

Executive Summary:

India is heading towards record wheat production (over 90 million T) in 2011-12 and with hefty carryout stock (almost 20 million T) problem of plenty seems very much on the cards. We expect over 80 million tonnes wheat and rice stocks in the central pool kitty at the end of current wheat procurement season (30th June, 2012) against the actual requirement of 31.9 million tonnes wheat and rice under buffer norm including strategic reserve as on 1st July 2012.

We expect 33.5 million tonnes procurement against previous estimate of almost 31 million tonnes and the govt.'s target of 32 million tonnes for ongoing procurement season. Higher production in Rajasthan, Uttar Pradesh, M.P., Bihar and Haryana would contribute more than expectation to the central pool kitty on the back of higher yield and MSP. The bonus of Rs 100 per qtl. offered by various states like M.P. and Rajasthan over and above MSP amid lower prices in domestic markets encourages farmers to sell more their produce to the procurement agencies.

With likely unmanageable stocks we expect a green signal to exports soon from the central pool stock through tenders in spite of unfavourable export conditions for the Indian wheat. The government may offer transportation subsidy to cover the inland transportation to make the wheat held by it, competitive in the international markets. Discussions on these lines are underway currently.

Wheat is trading under immense pressure on higher supply against current demand despite buying activities in various states. Procurement agencies are not fully active in states like Bihar, Rajasthan, Uttar Pradesh and resultantly distress selling is being seen in parts of these states.

The Indian Meteorological Department has forecast a normal monsoon tempering concerns that India might be in for a drought..IMD will update the monsoon forecast towards the end of June. However, the probabilities of a normal monsoon are exceptionally high, India might see a slight El Nino effect towards the end of August to September monsoon.

Overall Wheat Scenario:

Agriculture ministry has revised the wheat production estimate up from 88.31 million tonnes (2nd advance estimate) to 90.23 million tonnes in the third advance estimates released on 23.04.12 on back of higher realised yield, higher area coverage and favourable weather throughout the season. It is noticeable that India had set the production target of 84 million tonnes for the year 2011-12. Now more than 6 million tonnes higher production from the set target has increased the availability throughout the country and pressure is continuously increasing on price front despite govt.'s current strategy to buy what it can at MSP.

Higher carryout, record production and negligible offtake in the coming months with ongoing wheat and rice procurement are expected to create a situation that may be viewed as the problem of plenty. There is a growing danger of falling prices from current level with the end of procurement season in June. The procurement agencies are unlikely to continue with

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aggressive buying due to storage crunch everywhere and under such alarming situation govt. may prefer to offload at least 2 to 3 million tonnes stock from central pool through export by inviting tenders from private traders. The Govt may provide stock from M.P., Gujarat, Rajasthan and to some extent from Bihar too. Even higher stock for local flour millers may be allocated with some agreed discount based on prevalent market prices.

Wheat revised production estimates:

Fig in Lakh T	Production		Expected Production	% Increase
States	2009-10	2010-11	2011-12	Over 2010-11
Bihar	46.23	50	55.02	10.04
Gujarat	26.48	28.3	17.31	-63.49
Haryana	105	115	118.5	2.95
M P	78.46	93.57	103.51	9.60
Punjab	152.63	168.25	169.45	0.71
Rajasthan	68.28	66	76.23	13.42
Uttar Pradesh	278.1	294.2	315.18	6.66
Others	50.5	53.12	54.28	2.14
India	807.1	868.44	904.48	3.98

As per the latest feedback received from farmers and private trade and govt.'s various state agencies, wheat production is likely to cross 90 million tonnes (904.48 lakh tonnes). It will be higher by 3.98 percent from last year production. Production in Bihar, M.P., Rajasthan and Uttar Pradesh is likely to go up by 10.04, 9.60, 13.42 and 6.66 percent respectively. Rise in production is mainly attributed to higher yield and favourable weather conditions throughout the season. Major setback in Gujarat (non-major wheat producing state) is due to lower area coverage. Farmers shifted here to other lucrative crops like cumin, cotton, castor. Production in other states except Gujarat too has increased and helped to ensure record production this year.

Revised Wheat Procurement Estimate:

Rajasthan, Uttar Pradesh and M.P. are going to contribute more wheat this year, besides, Punjab and Haryana -the major wheat contributors to the central pool kitty. Total wheat procurement may cross 33.5 million tonnes given the current buying and arrival pace. Even Bihar and Gujarat will contribute more wheat this year.

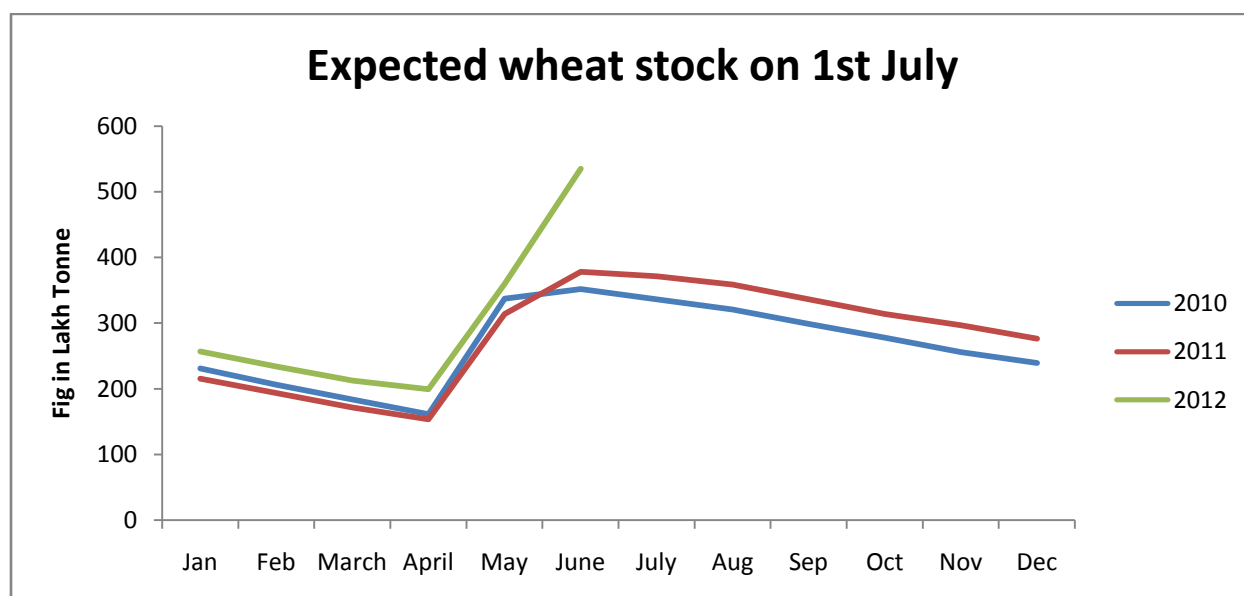
State wise(likely) percentage increase in procurement:

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Fig. in Lakh T	Procurement	Procurement	Expected procurement	% Increase
States	2009-10	2010-11	2011-12	over 2010-11
Bihar	1.83	2.66	2.82	6.02
Gujarat	0.62	1.05	1.11	5.41
Haryana	63.47	68.91	75.04	8.17
M P	35.38	49.85	80	37.69
Punjab	102.08	109.9	116.49	5.66
Rajasthan	4.75	13.77	20	31.15
U.P.	16.45	34.9	36.99	5.65
Others	0.55	2.69	2.85	5.61
India	225.13	283.73	335.3	15.38

As the below given table shows, all major and minor wheat producing states are going to contribute more wheat to the central pool kitty. Major jump in procurement is expected in Rajasthan and M.P. due to higher production and bonus. Higher arrivals and bumper crop size will continue to pose greater challenge for the govt. on price, subsidy and storage front.

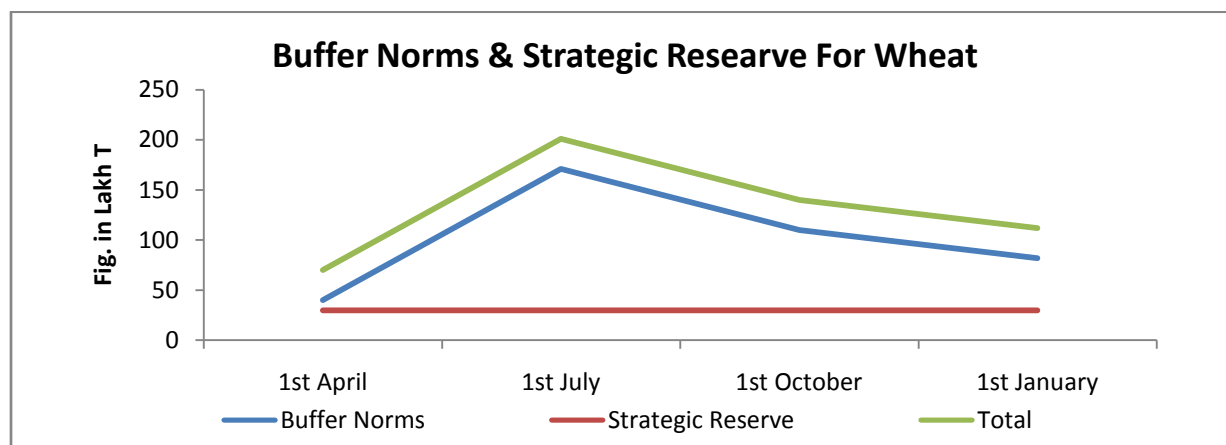
Likely wheat stock in central pool on 1st July, 2012:



Assuming 33.5 million tonnes wheat procurement in current season total wheat stock on 1st July may touch 53.5 million tonnes, more than two times higher than actual requirement of 201 lakh tonnes under buffer norm on 1st July. If we add the 31 million tonnes rice stock, likely at the end of June, combined wheat and rice stock may cross 84 million tonnes against the actual

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requirement of 31.9 million tonnes wheat and rice under buffer norms in July. Even under food security obligation, if implemented, rice and wheat requirement will not go up beyond 70 million tonnes. Thus at least 14 million tonnes wheat and rice stock should be disposed off through exports in current year. It should be possible to export wheat and rice upto 6 and 8 million tonnes respectively in the current financial year.



Export Parity and possibility of export in near future:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab	Bareilly (U.P.)	Khagaria, Bihar
Prices at sourcing centers (Rs/ton)	12400	12400	12500	14450	11500	12000
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	450	450	450	450	450	450
Local transport, port warehousing, labour charges, shortage	400	400	1000	1000	1200	1200
Indian FOB (Rs/MT)	13250	13250	13950	15900	13150	13650
Indian FOB (USD/MT)	252	252	266	303	250	260
Insurance @ 0.1%	0.25	0.25	0.27	0.30	0.25	0.26
Freight Charges (US \$/ton) to Chittagong	20	20	20	20	20	20
CIF (kandla to Chittagong)	272	272	286	323	271	280
INR	52.54	52.54	52.54	52.54	52.54	52.54
Russian Wheat FOB (USD/MT)SRW	250	250	250	250	250	250
Parity on FOB Basis (USD/MT)	-2	-2	-16	-53	0	-10

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When we consider export parity on FOB basis at current prevailing market prices from Russia and Australia, India is almost competitive from various centers and if prices in domestic market decline further or prices in the international market rise (as is likely in the coming months) export from India may get support and we can expect at least 1.5 to 2.0 million tonnes wheat export in current financial year despite lower demand in the overseas market. India can export wheat in the range of \$270 to \$300 per T, depending on sourcing centers. Australian FOB quotes are in the range of \$250 to \$260 per T for soft grade, almost same as the Indian quality.

Revised S&D:

All units in million tonnes	2009-10	2010-11	2011-12*
Carry in	13.42	16.12	21.43
Production	80.8	86.81	90.44
Imports	0.15	0	0
Total Availability	94.37	102.93	111.87
Consumption	78.15	80	81.5
Exports	0.1	1.5	2
Total Usage	78.25	81.5	83.5
Carry out	16.12	21.43	28.37
Av Monthly Consumption	6.5	6.7	6.8
Stock to Month Use	2.5	3.2	4.2
Stock to Consumption Ratio	0.2	0.3	0.31

*Crop year 2011-12 will start from Oct.2012

Wheat Supply And Demand Scenario :

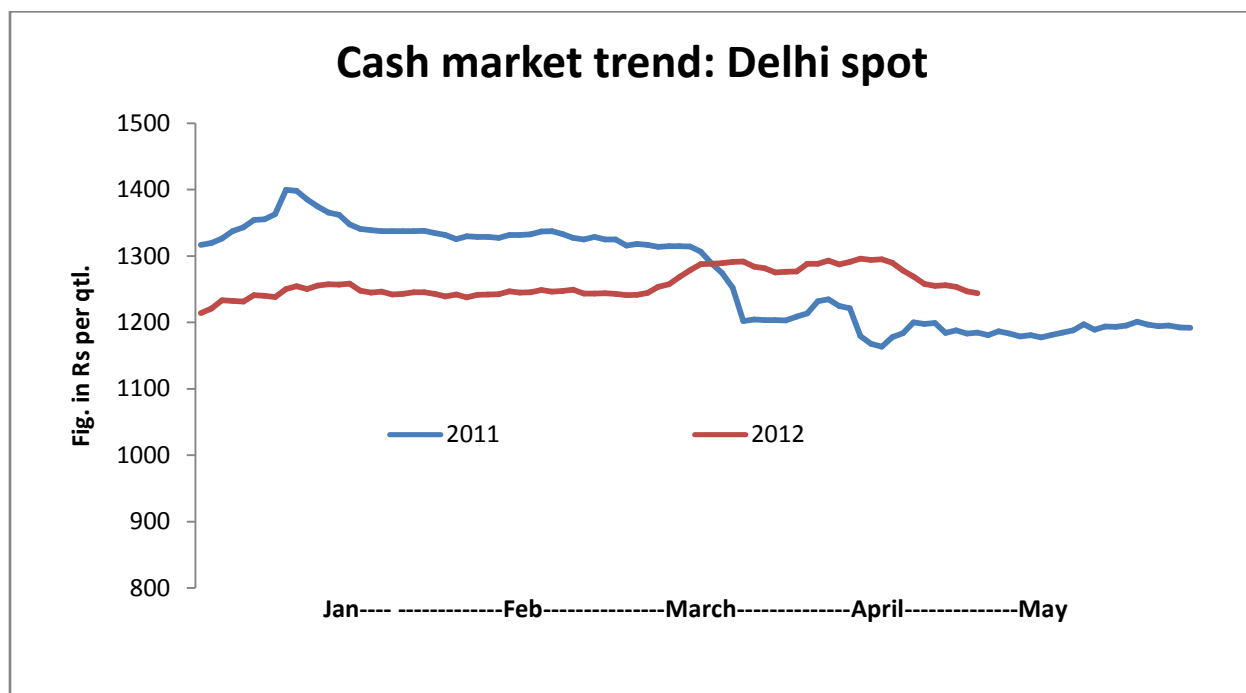
Crop year 2011-12(MY 2012-13) started with 19.95 million tonnes carry in stock due to bumper production and ample availability. If we add private stock that is around 1.4 million T, total carryout stock comes to 21.43 million tonnes. If we add expected production of 90.44 million tonnes in carryout, total availability goes beyond 111 million tonnes. Against it total usage including 2 million tonnes export (assumed) and 81.5 million tonnes domestic consumption, it comes to 83.5 million tonnes.

Thus total usage comes to 83.5 million tonnes. This clearly shows that MY 2012-13 will start with hefty stock of 28.37 million tonnes. It will compound storage problem as well as subsidy burden. Higher stock and increasing subsidy burden may encourage govt. to sell wheat from govt.'s granary in the open market and obviously it may prefer to consume wheat through export with some discount .Decision may be taken soon as monsoon is round the corner.

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Due to higher availability monthly Av consumption, stock to month use ratio and stock to consumption ratio have been increasing as depicts the below given table. Av monthly consumption is expected to increase from 6.7 million t to 6.8 million tonnes. Similarly, stock to consumption ratio is likely to increase from 3.2 to 4.2 million tonnes.

Comparative Monthly Study of Spot Market Delhi Prices During Jan, Feb, March, April & May:



Prices in Delhi cash market has decreased in the last two weeks and we expect prices to remain under pressure on ample availability, Increasing arrivals, govt.'s intention to offload more stock in domestic and international markets make the wheat outlook remain bearish.

Wheat may trade range bound at current levels in short term. The difference of price between 2011 and 2012 is due to difference between MSPs (Rs 1170 per qtl. including bonus of Rs 50 per qtl. and Rs 1285 per qtl.). Despite higher production and bearish outlook wheat market is likely to trade higher from previous year's level even in the month of May and June.

State Wise Wholesale Prices Monthly Analysis for Wheat April, 2012

Wheat prices at major consuming and producing centers have increased except A.P., Assam, Gujarat, Maharastra and West Bengal. Prices in consuming centers have decreased due to higher supply from producing states. Prices of wheat in some states are ruling below MSP due to lower procurement activities. Prices in M.P. and Maharastra are higher due to bonus of Rs 100 per qtl. while in Maharastra being the consuming state, import wheat from nearby states, increases the cost of wheat due to higher freight rate. Overall scenario for wheat market remains weak and we expect prices to dip in the beginning of July as procurement comes to an end in June.

Price Table:



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State	Prices April, 2012	Prices March, 2012	Prices April, 2011	% Change(Over Previous Month)	% Change (Over Previous Year)
Andhra Pradesh	1438.89	1370.81	1667.67	-5.17	-7.08
Assam	1021.46	1205.71	1109.61	-15.28	-7.94
Bihar	1285	1270	1250	2.98	8
Chattisgarh	1149	889.31	1093.49	29.2	5.08
Gujarat	1373.15	1424.4	1268.53	-3.6	8.25
Haryana	1285	1270.41	1127.7	1.15	13.95
Jharkhand	1517.34	1484.99	1449.67	2.18	4.67
Karnataka	1605.04	1590.43	1753.59	0.92	-8.47
Kerala	2132.95	2129.81	2350	0.15	-9.24
Madhya Pradesh	1349.29	1336.61	1256.44	0.95	7.39
Maharashtra	1570.22	1623.98	1583.55	-3.31	-0.84
Delhi	1324.65	1228.25	1280.73	7.85	3.43
Orissa	1294.14	1080.62	1429.91	19.76	-9.5
Punjab	1285.16	1205.22	1120.13	6.63	14.73
Rajasthan	1250.48	1190.71	1163.34	5.02	7.49
Uttar Pradesh	1135.5	1097.63	1118.65	3.45	1.51
Uttarakhand	1273.86	1153.25	1120.06	10.46	13.73
West Bengal	1061.71	1117.52	1131.3	-4.99	-6.15
Average	1380.71	1302.27	1379.02		
Prices in Rs/Quintal					

Source: Agmarknet

Harvesting Status And Procurement Schedule:

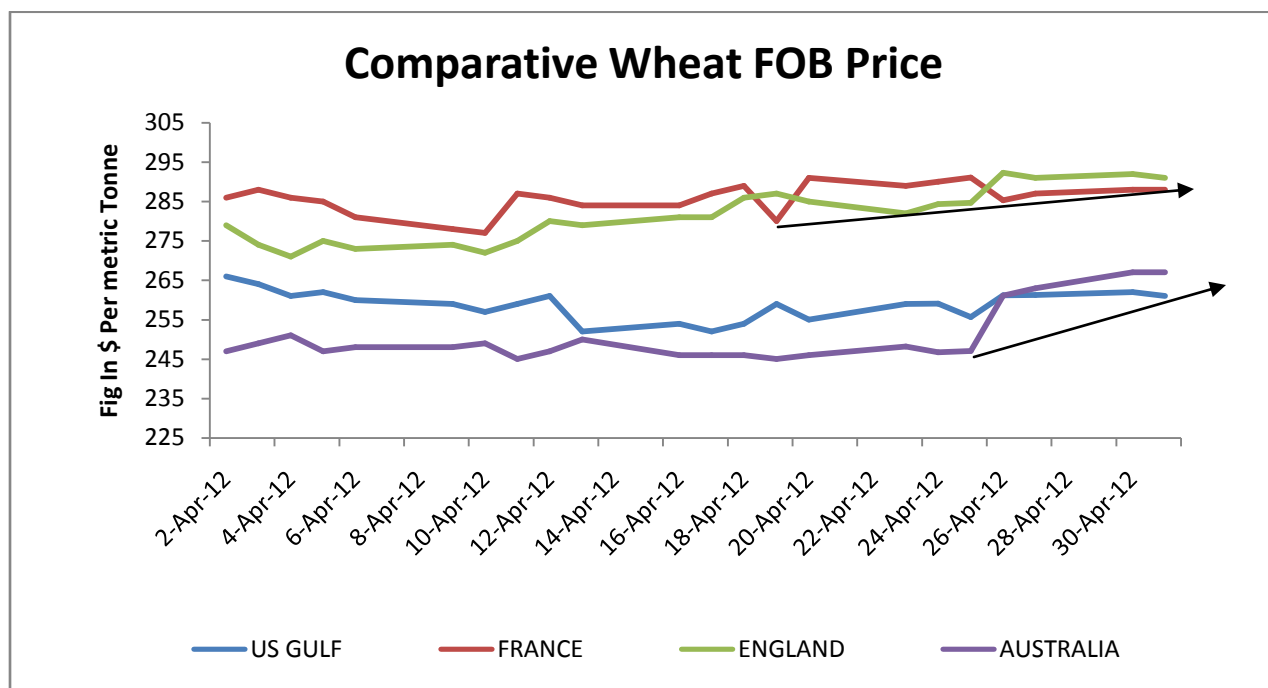
State	Harvesting under way	Percentage harvesting	Harvesting expected to be over	Arrival pressure likely from	Procurement starts from
Punjab	Under Way	45	Mid May	Mid- May	1st April
Haryana	Under Way	55	Mid May	Mid- May	1st April
Rajasthan	Under Way	60	Mid May	May	1st April
Guajarat	Under Way	100	At the end of March	March to April	15th March
M.P.	Under Way	80	Mid May	April to Mid May	15th March
Uttar Pradesh	Under Way	40	Mid May	Mid April to May	1st April
Bihar	Under Way	35	May End	Mid April to May	15th April
Maharastra	Under Way	85	At the end of April	April to May	15th March

Wheat harvesting is still under way. Recent rains have delayed harvesting and threshing activities further by a week. However, we expect it to be over by May end. In some states like

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Bihar, wheat procurement period may be extended beyond June as late sowing and varieties will continue to hit the market even in the month of July. No major incidence of pest& diseases has been reported so far. . No shortage of Chemical / Bio-pesticides was reported from any State / UT.

Comparative wheat FOB Quotes during April,2012:



Wheat FOB quotes in the international market have improved in the month of April on weather concern. Dry conditions in Australia, Russia, Ukraine and wet condition in US plains have reducing crop prospects for next crop and supporting prices despite lower demand in the international market. We expect prices to move further up as farmers in USA may shift to soyabean due to higher realization. Increasing corn prices too are supportive for wheat market. It might create fair chance for wheat export from India in the months ahead. The above given chart also show the rising price trend. Even Russian quotes have improving.

Main Weather Observations:

Monsoon rainfall over South Asia will be normal for a third year in a row, potentially increasing plantings of rice, soybeans and sugar cane, boosting global food supplies. El Nino weather conditions, which can affect parts of Asia, may emerge only in the later part of the June-September monsoon season and most forecasts indicate neutral conditions and normal rains, the South Asian Climate Outlook Forum said in a statement in the western Indian city of Pune.

Farmers in South Asia may plant more of rice, corn, sugar cane and cotton on normal showers, helping India sustain exports and ease global food prices. A normal monsoon is more important for inflation as we see food prices have started rising again. So a normal monsoon will help in stabilizing food prices.

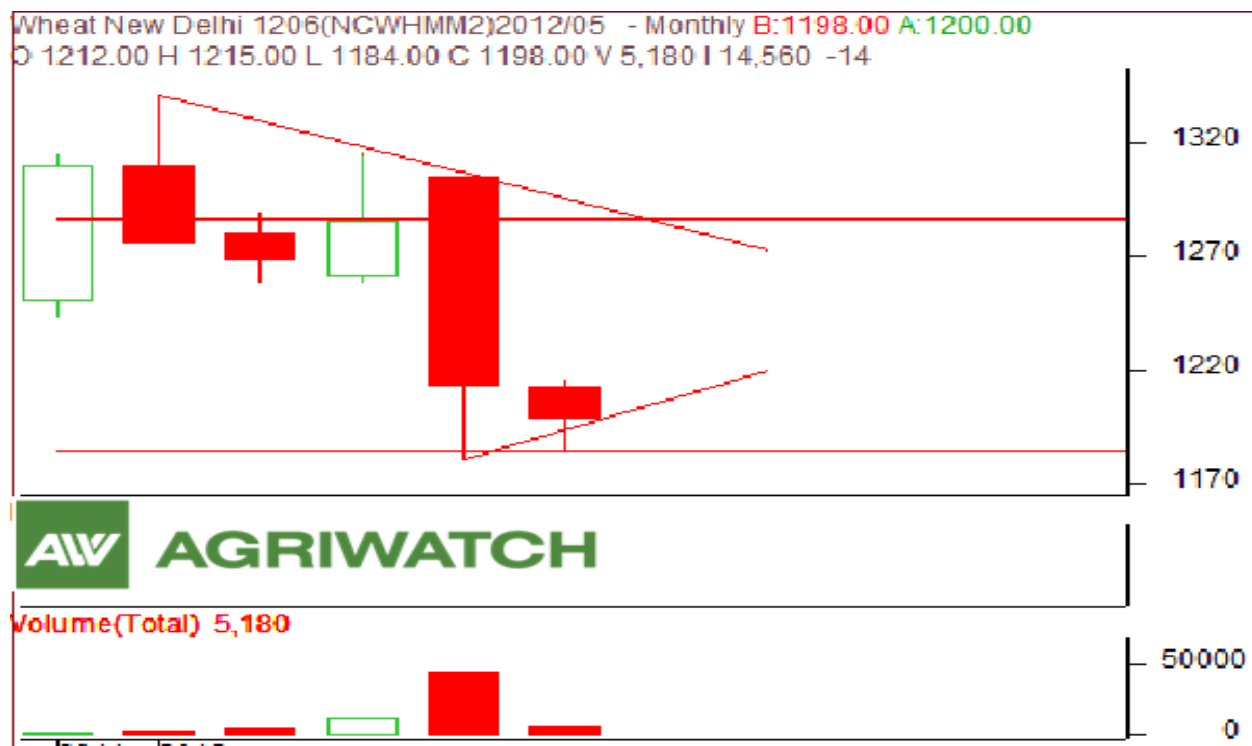
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The IMD has used coupled models for latest weather forecast. Coupled climate models are sophisticated tools designed to simulate the Earth climate system and the complex interactions between its components.

Futures 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. We expect support near 1185 for the same contract and stake holders may go for buying near 1185.

June future contract chart:



Technical Commentary:

- Monthly chart formation shows market to trade range bound with firm bias in the month of June as prices are ruling lower and buying support is expected now.
- Volume, price and open interest are decreasing hints consolidation in the market.

Trading Strategy:

1185 the lower side is the capable support whereas 1250 holds importance as an immediate resistance. 1185-1250 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 Update:**

- **Australia's grain belt is forecast to stay dry in the coming weeks as farmers gear up to plant the 2012/13 crop, threatening wheat yields** after two straight years of record high production. A dry start to the grain planting season in Australia could support global prices after excessive rain in the U.S. and dryness in parts of the Black Sea region underpinned the market.-Abare
- **Some Australian farmers have been delaying wheat planting, waiting for rain, while others are seeding grains in dry soil.** Farmers still have around four to five weeks to finish planting wheat in Australia, which produced almost 30 million tonnes of wheat this year, although dry weather is beginning to raise concerns over output- Abare
- **Saudi Arabia bought 450,000 tons of wheat at \$316.92 per ton for shipment during July and September, the kingdom's Grain Silos & Flour Mills Organization (GSFMO)** said yesterday. The wheat was bought from Australia, Argentina, the European Union, Canada and the United State-Reuters
- **ANZ has forecast Australian wheat production for 2012/13 of 24 million tonnes, down around 5 million tonnes from last year.** There are really two things driving that (lower output), one being lower wheat plantings," said Deane. "But the big driver is lower yields. The Australian government has forecast the area planted with wheat will shrink 3 percent to 13.7 million hectares in 2012/13-ANZ
- **Heavy rains over the weekend in key growing areas of the U.S. Plains may have damaged some of the new wheat crop,** leaving growers to hope for sunshine to help the crop dry out. Flooding was noted Monday in parts of north-central Oklahoma and southeast Kansas after more than 5 inches of rain fell Saturday and Sunday, with most of pouring down on Sunday-Reuters
- **In Canada, rise of 13.3 percent to 24.34 million acres** in 2012 is expected under the planted area under wheat compared to 21.4 million acres in 2011.
- **Europe's benchmark wheat, the Paris May contract, was down 1.75 euro or 0.8 percent at 212.75 euros a tonne.** Paris new-crop November wheat fell 2.25 euros or 1.1 percent to 199.75 euros (\$260). The next support for the contract was seen by traders at 198.50 euros.

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- **Iran's wheat import needs are expected to drop 32 percent year on year to 1.7 million tonnes in the 2012/13 marketing year** (April/March) thanks to higher carryover stocks from the current season. Iran has built ample stocks of wheat, the dominant cereal in the country accounting for nearly 70 percent of total cereal production -- in the early months of 2012, FAO.
- **The International Grains Council (IGC) cut its forecast for global wheat production in 2012/13, citing diminished crop** prospects in the European Union. It cut its forecast for the 2012/13 global wheat crop by 5 million tonnes to 676 million, well below the previous season's 695 million.

World Wheat Production May Fall By 15 MMT –IGC:

The forecast of world wheat production in 2012/13 is cut by 5m. tonnes, to 676m., some 19m. below the previous year's record. The EU crop forecast is reduced sharply due to reports of worse than expected winter damage and recent dry conditions. Growth in food and industrial use is expected to be outweighed by a fall in feed, but total world consumption is forecast to show only a limited decline. The forecast of world stocks at the end of 2012/13 is cut by 2m. tons, to 206m. (210m.). Having reached a new peak of 140m. tons in the past year, reduced imports for feed could see global wheat trade slump by about 5m., but much will depend on the level of feed wheat prices relative to maize.

IGC Wheat Balance Sheet:

IGC/26.04.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes	Projection for 12-13
Wheat					23/02/2012	02/04/2012	26/04/12
Production	607	685	679	654	695	681	676
Trade	110	137	128	126	140	136	135
Consumptions	603	645	652	656	684	683	680
Carryover stocks	132	173	200	198	210	208	206
YOY ch.	+5	+41	+27	-2	+12		-4
Major Exporters	47	69	78	73	76	73	70

Updated on 026.04.12

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CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (30.04.12)	WeekAgo (23.04.12)	MonthAgo (30.03.12)
May'12(\$/MT)	-2.01	237.89	234.86	242.76
May'12(INR/MT)	-2.01	12522.61	12363.05	12778.86
July'12 (\$/MT)	-2.89	240.46	232.20	247.63
July'12 (INR/MT)	-2.89	12657.99	12222.84	13035.12
Sept'12 (\$/MT)	-3.41	244.87	238.08	253.51
Sept'12 (INR/MT)	-3.41	12890.07	12532.28	13344.56
Dec'12 (\$/MT)	-3.37	252.77	246.89	261.59
Dec'12 (INR/MT)	-3.37	13305.88	12996.44	13770.03

CBOT Wheat May Chart:



Market Analysis:

CBOT wheat futures are expected to trade higher on weather concern and lower production outlook. CBOT wheat May contract is expected to trade in the range of 630 to 670 cent per bushel in the month of May.

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