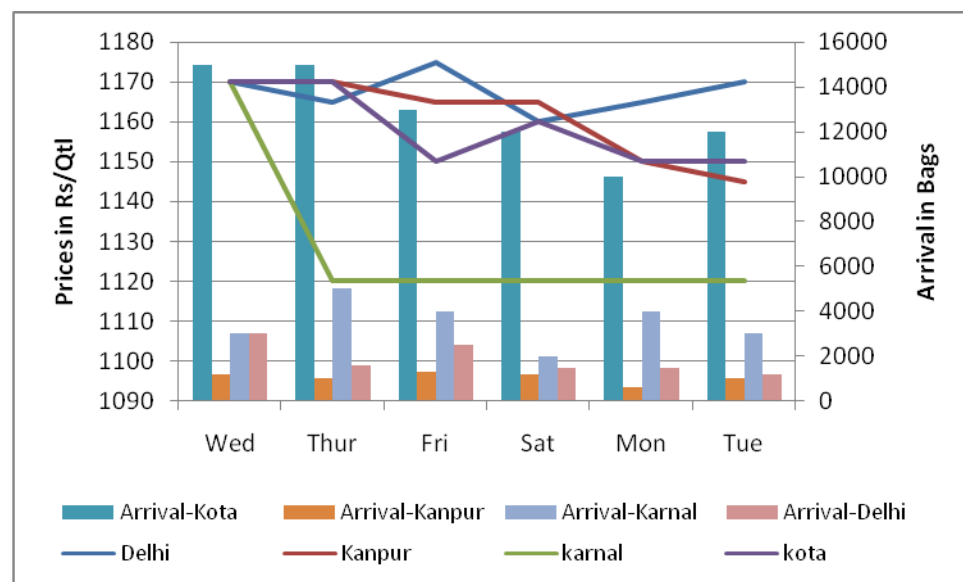
Export Parity Calc. on Expected CBOT Prices (As on 07.06.11)

Component	Khanna@MSP	Khanna@CMP	Gujarat (Rajkot)	MP (Bhopal)
Ruling Mkt price@ Khanna	11200	11300	11300	11500
Mandi Expenses (loading/unloading, Bagging, Grading etc)	12712	12826	11695.5	12190
Local Transportation & Rake loding charges	400	400	400	400
Freight chareges to Kandla	1200	1200	400	1250
Unloading, Shiploading and misc. handling exp.	450	450	450	450
Transit losses@1%	112	113	113	115

Total Handling cost	2162	2163	1363	2215
Esti. FOB Prices (INR)	14874	14989	13059	14405
Esti. FOB Prices in US \$/MT	332	335	292	322
Current CBOT Wheat Futures Prices	304	304	304	304
CBOT Futures Price in INR	13593	13593	13593	13593
Parity	-1281	-1396	534	-812

Wheat Prices at Key Spot Markets:

Prices in various cash markets remained subdued despite decreasing arrivals. Higher govt. stock, procurement and lower demand against supply supported by bearish outlook and normal monsoon forecast are weighing on the market: below given prices table depicts the declining trend. Downward move will continue to rule the market in lack of export opportunity. International market too have dipped and overall export scenario is not very encouraging .Russia will start wheat export July onward supported by US wheat harvesting due in the last week of June.It will escalate negative parity in weeks ahead.



Wheat Prices at Key Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			07-06-2011	06-06-2011	
Delhi					
	Lawrence Road	Mill Quality	1180	1180	Unch
	Narela	Mill Delivery Loose	1170-1185	1160-1165	20
	Nazafgarh	Mill Delivery Loose	1140-1170	1150-1155	15
Gujarat					
	Rajkot	Mill Delivery	1130	1130	Unch
	Ahmadabad	Mill Delivery	1160	1150	10

M.P.	Bhopal	Mill Quality Loose (Lokwan)	1050-1060	1050-1055	5
	Indore	Mill Delievery	1135	1150	-15
Rajastha n	Kota	Mill Quality	1050	1050-1060	-10
U.P.	Kanpur	Mill Delivery	1150	1150	Unch
Punjab	Khanna	Mill Quality Loose	1120-1125	1120-1125	Unch
Haryana	Karnal	Mill Quality	1120	1120	Unch
	Sirsa	Mill Delivery loose	1170	1170	Unch
	palwal	Mill Quality Loose	1100	1100	Unch
	Panipat	Mill Quality Loose	1120	1120	Unch
	Barauni	Mill Delivery	1115	1110	5
Bihar	Samastipur	Mill Delivery	1120	1110	10
	Khagaria	Mill Delivery	1120	1115	5
	Patna	Mill Delivery	1030	1020	10

Wheat Arrivals in Key Centers

Centre	Market	Variety	Arrivals (Bags/QtI)		Change
Delhi			07-06-2011	06-06-2011	
	Lawrence Road	Mill Quality	8000	7000	1000
	Narela	Mill Delivery Loose	1500	1300	200
	Nazafgarh	Mill Delivery Loose	300	400	-100
Gujarat	Rajkot	Mill Delivery	4000	6000	-2000
	Ahmadabad	Mill Delivery	1000	1500	-500
M.P.	Bhopal	Mill Quality Loose (Lokwan)	1500	1500	Unch
	Indore	Mill Delievery	10000	10000	Unch
Rajasthan	Kota	Mill Quality	12000	10000	2000
U.P.	Kanpur	Mill Delivery	1000	600	400

Punjab	Khanna	Mill Quality Loose	1000	1500	-500
Haryana	Karnal	Mill Quality	4000	4000	Unch
	Sirsa	Mill Delivery loose	150	200	-50
	Rewari	Mill Quality Loose	-	-	-
	Panipat	Mill Quality Loose	-	-	-

Price expectation for coming week (Domestic Market)

Lower side	Rs/per qtl.	Higher side	Rs per qtl.
1050 (Cash market)		1150 (Cash market)	
1125 (Future market)		1175 (Future market)	

International Market Recap:

- Beneficial rains fell in dry areas of Western Europe ahead of the upcoming harvest, while farmers in the US northern Plains are making some progress planting spring wheat.
- CBOT July wheat falls 29 3/4c to \$7.44/bushel; KCBT July loses 24 1/4c to \$8.90 and MGE July slips 18 1/2c to \$10.42.
- However, current weakness may be termed as a correction and market is expected to bounce back once again with any aberration in weather and world supply-demand scenario.
- Russia will come back in world market with export tax so that domestic market could remain under check.
- Declining prices versus corn will make wheat more attractive as a feed option, boosting demand.
- US crop will hit in July, however crop is estimated lower.
- Russia is expected to produce 55 MMT wheat this year. Old stock is estimated in the range of 15 MMT.
- Russian FOB quotes are \$219 to \$220 per MT for superior grade, feed grade \$197 to \$209 per MT.
- The CWB has hiked its price projections for various wheat grade marketed during the 2010-11 (Aug to July).
- The IGC has slashed its forecast for the 2011/12 global wheat crop by 5 million tonnes to 667 million.
- Global wheat production was now expected to fall slightly shy of anticipated record demand in 2011/12 of 669 million.
- U.S. wheat production was forecast at 56 million tonnes, down from a previous projection of 57.5 MMT
- Australia Can Expect Bumper 2011-12 Winter Wheat Crop at 25.5 MMT.

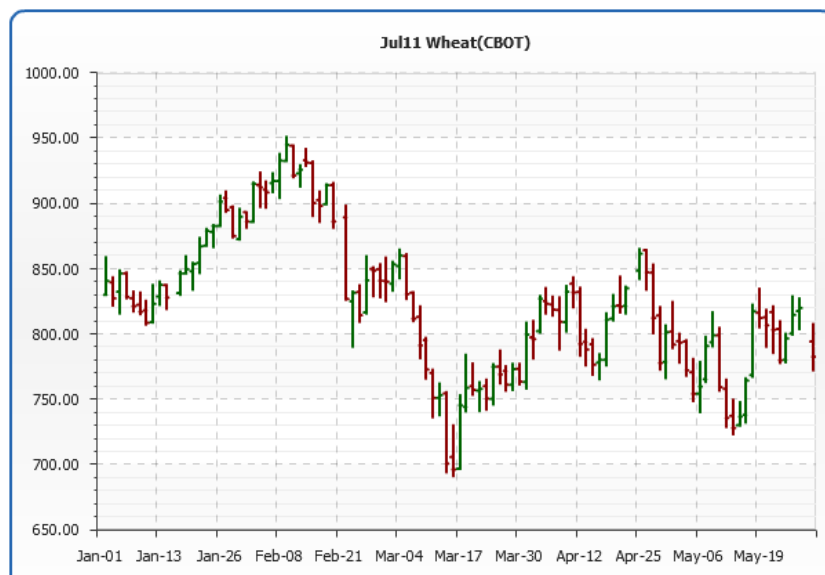
International Market Fundamental:

Bearish sentiments are emerging in international markets with expected Russian entry in world wheat market in July, US crop hitting market and likely increase of 0.6 M Ha. area in Argentina supported by Ukraine's surplus. In this back ground market is likely to remain under pressure next week. Buyers may move onto Russian market as cheaper source. Stock at world market is sufficient to take care of any emerging demand. However market sources believe that feed industry's demand is likely at lower level as corn prices are higher in the international market. Below given table shows CBOT future prices and are continuously falling

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (06.06.11)	WeekAgo (31.05.11)	MonthAgo (06.05.11)
July'11 (\$/MT)	-2.04	273.35	287.40	279.04
July'11 (INR/MT)	-2.04	12229.48	12858.22	12484.26
Sept'11 (\$/MT)	-1.59	290.34	305.68	295.02
Sept'11 (INR/MT)	-1.59	12989.72	13675.98	13199.29
Dec'11 (\$/MT)	-0.77	309.72	324.05	312.11
Dec'11(INR/MT)	-0.77	13856.79	14497.85	13963.64
March'12 (\$/MT)	-0.73	323.31	336.54	325.70
March'12 (INR/MT)	-0.73	14464.98	15056.73	14571.82

Note:1 Bushel=27.216kg. (One dollar value Rs 44.74)

CBOT Price Outlook (July'11 Contract) (Prices in Cents/bushel)



US wheat futures finished solidly lower, with the nearby MGEX contract suffering the heaviest losses in a setback from strong recent gains. MGEX spring wheat tumbles as traders take profits after the contract reaches a nearly 3-year high. The accelerating winter-wheat harvest adds pressure to CBOT and KCBT wheat as fresh supplies come in from the fields. In Western Europe, crop concerns ease as rains fall in dry areas. CBOT July wheat falls 10 1/4c to \$7.33 3/4 a bushel while KCBT July loses 15 1/2c to \$8.74 1/2 and MGE July sinks 57 1/4c to \$9.84 3/4. Landed Cost Wheat.

Wheat landed cost calc. on Indian port

(As on Date: 06.06.2011)

Cost Component		Australia	USA	France	UK
FOB Value		299.20	310.32	337.20	314.85
Freight		55.00	60.00	60.00	62.00
Export tax		0.00	0.00	0.00	0.00
C&f Value		354.20	370.32	397.20	376.85
Int. charge for one month	0.01	3.54	3.70	3.97	3.77
Risk premium-risk of rejectionnat Indian port	10	10.00	10.00	10.00	10.00
C & F Value plus risk premium&int. charges		367.74	384.02	411.17	390.62
Landing charges	0.01	3.68	3.84	4.11	3.91
Landed cost at Indian port(USD/MT)		371.42	387.86	415.28	394.52
Landed cost at Indian port(NRI/T)	44.74	16617.30	17353.01	18579.79	17651.03
Port handling charges		800.00	800.00	800.00	800.00
Local transport		110.00	110.00	110.00	110.00
Warehousing charges (for 1 Month)		75.00	75.00	75.00	75.00
Transit Insurance		12.00	12.00	12.00	12.00
Gunny bags		500.00	500.00	500.00	500.00
Transit loss	0.05	9.25	9.25	9.25	9.25
Loading &unloading		200.00	200.00	200.00	200.00
Market price of wheat		18323.55	19059.26	20286.04	19357.28
profit margin	2%	366.47	381.19	405.72	387.15
Total cost		18690.03	19440.45	20691.76	19744.43

Note: The internal cost of marketing has been worked out in consultation with port and market experts to arrive at the actual market cost of imported wheat. This calculation would help in finding out the feasibility of import/export.

Price expectation for coming week (International Future Market)

Lower side	Higher side
725 cent/per bushel	775 cent/per bushel

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