

**Executive Summary:**

Wait and watch mood of physical wheat markets ended with govt.'s decision on wheat and rice export during the week under review. Exports of wheat products, non-basmati rice and wheat have been cleared in regulated way.

India may export rice to Bangladesh and African countries. Wheat export will take place on govt. to govt. basis. Next week quantity of wheat export may be specified after analysing the international market scenario. However, wheat export from India on commercial basis is not viable as Russia, Ukraine and U.S. are selling wheat at very competitive prices with having hefty surplus stock.

Wheat export from India in bulk way is unlikely at current international market. Green signal to non-basmati rice and wheat products-Atta, maida and suji- export is a welcome move and is commercially viable for various destinations. Export of these agri products and commodities will not impact the prevailing market sentiments as its quantity is limited.

**Market Fundamentals:**

Wheat market continued to rule steady to firm on possibility of export during the week under review. Market was expecting green signal for allowing wheat export through private channels but decision in this regard deferred to market expectation. The govt. has allowed 5 lakh T wheat export on govt. to govt. basis considering the various factors involved in wheat export and its commercial viability. Export of non-basmati rice (10 lakh T) and wheat products (6.5 lakh T) through private channels has been cleared. Millers can export basmati rice at the rate of minimum \$ 400 per T. It is commercially viable and will not impact the domestic market price.

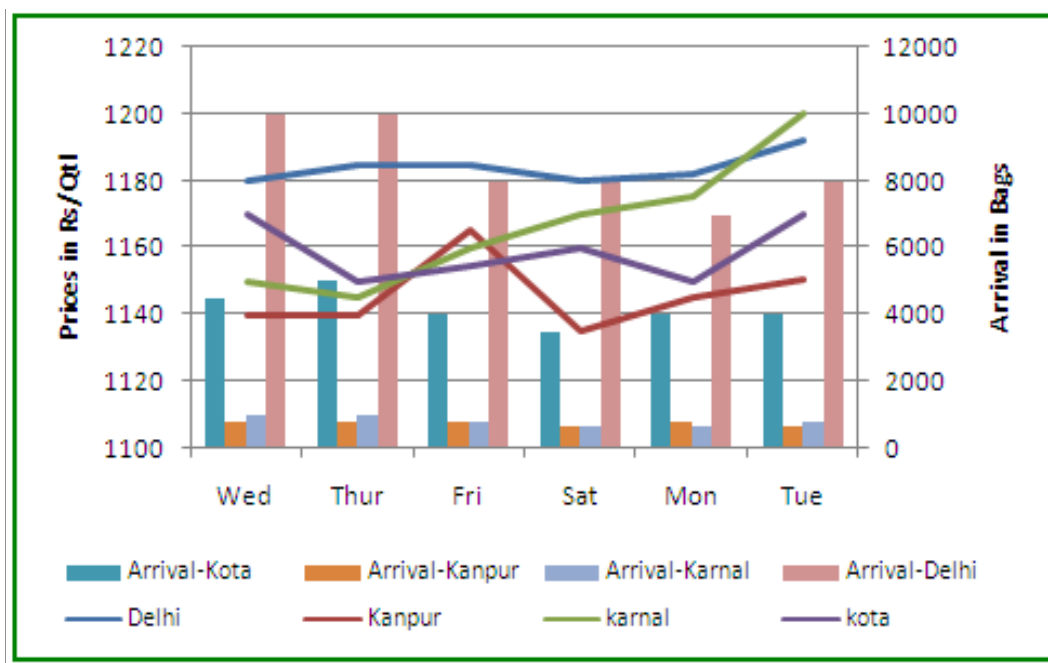
Market participants expect that govt. may allow and quantify the quantity of wheat export through private channels in weeks ahead. Meeting is scheduled to be held next week again over this issue. Govt. may consider the possibility of wheat export, international wheat market scenario and possible destinations especially when parity turned into negative. India will not be able to export wheat in current international market conditions as prices of wheat have dipped unexpectedly and major suppliers-Russia, Ukraine, U.S., Australia are sitting with hefty surplus stock and selling wheat at very competitive prices.

**EGoM clears draft Food Security Bill**

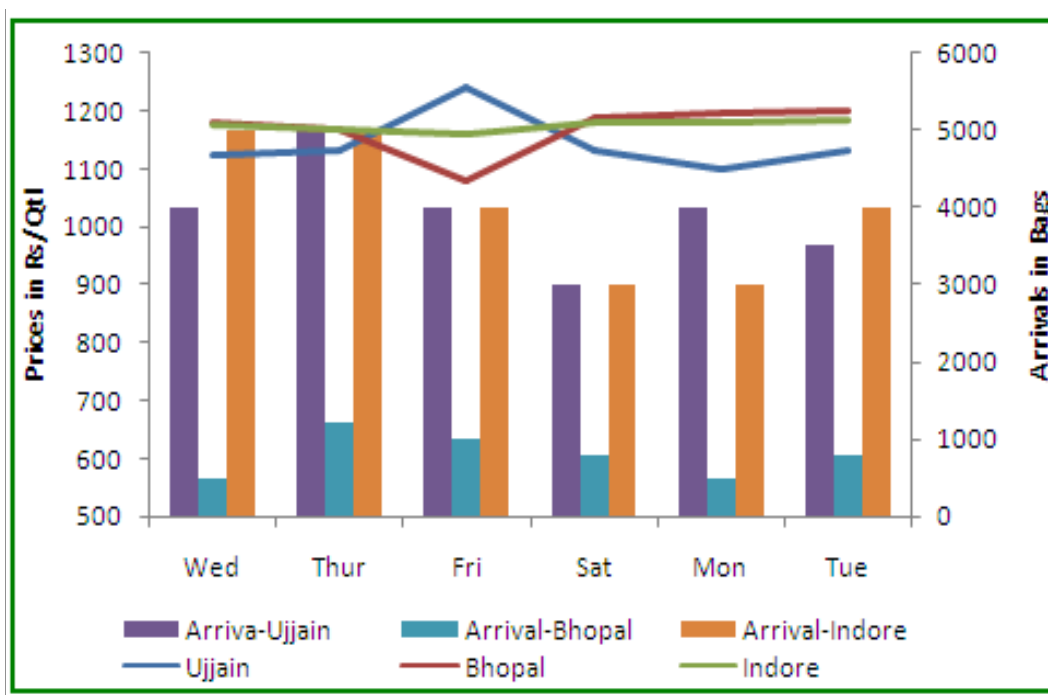
So far the government has been extremely cautious in considering wheat and rice exports as it is preparing to introduce a food security law that guarantees cheap foodgrains to nearly 68% of the population. However, wheat and rice stocks have hit an all-time high (656 lakh T) forcing government agencies to store mounds of grain in the open and leaving them at the mercy of rains. The ministerial panel has approved the draft of the proposed food security law, and it will soon come before the cabinet for approval. It will need to be ratified by the parliament before it becomes law. Market experts say that almost 68% of the country's population will be entitled to subsidized grains. The country's food bill will rise to around Rs 94,987 crore after the food Bill is implemented.

**Price trend and arrival scenario of various markets:**

Following chart depicts declining arrivals and improving prices in various cash markets during this week. Arrivals are continuously declining in major wheat markets like Delhi, Kanpur, Kota and Karnaal. Prices of wheat are expected to inch up further as carry cost is increasing per month amid festive season approaching near fast.



#### Arrivals and price trend in M.P.:



Wheat arrivals in Madhya Pradesh major markets too have declined and prices have inched up on lower arrivals and increasing possibility of export. Higher stock is under govt.'s custody and demand is likely to increase from bakery and manufacturers of wheat products. Prices of wheat are expected to remain at present level despite decision on wheat export through private channel deferred at present.

#### Wheat products export status:

Govt had earlier allowed 650,000 T wheat products for exports, out of which 148,000 T was exported till 31-3-2011. Govt has now extended the time limit for export of the balance 500,000T.wheat

products. Notification in this regard is expected soon. Right now parity for wheat products export is achievable.

### Future Market:

Prices in future market remained under pressure on seller's active participation before huge surge on export news. Prices could not sustain at higher level as unviable export opportunity. Weak tone in cash market and expected higher supply in months ahead weigh on current market sentiments. Stakeholders reduced their position in nearby months. Despite export decision of wheat products and wheat, market is expected to move sideways with likely firm bias to continue amid rising carry cost.

### NCDEX Wheat August Contract

Expiry, August 20, 2011



### Technical Commentary:

- Candlestick pattern of chart shows range bound move in the market.
- MACD is moving up in negative zone, hints firmness in the market.
- RSI is moving up in positive zone denotes buyers interest in the market.
- Volume has decreased and may restrict uptrend.
- Players are advised to buy near support level of 1190. If market breaches this level, it may test 1175. First resistance is at 1220. In brief trading band is 1190 to 1220 for short term.
- **Strategy: Buy on dip**

### Export parity turns negative:

Wheat export from India is commercially not viable despite allowing wheat products export. Govt may consider wheat export through private channel and decision over it is expected next week. With expectation of domestic prices to inch up going ahead couple with supplies from US, Russia and Ukraine we expect disparity to widen further and India will not be able to compete with major exporters like US, Russia, Ukraine and Australia.

Following table shows export disparity over current CBOT prices and is expected to increase with higher carry cost. Prices of wheat have increased during this week and are likely to inch up further despite higher stock and supply.

**Export Parity over current CBOT prices:**

<b>Component</b>	<b>Khanna@MS P</b>	<b>Khanna@CM P</b>	<b>Gujarat (Rajkot )</b>	<b>MP (Bhopal )</b>
Ruling Mkt price@ Khanna	11200	11250	10700	11500
Mandi Expenses (loading/unloading, Bagging, Grading etc)	12712	12769	11074. 5	12190
Local Transportation & Rake loading charges	400	400	400	400
Freight charges to Kandla	1200	1200	400	1250
Unloading, Ship loading and misc. handling exp.	450	450	450	450
Transit losses@1%	112	113	107	115
Total Handling cost	2162	2163	1357	2215
Esti. FOB Prices (INR)	14874	14931	12432	14405
Esti. FOB Prices in US \$/MT	333	334	278	322
Current CBOT Wheat Futures Prices	273	273	273	273
CBOT Futures Price in INR	12204	12204	12204	12204
Parity	-2670	-2727	-227	-2201

Considering the current market prices both at domestic market and bench mark market of CBOT there is disparity seen for wheat exports from Indian ports. Disparity is primarily attributed to sharp decline in wheat prices at CBOT. Export opportunities vanish from Rajkot market of Gujarat during recent past.

**Private trade opportunity:**

On domestic trading front, Wheat is being loaded from Bihar (a land locked state where prices are ruling below MSP) to Orissa and West Bengal (both states are having port facilities and having facilities to handle cargo). Meanwhile, wheat from North Indian region also started moving to south owing to higher price differential. States which reports shipment of wheat to south are M.P., U.P. and Rajasthan with absolute gain of 2% from a single trade with signifies annualized return of 24% during the current period.

Wheat price in Gujarat continues to rule weak despite end of the arrival season with continued arrivals of inferior quality wheat. Lower protein content which is stated to below 9% from the region is weighing on the market sentiments. Millers are not seen active to buy the current quality of wheat from Gujarat and most of the new arrivals are going to the feed industry. .Currently, wheat (mill quality) from Gujarat at mill gate in southern states (Pune and Hyderabad) costs Rs 1,350-1,400 a quintal at current market price.If prices continue to inch up, profit margin is likely to be reduced by 1 percent in weeks ahead.

**Wheat Trade Channel Market Expenses from Production Centers to Consumption Centers:**

Sourcing Market	Kajkot	Kota	Kanpur (UP)	Guilab Bagn (Bihar)	Wnorai (MP)
Consumption Centers	Hyderabad	Coimbatore	Orissa (center)	Orissa (center)	Pune
Loose prices (Rs/Qtl)	1075	1150	1120	1040	1150
Pucca Aadatiya Commission %	10.75	11.50	11.20	10.40	11.50
Market Fee % (as applicable for different' mandi)	0	0	22.4	20.8	18.4
Other mandi expenses /Hamali	0	0	11.2	15.6	17.25
Cleaning/Loading Charges (Rs/Qtl)	5	5	5	5	5
Gunny Bag Cost (@ 35 and can be used for 4 times)	40	40	40	40	40
Market expenses borne by purchaser/miller/crusher	55.75	56.50	89.80	91.80	92.15
Transportation Cost (Rs/Qtl)	170	185	105	120	150
Insurance (if any)	2.69	2.88	2.80	2.60	2.88
Unloading at destinations (Rs/Qtl)	5	5	5	5	5
Total transport cost + loading/unloading	177.69	192.88	112.80	127.60	157.88
Total cost at factory gate (Rs/Qtl)	1308.44	1399.38	1322.60	1259.40	1400.03
Local Prices at Consumption Center (Rs/Qtl)	1362.50	1450.00	1360	1300	1425
Parity/Disparity (Rs/Qtl)	54.06	50.63	37.40	40.60	24.97

The table shows that wheat loading from Kota to Coimbatore, Bihar to Orissa and M.P. to Pune (Maharashtra) will continue with better profit margin. However, any increase in freight charges and wheat price will directly impact the current parity.

## Procurement:

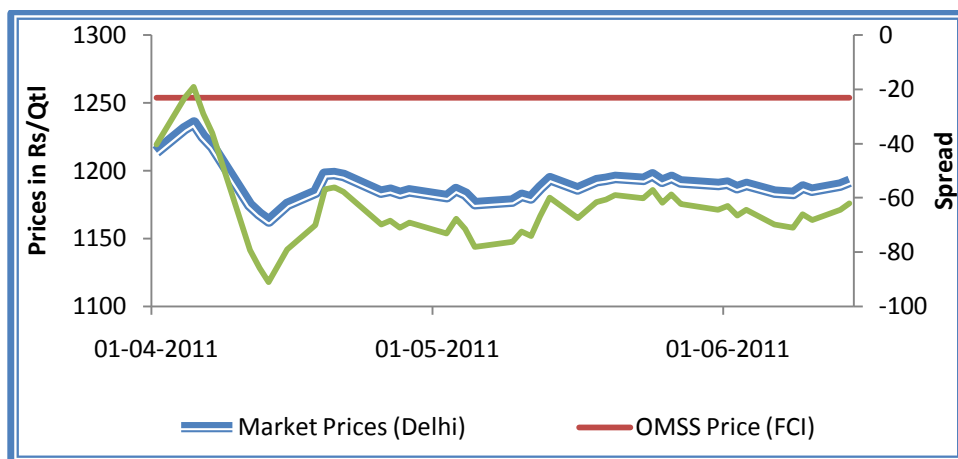
As in the past, the Indian Government holds the key to the wheat market in India. With almost a fourth of the wheat produced in the country being procured by the central and state governments and their agencies, the price of wheat in different parts of India, currently is driven by the procurement network of these agencies. Wheat procurement season is now over except some procurement still going on in Bihar. Total procurement is expected to cross 28.00 million tonnes (record higher) this season.

**Procurement Status:** Wheat procurement as on 10.07.11

States	2010-11	2011-12 (P)	% Change
Punjab	102.08	111.00	7.42%
Haryana	63.47	68.91	8.51%
U.P.	16.45	32.90	88.23%
M.P.	35.38	49.85	38.33%
Bihar	1.83	2.60	36.07%
Rajasthan	4.75	12.97	163.37%
Gujarat	0.62	0.96	54.84%
Others	0.55	0.69	7.29%
<b>Total</b>	<b>225.13</b>	<b>279.49</b>	<b>22.16%</b>
Units in million tonnes; P - progressive			

### Govt might take adequate measure:

In case of any significant price jump government might take adequate measures to contain the prices as inflation during July to October remains a concern for the government. Any sharp jump in prices during the period might encourage government to liquidate more wheat through OMSS at reduced prices which will translate to the domestic market 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

### Price Outlook:

Prices of wheat will remain under pressure on higher stock and supply side in the month of July despite minor improvement on back of export opportunity if international market turns favourable. However, demand from feed industry at lower level may restrict further loss. Govt.'s policy will be the driving force to direct the market fundamentals in months ahead. Festive season demand for wheat products is expected to increase July onward and it might support cash market.

### Prices expectation for next week:

Markets	Short term (15 days)
Cash	Rs 1125-1200
Future	Rs 1175-1220

### Wheat Prices at Key Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			13-07-2011	12-07-2011	
Delhi		Mill Quality			
	Lawrence Road		1190	1185-1188	2
	Narela	Mill Delivery Loose	1140-1145	1145-1150	-5
	Nazafgarh	Mill Delivery Loose	1135-1150	1130-1140	10
H.Gujarat	Rajkot	Mill Delivery	1170	1160	10

	Ahmadabad	Mill Delivery	1170	1170	unch
<b>M.P.</b>	Bhopal	Mill Quality Loose (Lokwan)	1050-1075	1050-1075	unch
	Indore	Mill Delievery	1175-1200	1175-1195	5
<b>Rajasthan</b>	Kota	Mill Quality	1125-1130	1125-1130	unch
<b>U.P.</b>	Kanpur	Mill Delivery	1160	1160-1165	-5
<b>Punjab</b>	Khanna	Mill Quality Loose	1120	1130	-10
<b>Haryana</b>	Karnal	Mill Quality	1150-1175	1175-1180	-5
	Sirsa	Mill Delivery loose	1130	1125	5
	palwal	Mill Quality Loose			
	Panipat	Mill Quality Loose	1150-1160	1150	-10
	Khagaria	Mill Delivery loose	1100-1120	1100-1105	15
<b>Bihar</b>	Gulabbagh	Mill Quality Loose	1050	1140-1050	-10
	Samastipur	Mill Quality Loose	1120-1125	1100-1115	10
	Barauni	Mill Quality loose	1120	1110	10

### Wheat Arrivals in Key Centers

Centre	Market	Variety	Arrivals (Bags/Qtl)		Change
<b>Delhi</b>			<b>13-07-2011</b>	<b>11-07-2011</b>	
	Lawrence Road	Mill Quality	10000	8000	-2000
	Narela	Mill Delivery Loose	400	300	-100
	Nazafgarh	Mill Delivery Loose	250	300	-50
<b>Gujarat</b>	Rajkot	Mill Delivery	2000	2500	-500
	Ahmadabad	Mill Delivery			
<b>M.P.</b>	Bhopal	Mill Quality Loose (Lokwan)	5000	400	100
	Indore	Mill Delievery			
<b>Rajasthan</b>	Kota	Mill Quality	3000	2000	-1000
<b>U.P.</b>	Kanpur	Mill Delivery	600	800	-200

<b>Punjab</b>	Khanna	Mill Quality Loose	200	100	<b>-100</b>
<b>Haryana</b>	Karnal	Mill Quality	2000	3000-4000	<b>-2000</b>
	Sirsa	Mill Delivery loose	100	100	<b>unch</b>
	Rewari	Mill Quality Loose			
	Panipat	Mill Quality Loose	200	200	<b>unch</b>
<b>Bihar</b>	Khagaria	Mill Delivery loose	400	500	<b>-100</b>
	Gulabghagh	Mill Quality Loose	500	500	<b>unch</b>
	Samastipur	Mill Quality Loose	400	450	<b>-50</b>
	Barauni	Mill Quality Loose	300	400	<b>-100</b>

### International Market:

#### Market Recap

- Most US wheat futures finished sharply higher as increased demand is expected to eat into inventories.
- The USDA raised its forecast for wheat exports amid reduced competition for business from Canada.
- The ending-stocks figure was lower than expected.
- A surge in corn prices adds support to wheat.
- Australian production pegged at 25.25Mln.T.
- Russian farmers are expected to bring in a good harvest due to favourable conditions.
- Canada's agriculture department slashed its production forecast for wheat from 25.5 to 24.0MMT
- The forecast of global wheat output by IGC is boosted by 3 million T to 666 million T.
- World wheat stocks are expected to decline to 185m. Tons (189m.) due to rising demand, especially for feed.
- Prices are expected to go up despite better crop prospects in major wheat growing nations.

### CBOT Futures Prices:

<b>CBOT Futures Prices (USD per Metric Tonnes)</b>				
<b>Futures Month</b>	<b>% Change Over Previous Month</b>	<b>Today (12.07.11)</b>	<b>Week Ago (06.07.11)</b>	<b>Month Ago (12.06.11)</b>
<b>July'11 (\$/MT)</b>	<b>-10.80</b>	243.49	224.57	272.98
<b>July'11 (INR/MT)</b>	<b>-10.80</b>	10879.33	10033.93	12196.67
<b>Sept'11 (\$/MT)</b>	<b>-13.40</b>	246.89	230.36	285.10
<b>Sept'11 (INR/MT)</b>	<b>-13.40</b>	11031.17	10292.48	12738.38
<b>Dec'11 (\$/MT)</b>	<b>-13.63</b>	259.11	250.11	299.98
<b>Dec'11 (INR/MT)</b>	<b>-13.63</b>	11576.98	11174.81	13403.20
<b>March'12 (\$/MT)</b>	<b>1.88</b>	268.11	230.18	263.15
<b>March'12 (INR/MT)</b>	<b>1.88</b>	11979.16	10284.27	11757.55



CBOT Chart, July contract



#### Commentary:

Most US wheat futures finished sharply higher as increased demand is expected to eat into inventories. The USDA raised its forecast for wheat exports amid reduced competition for business from Canada. The ending-stocks figure was lower than expected. A surge in corn prices adds support to wheat. CBOT September advances 32 3/4c to \$6.72/bushel while KCBT September gains 21 3/4c to \$7.33. MGE September slips 1 1/4c to \$7.93 as increased spring-wheat condition ratings lifted harvest expectations.

Price of July contract is expected to touch 680 cent per bushel in weeks ahead. Breaching this level price may test 720. Strong support is at 600.00 cent.

#### IGC Wheat Balance Sheet:

Upward revisions to production forecasts in a number of countries, notably in India and China, where the winter wheat harvest was almost completed, more than offset a further cut to the EU crop projection and a lower figure for the US. The forecast of global wheat output is boosted by 3m. tons since the early June update, to 666m. (650m.). Recent rains were beneficial in parts of the EU, but crops have been irreversibly damaged in some areas, especially in France and the UK. Initial results from the US harvest were better than expected, but an increase in the forecast of winter wheat production is outweighed by a reduced outlook for spring wheat. Despite the increase in production, world wheat stocks are expected to decline to 185m. Tons (189m.) due to rising demand, especially for feed. High maize prices are encouraging greater use of wheat for feed, with the global total now seen rising to its highest in two decades.

**IGC Balance Sheet:**

<i>IGC/30.06.11</i>	<i>2007-2008</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11 est.</i>	<i>2011-12 Forecast</i>	<i>Million T</i>
<b>Wheat</b>					20110606	20110630
<i>Production</i>	609	686	679	650	663	666
<i>Trade</i>	110	137	128	122	128	126
<i>Consumptions</i>	605	644	652	660	667	670
<i>Carryover stocks</i>	131	172	199	189	182	185
<i>YOY ch.</i>	4	41	27	-10		-4
<i>Major exporterts</i>	480	69	76	67	58	61

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