

Spot Market Recap:

- Higher stock and weaker outlook weigh on cash and future wheat markets.
- Monthly quota for Orissa allocated for August and Sept.
- Govt. not in favour of providing freight subsidy to private trade.
- Wheat loading for South India continues from Rajasthan, M.P.
- Bulging Central govt.'s stock raises concern for storage space.
- International market out of reach for Indian wheat.
- Better kharif prospects weigh on grain's market sentiments.

Market Fundamental:

With diminishing hope of ability to export and the bearish outlook in national and international markets, wheat prices in domestic markets decreased more than expected during the week under review. There is a sense of fear in the market that govt., given its large stocks this year, may release wheat at lower prices in weeks ahead under pressure of storage crunch. Export option is now gone due to of the existing disparity and even a marginal subsidy will not be useful. Offloading under food security obligation is a remote possibility this year as food security bill has not been tabled in monsoon session and is unlikely to be tabled even in winter session due to differing views amongst the various ministries over it.

Offtake from federal govt's stock has not been remarkable and may not improve in August and Sept.. Arrival of paddy from new crop will start in Mid Sept and storage issues will again be prominent. Maize prices have come down by Rs 100 per qtl. in last one week and has directly impacted the wheat demand and prices. Overall sentiment in wheat market is bearish with lack of any fresh support. Cash and future markets are likely to remain under pressure in the weeks ahead. Continuous supply through PDS will add pressure further and restrict gain.

Wheat Quota for Orissa:

Monthly quota for Orissa has been allocated for August and September. It will be distributed through PDS for APL. Orissa will get a monthly quota of 32,735 tonnes from centre. The PDS dealers have been instructed to sell wheat to the APL card-holders from 11th to 14th and 26th

to 29th of every month. . Cuttack district will get 3,582 tonnes followed by Khurda 2,716 tonnes, Kendrapara 2,235 tonnes, Sundargarh 2,126 tonnes, Jagatsinghpur 1,914 tonnes, Balangir 1,491 tonnes, Puri 1,363 tonnes, Bargarh 1,321 tonnes and Bhadrak 1,237 tonnes.

Finance Ministry unlikely to subsidize wheat exports:

The decision to allow wheat exports may not lead to actual exports. The agriculture ministry is keen to get wheat shipped out, but at current international prices exports are not viable. Export of wheat is commercially possible only if the government gives a subsidy to traders as domestic prices at the moment are much higher than international prices. The finance ministry is not ready to subsidize wheat exports because of fiscal constraints. However, final decision over exports is still awaited. Considering that wheat prices could inch up during Sep to Dec period and are projected to stay at INR 1200 and 1300 in Rajkot and Kota respectively, we expect significant surge in wheat prices at South India. Transporting wheat at these levels means landed cost prices (mill gate delivery) would be near INR 1455 and 1670/Qtl at Hyderabad and Madurai. Adding trader margin, domestic prices would rule firm at INR 1522 and 1750 respectively.

Meanwhile, wheat prices at international front is expected to move up during Dec to touch USD 300/MT at CBOT. Similarly wheat prices of other destination will follow any surge in its bench mark market of CBOT. We expect Russia and Ukraine wheat prices to stay close to USD 275/MT during Dec and compete with US, France and Australian wheat. Surging local wheat prices might stand encouraging for South Indian roller millers to look for import as imported wheat prices would be cheaper as compared to domestic prices.. Most preferred location for Indian importers would be Russia and Ukraine with respect to the landed cost. Detail of landed cost in case of import is shown in the following table: Considering that wheat prices could inch up during Sep to Dec period and are projected to stay at INR 1200 and 1300 in Rajkot and Kota respectively, we expect significant surge in wheat prices at South India. Transporting wheat at these levels means landed cost prices (mill gate delivery) would be near INR 1455 and 1670/Qtl at Hyderabad and Madurai. Adding trader margin, domestic prices would rule firm at INR 1522 and 1750 respectively.

Cost Component	Australia	USA	France	Ukraine	Russia
Expected FOB Value (Sep to Dec)	295	300	305	275	275
Freight	55	60	60	62	62
Export tax	0	0	0	0	0

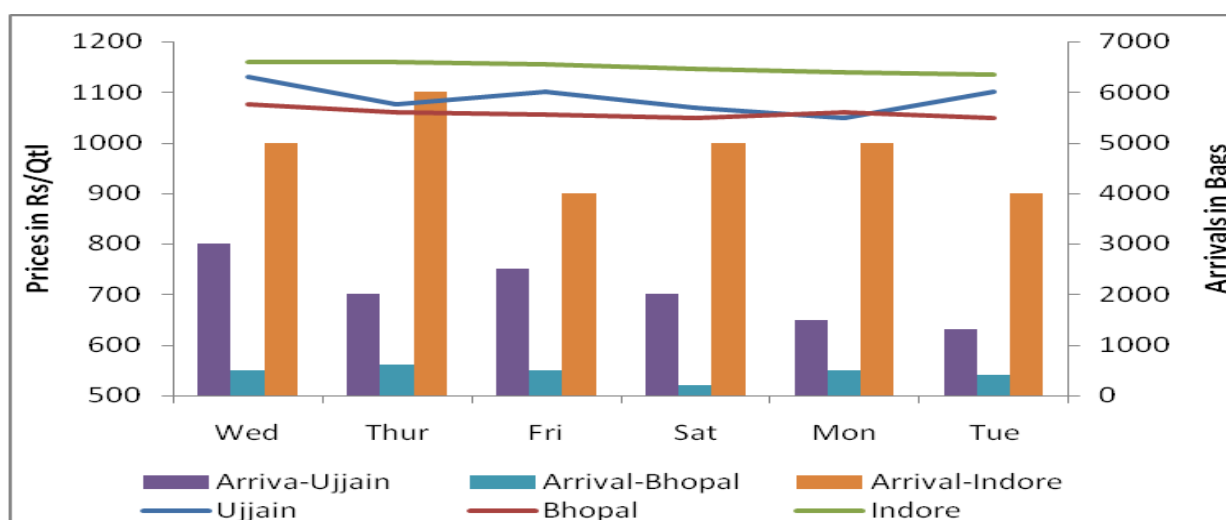
C & F Value	350	360	365	337	337
Int. charge for one month (0.01)	4	4	4	3	3
Risk premium-risk of rejection at Indian port	10	10	10	10	10
C & F Value plus risk premium&int. charges	364	374	379	350	350
Landing charges (0.01)	4	4	4	4	4
Landed cost at Indian port(USD/MT)	367	377	382	354	354
Landed cost at Indian port(INR/T @ 44.2)	16235	16686	16911	15648	15648
Port handling charges	500	500	500	500	500
Local transport	110	110	110	110	110
Transit Insurance	12	12	12	12	12
Gunny bags	500	500	500	500	500
Transit loss (0.05)	6	6	6	6	6
Loading & Unloading	200	200	200	200	200
Market price of wheat	17562	18013	18239	16976	16976
Profit margin (@ 1.5%)	263	270	274	255	255
Total Landed Cost (INR/MT)	17826	18283	18512	17230	17230
Total Landed Cost (\$/MT)	\$402	\$412.33	\$4417.50	\$388	\$388

Wheat loading from Rajasthan to south India continues:

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	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

Demand for wheat from south India continues. Decreased prices of wheat in sourcing centres may boost up profit margin in weeks ahead. Traders and brokers are earning Rs 25 to Rs 55 per qtl currently. With declining prices trade through private channel is likely to increase.

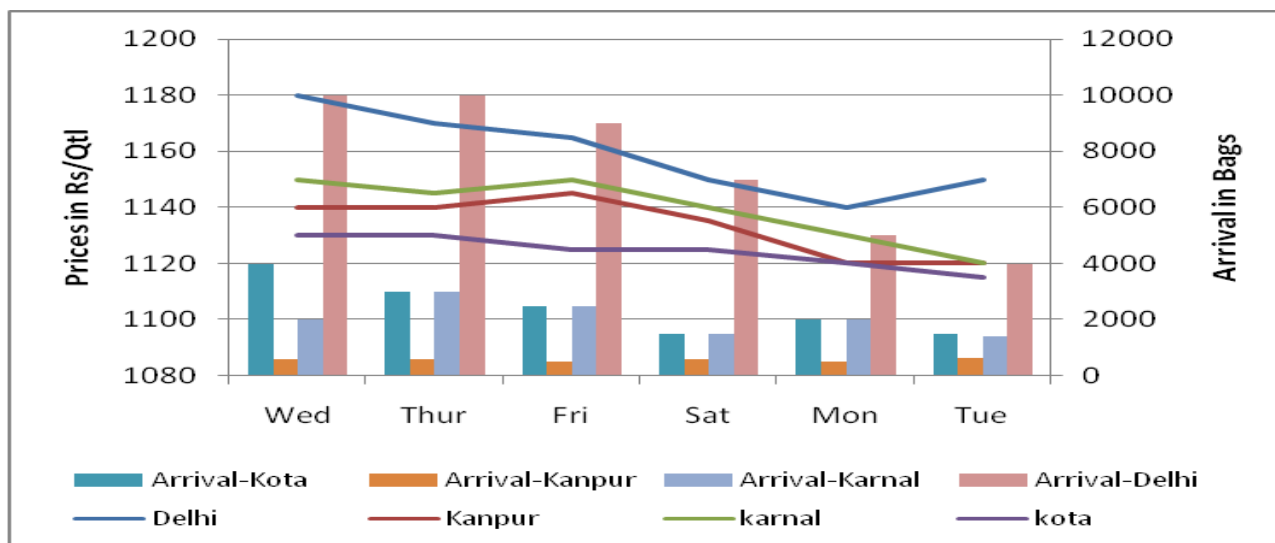
Price and arrival trends during the week:



Prices and arrivals in various markets have come down during the week under review. Pressure is expected to continue on price front in lack of fresh buying support. Demand from feed millers is comparatively low as maize prices too have come down. Wheat may trade in the range of Rs 1050 to Rs 1150 in Ujjain, Bhopal and Indore in current market supply-demand perspectives. The above given chart shows the declining weekly trend clearly.

Price and arrival trends in Kanpur, Karnal and Delhi:

Arrival and prices continue to decline even in Delhi, Kanpur and Kota like other markets on supply pressure and weak market fundamentals. Prices in these markets have come down by Rs 50 to Rs 75 per qtl. during the week. Wheat is likely to trade range bound with weak bias in current week. Govt. may revise prices for OMSS (open market sale scheme) to enhance lifting from central pool.



Stock position :

Stocks in central pool as on 01.08.2011

Fig.in lakh T	In storage	In transit	Total
Wheat	356.05	2.70	358.75
Wheat lying in mandis	00	00	00
Grand total	356.05	2.70	358.75

Wheat stock in central pool as on 01.08.11 is pegged at 358.75 lakh qtl. Out of 358.75 lakh tonnes 2.70 lakh tonnes wheat is in transit stage. Offtake is slow but is expected to go up Sept. onwards as often seen in lean season. Wheat stock in the month of June (1st June) was 354 lakh T. During June and July wheat stock increased by 4.75 lakh T. With this background market has now started sensing in advance that govt. may revise open market sale prices to enhance offloading in weeks ahead. This will pressurize wheat market further and lower prices will increase subsidy burden if given.

Zonewise stock of wheat:

Zone	Stock with FCI	Stock with state agencies	Central pool stock
East zone total	12.21	2.03	14.24
NE zone total	0.50	-	0.50
North zone total	87.61	183.93	271.54
South zone total	7.25	00	7.25
West zone total	17.17	45.15	62.52
Stock in transit	2.70	-	2.70
Total(All India)	127.44	231.31	358.75

Maximum wheat stock is lying in the North and West zones as these zones are major contributors in central pool. Offtake from these zones will remain negligible as states are not lifting wheat allocated to them as supply in consuming centres are said to be ample. With this background revision of prices for OMSS is expected from govt. side. Higher stock, record procurement and govt.'s intention to offload stock soon in the market will weigh on wheat market fundamentals and restrict any gain.

Buffer norm:

Effective buffer norms	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212

1st January	118	82	200	20	30	250
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Govt. would have to increase supply in the open market and through OMSS by offering discount from current prices so that offtake could go up before Sept. as paddy crop is round the corner. Storage space is likely to pose greater challenge despite attempts to increase additional storage space of 40 lakh T by March 2012.

Future market:

Like cash markets in futures markets too have come down by Rs 50 to Rs 75 per qtl. In the last one week. Stake holders have reduced their positions on bearish outlook for wheat market. Even clue from international market is not very encouraging. Better kharif prospects supported by diminished export opportunity, despite unequal distribution of rains have restricted gains and future market is expected to remain under pressure.

Commodity: Wheat
Contract: August

Exchange: NCDEX
Expiry: August 20 2011



Technical Commentary:

- Chart formation shows sellers support for short term.
- RSI is moving down in oversold region hints caution to the bulls for short term
- Volume and open interest are unsupportive for buyers .

Strategy:

1120, on the lower side is the capable support whereas 1175 holds importance as an immediate resistance. 1120-1175 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same.

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs1050-1150
Future market	1125-1175

Wheat Prices at Key Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
Delhi			9-08-2011	8-08-2011	Change
	Lawrence Road	Mill Quality	1170-1175	1160-1165	+10
	Narela	Mill Delivery Loose	1100-1110	1110-1115	-5
	Nazafgarh	Mill Delivery Loose	1120-1130	1125	+5
Gujarat	Rajkot	Mill Delivery	1140	1140	Unch
	Ahmadabad	Mill Delivery	1140	1140	Unch
M.P.	Bhopal	Mill Quality Loose (Lokwan)	1150-1160	-	-
	Indore	Mill Delievery	1175	1175	Unch
Rajasthan	Kota	Mill Quality	1040-1050	1030-1040	+10
U.P.	Kanpur	Mill Delivery	1110-1115	1120-1125	-10
Punjab	Khanna	Mill Quality Loose	1120-1125	1130	-5
Haryana	Karnal	Mill Quality	1140-1160	1140-1160	Unch
	Sirsa	Mill Delivery loose	1105	1105	Unch
	palwal	Mill Quality Loose	1080	1090	
	Panipat	Mill Quality Loose	-	-	-

Wheat Arrivals in Key Centers

Centre	Market	Variety	Arrivals (Bags/Qtl)		Change
Delhi			9-08-2011	8-08-2011	Change
	Lawrence Road	Mill Quality	7000	7000	Unch

	Narela	Mill Delivery Loose	500	400	+100
	Nazafgarh	Mill Delivery Loose	400	400	Unch
Gujarat	Rajkot	Mill Delivery	4000	4000	Unch
	Ahmadabad	Mill Delivery	-	-	-
M.P.	Bhopal	Mill Quality Loose (Lokwan)	-	-	-
	Indore	Mill Delivery	2000	4000	-2000
Rajasthan	Kota	Mill Quality	2500-3000	2000-3000	Unch
U.P.	Kanpur	Mill Delivery	500	500	Unch
Punjab	Khanna	Mill Quality Loose	400	500	-100
	Sirsa	Mill Delivery loose	50	50	Unch
	Rewari	Mill Quality Loose	-	-	-
	Panipat	Mill Quality Loose	-	-	-

International market:

- US wheat futures finished stronger in a turnaround from recent losses. Spill over support from modest gains in the corn market lends support as both grains are used to feed livestock.
- Additional support comes from traders buying back previously sold positions. Many expect the USDA will reduce its estimate for wheat output in a monthly report.
- Egypt bought 180,000 tons of Russian wheat at \$262.50/ton, bringing its total purchases from the country to 900,000 tons
- World wheat output is expected to hit 674 million tons, up from 651 million tons last year and 8 million tons higher than expected in July.
- World wheat stocks are expected to decline to 185m. Tons (189m.) due to rising demand, especially for feed.

- World wheat trade in 2010/11 is estimated to reach 128.0 million tons, up 1.8 million this month- USDA.

Market fundamentals:

World wheat output is expected to hit 674 million tons, up from 651 million tons last year and 8 million tons higher than expected in June. We expect a fall in world carryover stocks in 2011-12, as consumption will still outpace supply at a projected 1.83 billion tons as feed consumption increases. The outlook for grains in 2011-12 remains very tight, even though the world carryout projection has been lifted from last month. In the major exporters the total carryover is forecast to fall by 10 million tons, to 115 million tonnes.

The forecast of the global carryover at the end of 2011/12 is therefore raised by 5m. tons, to 190m., only slightly lower than the level at the start of the year. The projection of world trade is little changed from last month: at 126.7m. tons, it is up by 2.3m. tons from the previous year, mainly due to stronger demand for feed and milling wheat in Asia.

CBOT chart:



Prices in CBOT future market are likely to trade in the range of 640 to 720 cent/bushel in short term. Drift in either side might direct market in the respective same. Strong support is 640 and resistance is 720.

Weather factors and cheaper supply from Russia and Romania supported by bumper crop is expected to direct market in weeks ahead. Corn prices have come down and it is weighing on wheat market as both commodities are used as feed meal.

FOB Prices (\$/MT (As on 08.08.11))

Country	Variety	% Change over Prev. Year	(08.08.11)	Week Ago (01.08.11)	Month Ago (06.07.11)	Year Ago (25.12.10)
USA (Chicago)	RTRS 2srw	1.71	268.1	239.2	239.2	263.6
France	FCW3	-3.49	279.1	278.1	273.5	289.2
U.k	Feed wheat	-9.93	256.8	259.4	268	285.1
Canada (Thunder Bay)	Q2cw	25.06	281	288.8	309	224.7
Russia	Milling grade	41.99	261	244	245	183.81
Ukraine	Milling grade	67.74	260	245	238	155
Argentina	Milling grade	20.43	307	301	318	254.91
Australia	Feed wheat	1.11	274	276	278	271

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