

Spot Market Recap:

- **Wheat market remained under pressure on ample supply and lower buyings.**
- **Increased supply through OMSS on discounted rates weigh on market sentiments.**
- **Wheat market is likely to stabilize at current level.**
- **Likely higher demands for wheat products are likely to support cash market.**
- **Madhya Pradesh plans to buy 60 lakh metric tonnes wheat in 2012.**
- **Decline in wheat area feared.**
- **Private trading companies of India have already signed export contracts for 100 lakh tonne of wheat.**
- **Indian wheat prices are competitive now, being within a range of \$275-300/MT FOB.**
- **Russian wheat prices settled around \$290/MT and Australian wheat around \$310/MT.**
- **India can attract buyers from the Near East, Africa and Bangladesh.**
- **International wheat market is expected to firm up despite higher stock.**

Domestic Market Fundamental:

Wheat cash market continued to trade under pressure and touched lower level of this month during this week under review. Virtually, domestic wheat market is currently directed by govt. policy as maximum stock is under its custody and govt. is able to drive market sentiment and control uptrend if there be any.

Wheat is not being loaded from Rajasthan and M.P. due to disparity and higher availability of wheat in local market. Traders/ brokers may start active buying once again from mid Oct. as condition is likely to improve till then. Offtake from govt. godowns will increase in weeks ahead and supply side will remain ample. Lower prices will enhance export opportunity and India can easily export the fixed quantity of 2million tonnes before new crop start sneaking in. And with hefty stock govt. will continue to fill the short supply gap in lean season starting from Oct.

Exporters avoided active buying in downward trend. Wet weather and higher moisture level in Gujarat are keeping buyers away from bulk storing as wheat is being affected by fungus in these areas.

Likely Buyers:

Indian wheat may interest buyers from the Near East, Africa and, of course, Bangladesh. The only issue still remaining unclear and worrying both exporters and potential buyers is what wheat volumes are in the immediate vicinity of seaports, whether they are sufficient to arrange regular export shipments. If delivered from India's inland areas, wheat will cost more than \$300/MT in ports.

Export deals:

Private trading companies of India have already signed export contracts for 1lakh tonne of wheat. The bulk of this grain will be supplied to the neighboring Bangladesh. Indian wheat prices are competitive now, being within a range of \$275-300/MT FOB. Russian wheat prices settled around \$290/MT and Australian wheat around \$310/MT. In addition, Indian wheat is distinguished by a high protein content that may become an additional competitive advantage.

Decline in wheat area feared:

There is a growing fear in the market that area under wheat this year will decrease as wheat prices are lower than chana and mustard. Farmers have received better prices for chana and mustard and if they go for chana and mustard this year, they are likely to get better prices than wheat. Area under wheat in Rajasthan, M.P. and U.P. may decline as per farmer's advance sowing planning.

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:

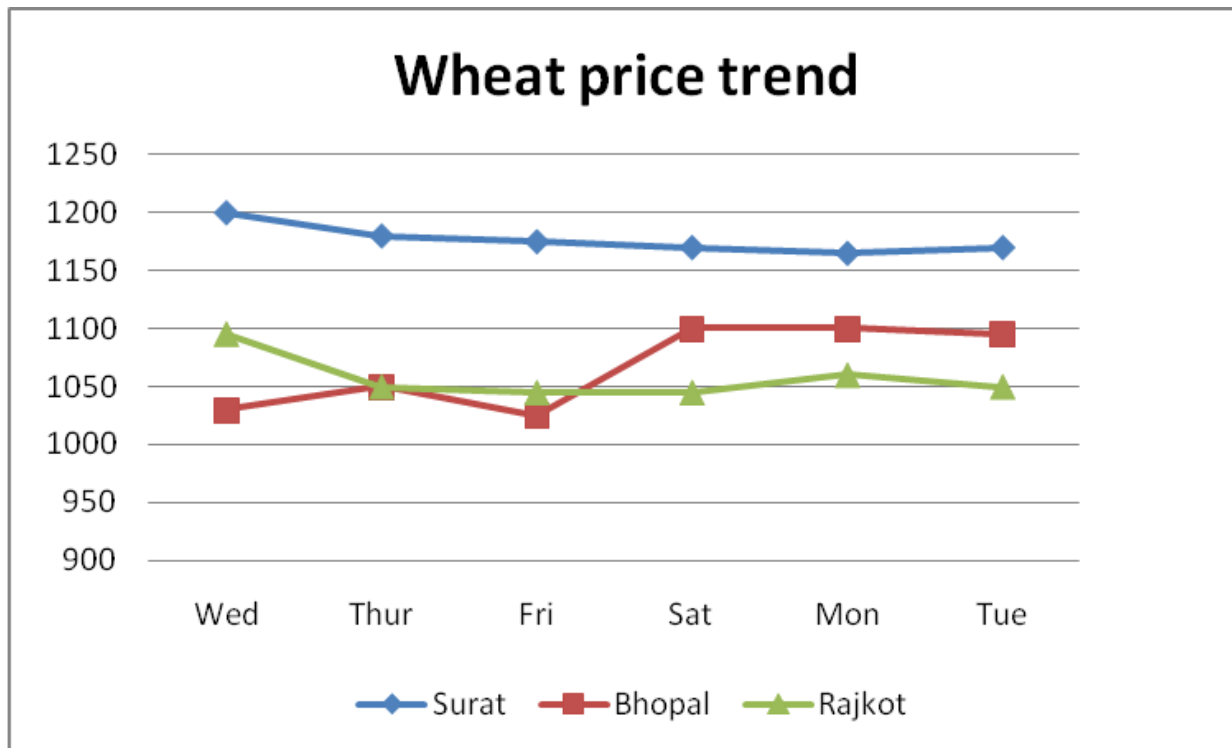
Monthly_stock_position wheat 2009-2011 offtake

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. Govt.'s release for OMSS is expected to help reducing wheat stock in weeks ahead.

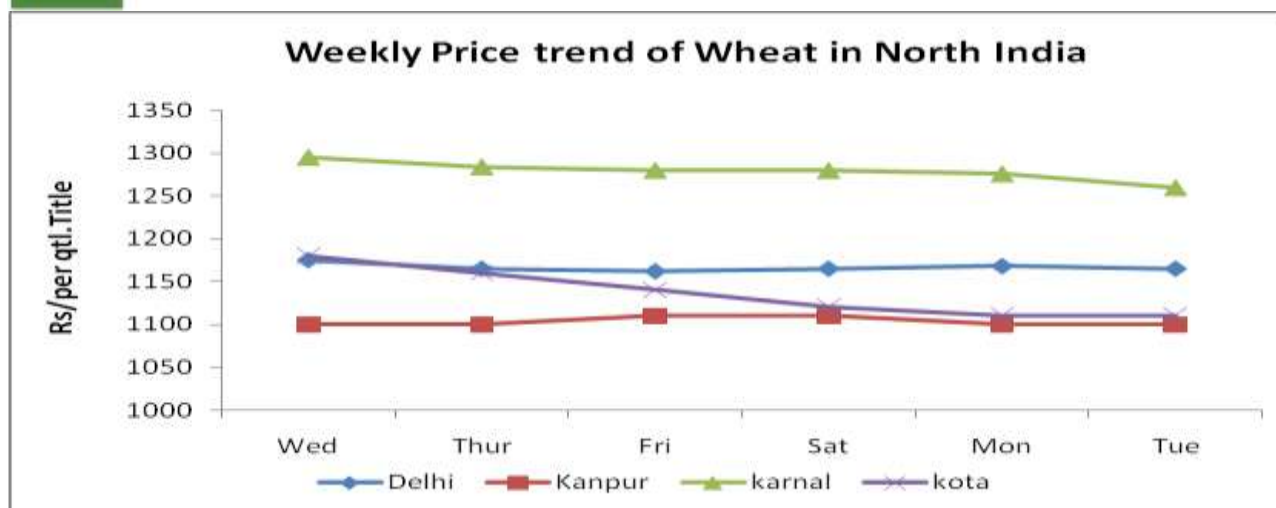
Price trends at various markets during this week:



Wheat prices at various centers during the week shows weakness on lower demands from exporters supported by ample supply. Market expects prices to stabilize at current level despite weak fundamentals. 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 decreased almost by Rs 10 to 20 per qtl during the week. Local traders say that prices will sustain at current level as demand for wheat products continue to support market and will restrict further loss.

Price trend In Delhi Kota:

Prices in north Indian markets eased on lower demand. Exporters are not actively 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 first week of Oct. and it will support prices. Private trades carrying cost is increasing Rs 60 per T per month.



Percentage change in prices during the week under review:

Wheat Futures Prices (NCDEX) Rs/Qtl				
NCDEX Contract	Change over prev. month (%)	Today 27.09.11	Week Ago 20.09.11	Month Ago 26.08.11
11-Oct	-3.10	1123.6	1163	1159.6
11-Nov	-3.57	1137.4	1183	1179.6
11-Dec	-1.35	1161	1214	1177.4
12-Jan	-2.00	1181	1202	1205

Percentage change NCDEX spot prices:

Centre	% Change over	Today	Week Ago	Month Ago	Year ago	2 Years ago
	prev. year	(27/09/2011)	(20/09/2011)	(26/08/2011)	(20/09/2010)	15/09/2009
Delhi	-5.10	1172	1182	1166	1235	1098.25
Kanpur	0.85	1180	1100	1190	1170	1021.85
Karnal	-1.92	1275	1295	1242.4	1300	1200
Indore	-14.67	1105	1105	1131.25	1295	1143.95
Khanna	4.67	1345	1292.2	1291	1285	1204.2

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1100-1175
Future market	Rs1120-1160

Future market:

Wheat future market seems to be in a weak phase as fundamentals are not supportive. Disparity on export front, higher stock and reduction in OMSS prices will 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 released their positions on weak fundamentals and bearish outlook for short term.

Commodity: Wheat
Exchange: NCDEX
Contract: Oct.
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:

1110 the lower side is the capable support whereas 1150 holds importance as an immediate resistance. 1110-1150 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 ended stronger, with prices on the Minneapolis Grain Exchange leading the rally on expectations the government will reduce its output forecast.
- ❖ Experts predict the USDA will lower its spring-wheat harvest estimate in a crop report Friday because yields have come in lower than anticipated. Private firm Informa helped ignited concerns about a smaller crop by pegging output on Friday at 444M bushels, 6.5% below the USDA's last estimate.
- ❖ Wheat prices in western Europe edged higher in hesitant trade as dealers weighed whether the recent setback in prices provided a buying opportunity. Concerns about a deepening debt crisis in the euro zone prompted caution.
- ❖ Wheat prices may have been pushed down too far and should be set to rise as we move into the Australian harvest. The forecast rain on the eastern seaboard later this week should also really help many crops that had been struggling. Wheat is currently at US\$240 a tonne, but we think by the end of the year the price should be around US\$255 a tonne- Robobank
- ❖ The corn price is linked strongly with the wheat price. Experts think there is too much downside in the market from where we are now, but another debt crisis could push prices down, but the fundamentals are strong for a price above where it is now. Russia is still in the market for wheat, but the real driver for growing demand is in China and India. They are in the market for the soft commodities like grain and meat, so any real the growth is coming from Asia.
- ❖ The wheat market appeared generally well supplied, especially with medium and lower quality types, with India's decision to allow exports of up to 2m. tons adding to global availabilities. Premiums for higher quality milling wheat, while remaining high, narrowed somewhat as North American spring wheat entered the market, although there were still concerns about the impact of this year's difficult season on areas, yields and quality in the US northern Plains.
- ❖ Following upward revisions for Russia, Ukraine and Australia, world wheat production in 2011/12 is forecast 2m. tons higher than last month, at a near record 679m. (651m.). Spring wheat yields were reported to be disappointing in the US, resulting in a reduced crop estimate, but a good outturn in Canada is helping to ease concerns about tightening global supplies of premium milling wheat. Competitive prices relative to maize continue to promote the use of wheat in livestock feeds, increased projections for the EU, CIS and China lifting the total consumption forecast by 1m. tons, to 679m. (656m.).
- ❖ But global industrial use is revised lower due to slower than anticipated expansion of ethanol production in the EU. After increases for the US, Australia, Canada and Ukraine, combined carryover stocks in the major exporters at the end of 2011/12 are now placed

only slightly below those a year ago. The projected global total is boosted to 193m. tons, the same as at the start of the year.

IGC Wheat Balance Sheet:

IGC/25.08.11	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million T
Wheat					25/08/2011	22/09/2011
Production	607	685	679	651	677	679
Trade	110	137	128	127	128	128
Consumptions	602	646	652	656	678	679
Carryover stocks	132	171	197	193	191	193
YOY ch.	5	39	26	-4		-
Major Exporters	47	68	76	69	65	68

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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