

Executive Summary:

Harvesting of wheat crop started in states like Madhya Pradesh, Gujarat in mid Feb and in Maharashtra in the last week of Feb. It is expected to commence in major states like Punjab, Haryana, Rajasthan U.P. and Bihar from the third week of March. Crop condition throughout India is excellent and preliminary production estimate of 87.32 million T by Agriwatch may be revised slightly upward if weather remains normal.

Against Agriwatch production estimate, the govt. of India expects 88.31 million T wheat production this year (2011-12) against the set target of 84 million T on back of better yield, favourable weather and a very good status of standing crop so far. Weather remains conducive in major wheat growing regions. However, temperature in the month of March would be very crucial for the final output in Punjab, Haryana, U.P. Rajasthan and Bihar.

While area under wheat rose for the last two years, as per the Second Advance Estimate (Ministry of Agriculture), area at 28.89 million ha. is down against the final estimate of 29.06 million ha. for 2010-11. However, the coverage area has been 104 percent higher than normal area (27.74 million ha) but there is an absolute change of -1.8 lakh ha. from previous year's area coverage.

On export front, India is still not competitive and Indian exporters have failed to ship out the total allocated quantity of two million T. So far wheat export from India has been under 1 million T. Wheat export in MY 2012-13 may improve by May – June 2012, given the likely availability in domestic market. There also seem to be fresh buying interest from Iran and Iraq.

Domestic Market Dynamics:

Cash wheat market continued to rule under pressure during February on ample supply side against normal demand. Higher offtake from govt.'s stock, ample availability throughout the country backed up by stock in private hands and new arrivals in states like M.P., Gujarat and Maharashtra amid bumper production estimate and lower export demand continued to reign the market direction and the south ward journey continued in domestic wheat market despite lean season.

However, more down side is unlikely as the commencement of procurement season is approaching near and with the beginning of buying on MSP wheat prices are expected to touch Rs 1285 per qtl. in major producing states. Wheat prices in M.P. will remain at higher level on back of Rs 100 per qtl. bonus as usual. Lower procurement is expected in Gujarat as crop size is lower and almost 25 percent new crop has been marketed so far and availability for procurement agency will be lower than expectation from 15th of March.

Wheat export from India is expected to go up with new emerging buyers like Iran and Iraq amid increasing possibility of firmness in the international market due to weather related changing production estimates. Demand for feed grade wheat is expected to increase world over and Indian wheat exporters will be in an advantageous position to compete with Australia, with ample domestic availability, where production estimate has been revised down considerably.

Domestic News Updates:

Wheat Monthly Report 29th Feb , 2012

Indian business team to visit Iran to explore opportunities:

An Indian trade delegation will travel to Iran next week to explore "huge opportunities" created by US-led sanctions over the Islamic republic's disputed nuclear programme. The group will visit Iran from March 10-14, the Federation of Indian Export Organizations said, adding exporters had settled a major problem on how to receive payments from Tehran in the face of sanctions on dollar deals. "We are expecting to get a lot of business from this trip," Anand Seth, spokesman for the Federation of Indian Export Organizations, an Indian government partner in promoting trade.

Anticipating another season of bounty in the state's wheat fields, the Madhya Pradesh government is inviting private partners this year in its bid to create more warehousing facilities. The state has targeted procuring 65 lakh tonnes of wheat this year -- an all-time high, which is 15 lakh tonnes more than its previous year's figure. As for production, the state has this year estimated 120 lakh tonnes, which will be another record. The procurement process has come under sharper scrutiny this time after the main opposition Congress party alleged last year that a few state officials had imported cheap wheat from neighboring states to fetch more prices and, thus, pocket profit. As of now, the government has put on allocation a food credit limit of Rs 1,100 crore for procurement purpose. Source: Federation of Indian Export Organizations.

Wheat production and yield estimates for the crop year 2011-12:

State	Area 2010-11(lakh ha.)	Production 2010-11(lakh T)	Target ed Area 2011-12 (Lakh ha.)	Target ed Production 2011-12(lakh T)	Area covered till 27 th Jan.2012(lakh ha.)	Area covered last year till date	Expected yield in 2011-12/kg -per ha.	Expected production in 2011-12/in lakh tonnes	Last year yield 2010 -11	Perc entage Ch. Over previ ous year
Punjab	35.1	164	35	165	35	34.98	4670	163450	4672	0.0
Haryana	25	116.3	25	117	25	24.9	4620	115500	4652	-0.7
Uttar Pradesh	96.37	300.01	95	317.73	96.25	96.25	3150	303188	3113	1.2
M.P.	39	85	40	80	46	38.2	2185	100510	2179	0.3
Rajasthan	30.4	60	28	50	30.5	27.6	1975	60237.5	1974	0.1
Gujarat	16	25	16	25	11.1	16	1560	17316	1563	-0.2
Uttarakhand	3.79	8.78	4.03	7.29	3.9	3.97	2350	9165	2317	1.4
Bihar	24.4	47	24	45	24.4	23.22	2050	50020	1926	6.4
Others	24	53.1	23	42	23.6	21.9	2300	54280	2213	3.9
All India Total	294.06	859.19	290.03	849	295.6	277.02	2954	873223	2734	

Source: State Agriculture Depts.(Agriwatch concludes preliminary Yield and production estimates based on farmer's preliminary feed back)

Though there are reports of higher yields and hence higher production, Agriwatch sticks to its production estimate of 87.32 Million T, with a margin of 1% depending on weather conditions until End of March.

Wheat Monthly Report 29th Feb , 2012

Expected Wheat Procurement in MY 2012-13:

Wheat procurement under normal conditions supported by higher MSP of Rs 1285 per qtl., may increase at least by 7 percent from previous level of over 28 million tonnes to 30.8 million tonnes. We expect a significant increase of 6.3 million T in M.P. The state govt. of M.P. has provided Rs 100 per qtl bonus over and above MSP for the state and it will ensure maximum procurement locally. As MSP of wheat has been set higher for this year, higher procurement is expected from every producing state this year. We expect total procurement to the tune of 31 million T against govt.'s expectation of almost 32 million T.

Fig in Lakh T	Production		Expected production	Procurement		Expected procurement
States	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Bihar	46.23	50.00	50.02	1.83	2.66	2.82
Gujarat	26.48	28.30	17.31	0.62	1.05	1.00
Haryana	105.00	114.00	115.50	63.47	68.91	73.04
Madhya Pradesh	78.46	88.57	100.51	35.38	49.85	62.84
Punjab	152.63	168.25	163.45	102.08	109.9	116.49
Rajasthan	68.28.	65.00	60.23	4.75	13.77	14.60
Uttar Pradesh	278.10	290.20	303.18	16.45	34.9	36.99
Others	50.5	52.12	54.28	0.55	2.69	2.85
India	807.10	859.30	873.22	225.13	281.44	308.21

Present Storage capacity available in the country:

		Covered	CAP	Total
FCI (1.01.2012)	Own	130.02	26.37	156.39
	Hired	169.42	7.78	177.2
	Total	299.44	34.15	333.59
State agencies and CWC*		165.52	137.78	303.3
	Grand Total	464.96	171.93	636.89
*As on 31.03.2011-excluding hired by FCI				

Construction of godowns under Private Entrepreneurs Guarantee (PEG) scheme of FCI

Schedule of Completion of Storage Capacity by March 2012

Wheat Monthly Report 29th Feb , 2012

Capacities to be completed through (units in 100,000 T)			
State	Private Party	CWC	SWC
Punjab	12.02	0.56	2.41
Andhra Pradesh	2.75	0.09	0.36
Chhattisgarh	0	0.25	0.81
Haryana	2.61	0.05	0.83
Karnataka	0	0.1	0.83
M.P.	0	0.23	0.1
Odisha	0	0.23	0.45
Rajasthan	0.93	0	0.3
Tamil Nadu	0.25	0.35	0
Uttar Pradesh	3.45	0	0.25
Maharashtra	0	0.42	1.6
Gujarat	0	0	0
Bihar	0	0	0.3
J&K	0	0	0
Himachal Pradesh	0.13	0	0
West Bengal	0	0.06	0
Jharkhand	0	0	0
Uttarakhand	0	0	0
kerala	0	0	0
Total	22.14	2.34	8.23
Grand total	32.7		

Analysing the increasing foodgrains procurement and storage crunch India has formulated a scheme for construction of storage godowns through private entrepreneurs, Central Warehousing Corporation(CWC) and State Warehousing Corporation(SWCs).

Progress of PEG Scheme:

A capacity of about 151 lakh T is to be created in 19 states under the scheme through private entrepreneurs and central and state ware housing Corporation. Tenders have been finalized for creation of storage capacity of about 89.6 lakh tonnes by the private sectors. CWC and SWCs are constructing 5.4 and 14.75 lakh T respectively under the scheme, out of which a capacity of 4.8 lakh T has already been completed by CWC and SWCs.

Development in NE on storage front:

The concerned department has finalized a scheme to create a total additional storage space of 5,4 lakh T in the NE states by the FCI. Besides, there is a plan to build up an additional storage capacity of 20 lakh T under silos.

Thus the current storage ready to be used by the end of this month would be around 674.39 lakh Tonnes (636.89 lakh T current) 32.7 lakh T to be completed by March and 4.8 lakh T by CWC as discussed above)

Wheat Monthly Report 29th Feb , 2012

Current Wheat Stock in Central Pool and projection for March-2012:

Wheat	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2007	57.29	53.85	51.0	45.63	116	133.08	129.26	120.19	110.08	101.21	90.25	83.58
2008	77.12	71.62	65.06	58.03	176.92	241.23	249.12	243.8	232.59	220.25	209.61	195.98
2009	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
2010	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14
2011	215.4	193.73	171.57	153.64	313.75	378.32	371.49	358.75	336.2	314.2	296.71	276.56
2012	256.76	234.25	212.25	210.00								

Note: Fig in lakh tonne (one lakh tonne is equivalent to 0.1 million T)

- Expected carryout in April may cross over 21 million T

Offtake from govt's godowns in March 2012 is likely to be in the range of 2 to 2.2 million T or even lower. Arrivals of new crop and higher availability in private hands (more than 6 lakh T, including with ITC) will continue to restrict offtake from central pool though the season is at close. From April onwards, wheat stock will start increasing with the commencement of procurement in major wheat growing states like Punjab, Haryana, M.P., Rajasthan, Bihar and U.P. and is expected to touch record level of 52 million T at the end of procurement season (June) including current carryout stock of 21 million T. During procurement season offtake from govt. stock will remain negligible due to availability in the domestic market.

We expect the new season will start with hefty carryout stock of over 21 million T against the minimum requirement of 7 million tonnes (buffer norm 3 million T and Strategic Reserve 4 million T) as on 1st April 2012.

With record production estimate of 102.75 million T (90.18 for kharif and 12.57 million T from Rabi) rice stocks is on the rise all over India. With the current procurement pace, achieving the target of 35 million tonnes seems very much within reach despite lower rabi coverage area. As of now 26 million tonnes procurement has been recorded and it will continue till Sept. We expect rice stock to cross over 33 million tonnes in March and may touch 34 million tonnes by the end of April. Offtake will remain low during April, May, June and July as usual with the commencement of fresh arrivals from rabi crop.

Thus April should start with almost 54 million tonnes rice and wheat stock. Buffer norms for rice on 1st April is 12.2 million T and 2 million T reserve stock which collectively brings it to 14.2 million T against the rice availability of 34.0 million tonnes.

However, problem of storage space will start posing a challenge from May onward With expected procurement over 30 million T storage space for grains should be 70 million T against the current storage capacity of around 67.5 million T including private storage despite encouraging export figure of 3 million T of non basmati rice. It is expected that India will continue

Wheat Monthly Report

29th Feb , 2012

with foodgrains export with higher stock without any quantitative restrictions at least for six months from now.

Rice	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2007	119.77	126.39	139.67	131.71	134.81	126.14	109.76	91.65	69.37	54.89	106.51	100.52
2008	114.75	140.39	147.34	138.35	128.64	121.29	112.49	97.93	84.72	78.63	141.39	155.78
2009	175.76	201.94	212.57	216.04	214.07	204.03	196.16	187.92	172.11	153.49	216.21	229
2010	243.53	256.58	269.5	267.13	262.25	252.66	242.66	228.77	204.8	184.44	231.73	245.27
2011	255.8	278.02	287.26	288.2	277.6	276.41	268.57	252.71	234.71	217.71	260.83	270.63
2012	297.18	318.26	330.1	340.00								

Revised Wheat Balance Sheet:

All units in million tonnes	2009-10	2010-11	2011-12*
Carry in	13.42	16.12	21.43
Production	80.8	86.81	87.32
Imports	0.15	0	0
Total Availability	94.37	102.93	108.75
Consumption	78.15	80	80.5
Exports	0.1	1.5	2
Total Usage	78.25	81.5	82.5
Carry out	16.12	21.43	25.37
Av Monthly Consumption	6.51	6.67	6.71
Stock to Month Use	2.48	3.08	3.78
Stock to Consumption Ratio	0.21	0.26	0.32

Crop year 2011-12(MY 2012-13) would start with 21.43 million tonnes carry in stock due to higher production prospects, poor export and lower than expected offtake in lean season. If we add expected production of 87.32 million tonnes in carry in stock it comes to a record 108.75 million tonnes. If we assume 80.5 million tonnes domestic consumption and 2.0 million tonnes export, the total usage comes to 82.5 million tonnes leaving a stock of 25.37 million tonnes. Due to higher availability, monthly Avg consumption and stock to month use ratio will continue to increase as depicted in the S& D table. Av monthly consumption is expected to increase from 6.67 million t to 6.71 million tonnes. Similarly, stock to consumption ratio is likely to increase from 0.26 to 0.32. If wheat production goes beyond expectation, it may increase even higher.

Export parity remains unfavourable so far:

Export parity is not in favour of India despite gains in the international market as shown in the table below. We have calculated Indian FOB on MSP as prices in domestic market are bound to rise from current level. Disparity from various locations is marginal when compared to Russia. India can export wheat above \$ 300 per T and Iraq and Iran's fresh interest in Indian wheat is expected to revive sluggish export pace in near future. Wheat prices in India may decrease with

Wheat Monthly Report

29th Feb , 2012

the end of procurement season due to higher supply from govt.'s stock through various schemes at highly subsidized prices. Ample availability of wheat and lower domestic prices may encourage exporters to avail the benefit of lower prices and ship out wheat.

Export Parity:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	12850	12850	12500	12850
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)	13850	13850	13500	13850
Indian FOB (USD/MT)	281	281	274	281
Insurance @ 0.1%	0.28	0.28	0.27	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	301	301	294	301
INR	49.28	49.28	49.28	49.28
Russian Wheat FOB (USD/MT)	275	275	275	275
Parity on FOB Basis (USD/MT)	-6	-6	-1	-6

Australian FOB \$258 per MT

Comparative Wheat Price Trend In Domestic Markets:

Prices in domestic markets have improved and wheat is expected to trade on the higher side from current level. Prices improved considerably in states like Andhra Pradesh, Chattisgarh, Karnataka, and Madhya Pradesh. However, when we consider the prices from the previous year, it is still lower due to higher availability and ample supply side. With commencement of procurement we expect prices to touch the level of announced MSP of Rs\ 1285 per qtl.

Comparative Wheat Price Trend in Jan-Feb 2012

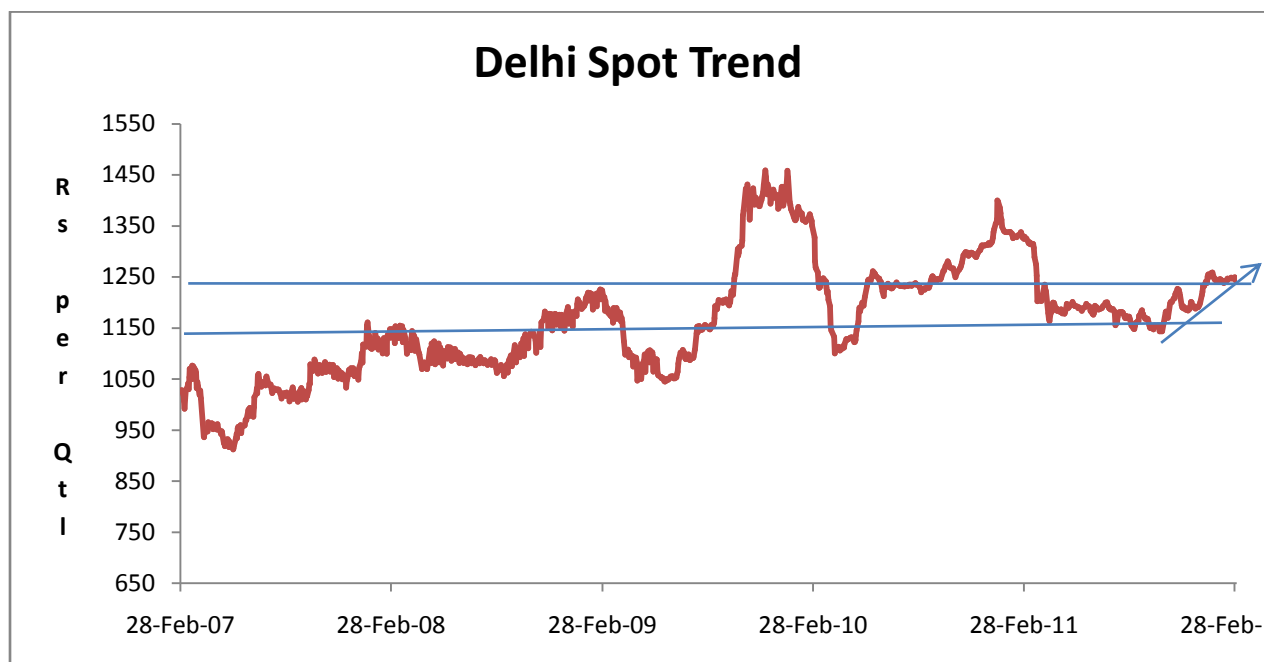
State	Prices Febraury, 2012	Prices January, 2012	Prices Febraury, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1450	1281.72	1625	30.27	-0.81
Chattisgarh	1197.91	893.45	1286.22	34.08	-6.87
Gujarat	1255.2	1257.15	1377.26	-0.16	-8.86
Haryana	1149.43	1217.92	1125.47	-5.62	2.13
Jharkhand	1396.52	1365.98	1449.74	2.24	-3.67
Karnataka	1575.66	1400.25	1755.28	12.53	-10.23
Kerala	2167.5	2240.29	2347.19	-3.25	-7.66
Madhya Pradesh	1214.18	1157.56	1316.38	4.89	-7.76
Maharashtra	1652.84	1719.58	1754.77	-3.88	-5.81
Delhi	1192.24	1201.71	1290.18	-0.79	-7.59
Orissa	1235.25	1277.3	1574.11	-3.29	-21.53



Wheat Monthly Report 29th Feb , 2012

Punjab	1185.83	1636.83	1205.4	-27.55	-1.62
Rajasthan	1158.28	1156.04	1278.81	0.19	-9.43
Uttar Pradesh	1071.69	1065.31	1240.89	0.6	-13.64
Uttrakhand	1183.92	1170.49	1239.7	1.15	-4.5
West Bengal	1114.94	1129.82	1350.29	-1.32	-17.43
Average	1325.08	1323.21	1451.02		

Delhi Spot Chart:



Delhi Spot price In Feb and price projection for March:

Delhi spot traded in the range of 1220 to 1250 in Feb. as the above given chart indicates. Wheat prices are expected to move up towards MSP from current level despite bumper crop prospects and ample availability in the domestic market. It may trade Rs 1230 to Rs 1270 in the month of March.

Future market:

Wheat future market remained under pressure on higher supply, better production prospects and higher production estimate supported by govt's intention to augment supply through various channels like OMSS,PDS. However, future market is expected to move up in far away months with an assured support from govt.'s buying on MSP. March contract may move in a range of 1200 to 1250.

March future contract chart:



Technical Commentary:

- Monthly chart formation shows market to trade range bound in the month of March.
- RSI is moving up in neutral region hints market to improve from current level for short and medium term.
- Volume, price and open interest are increasing hints long build up in the market.

Trading Strategy:

1200 the lower side is the capable support whereas 1245 holds importance as an immediate resistance. 1200-1245 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:

Market updates:

- **US wheat futures ended mixed, with winter-wheat contracts** slumping on bearish supply outlooks. Ample world supplies make it hard for wheat in general to rally, particularly with improved weather conditions for winter-wheat crops in the Plains. Spring-wheat futures meanwhile, were underpinned as the higher-protein product continue to see good demand.
- **Thai flour mills bought 25,000 tonnes of Australian prime wheat** this week, while grain processors from the Philippines passed on a tender to take 60,000 tonnes of feed wheat. Thai millers bought wheat at \$305 a tonne, including cost and freight (C&F), for May shipment.

Wheat Monthly Report 29th Feb , 2012

- **Russia's Agriculture Ministry expects wheat output** to rise slightly in the 2012/13 crop year to 57 million tonnes from 56.2 million tonnes during the current crop year, Deputy Agriculture Minister Sergei Sukhov said.
- **Australia's wheat output is likely to slide more than 15 percent** in 2012/13 from a record-large crop this year as lower global prices may prompt farmers to shift to other crops such as canola and barley. Wheat output is expected to fall to 25 million tonnes in the year to June 2013, down from an all-time high of 29.5 million tonnes.
- **Morocco will import between 1 million and 1.1 million tonnes** of soft wheat during the March-May period of this year after the government decided to suspend import duties on the commodity for two months.
- **IGC has revised the global wheat production** estimate up for 2011/12, to 695m. tonnes (653m.), boosts total availabilities to 892MMT.
- **Projected food and industrial consumption are both revised lower** this month by IGC, but attractive prices, particularly compared with maize, lift the forecast of feed use by 2m. tonnes, to 131m. (115m.).
- **Total wheat trade may match the 2008/09 peak, at 136.8m. tonnes (125.7m.).** Even though total consumption is growing at a faster than average pace, world stocks are projected to rise to 211m. tonnes (196m.).

IGC Wheat Balance Sheet:

IGC/23.02.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes
Wheat					19/01/2012	23/02/2012
Production	607	685	679	653	690	695
Trade	110	137	128	126	135	137
Consumptions	603	645	652	656	681	681
Carryover stocks	132	173	199	196	204	211
YOY ch.	5	41	26	-3		+15
Major Exporters	47	69	77	71	74	76

Updated on 19.01.12

IGC Revised World Wheat Production Estimate Up:

The IGC has increased the global wheat production estimate for 2011/12, to 695m. tons (653m.), boosts total availabilities to 892m., their highest ever. Projected food and industrial consumption are both revised lower this month, but attractive prices, particularly compared with maize, lift the forecast of feed use by 2m. tons, to 131m. (115m.), the most since the early



Wheat Monthly Report

29th Feb , 2012

1990s. Strong feed wheat demand is reflected in the global trade figure, helping to lift total wheat trade to match the 2008/09 peak, at 136.8m. tons (125.7m.). Even though total consumption is growing at a faster than average pace, The world stocks are projected to rise to 211m. tons (196m.), eclipsing the previous record in 1999/00-IGC

CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (02.03.12)	WeekAgo (24.02.12)	MonthAgo (02.02.12)
March'11 (\$/MT)	1.09	246.16	235.50	243.49
March'12 (INR/MT)	1.09	12184.82	11657.42	12052.97
May'12 (\$/MT)	-0.52	247.81	235.60	249.10
May'12 (INR/MT)	-0.52	12266.66	11661.96	12330.31
July'12 (\$/MT)	-0.76	252.13	239.91	254.06
July'12 (INR/MT)	-0.76	12480.35	11875.65	12575.83
Sept'12(4/MT)	1.37	257.64	240.13	254.15
Sept'12 (INR/MT)	1.37	12753.14	11886.57	12580.37

Wheat CBOT Chart: MarchContract



Market Analysis:

US wheat futures end mixed, with winter-wheat contracts slumping on bearish supply outlooks. Ample world supplies make it hard for wheat in general to rally, particularly with improved

Wheat Monthly Report 29th Feb , 2012

weather conditions for winter-wheat crops in the Plains, analysts say. Spring-wheat futures meanwhile, were underpinned as the higher-protein product continue to see good demand.

CBOT May wheat falls 4c to \$6.64/bushel while May KCBT drops 2 1/2c to \$7.06 and May MGEX climbed 6c to \$8.17.

CBOT wheat market is expected to trade in the range of 650 to 680 in March contract.

Indicative FOB Price: (As on 02.03.12)

Country	Variety	% Change over Prev. Year	(02.03.12)	Week Ago (24.02.12)	Month Ago (02.02.12)	Year Ago (30.02.11)
USA (Chicago)	RTRS 2srw	-8.75	275.3	278	266	301.7
France	SRW	-6.77	283.6	276.2	248	304.2
U.k	SRW	-13.78	251.6	246.2	239.6	291.8
Canada (ThunderBay)	1 CW SWS BASE GRADE	-14.09	256	254.8	257.3	298
Russia	Milling grade	-1.08	275	260	232	278
Ukraine	Milling grade	-0.72	274	258	231	276
Argentina	Milling grade	-4.86	274	269	256.2	288
Australia	HRW No-1	-8.19	256	259	249	281

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