

Spot Market Recap:

- Wheat buyings for export continues in Gujarat, U.P. and Rajasthan.
- Reduction in prices for OMSS is likely for small and big users.
- No major impact likely on physical market, steady to slightly firm trend expected.
- B'desh will remain major buyers for Indian wheat.
- Wheat stocking continues in Gandhidham, Kandala, Mundra.
- Loading from U.P for Kandla and Mundra from various centers.
- Prices are likely to remain steady in weeks ahead.
- Pressure on overseas market is expected to stay for short term.

Domestic Market Fundamental:

Mixed trend prevailed in cash market during the week under review. Higher prices in Rajasthan and M.P. restrict buyings for export. On the contrary, export buyings from U.P. and Gujarat continue due to cheaper availability in the regions. Wheat is being loaded from U.P.(Gonda and Gorakhpur regions) @ Rs 1180 per qtl at source. Almost 3 lakh Tonnes deals have been reported for B'desh, Maldives and Sri Lanka, yet to be confirmed. Almost 50,000 tonnes deals for Malaysia is said to be under process above \$ 330 per T. Deals have been struck @ of \$308 to \$310 for B'desh.

Despite disparity from various sources like Rajasthan, M.P. wheat procurement from other centers continues. However, lower international market is eating out margin and is increasing competitiveness further. Higher supply side, inventory may restrict market to move unexpectedly higher at least in current month.

Domestic demand for wheat products is likely to increase due to festival season and it may drive wheat prices up and reduce current parity further.

If prices for OMSS is reduced, upward sentiment will change once again.

B,desh is to buy 1.5 MMT wheat from India:

B'desh is planning to buy 15 lakh tonnes wheat from India out of its annual import requirement of 30 lakh tonnes. B'desh needs at least 7 lakh tonnes wheat in next seven months till next April. It is being seen as an opportunity for India. With close proximity to India, It is going to take more grains from India.

The Indian move came against a backdrop of growing global supplies that are expected to squeeze prices. Russia and Ukraine are already in export market with their surplus. India can

supply wheat to B'desh @\$310 CIF per tone and will remain competitive despite firming up prices in domestic market.

If Indian govt. permit export by road, Indian traders will be able to supply below \$ 300 per tonne. Exporters are trying to get green signal for export by road. Export has been allowed by rail route and wheat is being stored out in Gujarat, A.P.

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

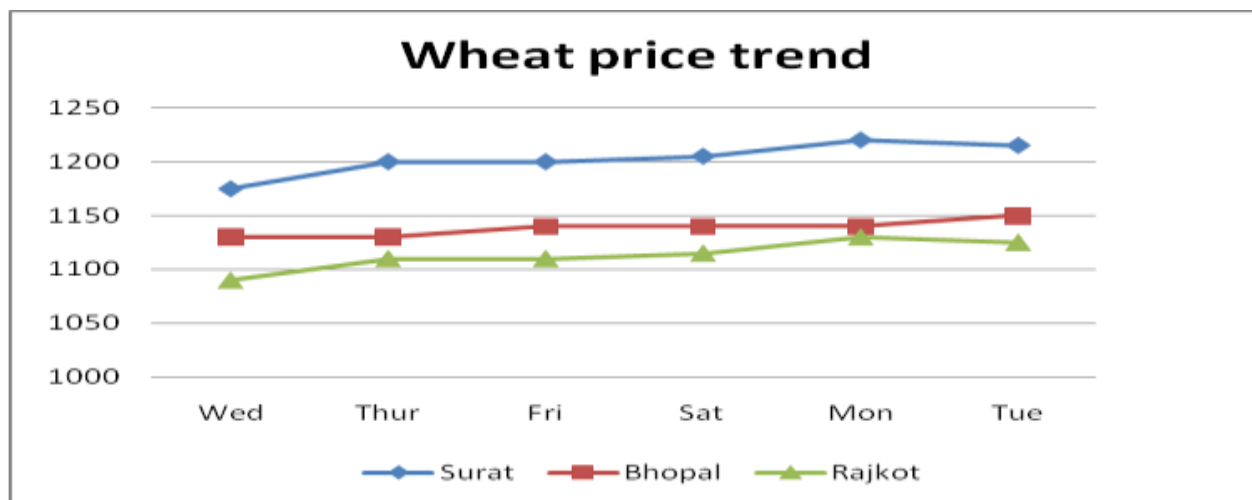
year	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
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2009	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
2010	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14
2011	215.40	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 is likely to continue.

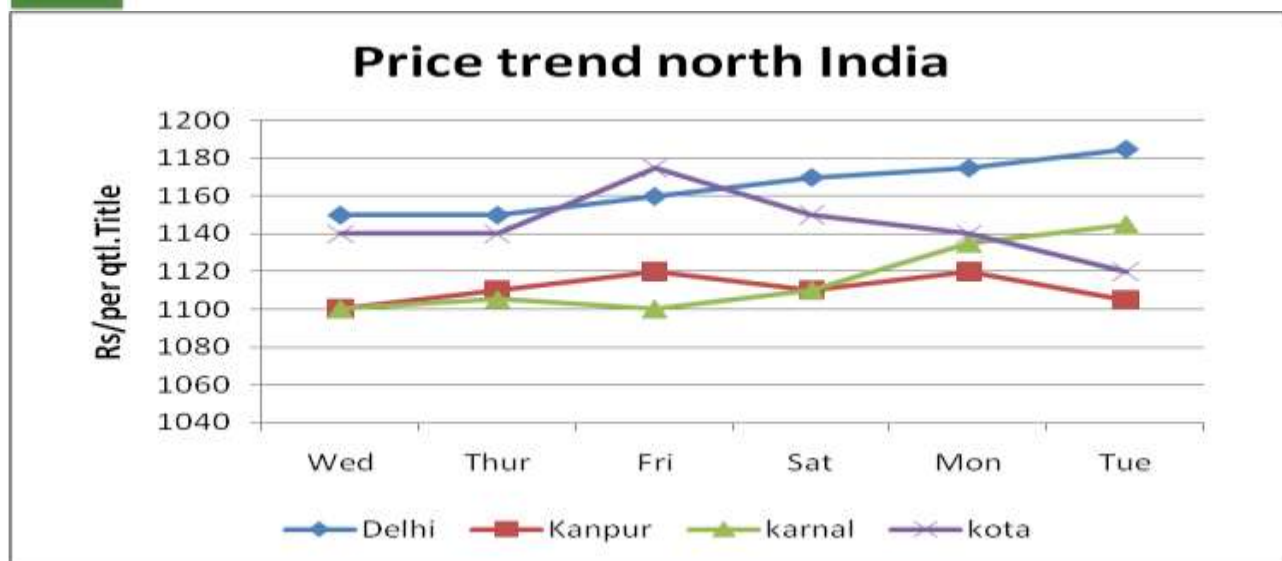
Price trends at various markets:



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 is in a position to check any unexpected move in the market. Wheat prices in Surat, Bhopal and Rajkot have increased almost by Rs Rs 30 to 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 except Kota and Kanpur. Exporters are buying wheat considering port and freight feasibility. At present, higher freight from Rajasthan to Gujarat and A.P. restricts trading activities in local markets. However, in these market prices are expected to move up due to local seasonal demands for wheat products. Traders say that demand from flour mills and from south India may increase in the last week of Sept. and it will support prices. Private trades carrying cost is increasing by Rs 60 per T .



Percentage change in prices during the week under review:

NCDEX Contract	Change over prev. month (%)	Today 20.09.11	Week Ago 12.09.11	Month Ago 20.08.11
Setp-11	-1.08	1136	1161.4	1148.6
11-Oct	-0.57	1161.2	1185.6	1168
11-Nov	0.30	1181	1214	1177.4
11-Dec	-1.22	1197	1231	1212

Percentage change NCDEX spot prices:

Centre	Change over prev. year (%)	Today (20/09/2011)	Week Ago (12/09/2011)	Month Ago (20/08/2011)	Year ago (20/09/2010)	2 Years ago 15/09/2009
Delhi	-4.28	1182.15	1158.35	1177.5	1235	1098.25
Kanpur	-5.98	1100	1090	1107.5	1170	1021.85
Karnal	-1.00	1287	1280.1	1285	1300	1200
Indore	-13.13	1125	1113	1127.5	1295	1143.95
Khanna	0.54	1292	1280	1286.65	1285	1204.2

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1125-1175
Future market	Rs1140-1190

Future market:

Wheat future market seems to be in a weak phase as fundamentals are not supportive. Disparity on export front, higher stock and likely reduction in OMSS prices weigh on the market sentiments. However, one sided down fall is unlikely as wheat demand will increase in weeks ahead. Govt's move will be decisive factor to direct the market as maximum stock is under its custody. Stake holders have release their positions on weak fundamentals and bearish outlook for short term.

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 oversold region hints caution to the bears.
- Volume and open interest are unsupportive for buyers.
- Export decision is supportive for the market.

Strategy:

1136 the lower side is the capable support whereas 1180 holds importance as an immediate resistance. 1136-1180 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same.

International market:

- ❖ World wheat market remained under pressure on higher supply from major producing nations. Indian entry in wheat- rice export market has pressurized market further. Russia is supplying wheat at competitive prices. Besides, wheat demand has been weak in the face of significant competition from Russia, Ukraine and Romania in the export market.
- ❖ US wheat futures ended mixed, retreating from early strong gains as corn prices sagged. Grains are being led by corn and have little fresh news of its own currently. Wheat demand has been weak in the face of significant competition from Russia in the export market, although some traders are optimistic that dynamic will soon change. Worries about the U.S. crop, while not acute, are underpinning the market.
- ❖ Russian wheat exporters aim to ramp up sales to nascent markets such as South America due to their cheap price edge, which may also give a boost to freight rates which are struggling with a ship glut.
- ❖ Millions of tonnes of low-priced Russian wheat have surged onto global markets since Russia ended a near year-long grain export ban in July, sweeping aside competitors including those from Europe and the United States.
- ❖ Shipping analysts said if Russian exports were unable to make inroads into longer haul destinations, they would provide only modest freight rate support in their traditional markets in the Middle East and North Africa due to shorter distances.

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.).

USDA Estimate:

In its September crop report, the USDA cut its estimate for 2011-12 US exports by 2 million tonnes, to 27.9 million tonnes. That would be 20% below 2010-11 exports. Export commitments to date stand at just over 13 million tonnes, only 15% below last year at this time. However, given the very slow pace of new sales over the past couple of months, it's only a matter of time before commitment data more accurately reflect the USDA forecast for 2011-12. There was a period of strong new-crop sales before the marketing year began, but they have been dwindling. To illustrate, consider that since the beginning of the marketing year that began in June, weekly commitments have averaged 463,000 tonnes, compared with a weekly average of 809,000 tonnes during the same period in 2010.

Quality concern in US:

Quality concerns are also an issue in the US. As it is, the crop is 4 million tonnes, or 6.6%, smaller than last year. Minneapolis Grain Exchange wheat, which represents the highest quality in the United States, has gained substantially over Chicago Board of Trade and Kansas City Board of Trade prices.

Normally, the quality concerns in these major exporting countries would be causing a bit of a stir, but wheat prices have been trending lower since late August, particularly with the USDA's forecast for record global demand.

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.

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(next week)
Dec. contract	650-695

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