

Spot Market Recap:

- Wheat market remains under pressure in lack of fresh buying support.
- Hefty stock and storage crunch may prompt govt. to allow export.
- Demand for wheat from south India decreases despite subdued prices.
- Demand for feed grade wheat gets weaker with softening maize.
- Offtake from govt.'s godowns is lower than expectation as usual.
- Wheat market may get support on increasing possibility of export.
- Better prospects for kharif may restrict unexpected gains.
- Uptrend in overseas market may increase opportunity for export.
- Prices are likely to stay stable to firm in weeks ahead.

Market Fundamental:

Domestic wheat market remained stable to weak during the week under review. No major development in cash market was seen except talk about likely decision on wheat export soon. Market is on wait and watch mood over export decision expected at the end of this month. Prices of wheat in major cash markets remained flat due to unsupportive market fundamentals. There is a sense of fear in the market that govt., laden with hefty stock on back of bumper production this year and better kharif prospects, may release additional stock in the market. It may restrict unexpected gains even if export is allowed.

Record stock:

Wheat stock in central pool as on 05.08.11 has been pegged at 358.75 lakh qtl. Offtake as reported has not been up to the mark. It will start going up Sept. onward as usual 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. This means offtake from govt.'s stock has been negligible during these periods. Under this background market has now started sensing in advance that govt. may open up export and revise open market sale prices to enhance offloading from central pool stock. Below given table shows the latest stock position at various centers.

Stocks in central pool as on 05.08.2011

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

As the below given table denotes maximum wheat has been stored out in North zone. Combined FCI and state agencies stock comes to 271.54 lakh T. Just opposite to it the lowest stock is available in North east zone. Shifting process of stock is getting slowed due to storage crunch and lower demand from consuming centers.

Offtake from North and West zones will remain negligible as states are not lifting as much wheat as 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 for various zones.

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

Demand from south India recedes:

Wheat demand from South India recedes despite subdued wheat prices at producing centres. Profit margin has come down considerably for Rajasthan and M.P.'s traders and no trade has been reported during this week for South India from these two major centers. Traders expect

that demand will start once again in the second week of Sept. as excess stock will be consumed till then. Following table shows declined margins for private trades:

Wheat: Rs/ctl.	Ganganagar to Madurai As on 02.08.11	Ganganagar to Madurai As on 15.08.11	Ganganagar to Madurai As on 25.08.11
Price at source	1150	1100	1050
Price at destination	1565	1470	1425
Freight	200	200	200
Other expenses	135	135	135
Total expenses up to destination	1485	1435	1385
Profit margin	75	35	40

Export possibility:

With improving prices in the international market disparity gap has reduced considerably in last two weeks and also with increasing expectation of further rise export opportunity from India may increase. Even at current price level export is possible from Gujarat as parity comes to Rs 1097 per T. Marginal parity is also visible from Bhopal. However, stock in private hands in Gujarat is almost exhausted as most of the surplus quantity has been sent to the south Indian states. If prices in the international market continue to firm up and govt. allow export through private channel export from Rajasthan and M.P. seems possible. At the same time decision on allowing export will support domestic prices and it may reduce parity gap.

Supply of high protein grade wheat is expected to be tight after Sept. in world market and it will support price further. Production of high protein grade wheat has decreased in Europe and South America due to weather aberration. It will directly impact the supply while the demand for the same grade is increasing. Russia, Ukraine, Australia and to some extent Romania are the main supply source of milling and feed grade wheat to the world market. Demand for these grades is likely to increase as feed industries demand is going up. Prices of these grades too are firming up despite sufficient stock against current demand. However, experts expect firm

outlook for milling and feed grade wheat as supply will start squeezing once again Oct.onward. Here India may get opportunity to export.

Export Parity Calc. on CBOT Prices

Component	FCI Economic cost	Khanna@CMP	Gujarat (Rajkot)	MP (Bhopal)
Ruling Mkt price@ Khanna	15300	11350	11250	11000
Mandi Expenses (loading/unloading, Bagging, Grading etc)	17366	12882	11643.75	11660
Local Transportation & Rake loding charges	400	400	400	400
Freight chareges to Kandla	1200	1200	400	1250
Unloading, Ship loading and misc. handling exp.	450	450	450	450
Transit losses@1%	153	114	113	110
Total Handling cost	2203	2164	1363	2210
Esti. FOB Prices (INR)	19569	15046	13006	13870
Esti. FOB Prices in US \$/MT	424	326	282	301
Current CBOT Wheat Futures Prices	306	306	306	306
CBOT Futures Price in INR	14103	14103	14103	14103
Parity	-5465	-942	1097	233

Stock restriction may be relaxed for big companies even during shortage:

The government could exempt big companies from commodity stocking restrictions imposed during shortages, taking another step to dispel the notion of policy inertia. Following a request from India Inc, the government is considering keeping private companies out of the purview of the Essential Commodities Act, allowing them to hold commodities such as wheat, rice, edible oil and sugar in bulk even when the stock limit rule is in force. The finance ministry has begun discussions with the departments and ministries concerned on the issue after India Inc demanded exemption from the rule during a recent interaction called by finance minister Pranab Mukherjee. Big companies need to hold large stocks, but their ability to do so is curtailed when such measures are invoked.

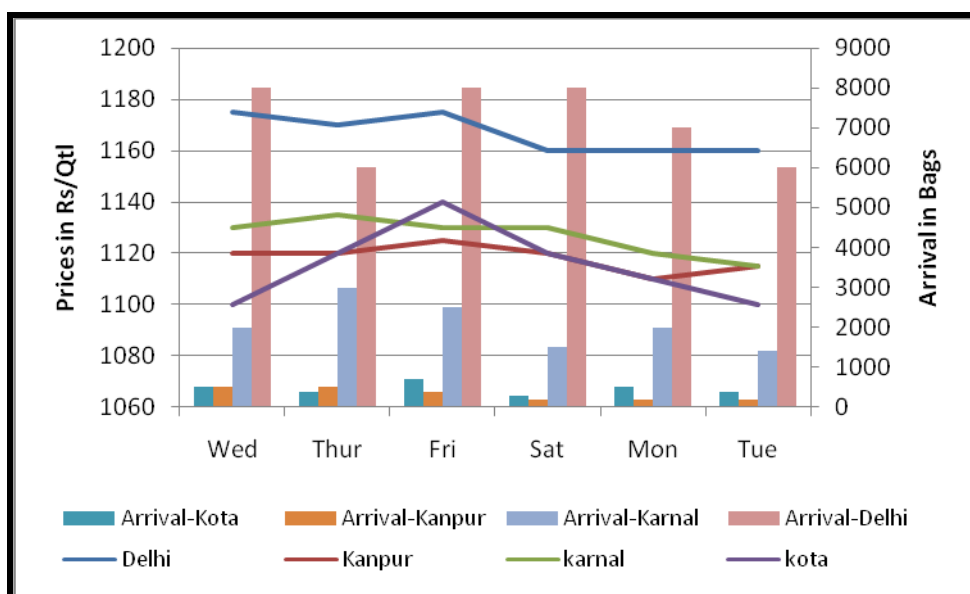
Wheat Trade Channel Market Expenses from Production Centers to Consumption Centers:

Due to lower demand, trade through private channel is not being materialized actively as stocks at consuming markets are ample. Market sources say that demand from various consuming centers is expected from middle of Sept. once again. Even feed grade wheat demand is at lower side as corn prices at producing centers have decreased..However, market expects improvement in domestic prices next month. If export is allowed, prices will improve from current level and resultantly margin for private trade may decrease. Following table shows trade margin for various centes to various destinations.

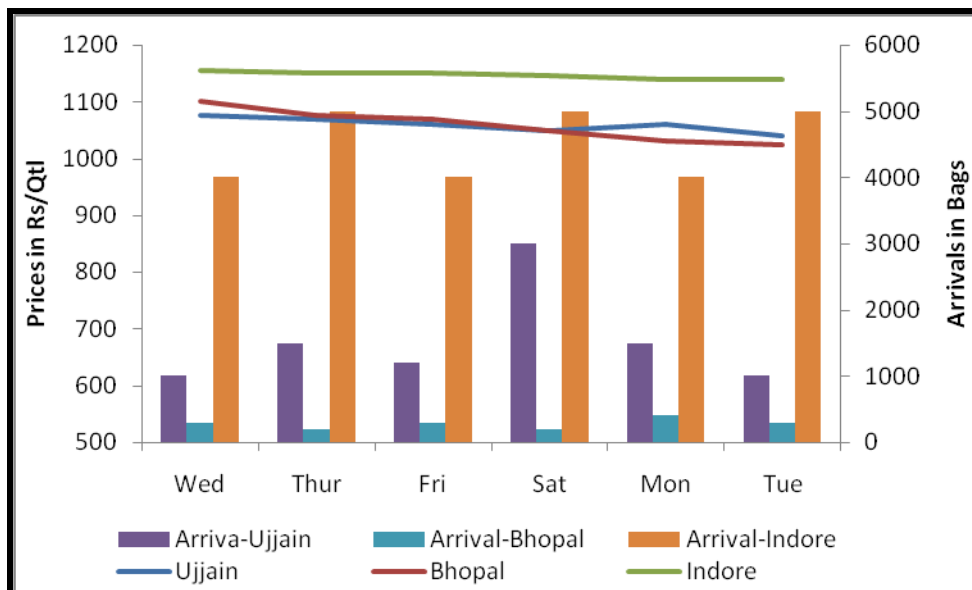
Sourcing Market	Rajkot	Kota	Kanpur (UP)	Gulab Bagh (Bihar)	Bhopal (MP)
Consumption Centers	Hyderabad	Coimbatore	Orissa (center)	Orissa (center)	Pune
Loose prices (Rs/Qtl)	1075	1125	1105	1060	1125
Pukka Aadatiya Commission %	10.75	11.25	11.05	10.60	11.25
Market Fee % (as applicable for different' mandi)	0	0	22.1	21.2	18
Other mandi expenses /Hamali	0	0	11.05	15.9	16.875
Cleaning/Loading Charges (Rs/Qtl)	5	5	5	5	5
Gunny Bag Cost (@ 40 and can be used for 4 times)	40	40	40	40	40
Market expenses borne by purchaser/miller/crusher	55.75	56.25	89.20	92.70	91.13
Transportation Cost (Rs/Qtl)	180	200	110	120	150
Insurance (if any)	2.69	2.81	2.76	2.65	2.81
Unloading at destinations (Rs/Qtl)	5	5	5	5	5
Total transport cost + loading/unloading	187.69	207.81	117.76	127.65	157.81
Total cost at factory gate (Rs/Qtl)	1318.44	1389.06	1311.96	1280.35	1373.94
Local Prices at Consumption Center (Rs/Qtl)	1362.50	1450.00	1360	1300	1425
Parity/Disparity (Rs/Qtl)	44.06	60.94	48.04	19.65	51.06

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 25 to Rs 40 per qtl. during the week. Wheat is likely to trade range bound with weak bias in current week. Increasing export possibility may support wheat prices in weeks ahead.



Arrivals and prices in various markets in M.P. have shown declining trend as the line chart shows during this week under review. Lower demand against higher supply is weighing on the market. Wheat market in M.P. is expected to remain stable at current level as demand from outside state is expected in the second week of sept. Arrivals are also expected to stay stable at current level.



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

Stock available in central pool is more than actually required under buffer norm. As on 5 August total stock available in central pool was 358.75 lakh tonnes while actual requirement under buffer norm was 201 lakh tonnes (171+30 lakh tonnes strategic reserve). 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:

Better kharif prospects, higher stock, lower demand and govt.'s intention to augment supply are weighing on wheat future market. Stake holders are releasing their positions in anticipation of bearish outlook. However, increasing possibility of export may support market to some extent. During current week wheat market is expected to trade range bound.

Commodity: Wheat
Contract: September

Exchange: NCDEX
Expiry: Sept. 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 the lower side is the capable support whereas 1174 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	1120-1175

Wheat Prices at Key Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
Delhi			25-8-2011	24-8-2011	Change
	Lawrence Road	Mill Quality	1160	1160	Unch
	Narela	Mill Delivery Loose	1125-1130	-	-
	Nazafgarh	Mill Delivery Loose	1115-1120	-	-
Gujarat	Rajkot	Mill Delivery	1160	-	-
	Ahmadabad	Mill Delivery	1140	-	-
M.P.	Bhopal	Mill Quality Loose (Lokwan)	1150	1150	Unch
	Indore	Mill Delievery	1160	1170	-10
Rajasthan	Kota	Mill Quality	-	1050-1060	-
U.P.	Kanpur	Mill Delivery	1110-1115	1115-1120	-5
Punjab	Khanna	Mill Quality Loose	1125	1125	Unch
Haryana	Karnal	Mill Quality	1100	1100	Unch
	Sirsa	Mill Delivery loose	1100	1100	Unch
	palwal	Mill Quality Loose	1080	-	-
	Panipat	Mill Quality Loose	-	-	-

Wheat Arrivals in Key Centers

Centre	Market	Variety	Arrivals (Bags/Qtl)		Change
			25-8-2011	24-8-2011	Change
	Lawrence Road	Mill Quality	6000	8000	-2000
	Narela	Mill Delivery Loose	400	-	-
	Nazafgarh	Mill Delivery Loose	100	-	-
Gujarat	Rajkot	Mill Delivery	3000	-	-
	Ahmadabad	Mill Delivery	-	-	-

M.P.	Bhopal	Mill Quality Loose (Lokwan)	-	-	-
	Indore	Mill Delievery	5000	4000	+1000
Rajasthan	Kota	Mill Quality	-	5000	-
U.P.	Kanpur	Mill Delivery	500	400	+100
Punjab	Khanna	Mill Quality Loose	300	300	Unch
	Sirsa	Mill Delivery loose	50	60	-10
	Rewari	Mill Quality Loose	-	-	-
	Panipat	Mill Quality Loose	-	-	-

International market:

- US wheat futures stumbled on profit-taking and a lack of fresh supportive news.
- Given recent gains and a lack of outside market support, traders took profits on long positions in wheat.
- The overall wheat supplies could remain fairly comfortable for short and medium term.
- Wheat buying continues by Egypt for Oct. and Nov. delivery.
- Russia could be limited to 23 million tonnes of grain exports in the 2011/12 crop year.
- Iraq issued a tender on to buy a minimum of 50,000 tonnes of wheat from all origins with a closing date of Sept.
- The Taiwan Flour Millers' Association has issued a tender to purchase 53,170 tonnes of U.S.-origin wheat.
- IGC raises its wheat production estimates from 666 to 674 million T.
- Australian wheat output pegged at 25.25 Mln.T
- Russian wheat production estimate revised up at 58 Mln.T
- Canada's agriculture department slashed its production forecast for wheat from 25.5 to 24.0MMT.
- 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 ending stocks for 2011/12 are projected 6.7 million tons higher at 188.9 million tons.
- Stocks are expected to decline slightly from 2010/11 with higher usage, but remain 62.9 million tons above their recent low in 2007/08.

Market fundamentals:

World wheat market is likely to be dominated by major exporters like US, Russia, Australia, Canada and Ukraine. These exporting countries have ample stock to export and will remain major competitors in short and medium term. 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 is 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.

IGC Revised its Production Forecasts:

Better than expected harvest results lift the forecast of 2011/12 world wheat production by 8m. tons from last month, to 674m. (651m.). Crop estimates are increased for the EU, Russia, the US, Australia and Morocco. A record outturn has been harvested in India. Competitive costs for feed use relative to other grains lift the forecast of consumption by 6m. tons, to 676m. (657m.). Taking into account a larger carryover from last year, the rise in use only partly absorbs the increase in estimated supplies. Source :IGC.

IGC Wheat Balance Sheet:

IGC/30.06.11	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million T
Wheat					30/06/2011	28/07/2011
Production	607	685	679	651	666	674
Trade	110	137	128	124	126	127
Consumptions	603	646	652	657	670	676
Carryover stocks	132	172	199	192	185	190
YOY ch.	5	40	27	-7		-2
Major exporters	47	68	76	67	61	61

CBOT chart:



Prices in CBOT future market are likely to trade in the range of 750 to 800 cent/bushel in short term. Drift in either side might direct market in the respective same. Strong support is 740 and resistance is 800. Weather factors and cheaper supply from Russia and Romania supported by bumper crop is expected to direct market direction in weeks ahead. Firm trend may continue as demand for high protein grade is increasing.

FOB Prices (\$/MT (As on 24.08.11))

Country	Variety	% Change over Prev. Year	(24.08.11)	Week Ago (16.08.11)	Month Ago (01.07.11)	Year Ago (25.12.10)
USA (Chicago)	RTRS 2srw	13.01	297.9	281.5	273.4	263.6
France	FCW3	2.04	295.1	284.4	278.1	289.2
U.k	Feed wheat	-3.82	274.2	265.7	259.4	285.1
Canada (Thunder Bay)	Q2cw	27.73	287	281.6	275.2	224.7
Russia	Milling grade	43.63	264	262	244	183.81
Ukraine	Milling grade	69.68	263	259	243	155
Argentina	Milling grade	18.87	303	307.9	299	254.91
Australia	CWRS	-4.38	267.73	268.35	248.45	280

- **Chances of High Protein wheat Output in Australia Improves**

Australia is going to receive good rainfalls in parched wheat growing areas in coming weeks..These areas are considered as the best growing areas of high protein wheat output. Good rain falls ensure better output of high protein wheat .Global supply of high protein wheat is tight and demand for this grade is likely to remain at higher side. It will help Australia to boost wheat export. Output of this grade has suffered in North America and Europe.

- **Egypt plans to buy additional wheat**

The Egyptian wheat buying agency is going to buy additional wheat through tender for delivery in Oct. and Nov. Wheat may be brought from US,Canada,france,Australia,Argentina ,Russia and Romania.egypt requires soft and milling grade wheat. Tough competition is likely on price front among supplying nations.

- **Canada expects higher wheat output**

Canada will produce more wheat and reap a record-large canola harvest in 2011 after summer heat helped late-planted crops recover, Statistics Canada said Wednesday in its first forecast of the year based on a farmer survey. The government statistical agency pegged all-wheat production at 24.076 million tonnes, up nearly 4 percent from a year ago, and the canola harvest at a record-large 13.193 million tonnes, up 11 percent.

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