

Executive summary:

Wheat cash market continued to rule under pressure on back of improved area coverage, favourable weather and higher availability at producing centres. Sowing activities are progressing well and first irrigation is being applied in early sown crop in Punjab, Haryana, Gujarat and Uttar Pradesh. Area covered under wheat is higher by 4.02 lakh ha.(244 lakh ha) as on 16th Dec. Sowing will continue even Dec onward in U.P., Bihar as paddy fields are being prepared for late variety wheat.

On export front, situation is not favourable for India right now as major exporters like Australia, Russia, Ukraine, Argentina are quoting very competitive prices in comparison to India with assured timely delivery and ample availability.

Cargill is storing wheat at Mundra port for export purpose and stock is assessed near about 50,000 T.It has been sourced locally@ Rs 1220 per qtl. The company is fulfilling past export obligation.

India's cabinet approved a much awaited draft law on food security aimed at providing low-priced staples to APL and BPL family.

Domestic Market Fundamental:

Wheat stock in private hands and with farmers is still coming into the open market. However, arrivals have come down considerably in recent weeks from their stock. Actual demand is being fulfilled by diverted wheat meant for PDS and the higher quantity restricts market to gain further despite lean season. Even flour millers are fulfilling only their immediate requirements (hardly for 15 days) on bearish outlook ahead. Higher stock in govt.'s granary stored out from last year crop, lower offtake and higher area coverage in M.P., Punjab, Haryana add further bearishness in market. Going by current sowing progress and congenial weather, market expects bumper crop once again.

Wheat production target has been fixed at 84 million T for MY 2011-12 and the set target may be achieved given the normal weather condition. However, temperature in the month of March will be decisive factor for the production of wheat. At present, farmers are waiting for fresh shower of light rain as it will boost plant growth.

Interstate trading is at lower side due to poor profit margin. Wheat is being loaded from Rajasthan to Calicut and other south Indian consuming centers on delivered basis in the range of Rs 1370 to Rs 1400 per Qtl. Higher availability and lower demand is expected to reign wheat market in weeks ahead.

Australia, Ukraine, Russia, Argentina and Canada will continue to dominate world wheat export market with cheaper quotes and Indian export opportunity and parity will continue to remain in question under present market scenario. Bangladesh and Malaysia will continue to buy Indian wheat at regular intervals.

Export Parity/Disparity:

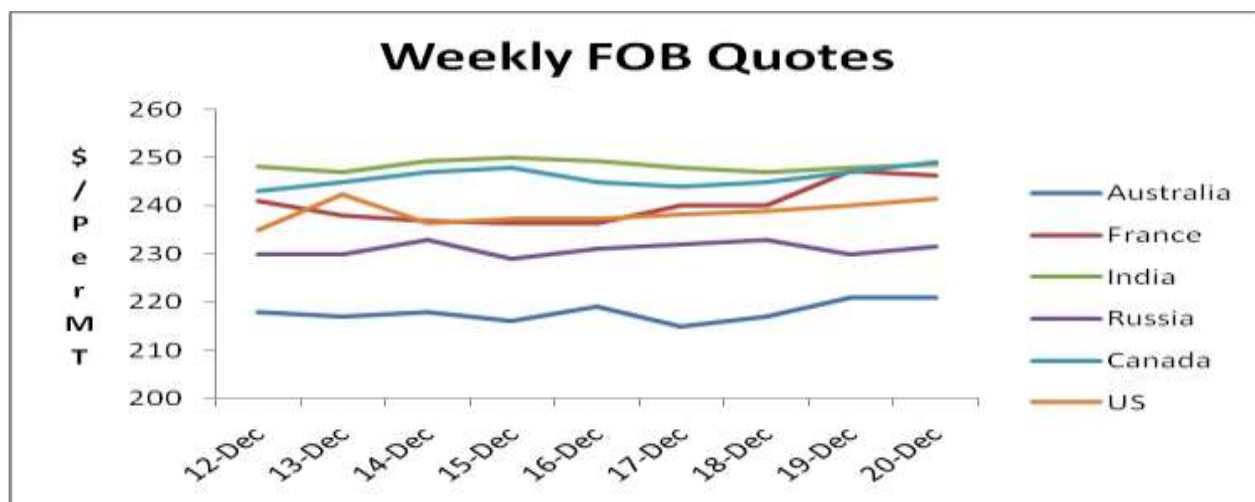
Despite some improvement in international wheat market parity for India wheat remains negative from all sourcing states including Gujarat as shown in the below given table. Ample supply in the world market will restrict wheat prices in overseas market despite increased demand for feed grade wheat for short and medium term. Wheat export from India at current level without freight subsidy seems difficult.

FOR Prices of Indian wheat at Gujarat Ports:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)
FOR (Rs/ton)	12200	12150	13100
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)	13200	13150	14100
Indian FOB (USD/MT)	249	248	266
Insurance @ 0.1%	0.25	0.25	0.27
Freight Charges (US \$/ton) to Chittagong	20	20	20
CIF (kandla to Chittagong)	269	268	286
INR	52.98	52.98	52.98
Russian Wheat FOB (USD/MT)	230	230	320
Parity on FOB Basis (USD/MT)	-19	-18	-34

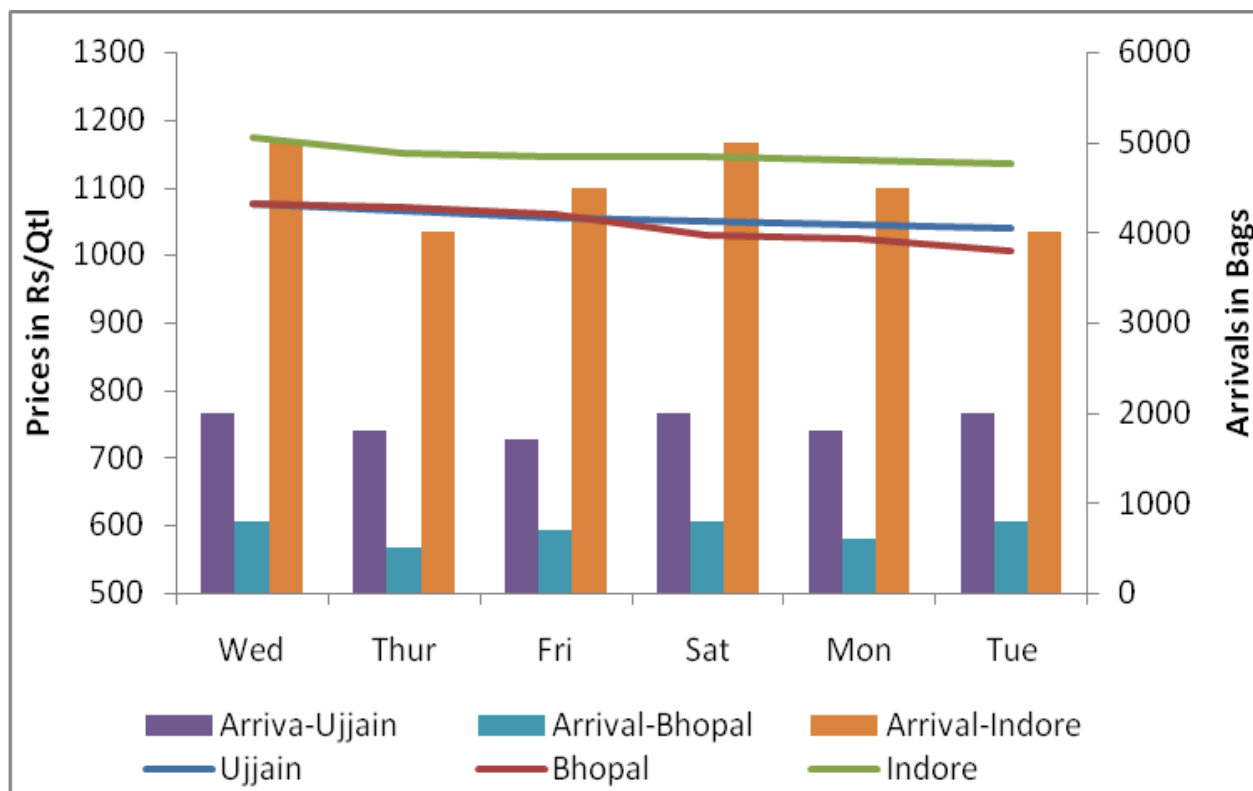
Note:* CIF for same destination

FOB Quotes For World Soft Wheat During The Week:



Wheat FOB prices remained under pressure on higher supply from Argentina, Canada, Australia and aggressive selling by Russia and Ukraine. However, further loss in world wheat FOB quotes is unlikely as feed demand is expected to increase from Asian and African countries. Despite ongoing harvesting in Canada, Argentina and higher world carryout stock wheat prices should improve from current lower level. Weather concern in major producing countries is still intact. Maize prices are ruling higher in world market and it will encourage wheat buying from feed millers in months ahead. Maize prices are ruling higher by \$15 to 20 per T than wheat.

Weekly Arrival and Spot Price Trend in M.P. :

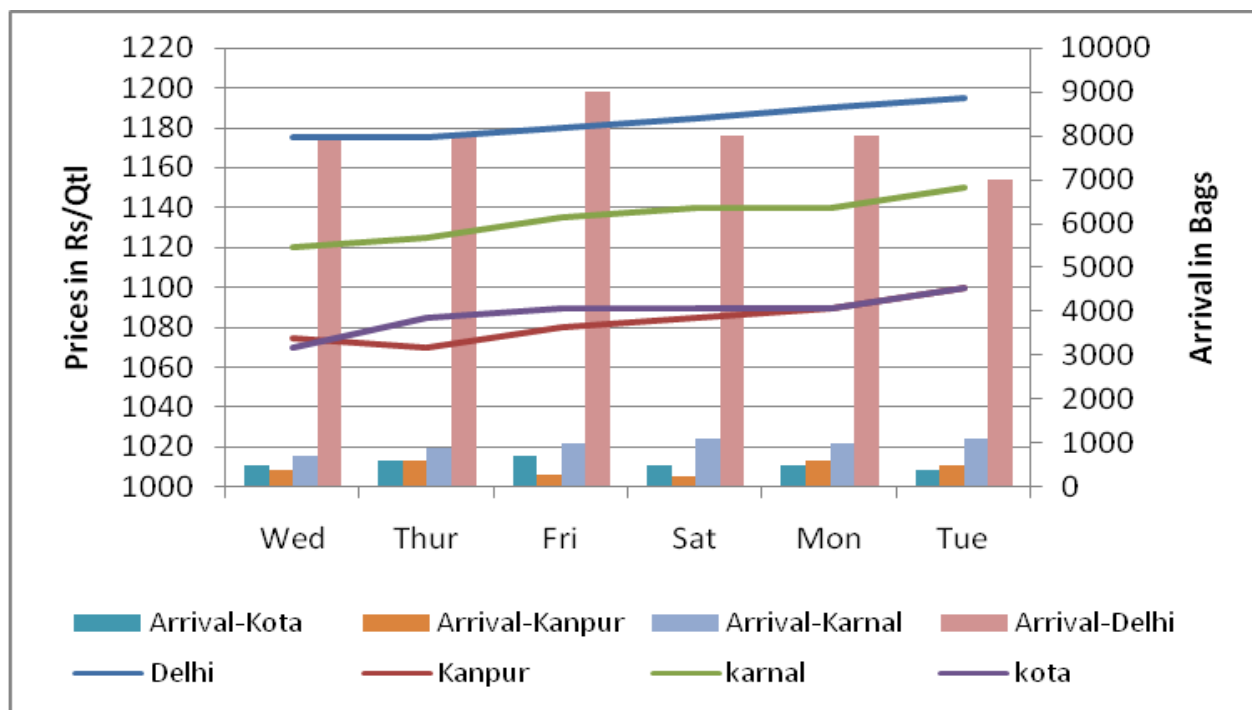


Prices in M.P. spot markets have been steady during the week under review. However, arrivals have come down considerably during these period. Local demand is being fulfilled from govt.'s stock as private stock is at negligible level now. Maximum stock in state is in govt.'s granary and continuous supply through OMSS is expected to fulfill local demands in weeks ahead in lean season. Interstate trading activities remains at lower side as disparity gap still stand discouraging for private trades. Diversion from PDS and other welfare schemes is expected to take care of local flour millers demand to some extent.

Besides, record area coverage under wheat (44 lakh ha. against 40 lakh ha last year), favourable weather and higher stock in state agencies granary will add further pressure on wheat in the

state. Production may touch record level this year on back of higher area coverage and even procurement too may touch 6 million tonnes.

Spot Price Trend in North Indian Market:



Prices of wheat in north Indian market have shown sign of uptrend as the above given chart depicts. Prices in these markets are expected to sustain at current level due to seasonality factors. Private millers in Delhi are sourcing wheat from U.P. and arrivals from U.P. are continuously decreasing. However, diversion from PDS would restrict market to one way gain.

Wheat Stock position: As on 01.12.2011

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.12.2011
East Zone Total	7.73	1.02	8.75
NE Zone Total	0.19	0.0	0.19
North Zone Total	67.30	149.06	216.36
South Zone Total	5.49	00	5.49
West Zone Total	18.24	25.80	44.04
Stock in Transit	1.73	00	1.73
All India Total	100.68	175.88	276.56

Expected Price Range for Current Week:

Market	Rs/per qtl.
Cash market	Rs 1150-1250
Future market	Rs1175-1225

Crop Sowing Progress and Market Arrivals:

With temperatures dropping by two to four degrees below normal in many parts of the North, including Punjab, Haryana and Uttar Pradesh, sowing of wheat has picked up pace, as fog and chill are considered ideal for early growth of the crop. The area under wheat, till Friday, across the country was estimated to be around 24.4 million hectares, 400,000 hectares more than the same period last year. With temperatures dropping by two to four degrees below normal in many parts of the North, including Punjab, Haryana and Uttar Pradesh, sowing of wheat has picked up pace, as fog and chill are considered ideal for early growth of the crop. The area under wheat, till Friday, across the country was estimated to be around 24 million hectares, 400,000 hectares more than the same period last year. The government has targeted to produce 84 million tonnes of wheat during 2012-13, crop-marketing year that would start from April.

Future market:

Commodity: Wheat future Chart:

Exchange: NCDEX

Contract: Jan.

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: 1180 the lower side is the capable support whereas 1210 holds importance as an immediate resistance. 1180-1210 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

Wheat comparative prices spot;

Centre	% Change over	Today	Week Ago	Month Ago	Year ago
	prev. year	(20/12/2011)	(12/12/2011)	(20/11/2011)	(20/12/2010)
Delhi	-5.57	1195	1180	1210	1265.5
Kanpur	-7.42	1060	1055	1075	1145
Karnal	-2.52	1314	1320	1336.35	1348
Indore	-4.56	1150	1135	1150	1205
Khanna	-4.18	1289	1295	1296.3	1345.2

International Developments and Impact

US wheat futures rallied to one-week highs, feeding off spill over support from corn and soybean futures. Corn and soybeans rose on crop concerns in South America, also drawing support from worries dryness in South America could hurt wheat crops there as well. Wheat also drew support from the slow emergence of the winter wheat crop in the Ukraine, a feature that sparked short covering. Because of large net short position in wheat, market had greater potential for upside moves than corn and beans.

News in flash:

U.S. wheat ending stocks for 2011/12 are projected 50 million bushels higher with reduced prospects for exports this month. Exports are lowered 50 million bushels with reductions projected for hard red winter, soft red winter, and white wheat.

Larger supplies in several major exporting countries and relatively strong domestic prices, supported by the tight domestic corn supply-and-use situation, are expected to limit opportunities for U.S. wheat in world trade-USDA.

A sharp increase in wheat supplies in Australia, Argentina, and Canada is expected to intensify competition for U.S. exports during the latter half of 2011/12. Global consumption is projected higher; however, global ending stocks also rise, putting additional pressure on wheat prices-USDA.

World global wheat production forecast for 2011/12 soared 5.7 million tons this month to 689.0 million, to exceed the record of 2009/10 by 3.5 million tons and surpassing the global record yield of 2008/09 by 0.07 tons/hectare.USDA

Australian 2011/12 wheat production is projected 2.3 million tons higher this month at 28.3 million, the largest wheat crop in the country's history. Wheat production for the previous 2010/11 crop year is also revised up 1.9 million tons to 27.9 million, thesecond-highest on record.

Argentina's agriculture ministry sharply trimmed its forecast for 2011-12 wheat production, pegging the crop at 12 million metric tons compared to its earlier estimate of 13.5 million tonnes.

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.

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.

Price trend In CBOT: Dec Contract:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (19.12.11)	Week Ago (10.12.11)	Month Ago (18.11.11)
March'11 (\$/MT)	-2.60	220.35	214.19	226.23
March'12 (INR/MT)	-2.60	11674.04	11348.01	11985.48
May'12 (\$/MT)	-3.02	227.42	220.62	234.49
May'12 (INR/MT)	-3.02	12048.74	11688.64	12423.44
July'12 (\$/MT)	-3.27	233.67	228.25	241.57
July'12 (INR/MT)	-3.27	12379.65	12092.54	12798.14
Sept'12(4/MT)	-2.60	240.56	234.13	246.98
Sept'12 (INR/MT)	-2.60	12744.61	12403.98	13085.25

CBOT Chart:



International wheat market may bounce back from this level as it is touching its low. Immediate support is 580 cent per bushel whereas nearest by resistance is 620 cent. Drifting either side may drive market in respective same direction. Weather concern remains intact and next crop may face dry spell.

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