

**Executive Summary:**
**Domestic Market Scenario:**

The month of November started with a positive note backed by the announcement of a higher MSP (Rs 12850 per T against Rs 11700 per T), dwindling stocks in private hands and sluggish sowing progress in major wheat growing states like Punjab, Haryana, Uttar Pradesh, Rajasthan and M.P. Prices of wheat continued its northward journey (increased by Rs 500 to Rs 750 per T) till the third week of Nov. However, uptrend could not sustain at the fag-end of the month under review.

Wheat market is likely to stabilize at current level or slightly improve as fresh demand is expected from bulk consumers. To bolster local prices, govt.'s trading companies like MMTC, PEC and STC may be asked to source wheat from local markets, to later be exported, when possible. Proposal, in this regard, is under consideration and likely to be cleared soon as storage continues to be an issue. Govt.'s stock is bound to go up 60 million tonnes once again by the end of this year.

With the onset of winter in most parts of northern India, wheat sowing has picked up pace. Data from the agriculture ministry show sowing of wheat had been completed in 12 million hectares of land till Friday (November 25), even as the figure stood at 7.7 million hectares till a week ago.

Export scenario is not favourable for India. Major exporters like Australia, Russia, Ukraine and Argentina are selling wheat at very competitive prices and are dominating the world wheat market with cheaper quotes.

**Sowing starts with brisk note throughout India:**

With the onset of winter in most parts of northern India, wheat sowing has picked up pace. Data from the agriculture ministry show sowing of wheat had been completed in 12 million hectares of land till Friday (November 25), even as the figure stood at 7.7 million hectares till a week ago. The gains have largely been made in Haryana, Punjab and Madhya Pradesh. Sowing will further gain momentum in the coming days, as winter is expected to be more aggressive over the northern plains.

**Following table shows the latest sowing status of all crops:**

<b>Crop</b>	<b>As on 25th Nov 2011</b>	<b>As on 25th Nov2010</b>
Wheat	120.77	121.98
Rice	0.63	0.94
Coarse cereals	41.91	43.78
Rap/Mustard	56.55	55.52
Groundnut	1.9	2.19
Sunflower	2.31	2.99
Total oilseeds	65.69	65.94
Total Pulses	92.94	87.94

**Source: PIB**

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### State Wise Details:

In Punjab, there has been steady progress in wheat sowing and the crop had been sown in almost 2.76 million hectares till 25 Nov, just 72,000 hectares less than last year till date. In Haryana, while 1.95 million hectares had been brought under wheat till date, the acreage was almost 1.38 million hectares a week earlier. The area covered under wheat in Haryana this year is 232,000 hectares more than last year. In Madhya Pradesh, the area covered under wheat was 475,000 hectares more than last year.

State	2010-11 lakh ha	2011-12 lakh ha
U.P.	2.05	1.78
Punjab	2.83	2.76
Haryana	1.73	1.95
M.P.	1.42	1.74
Gujarat	0.07	0.04
Rajasthan	0.56	0.59

In Uttar Pradesh, the country's largest wheat producing state, sowing has been rather sluggish till now, largely because of delayed harvesting of the standing paddy crop. Sowing is progressing well in Bihar and official data is expected in the second week of Dec. As per farmers feed back more than 35 % area has been covered in Bihar and UP so far.

### Rabi wheat area, production last year and target for this year:

State	Area 2010-11(lakh ha.)	Production 2010-11(lakh T)	Targeted Area 2011-12 (Lakh ha.)	Targeted Production 2011-12(lakh T)
Punjab	35.10	164.00	35	165.00
Haryana	25.00	116.30	25.00	117.00
Uttar Pradesh	96.37	300.01	95.00	317.73
M.P.	n.a	85.00	n.a	80.00
Rajasthan	30.36	60.00	28.00	50.00
Gujarat	15.90	25.00	16.00	25.00
Uttarakhand	3.79	8.78	4.03	7.29
Bihar	24.00	47.00	24.00	45.00

India has set a production target at 86 million T for the crop year 2011-12. However, area under wheat is likely to decrease in Gujarat, Rajasthan and in other minor wheat producing states. Farmers in Rajasthan and Gujarat are switching from wheat to coriander, castor, cumin and garlic for better realisation as prices of these commodities are ruling higher in local markets. The clear picture will emerge in the third week of Dec

### Export Scenario:

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Export scenario is not favourable for India. Major exporters like Australia, Russia, Ukraine and Argentina are selling wheat at very competitive prices and are dominating the world wheat market with cheaper quotes.

Wheat exported from India so far: Quantity in million T

B,desh	0.4
Malaysia	0.3
Nepal	0.1
Afganistan	0.1

Bangladesh requires almost 0.9 million tonnes wheat before June 2012 to fulfill the increasing demand in local market. Out of 0.9 million T tonnes, 0.2 million tonnes is expected to be sourced from Ukraine. The rest is likely to be imported from India-the cheapest source for Bangladesh right now. Bangladesh's state grains buyer issued a tender to import 50,000 tonnes of wheat as part of efforts to boost reserves. The last date for submission of offers is Dec.12, with validity until Dec.21, and the wheat is to be shipped in 40 days after signing the contract. This is the sixth tender for wheat in the year to June 2012 as the government plans to import 0.9 million tonnes of the grain. Another tender to buy 50 thousand T additional of wheat is due to open on Dec.5, after being deferred by two weeks due to storage constraints. Apart from tenders, Bangladesh is buying 100,000 tonnes of wheat from Ukraine at \$320 a tonne, including CIF, in its first government-to-government wheat deal with Kiev.

Bangladesh is expected to buy at least 0.5 million T wheat from India in next three to four months. Malaysia is expected to buy at least 0.2 million T in next three months. Indonesia and African countries may import 0.2 million T in next four months. Despite unfavourable international market India will be able to offload allocated quantity (2 million T) for export till April.

There is little possibility of firmness in the international market in the near future as supply and huge stock of exportable surplus are expected to cap uptrend. Wheat export from India will remain at lower side and be limited to Bangladesh and Malaysia at commercial level due to geographical proximity and freight advantage. Unofficial export to Bangladesh is even higher than official export. If FOB quotes go above \$ 260 FOB per T in the international market.

### **FOR Prices of Indian wheat at Gujarat Ports:**

Prices in local market are unlikely to decrease further due to expected strong demand. Besides, if govt.'s trading firms are allowed to procure grains from open markets, it will encourage local wheat prices and disparity gap may expand further and diminish export possibility further. FOB prices in Russia and India are not very competitive against Australia at present. Australia's FOB quotes are in the range of \$220 to \$225 per T and it is likely to be stable considering the higher stock from old crop and newly harvested crop. However quality of Australian crop is under question and new crops quality may be downgraded due to heavy rains during harvesting stage.

As far as B,desh and Malaysia are concerned, Indian wheat is competitive due to geographical proximity and lower freight. Russian/Ukraine CIF for B,desh is around \$ 320 per T while Indian CIF for same destination comes around \$ 280 to 283 per T, depending on Rs value. This

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difference is expected to remain favourable for Indian exporters for short and medium term. Following table depicts the difference:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)
FOR (Rs/ton)	12250	12200	12800
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500
Indian FOB (Rs/MT)	13250	13200	13800
<b>Indian FOB (USD/MT)</b>	<b>255</b>	<b>254</b>	<b>280</b>
Insurance @ 0.1%	0.26	0.25	0.28
Freight Charges (US \$/ton) to Chittagong	20	20	20
CIF (kandla to Chittagong)	275	274	300
INR	51.93	51.93	49.26
<b>Russian Wheat FOB (USD/MT)</b>	<b>245</b>	<b>245</b>	<b>320*</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>-10</b>	<b>-9</b>	<b>-20</b>

### Delhi spot price trend:



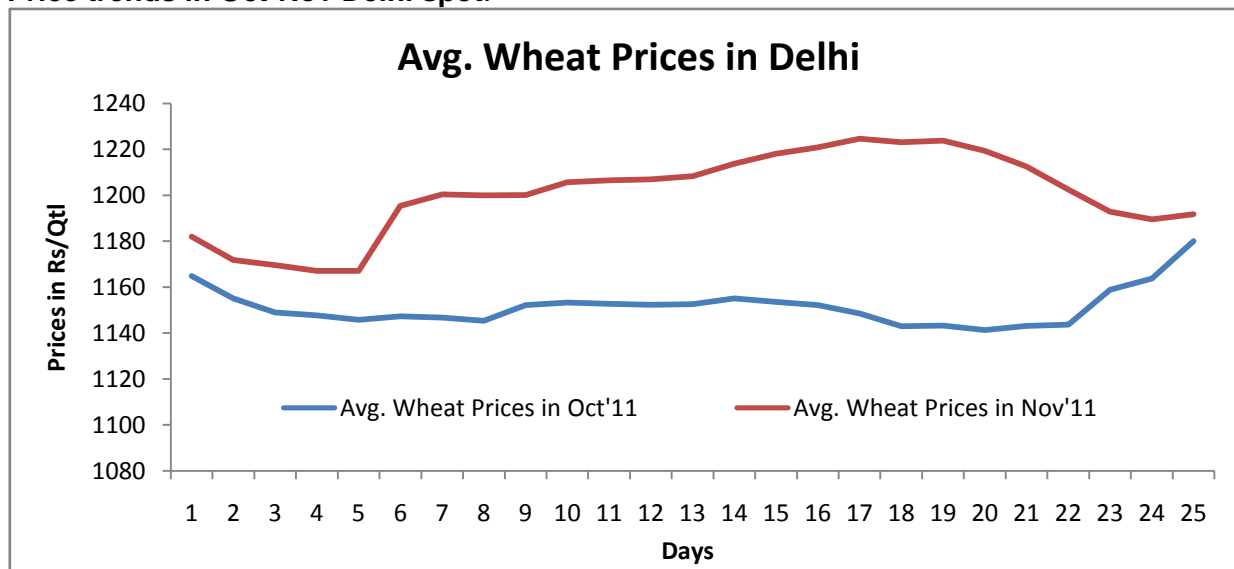
Wheat spot price in Delhi market has come down on bearish outlook ahead supported by higher area coverage and favourable weather throughout India. Wheat is likely to trade in the range of Rs 1150 to 1240. drift in either side may drive market in the same direction. Nearest by support is Rs 1150 while resistance is Rs1240. Trading range for short term is expected to remain between Rs 1150 to 1240 in Dec.

**Minimum Support Price:**

Recent announcement of Rabi MSP for various crops shows marked improvement y-o-y. Percent increase in MSP for wheat when compared to pulses and Rabi oilseeds remained considerably low which stands disappointing for the wheat growers in few states. There are possibilities that growers might switch to other crops considering relative MSP and returns in few states. As per feedback received from farmers and traders wheat area has shifted to castor, cumin in Gujarat and coriander and mustard in Rajasthan. Clear picture of area shift would emerge in the second week of Dec when more than 75 percent wheat sowing gets completed.

MSP (Rs/Qtl)	2010	2011	% Change
Wheat	1120	1285	15%
Gram	2100	2800	33%
Lentil	2250	2800	24%
Rapeseed/Mustard	1850	2500	35%
Safflower	1800	2500	39%

A negative correlation exists between wheat and mustard in Rajasthan and UP the two important states where these commodities are grown. Negative correlation exists to the tune of - 0.53 in Rajasthan while it stays near -0.59 in UP. This indicates there are fair chances that wheat area might shift to mustard in these states also supported by relative larger hike in mustard compared to wheat.

**Price trends in Oct-Nov Delhi spot:**


As indicated in the above chart price gap in Oct-Nov started widening in the first week of Nov. and continued expanding further on increasing supply from private stock and higher release from govt.'s stock. However, it started contracting at the fourth week of Nov. as bulk buyers get active at lower level. Price gap between Oct and Nov months is likely to reduce in Dec on back of seasonality, lower stock in private hands and higher demand from south Indian markets.

**Future market:**



**Technical Commentary:**

- Monthly chart formation shows market to trade limited range.
- RSI is steady in neutral region hints sideways movement in the future market for medium term.
- Volume and open interest are unsupportive for buyers.
- MACD is in negative zone hints buyers decreasing interest in fresh position.

**Trading Strategy:**

1120 the lower side is the capable support whereas 1220 holds importance as an immediate resistance. 1120-1220 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same.

**Supply and Demand:**

Balance sheet remains almost unchanged from last months. Export is expected to remain at lower side due to tough completion in the international market. Almost 9 lakh T wheat has been shipped out from India so far and the rest quantity may be shipped out in three four months. B, desh will remain the main buyer for Indian wheat . Following table shows supply and demand status:

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All units in million tonnes	2009-10	AW Previous Est 2010-11	Based on 4 <sup>th</sup> 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*	2.00
Total Usage	78.25	81.24	81.00
Carry out	16.12	20.00	21.05
Av Monthly Consumption	6.51	6.58	6.58
Stock to Month Use	2.48	3.04	3.20
Stock to Consumption Ratio	0.21	0.25	0.26

**Source: Agriwatch**

### Weather update:

The cumulative south west monsoon seasonal rainfall during 1<sup>st</sup> October to 23<sup>rd</sup> November 2011 for the country as a whole was 49.7 mm which is -53 per cent below normal rainfall of 105.1 mm. In the country, 3 per cent districts received excess and 9 per cent districts received normal rainfall during post monsoon season so far. However, 12 per cent districts received deficient and 41 per cent districts received scanty rainfall and 36 per cent districts received no rainfall.

### Crop stage:

Temperature is favourable for tillering stage of wheat throughout the country except Gujarat where it is higher than actual requirement for better growth of the crop. Normally required temp. at this stage is between 15 to 16 degree C. Temperature in U.P., Punjab, Haryana, M.P. and Rajasthan is below the required level and it is good for wheat crop, specially at tillering stage. Temperature in Gujarat is expected to decrease in weeks ahead. Overall weather condition is congenial to wheat tillering, sowing and better growth.

### Current and required temperatures for wheat crop:

State	Commencement of Sowing	Crop Stage	Weather Condition	Required Temp. in Current Stage (Degree C)	Current Temp. in the States (Degree C)
U.P.	Oct. 30	Tillering	Cold (Night)	15-16	10-11



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Punjab	Oct. 20-22	Tillering	Cold (day/night)	15-16	10.5-11
Haryana	Oct. 20-22	Tillering	Cold (day/night)	15-16	10-10.5
M.P.	Oct. 25	Tillering	Cold (Night)	15-16	13.13.5
Gujarat	Oct. 20	Tillering	Cold (Night)	15-16	18-19
Rajasthan	Oct. 15	Tillering	Cold (Night)	15-16	12.5-13

### International market:

**IGC revised down world wheat production estimate by 1 million tonne:** The second largest world wheat crop ever and ample carry-in stocks from last year, have sharply boosted global availabilities in 2011/12. While use is rising at a faster than normal pace, world stocks at the end of the season are still expected to climb to their highest level in a decade. Compared with last month, the estimate of world production is 1m. tonne lower, at 683m., including a slight downward revision in the US, where the spring wheat crop was even smaller than expected.

Stronger than previously projected feed use adds another 2m. tonnes to the global consumption forecast, at 679m., boosting the annual percentage increase to about three times the longer-term trend. Because of the increased demand figure, the forecast of global carryover stocks is 2m. tonnes lower than last month, at 200m., but these would still be the largest since 2001/02. The world trade forecast is lifted by 3m. tons from before to nearly 135m., only slightly below the 2008/09 record.

Rather than reflecting a supply shortfall in any one country or region (as it did in 2008/09, when Iran's imports were higher than usual, import demand appears strong in a wide range of countries, aided by competitive pricing in the major exporters, especially for lower and medium grades.

### IGC Wheat Balance Sheet:

IGC/24.11.11	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million T
Wheat					27/10/2011	24/11/2011
Production	607	685	679	653	684	683
Trade	110	137	128	126	132	135
Consumptions	602	645	652	656	677	679
Carryover stocks	132	172	199	195	202	200
YOY ch.	5	40	27	-3		+4
Major Exporters	47	69	77	71	74	71

### USDA Balance sheet:





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(Quantity in Million

USDA Global Wheat Balance Sheet: 2011-12

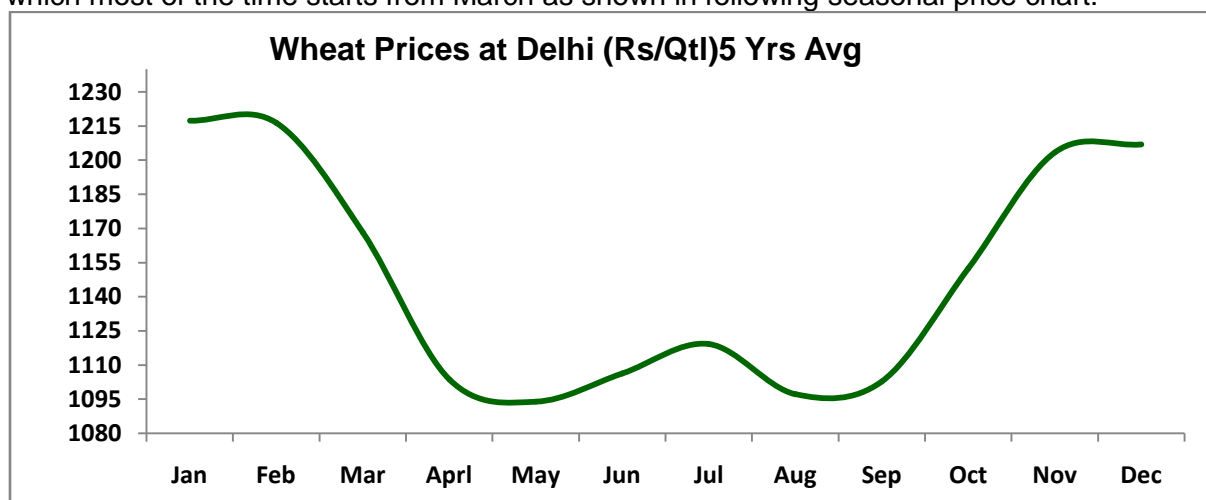
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Country	Opening Stock	Production Projected	Domestic Consumption	Imports	Exports	Ending Stocks	Production (last year's esti.)
USA	23.46	54.41	32.06	3.26	26.53	22.54	60.10
Canada	7.18	24.20	8.80	0.40	18.0	4.9	23.16
Australia	7.28	26.00	6.6	0.10	19.00	7.7	26.00
Argentina	1.69	13.00	5.92	0.05	7.50	1.2	15.00
Russia	13.53	56.00	38.60	0.20	19.00	12.13	41.50
China	60.09	117.00	113.00	1.50	1.00	64.59	115.00
EU	11.69	137.48	127.00	7.50	17.00	12.67	135.76
Ukraine	3.34	22.00	12.50	0.05	8.0	4.8	16.84
Pakistan	3.30	24.00	23.40	0.02	0.08	3.3	23.90
India	15.36	85.93	84.70	0.00	1.00	15.59	80.80
World	196.12	683.29	673.32	133.70	137.29	202.60	648.13

(Source: USDA)

### Overseas Seasonal Wheat Price Trend:

Wheat prices in India start declining during post February owing to approaching harvesting which most of the time starts from March as shown in following seasonal price chart:



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Wheat prices starts declining from Feb onwards coinciding with maturity and pre-arrivals time when market participants start talking about production and subsequent arrivals. New crop arrival during April makes bottom during April to May period as reflected in the chart. Official procurement starts from 1<sup>st</sup> April and continue till the end of June which might lend underlying support to the falling wheat prices. During the month of July farmers, traders start selling wheat once again to avail the benefit of short term spike to make a low again during Sep.

Lean season demand during Sep and onwards results gradual surge in prices. At the same time festival demand for wheat product lends additional support to the prices till Dec. Being lean arrival time during Jan and Feb couple with limited availability lead the prices to peak during the period as per the price seasonality shown in the above chart.

### Indicative FOB Price: (As on 02.12.11)

Country	Variety	% Change over Prev. Year	(02.12.11)	Week Ago (24.11.11)	Month Ago (01.11.11)	Year Ago (01.12.10)
USA (Chicago)	RTRS 2srw	-7.02	245.1	254.9	263.5	263.6
France	SRW	-14.25	248	250.5	259.2	289.2
U.k	SRW	-21.89	222.7	222.3	231.6	285.1
Canada (ThunderBay)	1 CW SWS BASE GRADE	9.12	245.2	251.2	262	224.7
Russia	Milling grade	32.75	244	248	256	183.81
Ukraine	Milling grade	56.77	243	249.2	255.2	155
Argentina	Milling grade	-6.92	241	249	256	258.91
Australia	HRW No-1	-19.79	218	221	230	271.8

Prices of wheat in the international market are expected to rule stable to firm in December as demand at lower level may increase. However. supply side and stock are higher and it will restrict one way gain despite increasing demand for feed grade wheat world over. Weather in Dec and Jan will direct international market and experts say that market should move up from current level.

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