

### Domestic Market Recap:

- Production of wheat may have been higher than previously estimated. Higher yields being reported from various states. Now estimated at 86 MMT.
- Wheat Procurement likely to cross 27 MMT in CMY 2011-12.
- Storage remains a concern for government agencies. Private trade has moved most of its stock to the mills.
- Downward pressure on wheat market may continue on higher supply in days ahead
- Arrivals in Bihar, U.P., Rajasthan and M.P. continue to flow in despite declining prices.
- Farmers and stockists continue selling their stock anticipating downward trend following bumper production and no exports.
- High arrivals in market will keep prices depressed making market sales of FCI difficult.
- MNC's in Gujarat are still retaining stocks in expectation of exports.
- Animal feed industries have started buying wheat as corn (maize) prices are higher.
- Area shifting from wheat to sugarcane in south and U.P. is feared.

### Market Fundamentals:

Wheat market is going through a very critical phase, at least for a directional movement right now. Market is trading in a range and waiting to get support to move in either direction. Favourable monsoon, bumper production of wheat (more than 85.1 MMT) and bulging foodgrains stocks (almost 65.47 MMT) 2.5 times higher than actual requirement for various welfare schemes, weigh on market sentiments.

### Private trade activity:

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 to fulfill their immediate requirements. Even with 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 by 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.**

### **Rising stock:**

Bumper production of wheat this season and the resulting 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

There is a serious crunch of storage space and with good kharif prospects offloading stocks is crucial especially for FCI. Since, offtake starts picking up only in the lean season (after September) when prices in cash market are higher than the st base prices for OMSS set by FCI managing the stocks is a challenge in months ahead. Storage costs will go up with higher procurement cost and quantity. Besides, Kharif rice will also hit the market in September. It will build up further pressure on storage space. With possibility of exports looking remote, and the wait for the Food Security Bill to be passed, expected to be long, more proactive measures of managing the stock will be required.

### **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 26.98 million T by 10th June, 2011.

### **Progressive procurement status:**

States	2010-11 (figure in lakh ton)	2011-12 (Progressive)
Punjab	102.08	111.18
Haryana	63.47	69.67
U.P.	16.45	25.14

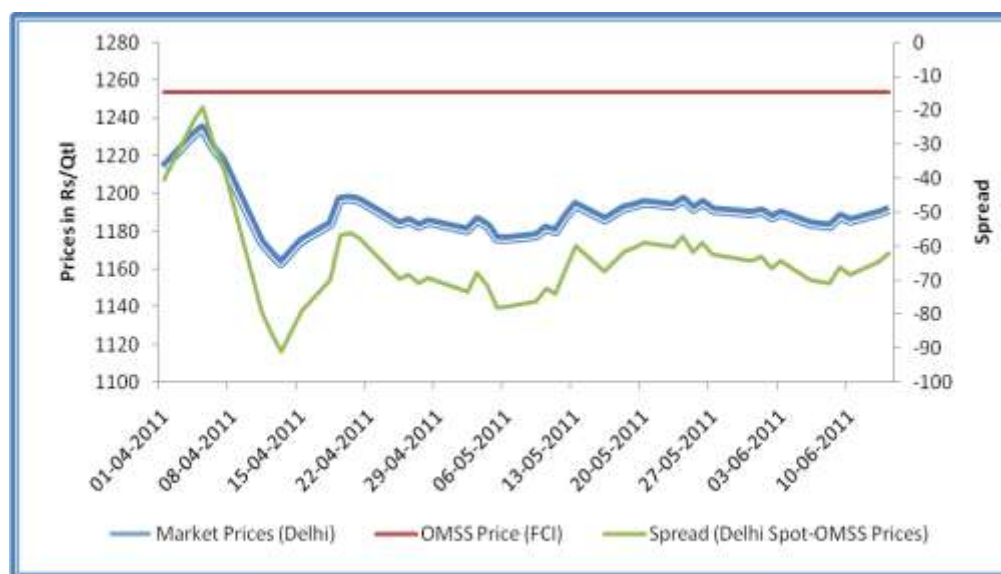
<b>M.P.</b>	<b>35.38</b>	<b>50.37</b>
<b>Bihar</b>	<b>1.83</b>	<b>1.29</b>
<b>Rajasthan</b>	<b>4.75</b>	<b>11.87</b>
<b>Gujarat</b>	<b>0.62</b>	<b>0.76</b>
<b>Others</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>225.13</b>	<b>269.85</b>

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

### Rising gap between OMSS and cash market prices:

Following chart shows wide gap between OMSS and cash market prices. Wheat is available abundantly at lower prices in cash market and traders /brokers prefer to lift stock directly from open market. Flour millers are sourcing wheat from U.P. @ of Rs1080-1100 per qtl. on loose basis. However, wheat is comparatively ruling higher in Rajasthan and M.P. It is being loaded for south India at minimum margin with declining prices.

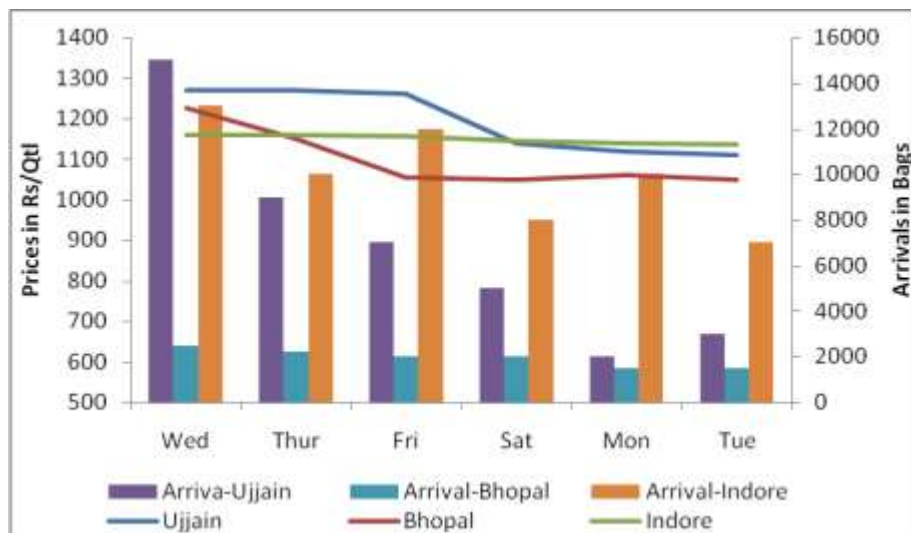
### OMSS Prices Vs Domestic Prices:



- OMSS prices remain higher than the prevailing cash market prices.
- The spread remains in the range of Rs 60-80/Qtl.
- The offtake may increase in the lean season (October-February) when prices may rise above the OMSS Base Price

Traders/brokers trade with minimum margin with declining prices at various destinations in south India. Wheat is available cheaper in Rajasthan, Gujarat. However, 8 to 10 truck loads are being despatched to Pune and Hyderabad at Rs1260 and Rs 1310 (delivery basis) respectively per day at a margin of hardly 1.0 to 1.5 percent. Local millers are buying wheat locally at the rate of Rs 1110 to

Rs 1120 per qtl. to fulfil their immediate requirements. Sources say that prices of wheat will dip further in lack of fresh buying support. 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 1100 per qtl. in Rajasthan and supply pressure weighs on market. Prices of mill delivery basis are quoted in the range of Rs 1130 to Rs 1140 and it has come down by Rs 10 per qtl. in last one week and sources say that it may shed Rs 20 per qtl. more in current week on lower demand against higher supply.

Prices of wheat in Bihar have come down by Rs 10 per qtl. during this week and downward pressure may continue on back of excess supply against normal demand. Wheat is being loaded for Orissa, West Bengal and to some extent for Nepal through illegal channel. Wheat is available @Rs 1050 to Rs1110 per qtl.in Bihar.

#### **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 Uttrakhand - 589 MT.

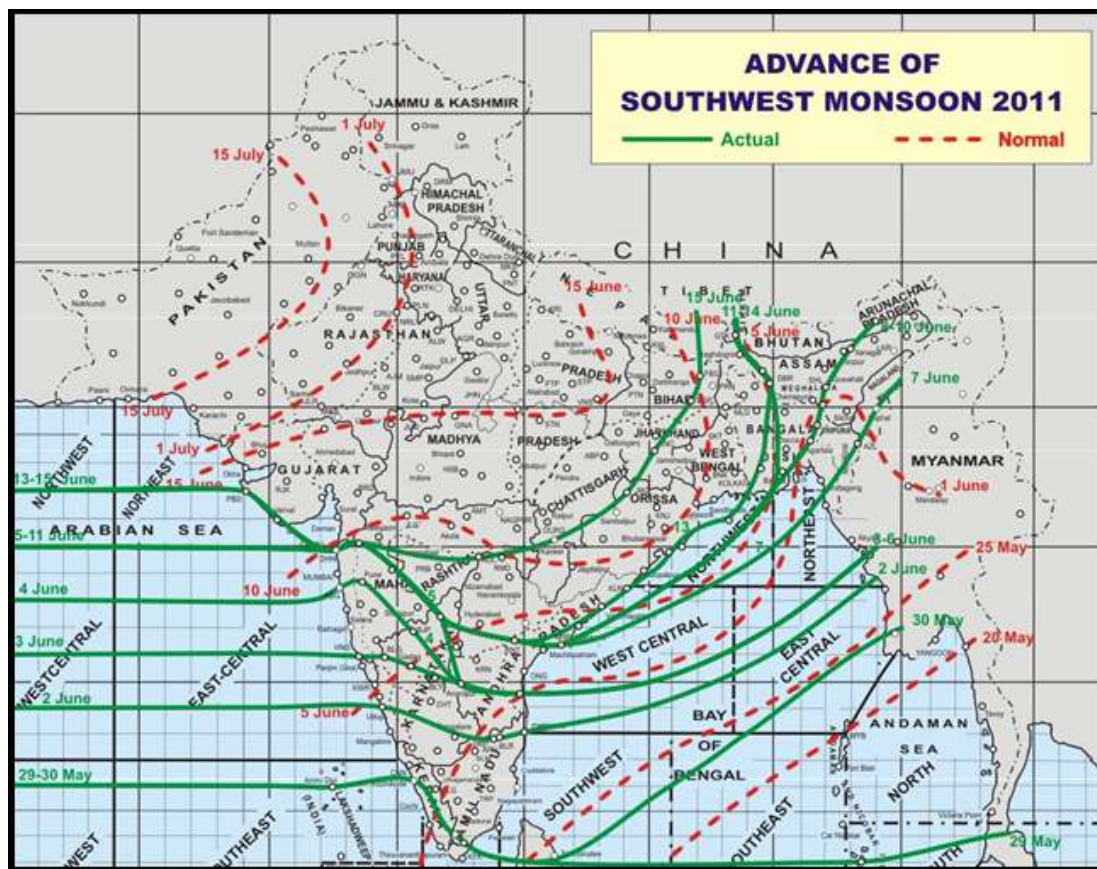
Traders and market experts say that the export ban by government in spite of comfortable stocks accompanied by huge carryout will distort market sentiments in the months ahead. Export should be opened to sort out the emerging challenge of managing surplus stock at least through private channels in time otherwise more stock will rot stored out in govt.'s godowns amid decreasing prices of wheat. Lower realisation by farmers will directly impact the overall area of wheat next season and in south (Tamil Nadu and A.P.) some wheat area has been shifted to sugarcane and the possibility in U.P. also cannot be ruled out.

### **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 also expected to withdraw on schedule, the chief of the weather office said recently, unlike last year when a late 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.

**Date:16. 06.11**



### Export parity:

With declining prices of wheat in overseas market export parity is turning into negative from various centers in India. At present export parity is only from Gujarat. Parity will go down further as world market is expected to remain at lower side on increasing supply from US. It would be difficult for India to compete with major exporters if prices continue to fall.

### Export Parity Calc. on Expected CBOT Prices (As on 14.06.11)

Component	Khanna@MSP	Khanna@CMP	Gujarat (Rajkot)	MP (Bhopal)
Ruling Mkt price@ Khanna	11200	11200	11300	11000
Mandi Expenses (loading/unloading, Bagging, Grading etc)	12712	12712	11695.5	11660
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	112	113	110
Total Handling cost	2162	2162	1363	2210



Esti. FOB Prices (INR)	14874	14874	13059	13870
Esti. FOB Prices in US \$/MT	332	332	292	310
Current CBOT Wheat Futures Prices	310	310	310	310
CBOT Futures Price in INR	13885	13885	13885	13885
Parity	-989	-989	826	15

**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. However, fresh buying interest is expected at lower level from feed industries and it may restrict downward trend.

**Wheat Prices at Key Spot Markets:**

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			14-06-2011	15-06-2011	
<b>Delhi</b>					
	Lawrence Road	Mill Quality	1185	1190	5
	Narela	Mill Delivery Loose	1160-1165	closed	-
	Nazafgarh	Mill Delivery Loose	1150-1170	closed	-
<b>Gujarat</b>	Rajkot	Mill Delivery	1130	1130	unch
	Ahmadabad	Mill Delivery	1140	1140	unch
<b>M.P.</b>	Bhopal	Mill Quality Loose (Lokwan)	1050	1050-1100	50
	Indore	Mill Delievery	1135-1140	1145	-5
<b>Rajasthan</b>	Kota	Mill Quality	1070	1050	20
<b>U.P.</b>	Kanpur	Mill Delivery	1165	1160	-5
<b>Punjab</b>	Khanna	Mill Quality Loose	1120-1125	1120-1120	-5
<b>Haryana</b>	Karnal	Mill Quality	1120	1120	Unch
	Sirsa	Mill Delivery loose	1120	1130	-10
	palwal	Mill Quality Loose	1100	1120	20
	Panipat	Mill Quality Loose	1120	NA	-
<b>Bihar</b>	Barauni	Mill Delivery loose	1090	1100	-10
	Khagaria	Mill Quality Loose	1100-	1110	-10
	Samastipur	Mill Quality Loose	1100	1110	-10
	Gulabgh	Mill Quality loose	1030	1040	-15

### Wheat Arrivals in Key Centers

Centre	Market	Variety	Arrivals (Bags/Qtl)		Change
			14-06-2011	15-06-2011	
Delhi					
	Lawrence Road	Mill Quality	8000	9000	1000
	Narela	Mill Delivery Loose	800	closed	
	Nazafgarh	Mill Delivery Loose	300	closed	
Gujarat	Rajkot	Mill Delivery	4000	4500	-500
	Ahmadabad	Mill Delivery	1000	800	-200
M.P.	Bhopal	Mill Quality Loose (Lokwan)	1000	700	-300
	Indore	Mill Delievery	10000	10000	Unch
Rajastha n	Kota	Mill Quality	1000	1000	Unch
U.P.	Kanpur	Mill Delivery	800	1000	-200
Punjab	Khanna	Mill Quality Loose	1500	1000	500
Haryana	Karnal	Mill Quality	4000	4000	Unch
	Sirsa	Mill Delivery loose	150	100	50
	Rewari	Mill Quality Loose	50	50	Unch
	Panipat	Mill Quality Loose	-	-	-
	Barauni	Mill Delivery loose	2200	2000	200
Bihar	Khagaria	Mill Quality Loose	3500	3500	Unch
	Samastipur	Mill Quality Loose	2300	2000	300
	Gulabbagh	Mill Quality Loose	7000	6500	-500



**Wheat Price Trend Review – Delhi Spot**


Wheat prices are expected to remain range bound between Rs 1179 to 1199/Qtl in coming 10-15 days. Breaching either side will give prices further direction. Immediate resistance @ Rs 1213/Qtl and Support @ Rs 1164/Qtl.

**International Market Recap:**

- CBOT wheat futures closed lower as the US harvest picks up speed.
- Dry conditions in the Plains keep the door open for farmers to cut crops.
- Europe's wheat crop has benefited from rains in dry areas of France and Germany.
- Weather has been and looks beneficial across most of the world's crop growing regions.
- World wheat trade in 2010/11 is estimated to reach 128.0 million tons, up 1.8 million this month-USDA.
- Australian exports were boosted 1.5 million tons to 17.5 million T.
- The International Grains Council is forecasting a crop of 667 million tons, 5 million tons below its outlook from two weeks earlier.
- Brazil is moving its low-quality wheat stocks using export subsidies, selling wheat to Bangladesh, Egypt, and Libya. Export touches 0.6 MMT to 2.5 MMT.
- Exports are down 0.5 million tons to 7.0 million from Argentina.
- Canadian exports are down 0.3 million tons to 16.2 million.
- Russia share in world wheat trade may go up from 4 MMT to 10 MMT. However, a possible export tax will decide the actual quantity to be exported.
- France soft-wheat harvest is likely to dip 13 percent due to drought affected crop. Impact on export quantity gains momentum
- Russia is expected to produce 55 MMT wheat this year. Old stock is estimated in the range of 15 MMT.

- U.S. wheat production was forecast at 56 million tonnes, down from a previous projection of 57.5 MMT.

#### International Market Fundamental:

Bearish sentiments are emerging in international market with expected Russian entry in world wheat export market in July, US crop hit the market amid increased harvesting activities 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 during the current 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. It will restrict one sided loss. Below given table shows CBOT future prices :

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (14.06.11)	WeekAgo (07.06.11)	MonthAgo (13.05.11)
July'11 (\$/MT)	-15.90	268.66	284.55	319.45
July'11 (INR/MT)	-15.90	12003.78	12713.75	14273.22
Sept'11 (\$/MT)	-1.93	279.96	286.76	285.47
Sept'11 (INR/MT)	-1.93	12508.56	12812.24	12754.79
Dec'11 (\$/MT)	-3.89	294.84	307.51	306.78
Dec'11 (INR/MT)	-3.89	13173.38	13739.72	13706.89
March'12 (\$/MT)	-3.83	309.17	321.93	321.48
March'12 (INR/MT)	-3.83	13813.59	14384.02	14363.50

Note:1 Bushel=27.216kg. Market remained closed on Saturday (One dollar value Rs 44.68)

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



US wheat futures ended lower on spillover pressure from the steep fall in corn. Both grains are used for livestock feed. The drop in crude oil added pressure, as it was largely responsible for corn's slide. Additional selling was linked to the advancing US harvest. Weather conditions "should allow a fairly quick finish" in Oklahoma and Texas.

#### Wheat landed cost calc.

(As on Date: 14.06.2011)

Cost Component		Australia	USA	France	UK
FOB Value		301.20	308.23	312.41	312.41
Freight		55.00	60.00	60.00	62.00
Export tax		0.00	0.00	0.00	0.00
C&f Value		356.20	368.23	372.41	374.41
Int. charge for one month	0.01	3.56	3.68	3.72	3.74
Risk premium-risk of rejection at Indian port	10	10.00	10.00	10.00	10.00
C & F Value plus risk premium & int. charges		369.76	381.91	386.13	388.15
Landing charges	0.01	3.70	3.82	3.86	3.88
Landed cost at Indian port( USD/MT)		373.46	385.73	390.00	392.04
Landed cost at Indian port( NRI/T)	44.77	16719.79	17269.20	17460.10	17551.44
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		18426.04	18975.45	19166.35	19257.69
profit margin	2%	368.52	379.51	383.33	385.15
Total cost		18794.56	19354.95	19549.67	19642.84

**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
690 cent/per bushel	735 cent/per bushel

**DISCLAIMER**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2005 Indian Agribusiness Systems Pvt. Ltd.