

Spot Market Recap:

- **Weak sentiments continued to rule at the wholesale grains market.**
- **Reduced offtake by flour mills and stockists against adequate stocks position mainly led to a fall.**
- **Market participants are in a wait and watch mood over export decision.**
- **(EGoM) meet on food which was supposed to discuss wheat exports, as one of the agendas, was likely to be held next week.**
- **Wheat loading from Rajasthan to South India continues.**
- **Subsidised wheat and rice allotted to Kerela.**
- **Prices are likely to stay at current level for short term and medium term.**
- **Domestic market fundamentals remain weak.**

Domestic Market Fundamental:

Domestic wheat market remained steady to weak during last two weeks with no major spike could be seen from various trading centers. Moreover, ample domestic availability continues to keep domestic price at subdued levels. No major development in cash market could be seen during the period except talk about likely decision on opening of wheat export for private trade soon.

Market is in a wait and watch mood over the export decision which is expected during end Sep to Oct which is likely to coincide with the new paddy arrivals. Approaching domestic festivals might lend underlying support to the prices. However, we rule out the possibility of any near term significant jump in wheat prices for short term. Government might release additional stocks under OMSS (open market sales scheme) to curb any near term jump.

Burgeoning Food Grain Stocks Pose Challenge:

Wheat stock in central pool as on 05.08.11 is pegged at 358.75 lakh qtl (1 lakh is equal to 0.1 million). Off-take was seen normal during Aug and registered at 13 lakh tonnes which is nearly equal to its 5 years average off-take figure. Wheat off-take from central pool is expected to improve further during post Sep to cater lean season demand. 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. Off-take from govt.'s stock has been negligible during these periods. Considering hefty stocks and keeping in view the new crop arrival of paddy market is now started sensing in advance that govt. may open up export and revise open market sale price to enhance offloading from central pool.

Paddy will start arriving in Sep and government agencies will start procuring paddy in October. Paddy production is expected to breach all previous records during 2011-12 and exceed 102 million tonnes. At these levels, we estimate paddy procurement for new crop season to stay close to 35 million tonnes. It is estimated that state agencies might procure nearly 9 million tonnes of paddy during Oct alone given timely arrivals and higher production.

Government recently revised its stock norms for food grains as mentioned in the following table:

As on dated	Buffer Stocks (mmt)			Strategic Reserve (mmt)			Normative Food Grain Stocks
	Rice	Wheat	Total	Rice	wheat	Total	
1-Apr	12.20	4.00	16.20	2.00	3.00	5.00	21.20
1-Jul	9.80	17.10	26.90	2.00	3.00	5.00	31.90
1-Oct	5.20	11.00	16.20	2.00	3.00	5.00	21.20
1-Jan	11.80	8.20	20.00	2.00	3.00	5.00	25.00

This shows India needs 21.20 million tonnes of combined rice and wheat stocks as on 1st October. Deducting the 5 year average of off-take in the months of August, September and October from the central pool stocks of the respective month the expected stock position is as below:

As on dated	Stock Position (mmt)			Off-take (mmt)			Total Available Stock
	Rice	Wheat	Total	Rice	Wheat	Total	
1-Aug#	25.27	35.88	61.15	0.78	0.68	1.46	59.69
1-Sep*	23.47	34.57	58.04	1.58	1.27	2.85	55.19
1-Oct*	21.77	33.32	55.09	1.80	1.30	3.10	51.99

Actual; *Calculated stocks based on estimated off-take during Sep and Oct.

A very tight storage condition is expected with respect to the storage space as major procurement of paddy is expected during Oct to Jan. Total procurement of Rice/paddy is estimated at 35 million tonnes and out of which nearly 26 million tonnes is expected to procure till Jan end.

At the same time, expecting total food grain off-take to occur at the rate of 3 million tonnes per month, India will be having record food grain stocks to the tune of 66.79 million tonnes by Jan end surpassing the existing storage capacity of 63.36 million tonnes. This means nearly 3.43 million tonnes of additional storage space is needed by Jan end and if not available then it will be kept open and fair chances are possible which lead to spoilage. Following table shows the stock to be kept open due to tight storage condition:

As on dated	Stock Position (mmt)			Off-take (mmt)			Total Available Stock
	Rice	Wheat	Total	Rice	Wheat	Total	
1-Oct	21.77	33.32	55.09	1.80	1.30	3.10	51.99

Expected Paddy/Rice Procurement during Oct end	10.5	-	62.49	1.80	1.30	3.10	59.39
Expected Total Off-take from Nov - Jan	-	-	50.09	5.4	3.9	9.30	40.79
Expected procurement by Jan out of total 35 mmt	26	-	-	-	-	-	66.79
Total Warehousing Capacity (CAP + Covered)	-	-	-	-	-	-	63.36
Food grains to kept in Open by Jan end	-	-	-	-	-	-	3.43

Demand from south India recedes:

Wheat demand from South India decreased despite subdued wheat prices at producing centres. Profit margin has come down considerably for Rajasthan and M.P. suppliers and no trade has been reported during this week for South India from these two major trading centers. Traders expect that demand will start once again in the second week of Sep as excess stock will be consumed till then. Following table shows declined margins for private trades:

Wheat: Rs/qtl.	Bundi (Rajasthan) to Madurai (T.N.) As on 02.08.11	Bundi (Rajasthan) to Madurai (T.N.) As on 15.08.11	Bundi (Rajasthan) to Madurai (T.N.) As on 07.09.11
Price at source	1110	1075	1025
Price at destination	1430	1400	1300
Freight	155	155	150
Other expenses	125	125	100
Total expenses up to destination	1390	1365	1275
Profit margin	40	35	25

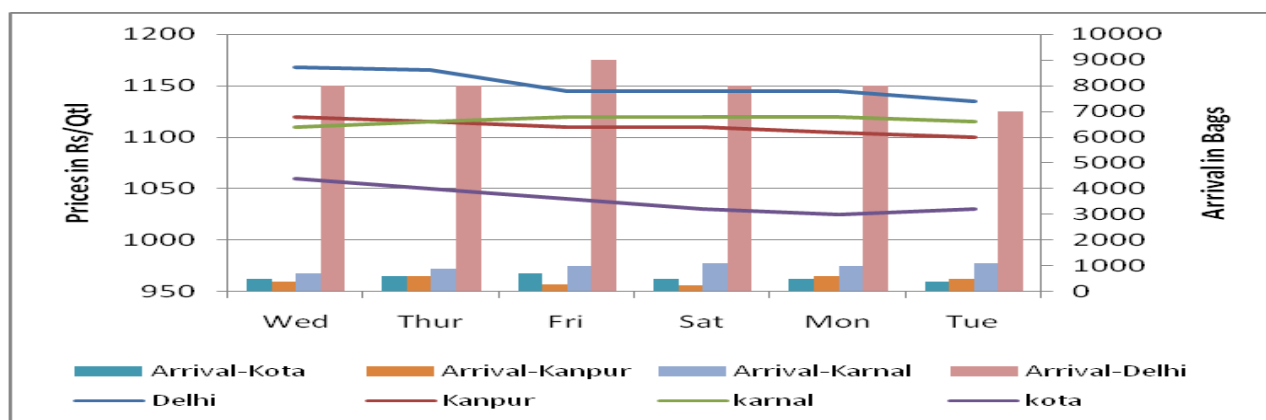
Supply and Demand

There is no major change noticed during the month of Aug to have an impact on the balance sheet,

All units in million tonnes	2009-10	AW Previous Est 2010-11	Based on 4 th advance estimates 2010-11
Carry in	13.42	16.12	16.12
Production	80.80	85.12	85.93
Imports	0.15	0.00	0.00
Total Availability	94.37	101.24	102.05
Consumption	78.15	79.00	79.00
Exports	0.10	2.24*	2.24*
Total Usage	78.25	81.24	81.24
Carry out	16.12	20.00	20.81
Av Monthly Consumption	6.51	6.58	6.58
Stock to Month Use	2.48	3.04	3.16
Stock to Consumption Ratio	0.21	0.25	0.26

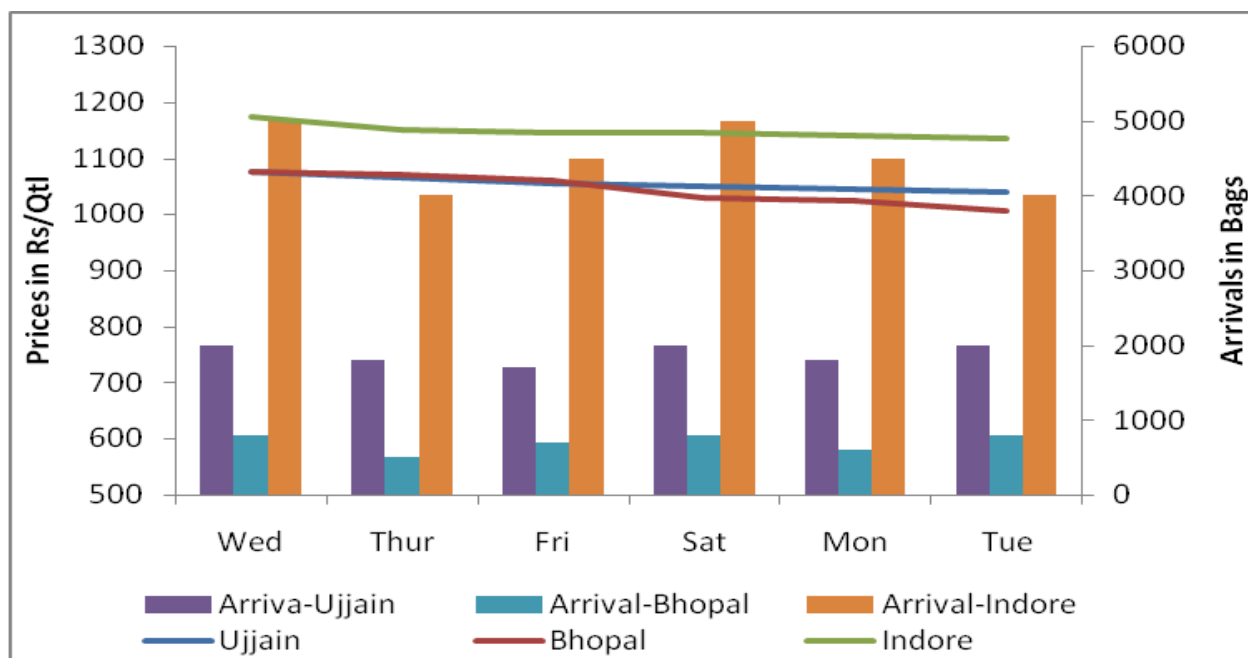
We are optimistic about the opening of export through private trade in the next EGOM meeting expected in Sep. Government this time is under pressure amid bulging stocks and the lack of adequate storage structure before onset of new crop of paddy. However, if government were to allow exports, a minimum of 2.24 million tons can easily be exported from India. There is no revision in the wheat balance sheet when compared with July. With no clear indication on opening wheat exports as of now, the domestic supply will remain good, which are likely to keep domestic prices at lower level

Prices and arrival trend:



Prices in Delhi ,Kota,Karnal and Kanpur have decreased considerably in last one week and market is expected to stabilize at current level as it is considered as the lowest level (very close to MSP)in the month of Sept. as the above chart depicts. SPrices of wheat in M.P. too have declined and pressure is likely to continue on wheat market here as demand is lower than supply and availability.

Various markets in M.P show the same trend as the following chart depicts:



Percentage change in prices during the week under review:

Declining prices trend is clear from this table and denotes percentage decline in major five markets. Indore market has seen a steep fall followed by Kanpur and Delhi.

Centre	Change over prev. year (%)	Today (07/09/2011)	Week Ago (30/08/2011)	Month Ago (08/08/2011)	Year ago (30/08/2010)	2 Years ago 30/08/2009
Delhi	-6.56	1140	1168	1159.6	1220	1098.25
Kanpur	-7.36	1070	1098	1120	1155	1021.85
Karnal	-2.61	1120	1135	1145	1150	1200
Indore	-12.84	1120	1130	1122.5	1285	1143.95
Khanna	-2.59	1130	1135	1150	1160	1204.2

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs1100-1150
Future market	1120-1150

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.

International market:

- US wheat futures fell, pressured by the rising US dollar.
- Concerns about waning demand weighs on world wheat market.
- The stronger currency makes US grains less attractive to foreign buyers.
- US faces increased competition for wheat sales from the Black Sea region.
- Egypt issued a tender to buy wheat after the close of trading.
- USDA increased its 2011-2012 global wheat production outlook by 9.7 million metric tons.
- World export forecasts also increased, jumping 1.29 mmt since July to 131.3 mmt.
- USDA projected 6.5 mmt of wheat will be used for feed in the U.S. for 2011-2012.

Wasde updates:

USDA increased its 2011-2012 global wheat production outlook by 9.7 million metric tons (mmt) from last month's projection. USDA now estimates this year's global wheat production at 672 mmt, 23.9 mmt more than last year's output and the third largest global wheat crop on record if realized. The bulk of the increased production forecast was due to greater estimates for the Russian and Ukrainian wheat crops. USDA increased its outlook for both countries by 3.0 mmt from last month to 56.0 and 21.0 mmt, respectively. World export forecasts also increased, jumping 1.29 mmt since July to 131.3 mmt. USDA projected 6.5 mmt of wheat will be used for feed in the U.S. for 2011-2012, an 86% increase from last year's 3.5 mmt. Globally, projected use for feed wheat jumped from 123 mmt last month to a record 128 mmt this month.

IGC Wheat Balance Sheet:

IGC/25.08.11	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million T
Wheat					28/07/2011	25/08/2011
Production	607	685	679	651	674	677
Trade	110	137	128	126	127	128
Consumptions	602	646	652	657	676	678
Carryover stocks	132	171	197	192	190	191
YOY ch.	5	39	26	-5		-1
Major Exporters	47	68	76	69	63	65

CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (06.09.11)	WeekAgo (01.09.11)	MonthAgo (07.08.11)
Sept'11 (\$/MT)	9.10	263.15	262.87	241.20
Sept'11 (INR/MT)	9.10	12110.17	12097.49	11099.94
Dec'11 (\$/MT)	9.39	279.22	279.59	255.25
Dec'11 (INR/MT)	9.39	12849.89	12866.80	11746.66
Mar'12 (\$/MT)	7.36	292.17	293.00	272.15
Mar'12 (INR/MT)	7.36	13445.89	13483.93	12524.41
May'12 (\$/MT)	7.89	297.69	298.33	275.92
May'12 (INR/MT)	7.89	13699.50	13729.09	12697.72

World wheat supply and demand are forecast to be broadly balanced in 2011/12, with a rise in production matched by higher use. With winter wheat harvests nearing completion in the northern hemisphere, better than expected results in the EU, CIS and China outweigh the somewhat reduced prospects in the US and Australia, and the forecast of world production is raised by 3m. tons, to 677m. (651m.). Much of the rise in supply compared with last month is absorbed by a further increase in projected feed wheat demand, contributing to a larger than normal year-on-year upturn in total world wheat consumption, to 678m. tons (657m.).

The global carryover is expected to be broadly unchanged, placed 1m. tons higher than in the last Market Report, at 191m. However, stocks of the highest-protein milling wheat are expected to tighten, especially in the US and Canada, contributing to a 3.9m. ton fall in the combined carryover in the eight major exporters, to 64.6m. This is up by 2.0m. tons from last month's figure, including larger projections for the EU, Kazakhstan and Ukraine. Wheat export prices mostly advanced over the period, with higher milling grades registering the biggest gains because of North American spring crop worries and rain damage in parts of Europe

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