

Spot Market Recap:

- India allows wheat and rice export without restriction up to the allowed limit.
- Indian wheat is much cheaper than that of its competitors.
- Wheat sales to B,desh @\$ 310-315 and Malaysia @\$330 -335 per T finalized.
- Export demand and millers active buying support wheat prices.
- There is still good opportunity to earn through wheat and rice export.
- Prices are likely to stay steady to firm in weeks ahead.
- CBOT market is expected to trade lower in short term.

Domestic Market Fundamental:

Prices of wheat in domestic markets firmed up on back of green signal to wheat export in last five days despite ample stocks in private hands and with govt.'s granary. Cash market is likely to stay firm in weeks ahead as Indian wheat is competitive at current prices. Export sales to B,desh and Malaysia have been finalized @ \$310-15 and \$330-35 per T respectively in last four days. Rack loading from U.P to Kakinada for B,desh continues. Exporters are sourcing wheat from U.P.@ Rs 1170 to Rs1175 per Qtl. Market sources expect that maximum allocated quantity can be exported at current prices through private channel. Wheat is abundantly available in markets and prices are unlikely to go up unexpectedly as export quantity is not enough to influence prices in a big way. Prices have gone up Rs 40 to Rs 50 per qtl on export demand and are expected to stay firm at current level. FOR Kandla is Rs 1201 per qtl. while wheat is being traded locally @Rs 1060 per qtl loose basis in Rajkot.

Earlier this year, Pakistan's output helped fill the gap in cheaper milling wheat supply to Southeast Asia, the Middle East and even Africa, and now cargoes from India will be very useful. However, in medium term the real challenge for Indian exporters will be to secure the wheat supply locally, because a large part of the crop has already been procured by the government or consumed, and the next harvest doesn't begin until mid-March. Some western India grades are selling for around INR11,950-INR12000/ton, delivered at port, and after adding port expenses, can be offered around \$290/ton, free-on-board, which is among the cheapest in the world. Russian wheat is currently offered around \$295/ton, FOB, while Australian Standard White is quoted at \$310/ton.

Hefty Food Grain Stocks Pose Challenge:

Wheat stock in central pool as on 01.09.11 is pegged at 336.21 lakh qtl (1 lakh is equal to 0.1 million). Off-take was seen normal during Aug and registered at 19 lakh tonnes which is nearly equal to its 5 years average off-take figure in same month.. Wheat off-take from central pool is expected to improve further during post Sep to cater lean season demand. Off-take from govt.'s

stock has been improving with the start of Sept. and is expected to improve in months ahead. However, govt's stock is more than actual requirements for buffer norm. Considering hefty stocks and keeping in view the new crop arrival of paddy govt. has opened export of wheat and rice (two million tonnes each).

Paddy will start arriving in Sep last 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. However, some damage to the paddy crop by flooding is still being analysed. 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:

Monthly_stock_position wheat 2009-2011 offtake

year	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2009	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
2010	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14
2011	215.40	193.73	171.57	153.64	313.75	378.32	371.49	358.75	336.21	314.25	-	-

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

Expected stock on 1st Oct:

Wheat stock is expected to come down from 336.2 to 314.25 lakh T in Oct as offtake will go up on increased demand for wheat products and active buyings by MNC's for export. Five major company's including Emmsons, PEC, Cargil, Sanika and NDA are buying wheat actively from various source and procurement with higher prices will continue.

Storage condition:

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:

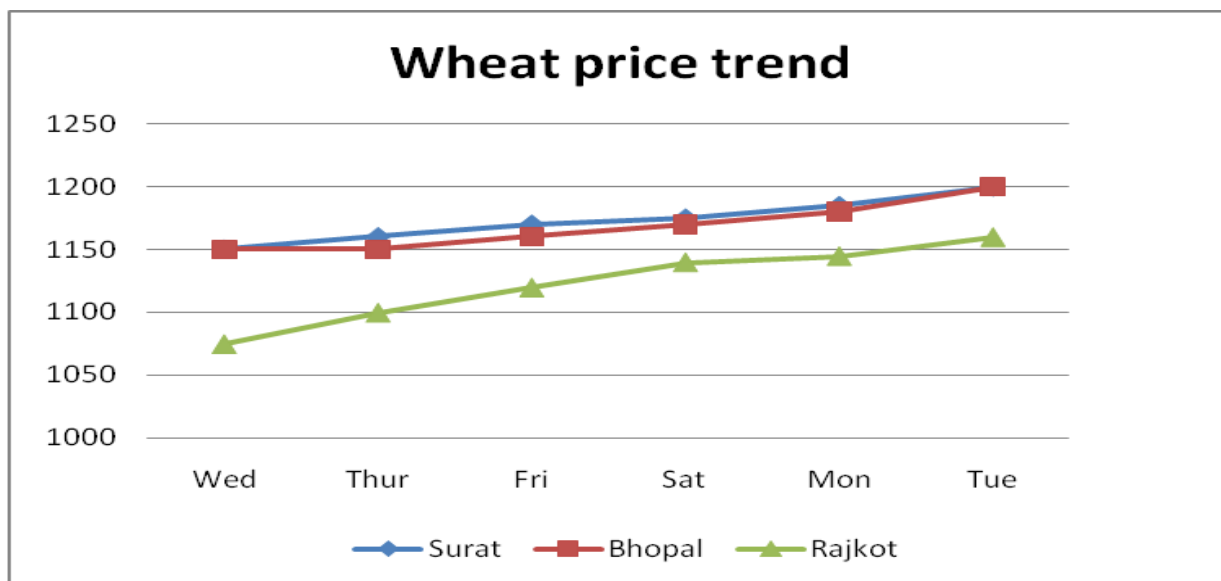
However, if India offloads 4 million T wheat and rice in the international market, it will reduce pressure on additional requirement of storage. We expect India will be able to offload desired quantity of wheat and rice in the international market as overseas market will remain favourable for India October onward.

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 improves:

Wheat demand from South India increases on local and export demands. Profit margin remains almost same as prices in consuming centers too have gone up during this week under review. Following table shows the margins for private trades:

Wheat: Rs/ctl.	Bundi (Rajasthan) to Madurai (T.N.) As on 08.09.11	Bundi (Rajasthan) to Madurai (T.N.) As on 12.09.11	Bundi (Rajasthan) to Madurai (T.N.) As on 15.09.11
Price at source	1140	1150	1160
Price at destination	1450	1450	1455
Freight	155	150	150
Other expenses	125	125	125
Total expenses up to destination	1420	1425	1435
Profit margin	30	25	20

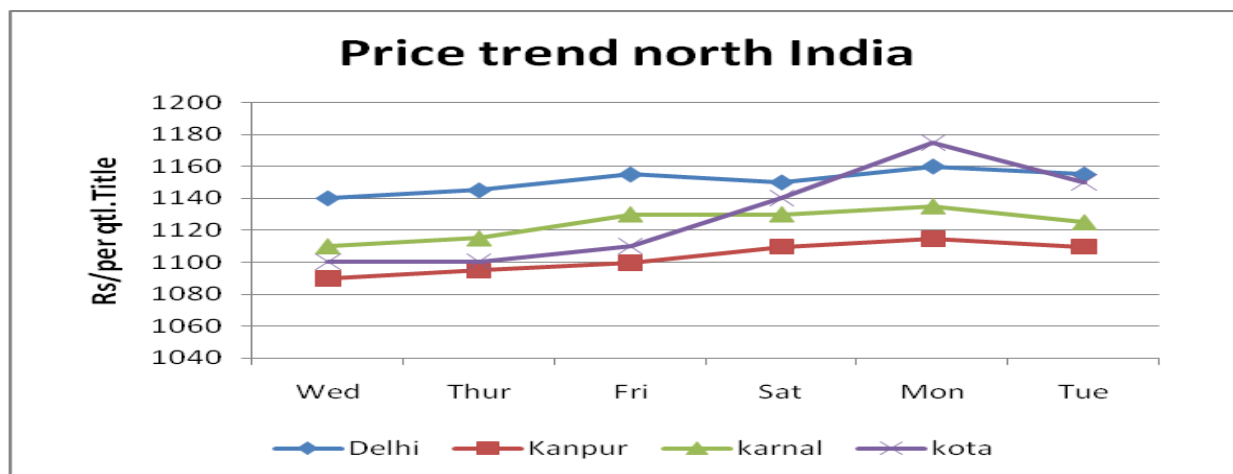
Price trend during the week :


Wheat prices at various centers during the week show firmness on fresh demand from exporters supported by domestic demand for wheat products. Market expects prices to stay at current level despite ample stock available in the markets. However, govt. is sitting on huge stockpiles of grains and can check any unexpected move in the market. Wheat prices in Surat,

Bhopal and Rajkot have increased almost by Rs 50 per qtl during the week. Local traders say that prices will sustain at current level amid continued buyings.

Price trend In Delhi Kota:

Prices in north Indian markets firmed up on export decision but could not sustain at higher level due to ample supply. Exporters are buying buying wheat considering port and freight feasibility. However, in these market prices are expected to move up due to local seasonal demands for wheat products.



Percentage change in prices during the week under review:

Wheat Futures Prices (NCDEX)				
Rs/Qtl				
Contract	Change over prev. month (%)	Today 16.09.11	Week Ago 10.08.11	Month Ago 16.08.11
Setp-11	1.02	1164	1161	1152.2
11-Oct	1.06	1187	1186.4	1174.4
11-Nov	0.21	1210	1211.8	1207.4
11-Dec	0.57	1232	1229	1225

Percentage change NCDEX spot prices:

Centre	Change over prev. year (%)	Today (15/09/2011)	Week Ago	Month Ago	Year ago
			(10/09/2011)	(15/08/2011)	(15/09/2010)
Delhi	-4.94	1174	1160	1181	1235
Kanpur	-5.13	1110	1080	1115	1170
Karnal	-2.30	1270.1	1270.1	1280	1300
Indore	-12.74	1130	1130	1131	1295
Khanna	0.34	1289.4	1292.15	1285	1285

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1125-1175
Future market	Rs1150-1200

Experts view over export:

India allowed unrestricted exports of two million tonnes each of wheat and common rice, as the country's stocks reach unmanageable levels, forcing the authorities to allow overseas sales. It will add to the global oversupply of wheat, pressuring the benchmark U.S. market, although high domestic prices will cap exports.

Almost 1.5 lakh tonnes of wheat has been sold by various parties to Bangladesh. India's wheat exports are likely to remain limited to neighbouring countries where it enjoys a freight advantage, given competition from rival Black Sea suppliers. With the news of India allowing 2 million tonnes of wheat exports, the global market may fall further, which is bad for Indian wheat exports. At best, only a few containers are going to countries such as Bangladesh, Malaysia and south east Asian nations.

Indian supplies come to market at a time when the U.S. grain market is under pressure from the prospects of higher world supplies of rice and wheat. However, some experts say that all is not lost and we have still opportunity to ship wheat abroad. World wheat market will firm up again on weather aberrations despite ample supply in the world market right now. India can compete with Russia and Australia.

Jan, Feb next year may turn favourable for wheat export from India, till then Russia will be exhausted with its surplus stock. Wheat demand from feed millers is expected to go up.

Future market:

Wheat future market is likely to get support on fresh buying spree from exporters. Generally wheat prices in India start firming up Sep onward as festival demands for wheat products increase. Export decision will continue to support market despite hefty stock stored out from last year crop. Far months contracts are expected to stay at higher level in weeks ahead.

Commodity: Wheat
Contract: Oct.

Exchange: NCDEX
Expiry: Oct.. 20 2011



Technical Commentary:

- Weekly chart formation shows market to move sideways in short term .
- RSI is moving down in neutral region hints caution to the bulls.
- Volume and open interest are unsupportive for buyers.
- Export decision is supportive for the market.

Strategy:

1161 the lower side is the capable support whereas 1201 holds importance as an immediate resistance. 1161-1201 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same.

International market:

- ❖ Japan's Ministry of Agriculture has bought a total of 109,356 tonnes of food wheat from the United States, Canada and Australia as planned in a regular tender. The wheat is for loading in November. Japan buys about 5 million tonnes of foreign wheat a year for milling use, which accounts for about 90 percent of domestic consumption.
- ❖ France's Strategie Grains lowered their 2011/12 forecast for soft wheat production in the European Union on Thursday after heavy rain affected both the quality and quantity of crops in Germany, Poland, Scandinavia and the Baltic states.

- ❖ Strategie Grains also reduced its estimate for milling wheat production in the EU by 3.1 million tonnes to 83.5 million tonnes after heavy rain in August and at the start of September impacted grain quality.
- ❖ Egypt, the world's largest wheat importer, has bought 240,000 tonnes of Russian wheat for Nov. 21-30 shipment and a further 180,000 tonnes for Dec. 1-10 on a free on board basis. Breakdown of the purchases:

World wheat market fundamental:

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

Waste 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.

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 Dec. Futures chart:


CBOT wheat Dec. Future chart shows bearish sentiments and selling pressure is likely to continue for two three days. Market may test the lower side 650. However 670-71 is nearest support while 740 is the nearest capable resistance. Drift in either side may drive market in the respective same.

CBOT Future	Expected price
Dec. contract	675-720

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