

Executive summary:

Domestic wheat market remains flat as on back of satisfactory sowing report, falling night temperature, increased flows of wheat in open market from PDS allocation and diminished export opportunity. Supply side is expected to stand ample in months ahead. Wheat loading for south India remains slow as millers have fulfilled their immediate requirements, at least for 15th days. Even exporters are inactive barring Gujarat. Stock in Private hands is receding fast and 75 % stock is said to be sold out so far. Some Well off farmers are holding back some stock and are waiting for prices to firm up.

However traders say that market is unlikely to go up one way despite seasonality factors for short term. Wheat market will trade stable in weeks ahead. Recent rains are beneficial for wheat crop and may be price impacting factor Market sources say that almost 9 lakhT wheat has been exported officially and unofficially to date. Official figure is only 1.6 lakh tonnes so far. Market expects hardly 4 to 5 lakh T export further due to lower demand from international market. B,desh will remain main buyer for Indian wheat followed by Malaysia.

Fall of 0.84% in rabi wheat sown area was witnessed to 209.55 lakh ha. to previous year 211.34 lakh ha. as on 8th December.

Domestic Market Fundamental:

Market fundamentals for wheat remain weak and pressure is likely to continue on market as wheat meant for PDS and various welfare schemes is pouring into the market in a big way .Export demand for Indian wheat is sluggish as major exporters like Russia ,Ukraine and Australia are offering wheat at lower price. Indian competitiveness has almost waned and now B,desh will remain major buyers for Indian wheat due to geographical proximity and freight advantage.

Supply side is expected to remain higher as govt. will continue to release wheat through various channels at fixed rate in weeks ahead. Area under wheat may decrease to some extent as farmers are switching to Groundnut and other cash crop in Various states like Rajasthan, Gujarat, Orissa and some pockets in Uttar Pradesh.

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 .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. There is a rare possibility of uptrend soon in the overseas market.

FOR Prices of Indian wheat at Gujarat Ports:

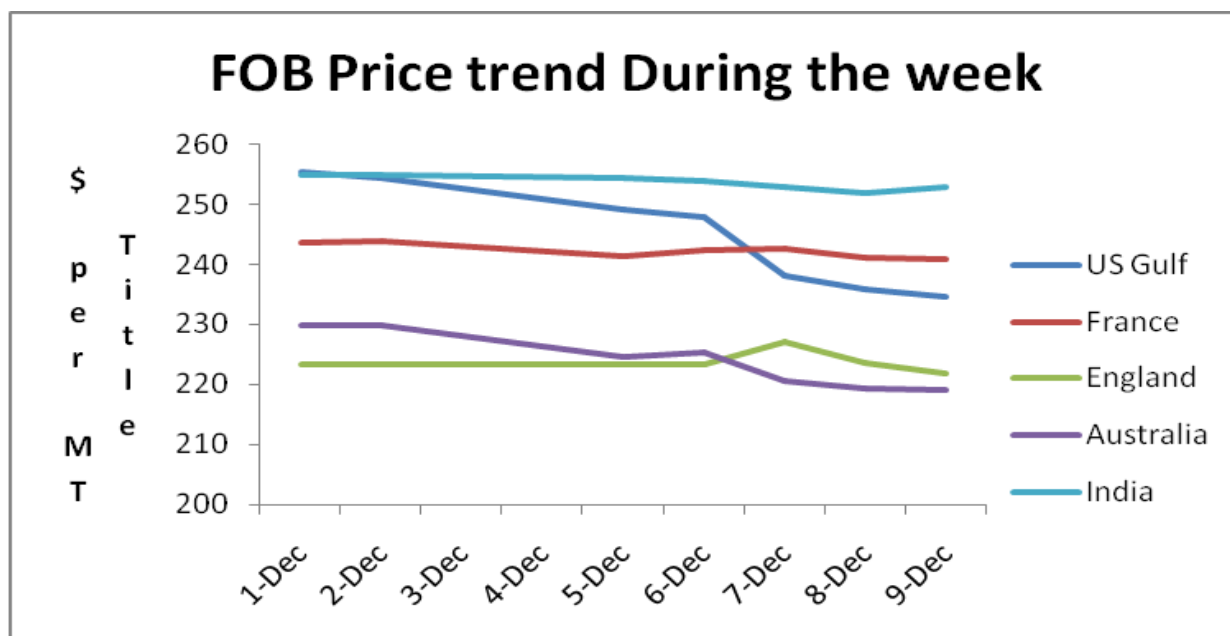
Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)
FOR (Rs/ton)	12250	12200	12800
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500
Indian FOB (Rs/MT)	13250	13200	13800
Indian FOB (USD/MT)	253	252	263
Insurance @ 0.1%	0.25	0.25	0.26
Freight Charges (US \$/ton) to Chittagong	20	20	20
CIF (kandla to Chittagong)	273	272	284
INR	52.41	52.41	52.41
Russian Wheat FOB (USD/MT)	244	244	320*
Parity on FOB Basis (USD/MT)	-9	-8	-36

Note:* CIF for same destination

Parity turns negative:

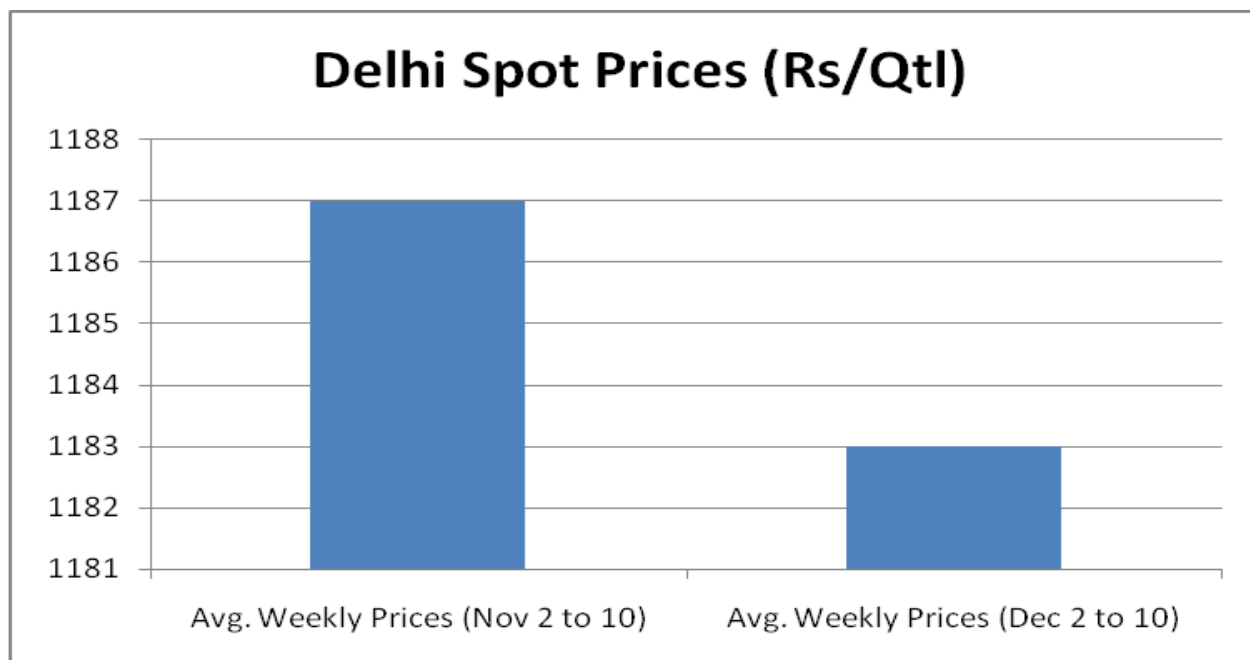
Parity from Gujarat and from other destinations turn to negative and this makes wheat export from India unfeasible. Prices in local market are unlikely to decrease further due to likely higher demand at lower level and seasonality despite higher stock in govt.'s granary. Besides, if govt.'s trading firms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

FOB Quotes For World Soft Wheat During The Week:





Price trend in Nov-Dec (First Week) Delhi spot:



Average prices of wheat during the first week of Dec decreased by Rs 4 per qtl. in comparison to Nov first week. Downward pressure is likely to continue in current week. However, traders say that market should stabilize at current level as demand at lower level will support market to stay steady despite higher diversion from PDS to open market.

Expected Price Range for Current Week:

Market	Rs/per qtl.
Cash market	Rs 1100-1180
Future market	Rs1130-1175

Crop Sowing Progress and Market Arrivals:

Fall of 0.84% in rabi wheat sown area was witnessed to 209.55 lakh ha. to previous year 211.34 lakh ha. as on 8th December. Almost 75 % wheat sowing has been completed in major growing reason so far. Recent rains will help wheat tillering stage and moisture level to stay intact at required level.

Sown area is lagging behind in Gujarat, Rajasthan in comparison to last year as farmers are switching from wheat to other crops like castor,cumin,mustard, garlic. Realization from these crops has been higher so far. Besides, wheat prices are ruling below expectation. As per latest

trend overall area under wheat may decrease slightly this year despite higher MSP. Market experts are of the opinion that procurement this year may cross 30 million tonnes due to higher MSP irrespective of crop size.

Future market:

Wheat future market is expected to rule steady to weak during current week on improved sowing, congenial weather and lower demand from bulk consumers. Even interstate trading has been at lower side with narrowing parity for south Indian markets.

Commodity: Wheat future Chart:

Contract: Jan.

Exchange: NCDEX

Expiry: Jan.. 20 2011



Technical Commentary:

- Candle stick chart formation shows market to be under consolidation phase.
- RSI is moving up in neutral region hints sideways movement in the future market for short term.
- Declining volume and open interest are unsupportive for buyers.
- MACD is moving steady in negative region denotes lack of fresh buying support.

Trading Strategy:

1175 the lower side is the capable support whereas 1190 holds importance as an immediate resistance. 1175-1190 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

International Developments and Impact:

Wheat prices in the international market continued to rule under pressure on expectation of better crop size in Australia, France and Argentina next year. Australia quotes \$218 for milling grade wheat (basis FOB) while France quotes are \$233 per tonne.

Russia prices too are under pressure and Fob quote may be revised down further to compete with main wheat exporters. In a latest development, Singapore-based Olam International made the lowest offer, at \$281.09 a tonne, including CIF liner out, in a Bangladesh tender that opened

Monday to buy 50,000 tonnes of wheat. Shipment is in 40 days after signing the deal, following approval by the cabinet committee on government purchases. The offer was \$1.98 a tonne lower than the previous tender. Export opportunity for India is diminishing day by day with decreasing quotes in overseas market.

Price trend In CBOT: Dec Contract

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (09.12.11)	WeekAgo (30.11.11)	MonthAgo (08.11.11)
Dec'11 (\$/MT)	-8.02	210.70	211.07	229.07
Dec'11 (INR/MT)	-8.02	11040.88	11060.14	12003.47
Mar'12 (\$/MT)	-9.56	218.97	212.72	242.12
Mar'12(INR/MT)	-9.56	11474.05	11146.77	12686.91
May'12 (\$/MT)	-9.19	226.96	222.46	249.92
May'12 (INR/MT)	-9.19	11892.77	11656.94	13096.01
July'12	-9.34	232.66	226.96	256.63
July'12 (INR/MT)	-9.34	12191.18	11892.77	13447.35

US wheat futures finish mixed, with Chicago futures falling on the USDA's supply-and-demand report. It lowered projected US exports by 50M bushels, highlighting exporters' troubles competing amid abundant global supplies. Benign weather and eager farmers looking to capitalize on high grain prices have helped expand supplies. Meanwhile, Minneapolis spring wheat gained as traders note the US is still the main supplier of high-quality wheat.

December CBOT, which is thinly traded, fell to the lowest level for front-month wheat since July 2010 while the March contract ended down 1c at \$5.96/bushel. MGEX March rose 6c to \$8.27 1/4 and KCBT March added 3c to \$6.61 1/2. Pressure is likely to continue in current week.

CBOT Chart:



Wheat market may bounce back from this level as it is touching its low. Immediate support is 560 cent per bushel whereas nearest by resistance is 580 cent. Drifting either side may drive market in respective same direction.

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