

**Spot Market Recap:**

- **Wheat market likely to stabilize at current level despite fresh export buying.**
- **Market expects hike in MSP soon based on CACP recommendation.**
- **Increased demand for wheat products is expected to restrict further loss.**
- **Wheat sowing will start after Diwali.**
- **India's wheat output in the current crop year is seen a record 86 MMT.**
- **India's Emmsons International Limited made the lowest offer at \$274.1 a tonne, including CIF liner out, in a Bangladesh tender.**
- **Bulk of India's planned wheat exports to end up in Bangladesh.**
- **Wheat export to Bangladesh continues.**
- **International wheat market is expected to firm up despite higher stock.**

**Domestic Market Fundamental:**

India's wheat futures and cash markets are expected to recover this week on bargain buying by traders following the sharp correction in its prices. Slight improvement in major cash markets too is expected on buyers increasing interest and improved demands for wheat products. Wheat future and cash prices have declined significantly in past few weeks. Now market expects modest recovery in prices in weeks ahead.

India had recently allowed export of 2 million tonnes of wheat, after a gap of four years. However, the step failed to arrest the downtrend in prices in the domestic market. Higher stock and availability in producing and consuming centers are weighing on the market. So one sided uptrend is unlikely despite exporter's buying. Hike in MSP for wheat may nullify the present bearish tone and encourage farmers to keep wheat area intact at previous year's level.

Lower prices of wheat are impacting bulk interstate deals and traders / brokers are unwilling to hold their stock for long time. Sowing of wheat may start after diwali and due to better moisture level in fields, expected hike in MSP sowing intention look good so far. Wheat may trade in a limited range and no unwanted move is expected at this point of time as govt is in a position to curb market with its hefty stock pile stored out from last year crop.

**MSP hike for wheat expected soon:**

MSP for wheat is about to be announced soon. However, states like Punjab and Haryana have started expressing dissatisfaction over it. The CACP and farm ministry are in favour of at least 15 percent hike. Consumer affair and finance ministry are opposing such a hefty hike at one stretch as it will make wheat flour and other wheat products more costly and it will directly impact the inflation. MSP for wheat proposed recently is Rs 1350 per qtl. Market expects that hike may be in the range of Rs 75 to 100 per qtl.

This means it may be set in the range of Rs 1200 to 1225. If MSP for wheat is set higher it will encourage farmers to maintain wheat area at least to previous year level in main wheat growing states. Following table shows systematic increase in MSP for wheat with bonus in particular year.

Procurement season	Wheat MSP(Rs /Qtl)	Bonus (Rs /Qtl)
2003-04	620	10
2004-05	630	
2005-06	640	-
2006-07	650	50
2007-08	750	100
2008-09	1000	
2009-10	1080	
2010-11	1100	-
2011-12	1120	50
2012-13 (Proposed)	1350	

### India Aims Record Wheat production Once Again:

India's wheat output in the current crop year is expected to be a record 86 million metric tons, Farm Secretary P.K. Basu said. If there is no terminal heat or rust problem, there is no reason why India can't achieve a record production once again. India achieved an all-time high wheat production of 85.93 million tons in the last crop year ended June 30. Wheat sowing is likely to start at the end of October, just after Deepawali. If MSP for wheat is raised before sowing, farmers will continue to grow more wheat.

### Emmsons International Limited Offers Wheat at \$274.1 a T:

India's Emmsons International Limited made the lowest offer at \$274.1 a tonne, including CIF liner out, in a Bangladesh tender that opened on Monday to buy 50,000 tonnes of wheat. Bangladesh plans to import up to 900,000 tonnes of wheat in the year to June 2012. Emmsons, which supplied around 400,000 tonnes of wheat to Bangladesh in the previous fiscal year, has also secured two tenders for a total 100,000 tonnes of the grain at \$309.11 and \$329.11 a tonne in the current fiscal year. Apart from tenders, Bangladesh is to import 100,000 tonnes of wheat from Ukraine at \$320 a tonne, including CIF, in its first government-to-government wheat deal with Kiev.

### Parity calculation on current market prices:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)
FOR (Rs/ton)	11600	11115
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500
Local transport, port warehousing, labour charges, shortage	500	500
Indian FOB (Rs/MT)	12600	12115
<b>Indian FOB (USD/MT)</b>	<b>258</b>	<b>248</b>
Insurance @ 0.1%	0.26	0.25
Freight Charges (US \$/ton) to Chittagong	20	20
CIF (kandla to Chittagong)	278	268
INR	48.93	48.93
<b>Russian Wheat FOB (USD/MT)</b>	<b>280</b>	<b>280</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>22</b>	<b>32</b>

### Actual Wheat Requirement for Bangladesh:

Bangladesh needs to import 3.0 million-3.5 million tonnes of wheat a year to meet demand while domestic production has stagnated at nearly 1 million tonnes. Bangladesh has aimed to buy at least half its annual imports from neighbouring India, thanks to its competitive prices. Traders in Bangladesh expect that the bulk of India's planned wheat exports to end up in Bangladesh as the country shifts away from Black Sea supplies. On an average, 1000 to 2000 tonnes of wheat is coming from India each day-as local Bangladeshi traders say.

**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 1<sup>st</sup> 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:

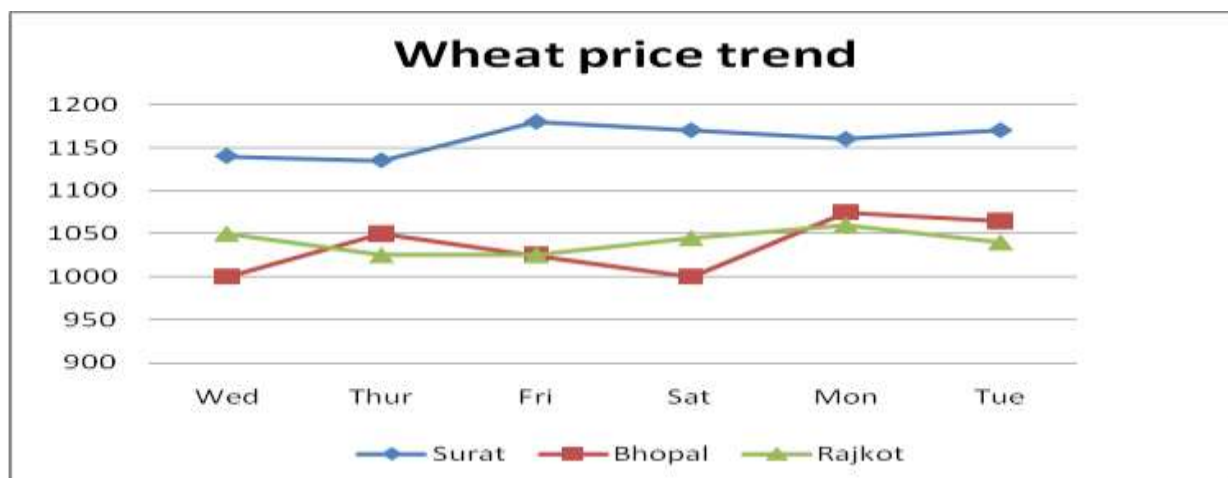
### Monthly\_stock\_position wheat 2009-2011 offtake

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 1<sup>st</sup> 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.

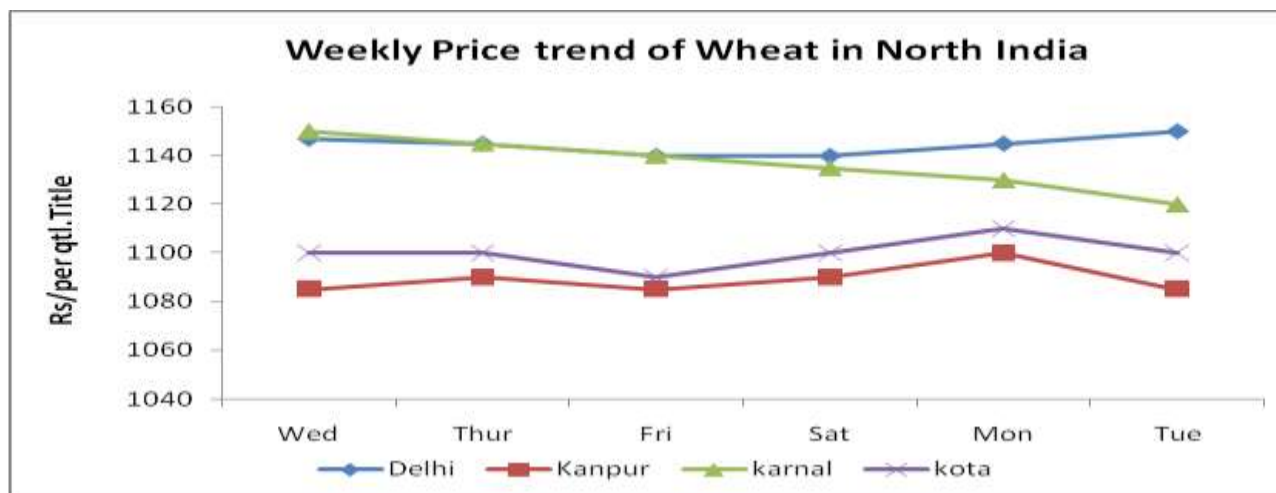
**Price trends at various markets during this week:**



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 20 to 30 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. Despite exporters buying prices are likely to remain at current level or slightly improve in days ahead. 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 from mid Oct. and it will support prices. Private trades carrying cost is increasing Rs 60 per T per month. Following chart shows declining trend.



Percentage change in prices during the week under review:

<i>Wheat Futures Prices (NCDEX)</i> Rs/Qtl				
<b>Contract</b>	<b>Change over prev. month (%)</b>	<b>Today 11.10.11</b>	<b>Month Ago 11.09.11</b>	<b>Week ago 03.10.11</b>
<b>11-Oct</b>	<b>-6.82</b>	1104.8	1185.6	1112.8
<b>11-Nov</b>	<b>-0.69</b>	1123.6	1131.4	1214
<b>11-Dec</b>	<b>-5.46</b>	1143	1209	1155
<b>12-Jan</b>	<b>-5.76</b>	1161	1232	1178

Percentage change NCDEX spot prices:

<b>Centre</b>	<b>% Change over prev. year</b>	<b>Today (12/10/2011)</b>	<b>Week Ago (03/10/2011)</b>	<b>Month Ago (12/09/2011)</b>	<b>Year ago (04/10/2010)</b>	<b>2 Years ago 4/10/2009</b>
<b>Delhi</b>	<b>-5.15</b>	1150	1153	1158.4	1212.5	1098.25
<b>Kanpur</b>	<b>-7.26</b>	1085	1090	1100	1170	1021.85
<b>Karnal</b>	<b>-3.15</b>	1259	1259	1280	1300	1200
<b>Indore</b>	<b>-8.79</b>	1090	1090	1130	1195	1143.95
<b>Khanna</b>	<b>3.03</b>	1298.2	1300.5	1292	1260	1204.2

Expected Price Range for Next Week:

<b>Market</b>	<b>Rs/per qtl.</b>
Cash market	Rs 1100-1150
Future market	Rs1120-1160

**Future market:**

Wheat future market seems to be in a weak to steady phase as fundamentals are not very supportive so far. Export demand and expected hike in MSP may support market in limited range. 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 it's custody.

**Commodity: Wheat**

**Contract: Nov.**

**Exchange: NCDEX**

**Expiry: Nov.. 20 2011**



#### Technical Commentary:

- Weekly chart formation shows market to move sideways in short term .
- RSI is moving up in oversold region hints caution to the bears.
- Volume and open interest are unsupportive for buyers.
- Export demand may support market.

#### Strategy:

1115 the lower side is the capable support whereas 1160 holds importance as an immediate resistance. 1115-1160 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same.

#### International market recap:

- US wheat futures closed up, with MGEX continuing to post the strongest gains as farmers hold tight to supplies. They are not selling spring wheat following the recent harvest due to disappointment over low prices for the good-quality crop. Weakness in the US dollar adds support to the grain markets. Yet, some traders take a step back ahead of USDA crop reports due Wednesday.
- Both U.S. and world wheat ending stocks are projected to be above the five-year average. The five-year average U.S. wheat cash price is \$6.34, which is equivalent to a KCBT contract price of about \$7. Relatively tight wheat protein supplies are expected to support hard red winter wheat prices.
- Given current U.S. and world wheat ending stocks projections and the drought-plagued hard red winter (HRW) wheat area, the odds are relatively small that in June 2012, the



KCBT will be below \$5.50. Given the above average world wheat stocks situation, the odds of KCBT wheat prices above \$9 are also relatively small.

- India's wheat output in the current crop year is expected to be a record 86 million metric tons, Farm Secretary P.K. Basu said. If there is no terminal heat or rust problem, there is no reason why India can't achieve a record production. India achieved an all-time high wheat production of 85.93 million tons in the last crop year ended June 30.
- Episodes of scattered showers through central and northern New South Wales and southern Queensland will favor reproductive to filling wheat. Drier weather elsewhere in the wheat areas of Australia. Wheat is reported to be in good condition in the West Australia wheat belt but may be under some stress through the southeast due to dryness.
- Russia has won a series of tenders run by Egyptian state grain buyer GASC, the latest one jointly with Kazakhstan. Russian grain was bought at \$250-\$252.50 per tonne, Kazakh grain at \$254 at the tender.
- The International Grains Council (IGC) has reported in its September report that following upward revisions for Russia, Ukraine and Australia, world wheat production in 2011/12 is forecast 2 million tonnes higher than last month, at a near record 679 million, which is 28 million higher than last year production (651 million).

**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:



US wheat futures closed sharply higher on spillover support from limit-up corn prices. The grains are linked as both are used for animal feed. Additional strength for wheat came from Russia's plans to limit grain exports. The restrictions could send more business to the US, which has not been able to compete recently with low-priced wheat available from the Black Sea region. CBOT December wheat soars 49 1/4c to \$6.60 3/4 a bushel while KCBT December gains 43 3/4c to \$7.29 3/4. However, after a big recent rally, MGEX December rose just 2 1/4c to \$9.36 1/2.

CBOT Future	Expected price(next week)
Oct. contract	650-695

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