

Executive Summary:

The Centre has put on hold the decision to allow wheat exports, citing unfavourable global market conditions. However, export of rice and wheat products (maida and atta) will resume soon and the commerce ministry was working on last-minute modalities for facilitating the move.

The decision on wheat exports comes in the backdrop of Russian black sea wheat flooding the global markets. While Russia is selling its wheat for \$244 per tonne, Indian wheat would have been priced at \$300 per tonne. Even if wheat export was allowed, shipments would further get delayed while wheat stock from Russia has already reached the global markets.. Indian wheat may be out of parity, as world wheat prices are at least 10 per cent lower than the domestic price in India.

Wheat export from India at current price by no way is possible except huge subsidy and govt is not in favour of providing any incentive for export especially when it needs hefty quantity of food grains for fulfilling obligation under food security. Govt has realised that India has lost export opportunity and in this background decision on wheat export has rightly been put on hold. However, domestic wheat market might inch up in weeks ahead due to higher buying and carry cost despite faded export opportunity and huge stock stored out from 2010-11 crop.

Market Fundamentals:

Wheat export from India at current prices is not commercially viable as Russia and Ukraine are supplying wheat almost \$40 to 45 per T below than Indian price. The quality of Indian wheat is almost similar than that of Russian and Ukrainian wheat. Russia and Ukraine are offering wheat to world market in the range of \$240 to \$244 FOB basis per T while India cannot offer wheat below \$300 per T. At present market scenario, not only India but also Pakistan, US, Australia and Canada find difficult to get buyers.

The difference of \$40 to 45 per T is too wide to attract foreign buyers. Wheat export from India is possible only when either international market goes up (that is unlikely in short and medium term) or govt. provide incentive for the same. In real term, India has lost export opportunity. Prices of wheat have gone up in comparison to last month and such increase is attributed to seasonal phenomenon and higher buying cost (Rs 50 per qtl. bonus and hike of Rs 20 as MSP for current marketing year).

Wheat Indicative FOB prices as on 18.07.11:

Country	Grade	FOB Price \$/per T
Russia	Milling	244
US	SRW	284.6
Australia	Milling Grade	264
France	Milling grade	279.9
Russia	Feed Grade	175
Ukraine	Milling Grade	241
U.k	Milling grade	264
India	Milling grade	302

This week:

Wheat market continued to rule steady to firm on possibility of export during the beginning of this week. Wheat prices inched up in major markets despite export disparity. However, prices could not sustain at higher level with faded export opportunity. 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 with some others conditions also involved in it..It is commercially viable and will not impact the domestic market price as market assumes considering the various factors in national and international markets.

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

Sourcing Market	Rajkot	Kota	Kanpur (UP)	Gulab Bagh (Bihar)	Bhopal (MP)
Consumption Centers	Hyderabad	Coimbatore	Orissa (center)	Orissa (center)	Pune
Loose prices (Rs/Qtl)	1075	1075	1120	1050	1075
Puccka Aadatiya Commission %	10.75	10.75	11.20	10.50	10.75
Market Fee % (as applicable for different' mandi)	0	0	22.4	21	17.2
Other mandi expenses /Hamali	0	0	11.2	15.75	16.125
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/crushers	55.75	55.75	89.80	92.25	89.08
Transportation Cost (Rs/Qtl)	170	195	105	120	150
Insurance (if any)	2.69	2.69	2.80	2.63	2.69
Unloading at destinations (Rs/Qtl)	5	5	5	5	5
Total transport cost + loading/unloading	177.69	202.69	112.80	127.63	157.69
Total cost at factory gate (Rs/Qtl)	1308.44	1333.44	1322.60	1269.88	1321.76
Local Prices at Consumption Center (Rs/Qtl)	1360.00	1405.00	1360	1300	1370
Parity/Disparity (Rs/Qtl)	51.56	71.56	37.40	30.13	48.24

Above table shows expenses from production centres to consumption centres and parity for the same. Wheat is being loaded for various destinations and traders are getting better margins from Kota to Coimbatore, Rajkot to Hyderabad and Bhopal to Pune. If prices continue to inch up, current parity is expected to shrink further in weeks ahead.

India revised wheat output up at record 85.93 mln T:

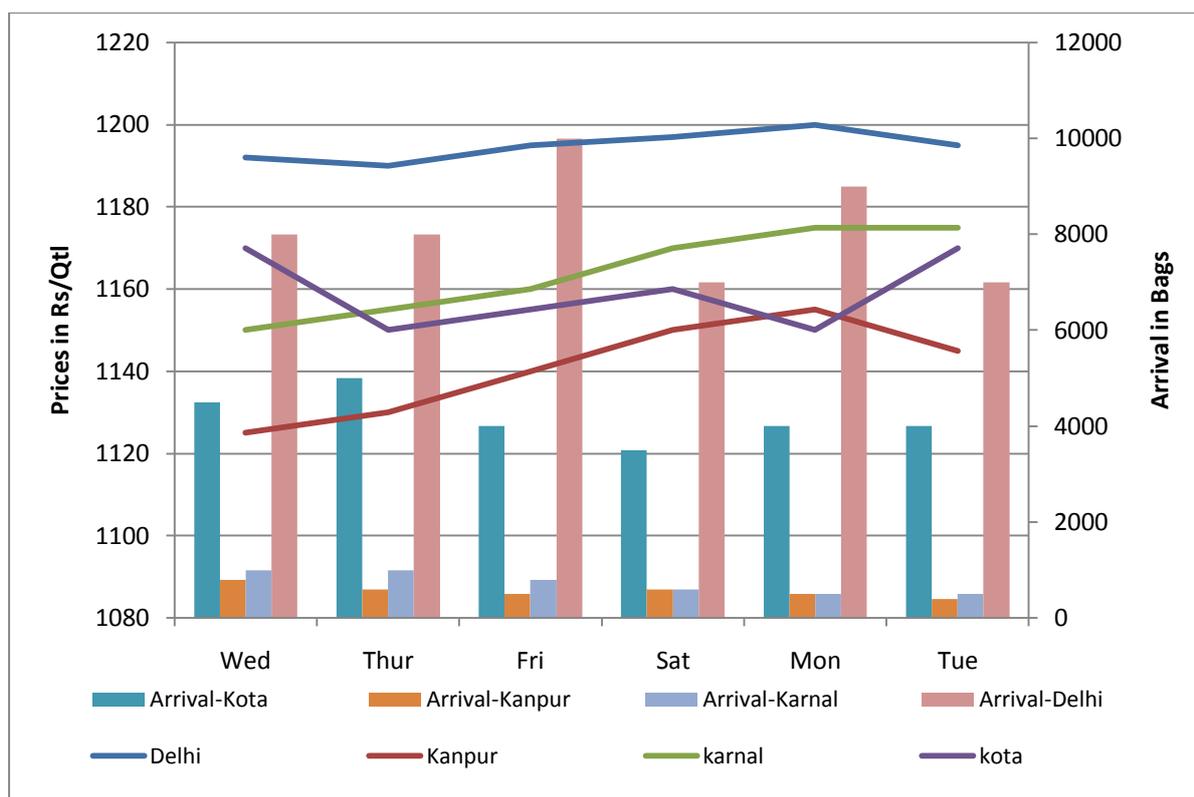
India produced a record 85.93 million tonnes of wheat in 2011 against a previous estimate of 84.27 million tonnes. This is the final estimate of wheat production. Last year India produced 80.8 million T wheat. Higher production estimate is based on higher area coverage, favourable weather during growing season and higher yield. After analysing record production India allowed wheat export. However, disparity in international market is not supportive for wheat export. Export for wheat products is commercially viable and may take place at current prices. Wheat export without govt.'s incentive is not possible.

EGoM clears draft Food Security Bill:

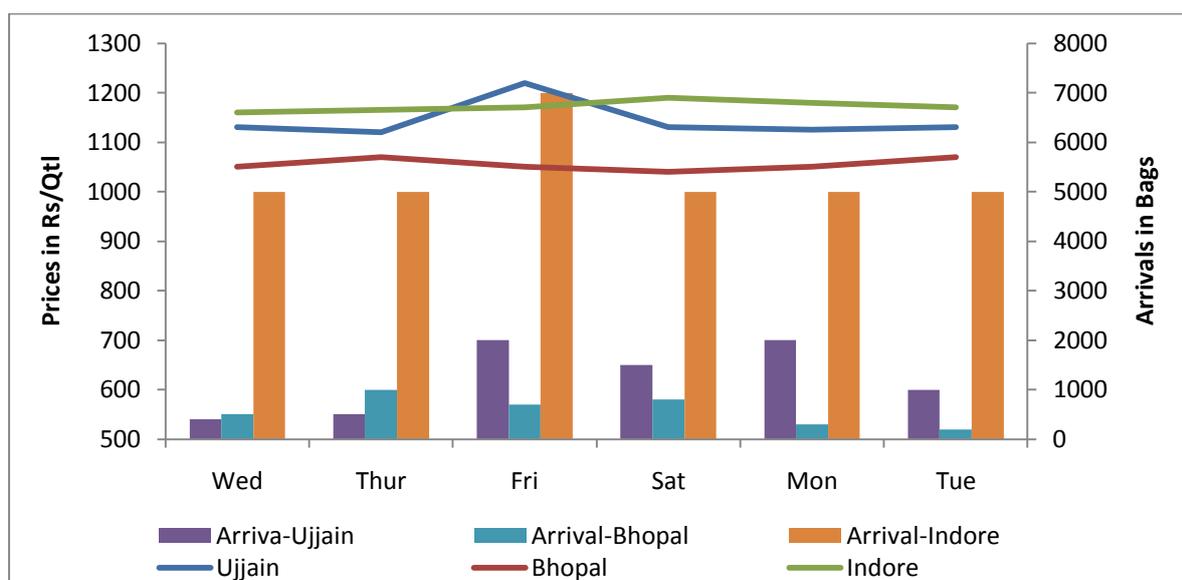
So far the government has been extremely cautious in considering wheat and rice exports as it is preparing to introduce a food security law that guarantees cheap foodgrains to nearly 68% of the population. However, wheat and rice stocks have hit an all-time high (656 lakh T) forcing government agencies 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 Karnal. 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 higher carry cost. 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.

Procurement Status: Wheat procurement as on 15.07.11

States	2010-11	2011-12 (P)	% Change
Punjab	102.08	109.90	7.42%
Haryana	63.47	68.91	8.51%
U.P.	16.45	34.90	88.23%
M.P.	35.38	49.85	38.33%
Bihar	1.83	2.66	36.07%
Rajasthan	4.75	13.77	163.37%
Gujarat	0.62	1.05	54.84%
Others	0.55	2.69	7.29%
Total	225.13	280.33	22.16%

Units in million tonnes; P - progressive

Source:FCI

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 positive zone, hints firmness in the market.
- RSI is moving up in positive zone denotes buyers interest in the market.
- Volume has increased and is supportive for 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. 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 Calc. on Expected CBOT Prices:

Component	Khanna @MSP	Khanna@CMP	Gujarat (Rajkot)	MP (Bhopal)
Ruling Mkt price@ Khanna	11200	11250	10750	11000
Mandi Expenses (loading/unloading, Bagging, Grading etc)	12712	12769	11126.25	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	113	108	110
Total Handling cost	2162	2163	1358	2210
Esti. FOB Prices (INR)	14874	14931	12484	13870
Esti. FOB Prices in US \$/MT	335	336	281	312
Current CBOT Wheat Futures Prices	286	286	286	286
CBOT Futures Price in INR	12710	12710	12710	12710
Parity	-2164	-2221	227	-1160

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 even from Rajkot market of Gujarat during recent past.

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
			21-07-2011	20-07-2011	
Delhi		Mill Quality	1190-1195	1200	-5
	Lawrence Road	Mill Delivery Loose	1140-1145	1145-1150	-5
	Narela	Mill Delivery Loose	1135-1140	1130-1140	unch
	Nazafgarh				
H.Gujarat	Rajkot	Mill Delivery	1170	1160	-10
	Ahmadabad	Mill Delivery	1180	1170	10
M.P.	Bhopal	Mill Quality Loose (Lokwan)	1050-1075	1050-1075	unch

	Indore	Mill Delievery	1175-1200	1175-1195	5
Rajasthan	Kota	Mill Quality	1125-1130	1125-1130	unch
U.P.	Kanpur	Mill Delivery	1160	1160-1165	-5
Punjab	Khanna	Mill Quality Loose	1120	1130	-10
Haryana	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
Bihar	Gulabghagh	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/Qt)		Change
			21-07-2011	20-07-2011	
Delhi	Lawrence Road	Mill Quality	9000	8000	-1000
	Narela	Mill Delivery Loose	400	300	-100
	Nazafgarh	Mill Delivery Loose	250	300	-50
Gujarat	Rajkot	Mill Delivery	2000	2500	-500
	Ahmadabad	Mill Delivery			
M.P.	Bhopal	Mill Quality Loose (Lokwan)	5000	400	100
	Indore	Mill Delievery			
Rajasthan	Kota	Mill Quality	3000	2000	-1000
U.P.	Kanpur	Mill Delivery	600	800	-200
Punjab	Khanna	Mill Quality Loose	200	100	-100
Haryana	Karnal	Mill Quality	2000	3000-4000	-2000
	Sirsa	Mill Delivery loose	100	100	unch

Bihar	Rewari	Mill Quality Loose			
	Panipat	Mill Quality Loose	200	200	unch
	Khagaria	Mill Delivery loose	400	500	-100
	Gulabgh	Mill Quality Loose	500	500	unch
	Samastipur	Mill Quality Loose	400	450	-50
	Barauni	Mill Quality Loose	300	400	-100

International Market:

Market Recap

- US wheat futures closed higher as weakness in the dollar supports prices.
- Soft dollar fuels expectations for increased export demand, as it makes US commodities look more attractive to foreign buyers.
- Yet, the decline in USD won't make up for a gap in prices with wheat from the Black Sea region.
- Russian and Ukrainian exporters offer wheat at a sharp discount and are expected to steal more business from the US.
- Jordan's state grains buyer has issued an international tender to purchase 50,000 tonnes of hard wheat.
- Ukraine and Russia are undercutting more-expensive exports from the US and Europe.
- Worry over Canada crop increases, production estimate may be revised down.
- Syria's state purchasing agency has issued an international tender to buy and import 100,000 tonnes of soft milling wheat.
- Australian wheat output pegged at 25.25 Mln.T
- World wheat production is now estimated at 666 million T.
- Increased imports in Near East Asia, Pacific Asia and the EU are expected to boost world trade.
- World wheat trade in 2010/11 is estimated to reach 128.0 million tons, up1.8 million this month- USDA.

CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (20.07.11)	WeekAgo (11.07.11)	MonthAgo (17.06.11)
Sept'11 (\$/MT)	-1.55	256.08	234.86	260.12
Sept.'11 (INR/MT)	-1.55	11377.54	10434.85	11557.10
Dec'11 (\$/MT)	-2.39	270.13	247.81	276.74
Dec'11 (INR/MT)	-2.39	12001.91	11010.26	12295.74
March'12 (\$/MT)	-13.11	282.44	258.93	325.06
Mar'12 (INR/MT)	-13.11	12548.75	11504.04	14442.29
May'12 (\$/MT)	-2.11	289.33	267.01	295.57
May'12 (INR/MT)	-2.11	12854.82	11863.16	13132.32

CBOT Chart, July contract



Commentary:

US wheat futures closed higher as weakness in the dollar supports prices. Soft dollar fuels expectations for increased export demand, as it makes US commodities look more attractive to foreign buyers. Yet, the decline in USD won't make up for a gap in prices with wheat from the Black Sea region, traders say. Russian and Ukrainian exporters offer wheat at a sharp discount and are expected to steal more business from the US. CBOT September wheat rises 3 1/2c to \$6.97 a bushel; KCBT September jumps 16c to \$7.94; MGEX September gains 19 3/4c to \$8.52 3/4.

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>
Wheat					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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