

**Executive summary:**

Wheat prices in cash and future market remained steady to firm during the week. However, some selling pressure was seen at the fag end of the week. Wheat market is likely to stay firm as stock in private hands is decreasing fast and demand is expected to increase in Dec- and Jan as usual. Offtake from Govt.'s godown is likely to increase as prices are comparatively higher in physical market.

Wheat was sown in 9.66 million hectares as on Nov.18, almost 6 per cent less than the corresponding period of last year. Weather remains favourable and maximum targeted area is expected to be covered in Dec.

Exporters remain active in Gujarat and are buying wheat @ Rs1215 to 1220 per qtl. Wheat is being purchased for shipment in Malaysia and loading continues.

Pressure continues in overseas wheat market as supply side is quite comfortable with rising exportable surplus. Selling competitions among Australia, Russia, Ukraine, Argentina are increasing and competition is expected to get tougher in weeks ahead.

**Domestic Market Fundamental:**

Despite some correction in physical wheat market in last two- three days prices are bound to firm up once again as supply is expected to remain lower due to restricted arrivals from farmers, stockists. However, higher stock and release through OMSS will restrict one way gains. Exporters remain active in Gujarat and are buying wheat @ Rs1190 to 1200 per qtl. Wheat is being purchased for shipment in Malaysia and loading continues. Delivered prices (FOR) at Mundra and Kandla ports remained almost same and quoted at Rs 1230 and Rs 1225 per qtl.. Wheat from Kota division is being loaded for Kandla port.

Bangladesh's state grains buyer will defer the process of a tender to buy 50,000 tonnes of wheat by two weeks due to storage constraints. The new date for the opening of bids will be Dec. 5. Wheat is being loading for south India from Rajasthan and with firming up prices in South Indian market parity will increase and resultantly more loading from Rajasthan is expected in Dec and Jan.

**Export Front:**

Export market is not favourable for India as prices of wheat has decreased more than expectation in last one month and pressure is likely to continue on ample supply from Australia, Russia, Ukraine, Argentina despite higher demand for feed grade wheat in the international market. India is able to export wheat in B,desh only because of freight advantage. The same is applicable even for Malaysia and both these countries will remain major destinations for Indian wheat. Exporters are fulfilling previous export obligation.

**Parity calculation on CIF Basis:**

Parity Calculation Sheet	Rajasthan (Baran/Bundi)
FOR Gandhidham (Rs/ton)	12800
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500
Local transport, port warehousing, labour charges, shortage	500
Indian FOB (Rs/MT)	13800
<b>Indian FOB (USD/MT)</b>	<b>280</b>
Insurance @ 0.1%	0.28
Freight Charges (US \$/ton) to Chatgaon	20
CIF (Gandhidham to Chatgaon)	300
INR	49.26
<b>Russian Wheat CIF (USD/MT)</b>	<b>290</b>
<b>Parity on CIF Basis (USD/MT)</b>	<b>-6</b>

**Parity calculation on current FOB Prices:**

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)
FOR (Rs/ton)	12210	12150
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500
Local transport, port warehousing, labour charges, shortage	500	500
Indian FOB (Rs/MT)	13210	13150
<b>Indian FOB (USD/MT)</b>	<b>258</b>	<b>257</b>
Insurance @ 0.1%	0.26	0.26
Freight Charges (US \$/ton) to Chittagong	20	20
CIF (kandla to Chittagong)	279	277
INR	51.15	51.15
<b>Russian Wheat FOB (USD/MT)</b>	<b>247</b>	<b>248</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>-11</b>	<b>-9</b>

As shown in the above given table Russia and Ukraine will not be able to export wheat in B,desh due to freight disadvantage even at the current market prevailing prices. Australian wheat may compete to some extent. But B,desh prefers import in small containers. Unofficial trade also helps B,desh to fulfil its immediate requirements and at this point of view India remains the best option for B,desh Importers.

**UN buys Russian, Indian wheat for Ethiopia:**

A United Nations aid agency has purchased 50,000 tonnes of wheat from Russia and India for donation to Ethiopia. Some 25,000 tonnes of Russian wheat was for shipment between November 28 to December 10 and 25,000 tonnes from India was for shipment between December 10, 2011, to

January 10, 2012. Shipment is to Djibouti for further transport to Ethiopia where the United Nations has a series of programmes including aid for Somali refugees.

### **Swaminathan's call to blend traditional knowledge:**

Agriculture scientist and chairman of the steering committee of the High Level Panel of Experts on Food Security and Nutrition M.S. Swaminathan has stressed the need to blend traditional knowledge systems and agricultural practices with modern frontier areas in science to enhance crop productivity.

Delivering a talk on Biodiversity, Sustainable Food Security and Green Economy at the 81st annual session of the National Academy of Sciences, India, (NASI), here, the visionary called on scientists and local farming communities to join hands in participatory programmes aimed at ensuring food security for the country.

“About 50 per cent of India's currently favourable, high potential wheat production area may be reclassified as heat stressed, lower potential, short season growing environment by 2050. For each one degree Celsius rise in mean temperature, wheat yield loss in India is likely to be around 6 million tonnes per year. Rainfed wheat yields in South Asia will decrease by around 44 per cent by 2050 if adaptation measures are not put in place.”

Prof. Swaminathan said community food and water security systems involving the establishment of gene, seed and grain banks, and water sources held the key to eradication of hunger and poverty. Observing that the human demand on the biosphere had more than doubled between 1961 and 2007, he called for steps to promote a sustainable lifestyle.

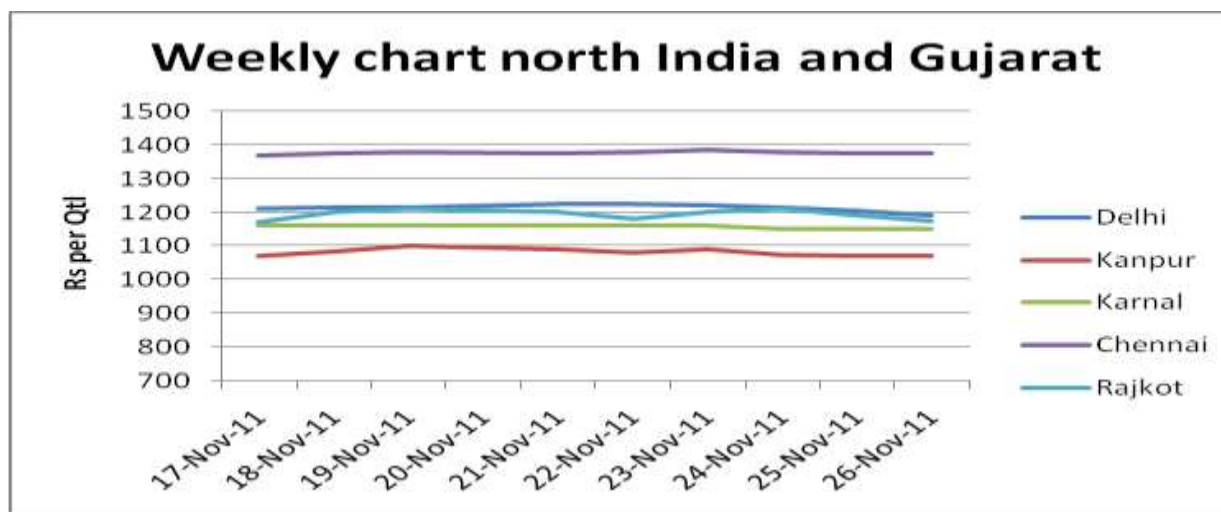
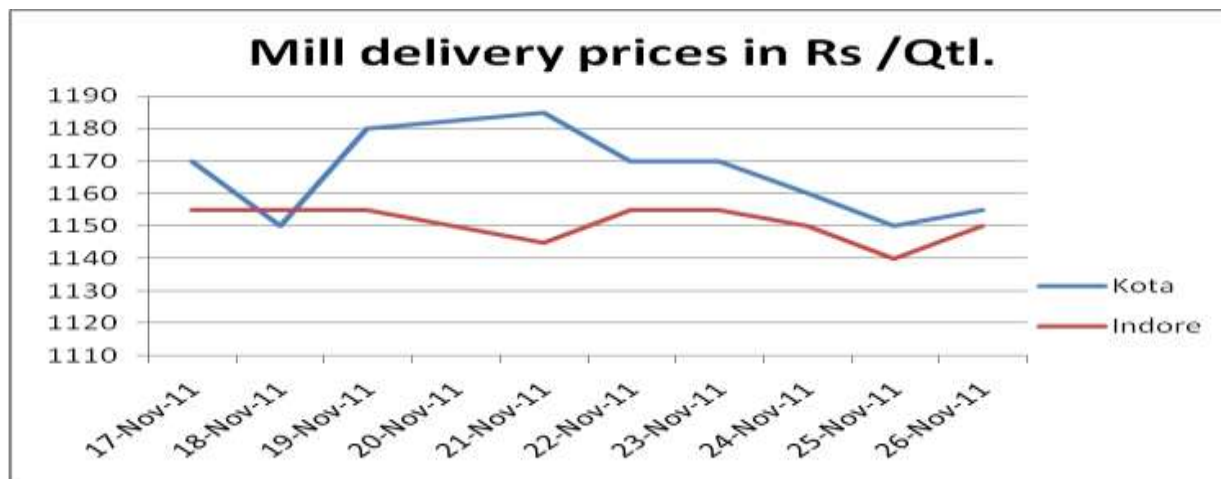
### **Actual Stock on Nov 1<sup>st</sup>, 2011**

				(Figs. in lakh MT)
<b>IN STORAGE</b>		<b>IN TRANSIT</b>		<b>TOTAL</b>
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:**



Prices in north Indian markets remained almost stable to firm and is likely to stay steady to firm despite some correction at week end due to sluggish trading activities and lower arrivals from private and farmers stock. However, ample stock and likely release from govt's stock will restrict oneway gain in the physical markets. Fresh demand is expected once again from the first week of Dec. with market being at corrective phase.

**Expected Price Range for Next Week:**

Market	Rs/per qtl.
Cash market	Rs 1100-1175
Future market	Rs1175-1200

**Future market:**Wheat future market is expected to rule steady to slightly firm on likely buying interest at lower level.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 be under consolidative phase.
- RSI is moving down in neutral region hints sideways movement in the future market for short term.
- Volume and open interest are unsupportive for buyers.
- Export and domestic demands supported by recently announced MSP may support market to some extent

#### Trading Strategy:

1175 the lower side is the capable support whereas 1220 holds importance as an immediate resistance.1175-1220 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:

- International wheat market continued to rule weak on higher availability and stock despite rising demand world over. Season is likely to end with higher carryout stock.



- IGC has slightly revised world wheat production down by 1m. tonne at 683m.t, 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.
- 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.
- The Syrian government invited offers to buy 100,000 tonnes of soft wheat of any origin. The deadline for receiving offers is Dec. 5. The grains agency, known as Hoboob, rejected last week all offers in a tender that closed on Nov. 14.
- 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 Dec. 5 and the wheat is to be shipped within 40 days of signing the contract.
- Pakistan govt. has decided to hike MSP for wheat for next marketing season. Wheat MSP has been hiked from Rs 940 per 40 kg to Rs 1150 per 40 kg. Increased MSP may encourage farmers to plant more wheat this year.
- 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.

### 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



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. tons 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. tons 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 wider range of countries, aided by competitive pricing in the major exporters, especially for lower and medium grades.

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