

Executive summary:

No major impact will be felt on prices in domestic market due to newly announced MSP for wheat on higher stock, better supply side and lower demand for export supported by freight disparity from Punjab and Haryana to any nearby ports. Wheat sowing started in many major states and lower coverage is feared in Rajasthan, Uttar Pradesh and M.P.

India will pay nearly 10 percent more to local farmers for buying wheat in 2012 over this year to ensure better returns to growers as inflation continues around nine percent. India has raised the price it will pay to buy grain planted from October to 1,285 rupees per qtl (about \$258 per tonne) from 1,170 rupees (about \$235 per tonne) paid in 2011.

The local wheat purchase prices equate to lower than the current global price of around \$280 per tonne on a delivered basis, making exports viable in limited countries like Malaysia and B,desh. Indian FOB (free on board) wheat is about \$250 per tonne. For Bangladesh and the Middle East, supplies from Russia or Australia would cost \$280-\$300 per tonne. The Indian wheat is competitive now.

Domestic Market Fundamental:

Wheat market remained subdued without any supporting fundamentals during the week under review. Higher MSP could not support market and wheat is expected to trade in a range. Ample supply side, lower export demand will continue to weigh on market.

Cash wheat market slightly improved on back of higher MSP announced recently. However, market sources say that no major impact will be seen as it will be in applied in next marketing year (2012-13). Higher stock, ample supply and better sowing intention in Punjab and Haryana continue to weigh on physical markets. Govt. has recently enhanced wheat MSP for 2012-13 from Rs 1120 to Rs1285 per qtl. Last year wheat has been procured at the rate of Rs 1170 per qtl including bonus of Rs 50 per qtl. Hike of Rs 165 per qtl is expected to boost wheat sowing in Punjab and Haryana.

However, higher MSP for chana and mustard is encouraging farmers to go for higher coverage for the same. Wheat area has been shifted to mustard, chana and garlic in Rajasthan, Uttar Pradesh and M.P. So any increase under wheat area in these states is unlikely.

Private traders are not picking up wheat from Punjab and Haryana for export purpose due to disparity even if govt is offering wheat at the rate of Rs 1150 per qtl. in unlimited quantity. If traders buy wheat at the rate of Rs 1150 per qtl it will cost Rs 100 per qtl more upto destination port Kandla or Gandhidham. While wheat is available in Gujarat abundantly and currently it is offered at kandla port @ Rs1160 to 1175 (FoR) per qtl. So exporters are not interested in sourcing wheat from Punjab and Haryana.

Export buying in limited areas:

Some buying for export reported from Gujarat by L.D and Cargil international and Olam Exports at Rs 11450 and Rs 11750 per T respectively delivered at Mundra and Kandla port. Procured wheat is meant for Malaysia and B,desh. 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 \$250 to 258 (FOB)per T currently. Even buyers are waiting for stabilized market and are not in a hurry to buy wheat in bulk quantity.

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 and Gujarat .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 ,garlic 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.

Higher MSP for chana,mustard and other crops in comparison to wheat has encouraged farmers to go for attractive crops especially in Rajasthan,M.P.,U.P. and almost 10mpercent wheat area is expected to be used for other crops. However, the actual growing intentions can only be known after actual sowing will picks up during first week of Nov.

The government's strategy:

The government's strategy, however, was clearer in the support prices fixed for barley (Rs 980), gram (Rs 2,800), lentil (Rs 2,800), rapeseed, safflower and mustard (Rs 2,500). .Clearly, the government wants to wean away farmers to cultivate these crops in place of the usual rice and wheat.It will make a big difference and realization gap will go up further when we consider the enhanced MSP. Before hike comparative realizations of these crops were 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 for wheat announced:

With crucial Assembly elections in Punjab and Uttar Pradesh due next year, the Union Cabinet today approved higher support prices for the 2011-12 Rabi season but failed to satisfy farmers who grow wheat.The Minimum Support Price (MSP) for wheat has been fixed at Rs 1,285 a quintal, Rs 165 more than what was initially fixed last year (Rs 1,120). The government had then relented to sustained pressure from the farm lobby and declared an additional bonus of Rs 50 per quintal, making the MSP for wheat Rs 1,170.

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 announced	1285	

Export parity is only for B,desh and Malaysia:

India has raised the price it will pay to buy grain planted from October to 1,285 rupees per 100 kilogrammes (about \$258 per tonne) from 1,170 rupees (about \$235 per tonne) paid in 2011. The local wheat purchase prices equate to lower than the current global price of around \$280 per tonne on a delivered basis, making exports viable. Indian FOB (free on board) wheat is about \$250 per tonne. For Bangladesh and the Middle East, supplies from Russia or Australia would cost \$280-\$300 per tonne. The Indian wheat is competitive now. The local wheat purchase prices equate to lower than the current global price of around \$280 per tonne on a delivered basis.

Indian FOB (free on board) wheat is about \$250 per tonne. For Bangladesh and the Middle East, supplies from Russia or Australia would cost \$280-\$300 per tonne. The Indian wheat is competitive now," said a trader with a Mumbai-based global firm. India formally allowed wheat exports in September but few deals were struck while domestic prices outstripped global rates. That situation has now changed.

Parity calculation on current market prices:

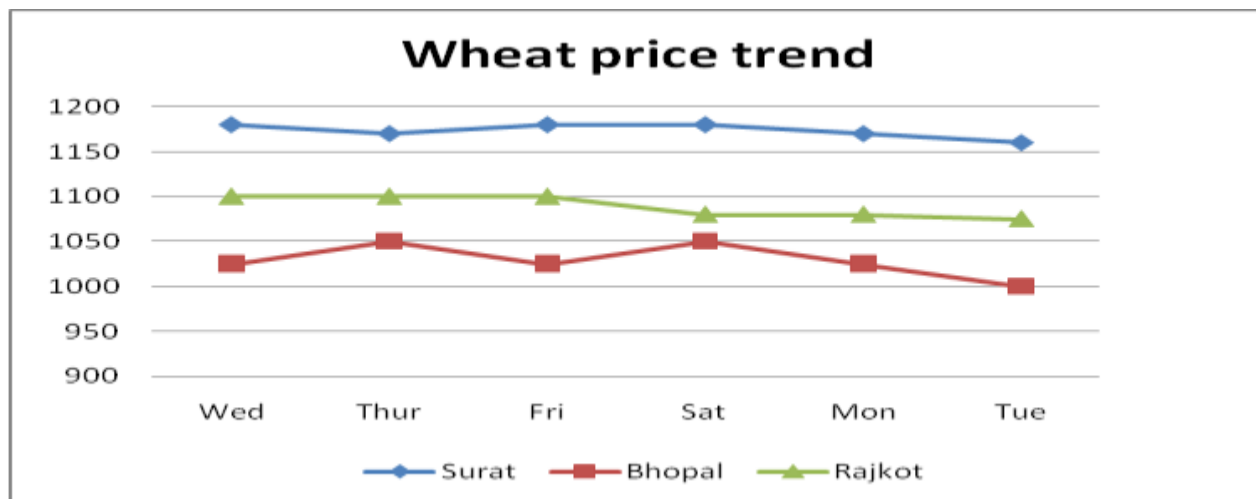
Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)
FOR (Rs/ton)	11600	11115
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500
Local transport, port warehousing, labour charges, shortage	500	500
Indian FOB (Rs/MT)	12600	12115
Indian FOB (USD/MT)	258	248
Insurance @ 0.1%	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

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.

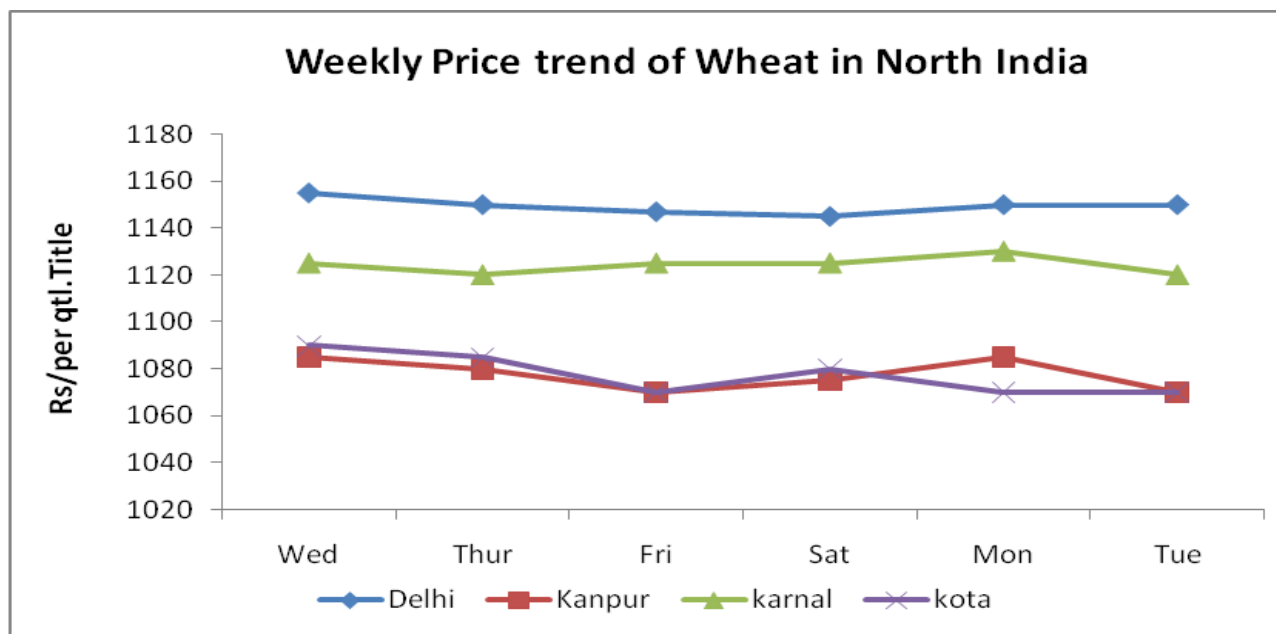
Price trends at various markets during this week:


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. New MSP may lend support to wheat market in a limited way. Major impact will be felt next marketing year.

Price trend In Delhi& Kota:

Prices in north Indian markets eased on lower demand. Despite exporters buying and raised MSP, 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. 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 27.10.11	Week Ago 20.10.11	Month Ago 27.09.11
11-Nov	-3.35	1107	1088	1143.4
11-Dec	-1.80	1143	1114	1163
12-Jan	-0.88	1175	1141	1185
12-Feb	-0.74	1352	1355	1362

Percentage change NCDEX spot prices:

Centre	% Change over prev. year	Today (27/10/2011)	Week Ago (20/10/2011)	Month Ago (26/09/2011)	Year ago (20/10/2010)	2 Years ago 4/10/2009
Delhi	-5.15	1140	1153	1158.4	1215.5	1098.25
Kanpur	-7.26	1086	1090	1100	1170	1021.85
Karnal	-3.15	1258	1259	1280	1300	1200
Indore	-8.79	1090	1090	1130	1195	1143.95
Khanna	3.03	1296.2	1300.5	1292	1260	1204.2

Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1075-1150
Future market	Rs1090-1125

Note:No major impact is likely due to MSP hike

Future market:Wheat future market is expected to rule steady to slightly firm on recent hike in MSP and increased buying interest from exporters.,One sided down fall is unlikely as wheat demand will increase and market is said to be at the 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



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 and recently announced MSP this week may support market to some extent.

Strategy:1105 the lower side is the capable support whereas 1120 holds importance as an immediate resistance.1105-1120 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:

- **U.S. wheat futures stumbled, ending lower on outside market** pressure and lackluster demand. Wheat and other commodities sagged under pressure from a stronger dollar, which makes exports less attractive.
- **Traders are also nervously eying the EU crisis to see if** a resolution is forthcoming. Wheat already is pressured by lackluster demand and a lack of supply worries worldwide. Traders do still have concerns about the U.S. crop, however, particularly the winter wheat crop, which is off to a slow start due to drought in the southern Plains.

- **Egypt, the world's biggest wheat importer**, bought 120,000 metric tons of Russian wheat at \$243.44 per ton for Jan. 1 to Jan. 10 shipment, said Nomani Nomani, the vice chairman of the General Authority for Supply Commodities. The wheat was bought in two, 60,000-ton cargoes without the cost of freight.
- **The board of directors at the Canadian Wheat Board** announced it will launch a lawsuit against the country's Conservative government in an attempt to derail its plans to dismantle the agency.
- **The Canadian Wheat Board conducted its own plebiscite**, and results released in September indicated 62% of wheat farmers who voted backed the status quo. Barley farmers also backed the board, but by a smaller margin, with 51% of respondents voting in favor of keeping the monopoly. More than 49,000 votes were cast in the plebiscite.
- **Egypt is keen to buy French grain** but would like it more competitively priced at international tenders, the main state buyer said on Tuesday. Egypt, which annually consumes 14 million tonnes of wheat and imports about half its needs, has bought heavily from Russia this year.
- **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 latest 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:



Market Analysis:

U.S. wheat futures stumble, ending lower on outside market pressure and lackluster demand. Wheat and other commodities sagged under pressure from a stronger dollar, which makes exports less attractive. Traders are also nervously eying the EU crisis to see if a resolution is forthcoming. Wheat already is pressured by lackluster demand and a lack of supply worries worldwide. Traders do still have concerns about the U.S. crop, however, particularly the winter wheat crop, which is off to a slow start due to drought in the southern Plains.

CBOT Dec wheat ends down 16 3/4c, or 2.6%, to \$6.19 1/2 per bushel, while KCBT wheat ends down 17 1/2c to \$7.16. MGEX Dec wheat ends down 6 1/4c to \$9.10 1/4.

CBOT Future	Expected price(next week)
Dec. contract	610 to 635 cent per bushel

News in Flash:

Wasde report revises world wheat supply up:

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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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