

**Executive summary:**

On back of higher MSP for next marketing year, increased demand from bulk users like flour millers amid fresh buying activities for export in Rajasthan, Gujarat, Uttar Pradesh wheat prices have improved during the week under review. Lower arrivals and drying up stocks in private hand seems to be supportive for wheat market.

Weather conditions in most growing regions have been favourable so far. Almost 35 percent wheat sowing has been completed in various states and is likely to continue in Dec as paddy harvesting is still on in Punjab, Haryana, Uttar Pradesh, M.P. and Bihar. No official data has been released regarding wheat sowing so far. Area in Rajasthan is likely to decline as farmers have preferred mustard in some regions.

Exporters are active in Gujarat and Rajasthan and loading of wheat from Gujarat for Malaysia is due at the end of this week. Quantity is near 50,000 tonnes. Almost two lakh tonnes of wheat has been shipped out from Gujarat and equal quantity is expected to be shipped out in Nov and Dec. B, desh has purchased almost two lakh tonnes officially and non officially so far.

World wheat market is very competitive and conditions for Indian wheat exporters are not favourable. Russia, Ukraine, Australia and to some extent Pakistan pose tough challenge to Indian wheat exporters. Current situation is unlikely to improve in Indian favour given the ample availability of wheat in world market.

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.

**Domestic Market Fundamental:**

New buying by flour mills, coupled with low arrivals, pushed up dara prices while desi wheat varieties remained almost unchanged during the week. Fall in supply against the fresh buying interests by the flour mills drove dara prices up. Demand for flour is rising in the domestic market and prices may continue to firm up.

In the physical market, dara prices went up by Rs 20-25 and were quoted between Rs 1,200-1205 a quintal. Around 50 to 100 tonnes of dara variety is being sold in Delhi from Uttar Pradesh on daily basis. The stocks are directly offloaded at the mills. However, desi wheat varieties ruled flat during this week.

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 @ Rs 1215 to 1220 (FoR) per qtl. So exporters are not interested in sourcing wheat from Punjab and Haryana.

**Parity calculation on current Prices:**

<b>Parity Calculation Sheet</b>	<b>Rajkot (Kandla)</b>	<b>Rajkot (Gandhidham)</b>
FOR (Rs/ton)	12200	12110
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500
Local transport, port warehousing, labour charges, shortage	500	500
Indian FOB (Rs/MT)	13200	13110
<b>Indian FOB (USD/MT)</b>	<b>260</b>	<b>259</b>
Insurance @ 0.1%	0.26	0.26
Freight Charges (US \$/ton) to Chittagong	20	20
CIF (kandla to Chittagong)	281	279
INR	50.69	50.69
<b>Russian Wheat FOB (USD/MT)</b>	<b>261</b>	<b>258</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>1</b>	<b>-1</b>

As Indian prices are similar to Russian FOB prices, quality is said to be better from black sea region's wheat. Australian wheat is even cheaper but due to geographical proximity India will remain at advantageous position in case of B,desh. India will be able to consume maximum allocated export quantity in Malaysia and B,desh in next three four months.

#### **Flour prices up:**

Following uptrend in wheat, flour prices increased by Rs 10-15 and was quoted at Rs 1,180-1,190 for a 90-kg bag, while branded flour such as Lal Quila and Ashirwad were ruling at around Rs 155 and Rs 210 for a 10-kg bag. Similarly, heavy buying pushed Chokar prices further up by Rs 50 and is being sold at Rs 660-670 for a 49-kg bag.

#### **Export buying in limited areas:**

Exporters are active in Gujarat and buying wheat @ Rs1175 per qtl. Wheat is being purchased for shipment in Malaysia and loading is expected to start Friday onward. Delivered prices (FOR) at Mundra and Kandla remained almost at previous level and quoted at Rs 1220 and Rs 1212 per qtl. in current week. Bangladesh will continue to be a major buyer for Indian Wheat. Indonesia may show interest in Indian wheat. Latest deal finalized for Bangladesh was at \$283 per T(C&F basis). Next tender is due on 21<sup>st</sup> November. We expect deals to be finalized in the range of \$290 to 300 per MT.

#### **Trade channel:**

<b>Sourcing Market</b>	<b>Rajkot</b>	<b>Kota</b>	<b>Kanpur (UP)</b>	<b>Gulab Bagh (Bihar)</b>	<b>Bhopal (MP)</b>
<b>Consumption Centers</b>	<b>Hydera</b>	<b>Coimbat</b>	<b>Orissa</b>	<b>Orissa</b>	<b>Pune</b>

	bad	ore	(mohanpur)	(sarweswar)	
<b>Loose prices (Rs/Qtl)</b>	<b>1100</b>	<b>1120</b>	<b>1115</b>	<b>1120</b>	<b>1150</b>
Puccka Aadatiya Commission %	11.00	0.00	11.15	11.20	11.50
Market Fee % (as applicable for different' mandi)	0	0	22.3	22.4	18.4
Other mandi expenses /Hamali	0	0	11.15	16.8	17.25
Cleaning/Loading Charges (Rs/Qtl)	5	5	5	5	5
Gunny Bag Cost (@ 40 and can be used for 4 times)	40	40	40	40	40
<b>Market expenses borne by purchaser/miller/crushers</b>	<b>56.00</b>	<b>45.00</b>	<b>89.60</b>	<b>95.40</b>	<b>92.15</b>
Transportation Cost (Rs/Qtl)	180	200	110	120	150
Insurance (if any)	2.75	2.80	2.79	2.80	2.88
Unloading at destinations (Rs/Qtl)	5	5	5	5	5
<b>Total transport cost + loading/unloading</b>	<b>187.75</b>	<b>207.80</b>	<b>117.79</b>	<b>127.80</b>	<b>157.88</b>
<b>Total cost at factory gate (Rs/Qtl)</b>	<b>1343.75</b>	<b>1372.80</b>	<b>1322.39</b>	<b>1343.20</b>	<b>1400.03</b>
<b>Local Prices at Consumption Center (Rs/Qtl)</b>	<b>1350.00</b>	<b>1400.00</b>	<b>1325</b>	<b>1300</b>	<b>1360</b>
<b>Parity/Disparity (Rs/Qtl)</b>	<b>6.25</b>	<b>27.20</b>	<b>2.61</b>	<b>-43.20</b>	<b>-40.03</b>

**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. Here we have calculated wheat realization on current prices. 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	34	30,430	19,000	11,430
Mustard	1160	30	34,800	20,500	14,300
Wheat	4300	12	51,600	37,000	14,600

Source: traders and farmers, Rajasthan, Ganganagar

**Actual Stock on Nov 1<sup>st</sup>, 2011**

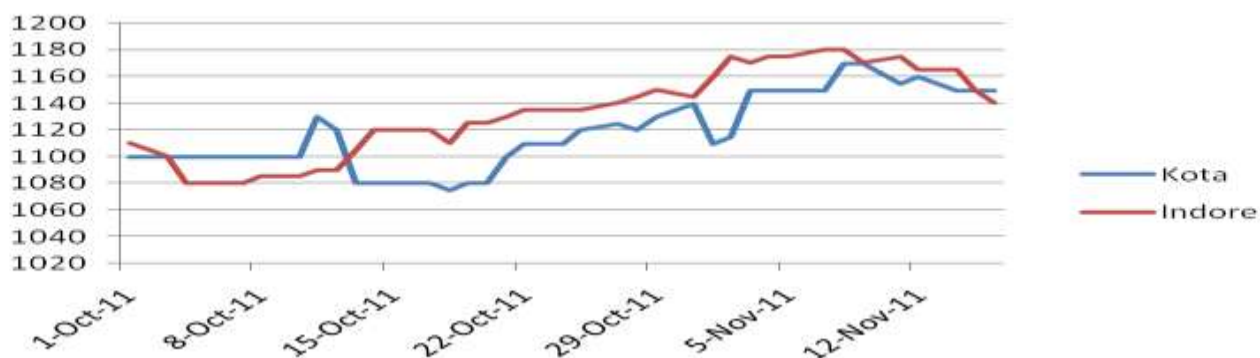
				(Figs. in lakh MT)
IN STORAGE		IN TRANSIT		TOTAL
RICE	257.06	3.77		260.83
WHEAT	294.43	2.28		296.71
Wheat lying in mandies	0.00	0.00		0.00
<b>TOTAL</b>	<b>551.49</b>	<b>6.05</b>		<b>557.54</b>
COARSE GRAINS	0.97	0.00		0.97
SUGAR	0.35	0.15		0.50
<b>GRAND TOTAL</b>	<b>552.81</b>	<b>6.20</b>		<b>559.01</b>

Source:FCI

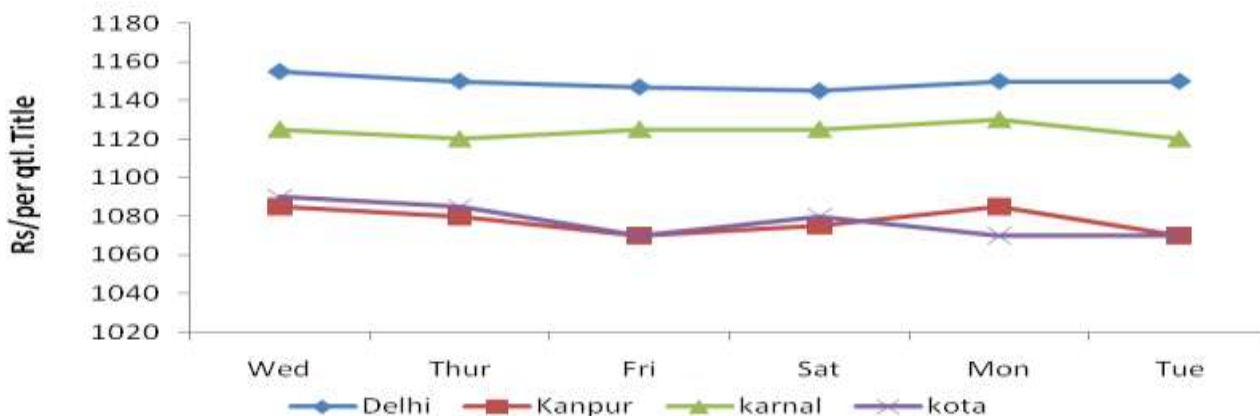
Wheat stock is expected to come down continuously as offtake will go slightly up on increased demand for wheat and wheat products. Govt.'s release for OMSS is expected to help reducing wheat stock in weeks ahead.

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

### Mill delivery prices in Rs /Qtl.



### Weekly Price trend of Wheat in North India



Prices in this chart are of loose wheat, mill delivered prices are Rs 30 to Rs 40 higher than loose prices. Prices are expected to firm up further in limited range on improving demand from millers/exporters.

### Wheat NCDEX future prices trend:

Wheat Futures Prices (NCDEX)				Rs/Qtl
NCDEX Contract	Change over prev. month (%)	Today 14.11.11	Week Ago 07.11.11	Month Ago 14.10.11
11-Nov	2.28	1148.2	1151.2	1122
11-Dec	3.16	1179	1202	1141
12-Jan	4.47	1213	1207	1159
12-Feb	-0.16	1352.8	1365	1355

## Percentage change NCDEX spot prices:

Centre	% Change over prev. year	Today (14/11/2011)	Week Ago (07/11/2011)	Month Ago (14/10/2011)	Year ago (14/10/2010)	2 Years ago 4/10/2009
Delhi	-0.84	1205.35	1192.2	1152.2	1215.5	1098.25
Kanpur	-8.51	1075	1075	1080	1175	1021.85
Karnal	0.40	1325.3	1314.25	1259	1320	1200
Indore	-3.76	1153	1145	1100	1198	1143.95
Khanna	0.70	1294	1303.5	1300.45	1285	1204.2

## Expected Price Range for Next Week:

Market	Rs/per qtl.
Cash market	Rs 1100-1175
Future market	Rs1175-1225

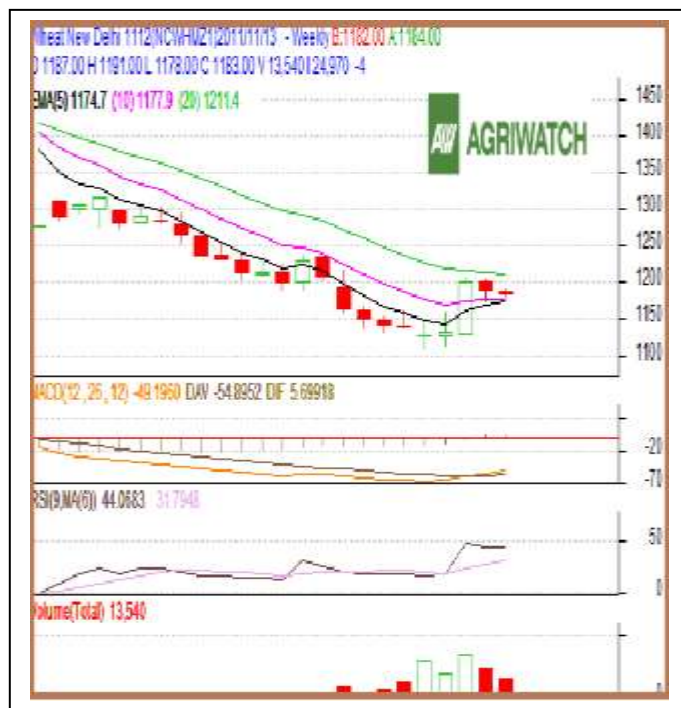
**Future market:**Wheat future market is expected to rule steady to slightly firm on recent hike in MSP and increased buying interest from exporters.,One sided down fall is unlikely as wheat demand will increase and market is said to be settled at current level now.

**Commodity:** Wheat future Chart :

**Contract:** Dec.

**Exchange:**NCDEX

**Expiry:** Dec.. 20 2011



## Technical Commentary:

- Weekly chart formation shows market to consolidate in limited range in short term.
- RSI is steady in neutral region hints sideways movement in the future market.
- Volume and open interest are unsupportive for buyers.
- Export and domestic demands supported by recently announced MSP may support market to some extent

**Strategy:**1175 the lower side is the capable support whereas 1201 holds importance as an immediate resistance.1175-1201 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:

- *CBOT wheat futures ended lower on outside market pressure and weak export demand. Worries about Europe's debt crisis, which has spread to Italy, weighed on commodities including corn, as equities fell and the dollar climbed.*
- *Meanwhile wheat is being pressured by poor export demand and talk of U.S. imports, which traders say is a sign prices are too high. But near-term U.S. cash prices have remained relatively firm.*
- *U.S. wheat exports remain lacklustre. The U.S. Department of Agriculture (USDA) reported in the beginning of this week that weekly wheat export inspections were 10.36 million bushels, below trade expectations for 14 million to 18 million.*
- *Algeria has issued a tender to buy 50,000 tonnes of optional origin milling wheat for January shipment. The deadline for the bidding is Tuesday November 15. Traders said that the 50,000 tonnes volume was indicative.*
- *Malaysia buys Ukrainian feed wheat at \$275 a tonne c&f. Shipment was in containers. Quantity is still unspecified. The deal provided new indications that Ukraine is rapidly expanding sales into Asia.*
- *Saudi Arabia's grain imports are expected to hit 12 million metric tons in 2011-12 as the government expands its reserves and compensates for falling domestic output. Imports are expected to rise to 2 million tons as the government seeks to "maintain current demand levels and with the aim to gradually expand national reserves to one year's consumption.*
- *The FAO predicts a 6.1 percent increase to a record 691 million tonnes. Global stockpiles at the end of this season will advance 3.6 percent to 202.6 million tonnes, the highest in a decade.*
- *The global production estimate is boosted by 5m. tonnes, to 684m. (651m.), after upward revisions for the EU, Kazakhstan and Australia. While the forecast of human food use is raised since last month, there are reductions for feed and industrial use.*

### IGC Wheat Balance Sheet:



IGC/27.10.11	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million T
Wheat					22/09/2011	27/10/2011
Production	607	685	679	651	679	684
Trade	110	137	128	127	128	132
Consumptions	602	645	652	655	679	677
Carryover stocks	132	172	197	195	193	202
YOY ch.	5	40	27	-4		+7
Major Exporters	47	69	77	71	68	74

**CBOT Wheat 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.

<b>CBOT Future</b>	<b>Expected price(next week)</b>
Dec. contract	600 to 635 cent per bushel

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