

**Executive summary:**

Wheat prices in cash and future market decreased during the week under review. Pressure is likely to continue even next week on back of satisfactory sowing progress, lower demand from bulk users and favourable weather throughout the growing regions. Lower area coverage has been reported from Rajasthan and Gujarat. Data from the agriculture ministry show sowing of wheat had been completed in 12 million hectares of land till Friday (November 25), even as the figure stood at 7.7 million hectares till a week back. In a week's time, almost 4.4 million hectares have been covered under wheat.

Export opportunity for India is limited in countries like B, desh and Malaysia. Unfavourable is likely to continue with higher Russian and Australian supply with cheaper quotes and ample stocks despite growing demand for feed grade wheat throughout the world.

Wheat prices are likely to stabilize at current level and are expected to trade under pressure even next week .Fundamental seems to be unfavourable for instant gains in local market.

**Domestic Market Fundamental:**

The month of November started with positive node on back of higher MSP (Rs 12850 per T against Rs 11700 per T) dwindling stocks in private hands and sluggish sowing progress in major wheat growing states like Punjab, Haryana, Uttar Pradesh, Rajasthan and M.P. Prices of wheat continued its northward journey (increased by Rs 500 to Rs 750 per T) till the third week of Nov. However, uptrend could not sustain at the fag-end of the month under review.

Lower export demand due to tough competition in the international market, improved area coverage, favourable weather conditions in main growing reasons and higher flow of wheat release from govt.'s stock, comparatively lower than open market prices restricted market to gain further. Lower local demand from bulk users like flour millers/exporters encouraged undertone of bearishness in the market and ultimately wheat prices came under pressure.

Sowing progress is satisfactory and is advancing smoothly in major growing states. Favourable weather, falling temperature at night augers well for wheat crop .Wheat crop are in tillering stage in Punajb ,Haryana,M.P. and farmers are busy in irrigation of early sown varieties. Better sowing progress, favourable weather and higher stock are expected to restrict one way gains in the market.

**Export Scenario:**

Export scenario is not favourable for India as prices in the international market are ruling below expectation. Major exporters like Australia, Russia, Ukraine and Argentina are selling wheat at very competitive prices and are dominating the world wheat market with cheaper quotes. There is a rare possibility of firmness in the international market in near future as supply and huge

stock of exportable surplus are expected to cap uptrend. Wheat export from India will remain at lower side and be limited to Bangladesh and Malaysia at commercial level due to geographical proximity and to some extent freight advantage. Unofficial export to Bangladesh is even higher than official export. If FOB quotes go above \$ 260 FOB per T in the international market, India can attract some buyers like Indonesia and African countries.

#### FOR Prices of Indian wheat at Gujarat Ports:

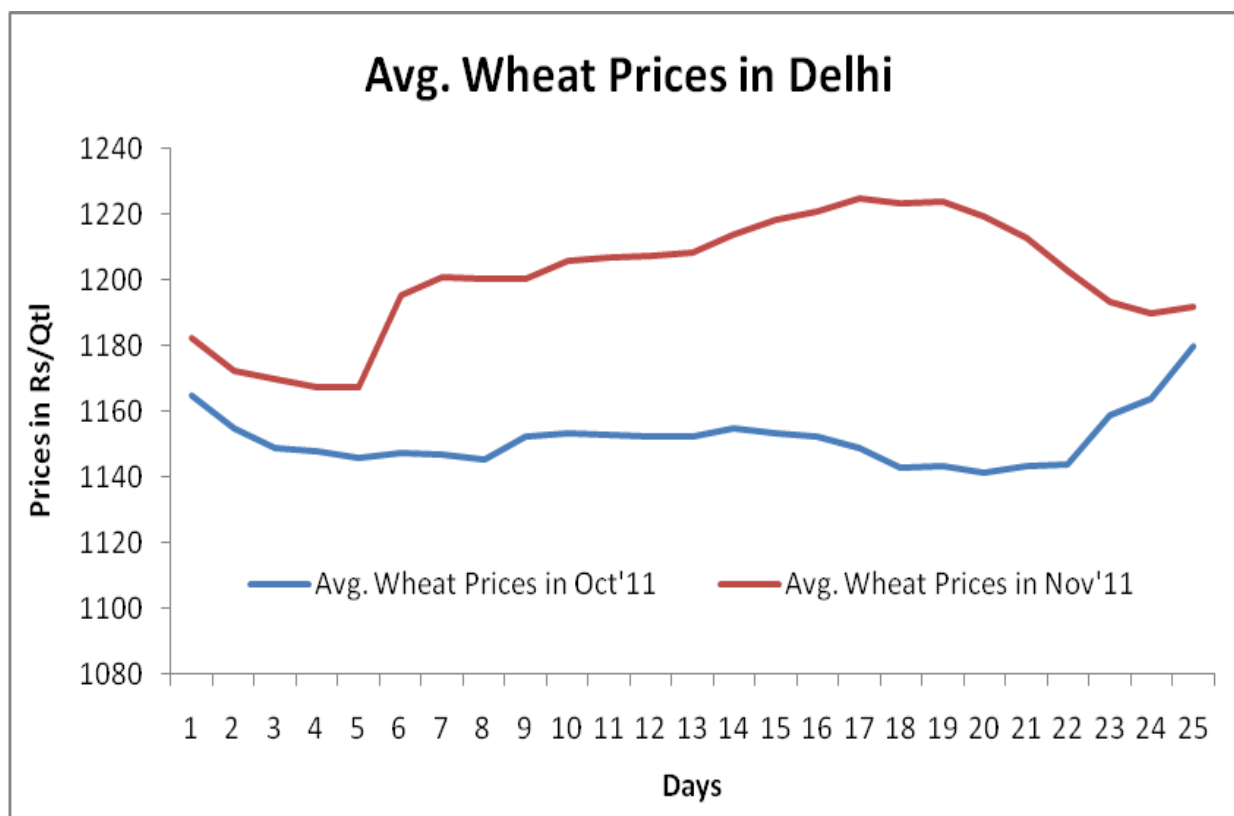
Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)
FOR (Rs/ton)	12250	12200	12800
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500
Indian FOB (Rs/MT)	13250	13200	13800
<b>Indian FOB (USD/MT)</b>	<b>255</b>	<b>254</b>	<b>280</b>
Insurance @ 0.1%	0.26	0.25	0.28
Freight Charges (US \$/ton) to Chittagong	20	20	20
CIF (kandla to Chittagong)	275	274	300
INR	51.93	51.93	49.26
<b>Russian Wheat FOB (USD/MT)</b>	<b>245</b>	<b>245</b>	<b>288*</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>-10</b>	<b>-9</b>	<b>8</b>

Note:\* CIF

#### Parity Turns negative:

Parity from Gujarat for other destinations turns to negative and this makes wheat export from India unfeasible. Prices in local market are unlikely to decrease further due to likely higher demand at lower level despite higher stock in govt.'s granary. Besides, if govt.'s trading firms are allowed to procure grains from open markets, it will encourage local wheat prices and disparity gap may expand further and diminish export possibility further.

**Price trends in Oct-Nov Delhi spot:**



As indicated in the above chart price gap in Oct-Nov started widening in the first week of Nov. and continued expanding further on increasing supply from private stock and higher release from govt.'s stock. However, it started contracting at the fourth week of Nov. as bulk buyers get active at lower level. Price gap between Oct and Nov months is likely to reduce in Dec on back of seasonality, lower stock in private hands and higher demand from south Indian markets.

**Expected Price Range for Next Week:**

Market	Rs/per qtl.
Cash market	Rs 1100-1175
Future market	Rs1140-1218

Wheat cash market remains under pressure and is expected to dip further next week on back of improved sowing and lower demand from flour millers/exporters. Favourable weather adds pressure on wheat market, supported by higher stock in govt.'s granary. Supply side is likely to remain on higher side.

## Future market:

Wheat future market is expected to rule steady to weak next week on improved sowing, congenial weather and lower demand from bulk consumers. Interstate trading is reported at lower side with narrowing parity for south Indian markets. Future market is following cash market at this point of time.

**Commodity:** Wheat future Chart:

**Contract:** Dec.

**Exchange:** NCDEX

**Expiry:** Dec.. 20 2011



## Technical Commentary:

- Weekly chart formation shows market to be under consolidation phase.
- RSI is moving down in neutral region hints weakness to continue in the future market for short term.
- Volume and open interest are unsupportive for buyers.
- MACD is moving up in negative region denotes lack of fresh buying.

## Trading Strategy:

1140 the lower side is the capable support whereas 1217 holds importance as an immediate resistance. 1140-1218 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same. Direction.

## International Market Recap:

- **CBOT wheat futures closed lower, succumbing to the** broader-based selling that filtered across asset classes. Global economic fears associated by European debt and the failure of the US super committee to agree on a plan to reduce deficit levels encouraged traders to reduce risk exposure.
- **Besides, poor export demand added to the bearish theme.** However, hard-red winter wheat futures in Kansas City did pare losses, briefly trading higher on worries about dryness issues for crops in the southern Plains.
- **Roughly 4.5 million tonnes of wheat remains** unharvested in NSW and is likely to be downgraded after torrential rain and flooding over the past week, according to Commonwealth Bank commodities analysts.

- **Kazakhstan's wheat harvest has come to 24 MMT** for this year. The total grain harvest in the country came to 29 MMT, which is a record for Kazakhstan. The president said that the Akmola, Kostanai and North Kazakhstan Regions were the main grain producers that harvested a total of 24.3 MMT this year.
- **Legislators in Canada's lower house approved a bill** that strips the Canadian Wheat Board of its monopoly powers, and sets the stage for grain growers to soon begin negotiating contracts to sell their barley and wheat for delivery after Aug. 1 of next year.
- **Kazakhstan may increase grain exports 150% to 15 MMT** this marketing year (2011/2012). It could eventually double the grain production and triple grain exports. "Kazakhstan has 93 Mln ha of arable land and 40 Mln ha of plough land. Kazakhstan has used only 16 Mln ha this year and have enough room for potential for growth.
- **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.
- **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.

#### CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (30.11.11)	WeekAgo (21.11.11)	MonthAgo (28.11.11)
Dec'11 (\$/MT)	-7.76	218.42	217.32	236.79
Dec'11 (INR/MT)	-7.76	11401.49	11343.95	12360.40
Mar'12 (\$/MT)	-9.48	226.32	223.75	250.02
Mar'12 (INR/MT)	-9.48	11813.82	11679.57	13050.82
May'12 (\$/MT)	-10.17	232.10	230.54	258.37
May'12 (INR/MT)	-10.17	12115.88	12034.37	13487.13
July'12	-7.71	236.51	235.69	256.26
July'12 (INR/MT)	-7.71	12346.02	12302.87	13376.85

US wheat futures end higher, avoiding the price pressure that consumed grain and oilseed futures. Stability in external markets allowed traders to focus on wheat-specific fundamentals. High-protein US spring wheat remains in tight supply and commands a strong price premium. MGEX wheat is seen as a bargain at current levels amid oversold conditions, concerns about Australia's wheat crop and decent weekly exports. MGEX March wheat ended up 8 3/4c at \$8.32 1/4 a bushel as CBOT March rose 1/4c to \$6.14 1/4 and March KCBT climbed 8c to \$6.69. Gains are unlikely to continue as supply is expected to remain on higher side.

**IGC Wheat Balance Sheet:**

<b>IGC/24.11.11</b>	<b>2007-2008</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11 est.</b>	<b>2011-12 Forecast</b>	<b>Million T</b>
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 wide range of countries, aided by competitive pricing in the major exporters, especially for lower and medium grades.

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