

Spot Market Recap:

- **MSP hike for wheat is awaited, the CACP recommendation under consideration.**
- **Wheat cash and future markets dip on weak clue.**
- **Hike in MSP is expected to support market to some extent.**
- **Market is likely to stabilize at current level despite better supply and available stock.**
- **Wheat area shifts to chana and mustard in some districts of U.P. and Rajasthan.**
- **India's wheat output in the current crop year is seen a record 86 MMT.**
- **Bangladesh and Malaysia remain wheat buyers for Indian wheat.**
- **CBOT wheat futures end mostly lower as broad selling hits the grain markets.**
- **Pressure is likely to continue with the start of Australian harvesting.**

Domestic Market Fundamental:

Wheat markets in India remained under extreme pressure on weak fundamentals, buyers indifference to bulk buying and sellers unwillingness to sell at lower level during the week under review. Market is waiting for hike in MSP and it may be supportive for bearish wheat market at the time of sowing. There is a general view in the market that wheat will either stabilize at current level or move up from current level as fresh buying interest is expected from the 1st week of Nov.

Buying for export:

Some buying for export reported from Gujarat by L.D and Cargil international at Rs 1135 and Rs 11550 per T respectively delivered at Mundra and Kandla port. Procured wheat is meant for Malaysia. Some more deals are expected in the beginning of Nov. However, quantity procured for export is not enough to support domestic market. International quotes are lower, especially from Russia and Ukraine (\$260 and \$ 258 per T,FOB) and it is hurting Indian interest of wheat export at present. India quotes \$268 to 275 (FOB)per T currently.

Area shift feared:

Lower prices of wheat are impacting bulk inter-state deals. Traders / brokers are unwilling to hold their stock for long time as carry in cost is rising with span of time. Wheat prices are ruling below Rs 1050 per qtl. in U.P. and Rajasthan .There is a growing fear in the market that area under wheat this year will decrease as wheat prices are lower than chick pea, mustard and coriander in various growing regions of North and northwest regions while it is lower compared to soybean in central and western region of India. Farmers have received better prices from the above mentioned commodities when compared to wheat. This might create stiff competition of wheat with other commodities and there are apprehensions that wheat area might see some

shortfall. However, the actual growing intentions can only be known after actual sowing will start during last week of Oct. Comparative realizations of these crops are as follows:

Relative return from wheat vs other crops: Realization in INR/hectare:

Commodity	Yield/ kg/ha.	Price: Rs/kg	Gross Realization	Cost of Cultivation/ Rs/ha.	Net realization/ Rs /ha.
Gram	895	33	29,205	18,000	11,205
Mustard	1160	30	34,800	20,500	14,300
Wheat	4300	11	47,300	37,000	9,700

Source: traders and farmers, Rajasthan, Ganganagar

MSP hike for wheat awaited:

The Commission on Agriculture Costs and Prices (CACP) has recommended a hike in minimum support price for wheat. The quantum of hike will be decided by the Cabinet when it meets on today. CACP's recommendations have always been accepted. However market expects Rs 100 to 150 per qtl hike for next year crop. At present, the minimum support price of wheat is Rs 1,120 a quintal. MSP for wheat proposed recently by CACP is Rs 1350 per qtl. 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	

B'desh Likely To Increase Wheat Import:

Market experts say that Bangladesh is going to buy more wheat as global wheat prices have come down and it is the right time to go for bulk buying for importing nations. Some buyings struck last week and Indian exporters are in advantageous position to supply more wheat and rice in Bangladesh. India is in a position to offer both commodities at very competitive prices.

Wheat is made available in the range of \$250 to 275 FOB basis per MT against other competitors like Russia and Ukraine who offer wheat at the rate of \$258 to 264 FOB basis per MT currently. Geographical proximity keeps India at advantage especially in case of Bangladesh. Malaysia too is buying wheat from India and shipment continues in small quantity. 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 aimed to buy at least half its annual imports from neighbouring India, thanks to its competitive prices. Traders in Bangladesh said they expected 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, as Bangladeshi traders say 2,000-2,500 tonnes of wheat is coming from India each day unofficially.

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 last week 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.

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
Indian FOB (USD/MT)	258	248
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
Russian Wheat FOB (USD/MT)	280	280
Parity on FOB Basis (USD/MT)	22	32

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

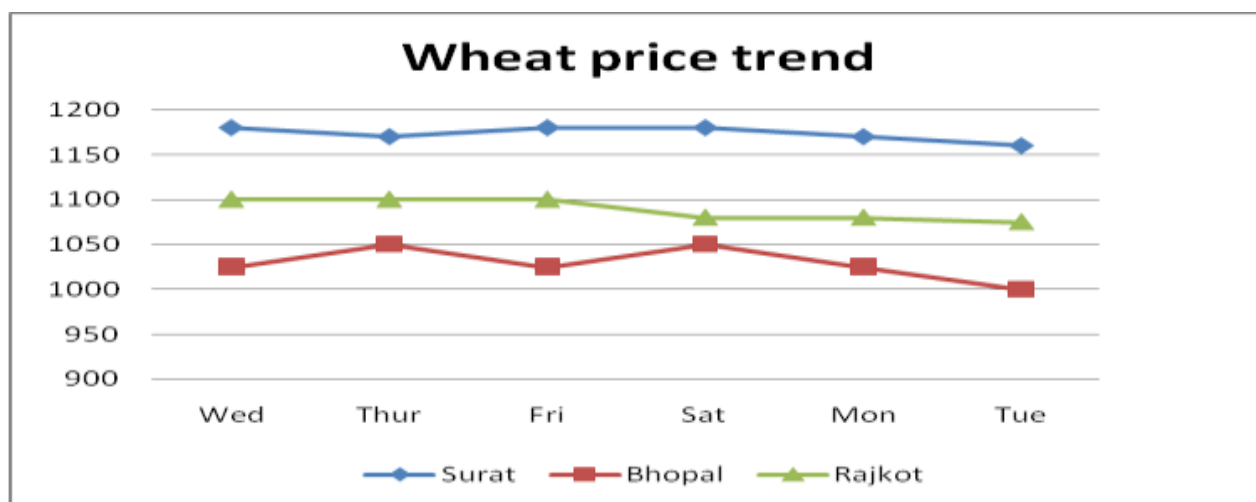
1-Oct	5.20	11.00	16.20	2.00	3.00	5.00	21.20
1-Jan	11.80	8.20	20.00	2.00	3.00	5.00	25.00

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	314.26	292.26	-

Actual Stock on Oct 1st, 2011

Wheat stock is expected to come down from 314.26 to 292.26 lakh T in Nov as offtake will go slightly up on increased demand for wheat products. Govt.'s release for OMSS is expected to help reducing wheat stock in weeks ahead.

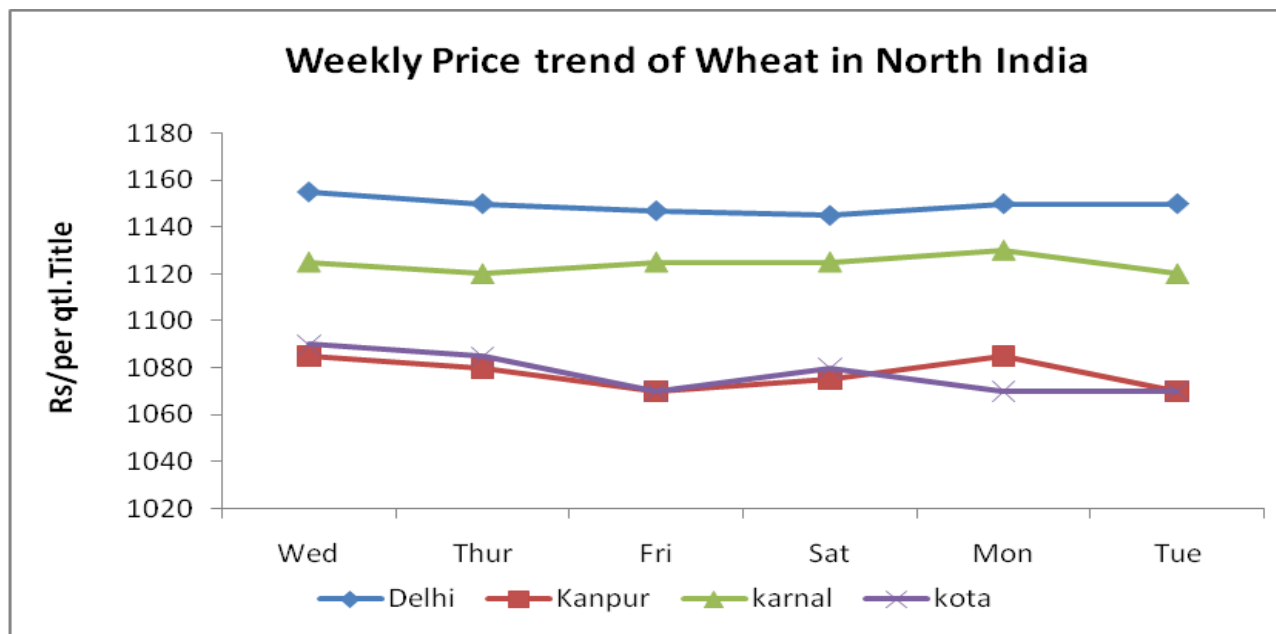
Price trends at various markets during this week:


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 30 to 50 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. Expected hike in MSP may lend support to wheat market in short term.

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 Nov. and it will support prices. Hike in MSP is awaited and it may lent support to wheat prices further. Private trades carrying cost is increasing Rs 60 per T per month. Following chart shows declining trend in north Indian markets.



Wheat NCDEX future prices trend:

Wheat Futures Prices (NCDEX)				Rs/Qtl
NCDEX Contract	Change over prev. month (%)	Today 19.10.11	Week Ago 12.10.11	Month Ago 06.09.11
11-Oct	-9.66	1050	1108	1157
11-Nov	-7.93	1086	1130.4	1175.6
11-Dec	-7.66	1114	1149	1202
12-Jan	-6.81	1141	1175	1221

Percentage change NCDEX spot prices:

Centre	% Change over prev. year	Today (20/10/2011)	Week Ago (13/10/2011)	Month Ago (20/09/2011)	Year ago (20/10/2010)	2 Years ago 20/10/2009
Delhi	-5.25	1146	1153	1166.4	1218.5	1105
Kanpur	-7.36	1080	1090	1100	1170	1025.85
Karnal	-3.35	1258	1261	1275	1300	1205
Indore	-8.89	1080	1090	1120	1200	1147.95
Khanna	3.13	1288.2	1291	1295	1265	1207.2

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1050-1150
Future market	Rs1075-1150

Note:In case of MSP hike higher side from this level is expected

Future market:Wheat future market is expected to rule steady to slightly firm on expected hike in MSP and increased buying interest from exporters.,One sided down fall is unlikely as wheat demand will increase and market is expected to be at lowest level now. Besides,Govt's move will be decisive factor to direct the market as maximum stock is under it's custody. **Commodity:**

Wheat future Chart :

Exchange: NCDEX Contract: Nov.

Expiry: Nov.. 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 demand and MSP likely this week may support market.

Strategy:1078 the lower side is the capable support whereas 1115 holds importance as an immediate resistance.1078-1115 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 finished stronger, with MGEX posting the biggest gains as supplies tighten. Farmers are refusing to sell spring wheat, traded at MGEX, until prices increase, reducing the amount of available to grain users. CBOT wheat also advances, while KCBT wheat slips slightly as recent rains continue to ease concerns about dryness hurting output in the Plains.**
- **The Saudi Arabia expects to import 1.9 million tonnes of wheat in 2011, the director general of the state-run Grain Silos and Flour Mills Organisation (GSFMO) said on Wednesday. Around 1.9 million tonnes this year and slightly more next year. The increase in imports is due to an increase in consumption and a decrease in local purchases. For sure consumption is increasing due to the increase in population and due to the decrease of procurement from the interior market.**
- **Bangladesh's state grains buyer issued a tender to import 50,000 tonnes of wheat as part of efforts to boost reserves, a procurement official said. The last date of submission of offers is Oct. 24 and the wheat is to be shipped in 40 days after signing the deal.**
- **Jordan's state grains buyer issued international tenders to purchase 100,000 tonnes of hard wheat and 100,000 tonnes of feed barley, a grain official said. Bidding deadline for the wheat is Oct 25 and for barley is Oct 27.**
- **Global wheat supplies for 2011/12 are projected 5.4 million tons higher with larger beginning stocks in Australia and higher production in Kazakhstan, Australia, EU-27, Canada, and South Africa. World beginning stocks are raised 2.3 million tons as a 3.2-million-ton increase for Australia (reflecting the latest government stocks estimate) more than offsets numerous, small, downward revisions elsewhere-Wasde Report.**
- **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 end mostly lower as broad selling hits the grain markets. Prices decline as pressure spills over from losses in soybeans and crude oil, traders say. Wheat lacks supply concerns to push prices higher, as global inventories are ample. Yet, traders continue to keep an eye on dry weather slowing planting in US Plains. CBOT December wheat loses 5 3/4c to \$6.19 1/2/bushel; KCBT December slips 6c to \$7.05 1/2. MGEX December jumps 5c to \$9.11 1/2 as the market feels support from the lack of selling by farmers waiting for higher prices.

CBOT Future	Expected price(next week)
Dec. contract	610 to 645 cent per bushel

News in Flash:

Wasde report revises world wheat supply up:

Global wheat supplies for 2011/12 are projected 5.4 million tons higher with larger beginning stocks in Australia and higher production in Kazakhstan, Australia, EU-27, Canada, and South Africa. World beginning stocks are raised 2.3 million tons as a 3.2-million-ton increase for Australia (reflecting the latest government stocks estimate) more than offsets numerous, small, downward revisions elsewhere. Kazakhstan production is raised 3.0 million tons based on harvest results that confirm the impact of abundant moisture and near-perfect summer weather on this year's crop. Australia production is raised 1.0 million tons as September rainfall across most of the country's wheat producing areas boosts yield prospects. Production is raised 0.5 million tons for the EU-27 with further upward revisions to official statistics for France and higher reported output in the Czech Republic and Hungary. Production is raised 0.2 million tons each for Canada and South Africa, in line with the latest government estimates.

World wheat trade estimate raised:

World wheat trade is raised for 2011/12 as higher expected imports for a number of countries and larger exportable supplies in major exporting countries support increased trade. Imports are raised 0.5 million tons each for Egypt, Morocco, and Turkey. Smaller increases also are projected for Libya, Thailand, Taiwan, and Tunisia. Exports are raised 2.0 million tons each for Australia and Russia. Exports are raised 1.0 million tons each for Canada and Kazakhstan. Reduced competition from U.S. spring wheat boosts prospects for Canada, while the record crop adds to available supplies in Kazakhstan.

World wheat feeding is lowered 4.6 million tons led by the 2.2-million-ton reduction for the United States. Wheat feeding is lowered 2.0 million tons for Russia as exports draw wheat away from domestic use. Wheat feeding is also lowered 1.4 million tons for Australia in part reflecting lower usage indications from the latest official stocks estimate. Global ending stocks are raised 7.8 million tons this month to 202.4 million. As projected, 2011/12 stocks would be a 10-year high.

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