

### Executive summary

Domestic wheat markets traded almost flat with weak bias on various factors like increased area coverage (295.07 against 294.03 lakh ha. last year as on 27.01.12), and favourable weather conditions throughout the major wheat growing regions during the week under review.

Aided by a drop in temperature, higher area coverage and scattered rains across Northern States during the beginning of Jan the country may achieve wheat output of 87.32 million tonnes for 2011-12 against the govt. target of 84-85 million tonnes and last year production of 85.9 million tonnes.

Domestic wheat markets continue to reel under pressure on higher supply from govt.'s granary, higher percentage (25 to 30 %) of diversion of wheat meant for PDS in open market and govt.'s intention to augment supply continuously for next two-three months. New arrivals in Gujarat from Gondal region add further pressure.

Weather in major producing states has been congenial for better germination and sprouting.. Higher moisture level in the field of Uttar Pradesh is favourable for late variety sowing. A fresh spell of winter rain in major states is awaited and can boost up crop size.

### Domestic Market Fundamentals:

Wheat market fundamentals are unsupportive for the wheat market. Higher area coverage, better yield and govt's intention to augment supply supported by new arrivals in Gujarat are expected to restrict any spike in the weeks ahead. Production and procurement will increase considerably on account of higher MSP i.e Rs 1285 per qtl. For MY 2012-13. However, any change in weather may impact overall production by 2 to 3 percent. Wheat market may trade range bound with better supply side and negligible export demand due to widening disparity. Demand for south India from local markets (producing centers) is likely to continue. Despite higher offtake from govt.'s granary from carry in stock will exceed 20 million tonnes.

### Export Scenario:

No major change on export front is being seen as of now 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. Production in Australia and Argentina is expected to cross previous expectations with improving weather conditions in major wheat growing regions. There is a little possibility of firmness in the international market in the near future as the availability for exportable surplus is healthy.

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

#### Export Parity:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab

FOR (Rs/ton)	12800	12750	13000	13600
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500	500
Indian FOB (Rs/MT)	13800	13750	14000	13500
Indian FOB (USD/MT)	280	279	284	253
Insurance @ 0.1%	0.28	0.28	0.28	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	300	299	304	274
INR	49.37	49.37	49.37	49.37
Russian Wheat FOB (USD/MT)	238	238	238	238
Parity on FOB Basis (USD/MT)	-42	-41	-46	-15

**Parity remains negative:**

Parity from Gujarat and from other destinations remains negative and this makes wheat export from India unfeasible. Wheat is likely to trade steady to slightly firm at this point of time and it will be disadvantageous for exporters. Parity from various centers like Gujarat, Rajasthan and Punjab remains negative to the tune of -42,-46 and -15 respectively.

**FOB Quotes For World Soft Wheat:**



Wheat quotes for soft wheat during the last one week have been steady to slightly firm except Australia where bumper production estimate pressurize FOB quotes. However going by present

production trend and various estimates of world supply-demand, no major spike in world wheat market seems in sight for short term.

**Zone Wise Wheat Stock position: As on 01.01.2012**

Fig in Lakh T	Stock with FCI Dec-11	Stock with FCI Jan-12	Stock state agencies Dec-11	Stock state agencies Jan-12	Total central pool stock as on 01.01.2012
<b>East Zone Total</b>	7.73	<b>7.02</b>	1.02	<b>0.92</b>	<b>7.94</b> (8.75 Dec)
<b>NE Zone Total</b>	0.19	<b>0.17</b>	0.0	<b>00</b>	<b>0.17</b> (0.19 Dec)
<b>North Zone Total</b>	67.30	<b>63.21</b>	149.06	<b>138.50</b>	<b>201.71</b> (216.36 Dec)
<b>South Zone Total</b>	5.49	<b>5.16</b>	00	<b>00</b>	<b>5.16</b> (5.49 Dec)
<b>West Zone Total</b>	18.24	<b>17.21</b>	25.80	<b>21.38</b>	<b>38.59</b> (44.04 Dec)
<b>Stock in Transit</b>	1.73	<b>3.19</b>	00	<b>00</b>	<b>3.19</b> (1.73 Dec)
<b>All India Total</b>	100.68	<b>95.96</b>	175.88	<b>160.80</b>	<b>256.76</b> (276.56 Dec)

Wheat stocks will continue to dip fast as demand is fairly steady. We expect 2 million tonnes offtake in each month. If govt. allows additional allocation for open market during these months, offtake may be even higher. However, in any case carryout stock is expected to remain on higher side at more than 20 million tonnes.

Wheat demand continues mainly from south Indian states like Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and to some extent in Punjab and Haryana as cheaper rates attract bulk buyers.

**Monthly Average Wheat Prices At Various Centers:**

States	Prices January, 2012	Prices December, 2011	Prices January, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
<b>Andhra Pradesh</b>	1270.41	1966.13	1903.45	<b>-35.39</b>	<b>-33.26</b>
<b>Chattisgarh</b>	1172.5	1157.17	1089.08	1.32	7.66
<b>Gujarat</b>	1259.69	1216.92	1444.58	3.51	<b>-12.8</b>
<b>Haryana</b>	1149.52	1085.74	1340.07	5.87	<b>-14.22</b>
<b>Jharkhand</b>	1363.22	1341.69	1441.52	1.6	<b>-5.43</b>

<b>Karnataka</b>	1396.35	1450.84	1754.24	-3.76	-20.4
<b>Kerala</b>	2240.29	2269.04	2391.18	-1.27	-6.31
<b>Madhya Pradesh</b>	1161.33	1127.89	1356.51	2.96	-14.39
<b>Maharashtra</b>	1716.3	1704.33	1748.49	0.7	-1.84
<b>NCT of Delhi</b>	1202.06	1156.82	1330.71	3.91	-9.67
<b>Orissa</b>	1284.72	1284.93	1300.67	-0.02	-1.23
<b>Punjab</b>	1144.27	1138.95	1195.78	0.47	-4.31
<b>Rajasthan</b>	1163.73	1092.5	1287.08	6.52	-9.58
<b>Uttar Pradesh</b>	1087.26	1031.04	1196.44	5.45	-9.13
<b>Uttarakhand</b>	1134.82	1099.96	1326.21	3.17	-14.43
<b>West Bengal</b>	1124.95	1095.14	1272.14	2.72	-11.57
<b>Average</b>	1304.46	1303.56	1461.13		

#### Prices Rs per 100 kg

Prices of wheat have increased in Jan in comparison to Dec.2011, except some states like Andhra Pradesh, Karnataka, Kerala and Orissa. However, in comparison to last year overall prices have decreased considerably due to higher stock, ample supply and bumper incoming crop. New wheat crop from Gujarat starts from Gondal region and arrival pressure is likely to be felt after two weeks. No major spike is expected in Feb month as supply from govt's stock will continue to cap market in the weeks ahead. Wheat prices are expected to move in the range of Rs1200 to 1300 per qtl. depending on quality and availability in that particular region.

#### Expected Price Range For Current Week:

<b>Market :Delhi Spot</b>	<b>Rs/per qtl.</b>
Cash market	Rs 1240-1275
Future market(Feb. Contract)	Rs1250-1275

#### Future market:

Wheat futures market is expected to rule steady to slightly weak during current week on improved sowing, conducive weather and higher allocation for bulk consumers like flour millers and traders. Fundamentals are unsupportive to the wheat futures market and stake holders are

releasing their long positions on expectation of higher supply side, likely bumper production estimate amid weak export demand for Indian wheat.

**Commodity:** Wheat future Chart:

**Contract:** Feb.

**Exchange:** NCDEX

**Expiry:** Feb.. 20 2011



#### Technical Commentary:

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

#### Trading Strategy:

1240 is the capable support whereas 1275 holds importance as an immediate resistance. 1240-1275 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction. Players should trade under given range.

#### International Developments and Impact:

US wheat futures surged, rallying on worries about crops in the former Soviet Union and short-covering. A cold snap in the Black Sea region is driving worries about winterkill there, although the extent of the damage won't be known for weeks. Traders also note spec funds are holding a huge net short position, leaving the market vulnerable to an added short-covering boost when prices begin to climb. Traders also cite month-end fund buying. However, higher production in Australia will restrict market for any unexpected spike in near term.

#### News in Flash:

**Croatia's wheat production during the 2012-13 crop** year will likely hit 832,000 metric tons, leaving the country with around 280,000 tons of grain for export, according to the U.S Department of Agriculture's Zagreb attaché.

**Canada's wheat production looks to edge up** almost 2 percent to 25.7 million tonnes in 2012/13 from 25.261 in the current year. Durum production in Canada, which is the world's top exporter of the wheat used to make pasta, will climb about 4 percent to 4.33 million tonnes in 2012/13-cwb.

**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, the second-highest on record, the highest in a decade.

**The estimate of world wheat production in 2011** is boosted by 7m. tonnes since the November Market Report, to a record 690m. Much of the increase reflects better than anticipated results in the southern hemisphere especially in Argentina and Australia, but there are also sizeable upward revisions for China and Kazakhstan-IGC

**World stocks at the end of 2011/12 are revised** higher and are now seen reaching 204m. tonnes, only slightly below the record of 206m. in 1999/00. Major exporters' stocks are projected to rise significantly in Kazakhstan and Ukraine, but those in the EU and US are to stay broadly unchanged-IGC

#### **CBOT Future Price:**

<b>CBOT Futures Prices (USD per Metric Tonnes)</b>				
<b>Futures Month</b>	<b>% Change Over Previous Month</b>	<b>Today (30.01.12)</b>	<b>WeekAgo (24.01.12)</b>	<b>MonthAgo (30.12.11)</b>
March'12 (\$/MT)	<b>-1.23</b>	236.88	232.75	239.82
March'12 (INR/MT)	<b>-1.23</b>	11694.82	11490.76	11839.93
May'12 (\$/MT)	<b>-1.86</b>	242.02	239.09	246.62
May'12(INR/MT)	<b>-1.86</b>	11948.76	11803.65	12175.49
July'12 (\$/MT)	<b>-2.19</b>	246.62	244.78	252.13
July'12 (INR/MT)	<b>-2.19</b>	12175.49	12084.80	12447.57
Sept'12(4/MT)	<b>-2.17</b>	252.22	251.03	257.82
Sept'12 (INR/MT)	<b>-2.17</b>	12452.11	12393.16	12728.72

#### **CBOT Chart:**

#### **Rough Rice Chart: March 2012**





U.S. wheat futures ended higher as South American crop worries lift grains generally. Hot, dry weather persists in the southern hemisphere, giving support to corn and soy, which is spilling over into wheat. A weaker dollar adds support, and some analysts say U.S. wheat exports could rebound. However in short term no major spike is expected. CBOT March wheat ends up 9 1/4c to \$6.19 3/4 a bushel, KCBT wheat closes up 6 1/2c to \$6.73 1/2 and MGEX March wheat ends up 4 1/2c to \$8.03 1/4.

Pressure on CBOT market may continue and March contract may trade in the range of 580 and 620 during current week. Drifting either side may drive market in respective same direction.

## IGC Wheat Balance Sheet:

IGC/19.01.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes
Wheat					24/11/2011	19/01/2012
Production	607	685	679	653	683	690
Trade	110	137	128	126	135	135
Consumptions	602	645	652	656	679	681
Carryover stocks	132	172	199	195	200	204
YOY ch.	5	40	27	-4		+9
Major Exporters	47	69	77	71	71	74

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