

**Executive Summary:**

India is now beset with problem of plenty on foodgrains front, especially in terms of wheat and rice on back of three consecutive bumper crops supported by favourable weather. Wheat and rice together contributed 193.8 million tonnes in total foodgrains production of 247.6 million tonnes this year against 241.2 million tonnes last year. Production over 90 million tonnes wheat and almost 103.4 million tonnes rice have created acute storage crunch for govt.'s procurement agencies.

With higher availability and supply we expect total procurement of wheat to cross over previous Agriwatch (April) estimate of 34 million tonnes in ongoing procurement season ending June as various procurement agencies have procured 33.63 million tonnes wheat so far and it still continues in the states like M.P., Rajasthan, Uttar Pradesh and Bihar.

India has set the production target for wheat at 86 million tonnes for the crop year 2012-13, starting from October this year against the actual production of over 90 million tonnes in 2011-12. Lower production target may help govt to ease the pressure of record stock stored out from last two years bumper crop.

With overflowing foodgrains stock (rice and wheat) currently near 75.5 to 76 million tonnes in govt.'s granary (still likely to increase), shortage of storage space and depressed domestic prices India started to ponder over offloading more wheat and rice stocks (near 10 to 15 million tonnes) in the international market with some required incentives still under consideration. We expect export to increase from India in the months ahead with likely dip in domestic prices.

At current market scenario amid govt.'s back up India may ship out two to three million tonnes wheat in MY 2012-13 through private and G to G deals in normal condition. The figure may go up if incentive is provided. Morocco, Iran, Bangladesh, Nepal, Malaysia, Indonesia and some west African countries may be the perspective buyers of Indian wheat. Talk over barter deals between India and Iran is still in progress and we hope some concrete result at the end of June.

Weather is likely to be favourable in the first phase of monsoon till July despite one week delayed arrival. We expect slightly lower rainfall than a average. However, July onward lower rainfall is feared due to La Nina impact. It may hamper kharif planting in India.

**Domestic Market Dynamics:**

Assuming normal monsoon season India is expected to enjoy a bumper kharif harvest once again and downward pressure on foodgrains price including wheat and rice is a likely possibility. Demand in domestic market lags behind the current supply and with procurement season almost coming to an end in major wheat growing states like Punjab, Haryana. Wheat prices in M.P. have started declining and are ruling below MSP on major trading hubs of wheat. Higher

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supply, stock, subdued demand and lower export so far are weighing on the market fundamentals. We expect wheat prices to dip further from current level.

Indian govt. overburdened with foodgrains stock now, is changing its production policy of wheat and rice and trying to contain increasing production. The government has increased the rice production target slightly from 2011-12's actual production of 103.41 million tonnes to the targeted 104 million tonnes in 2012-13. It is considered almost negligible increase. The target for wheat has been lowered to 86 million tonnes from this year's production of over 90 million tonnes. The move is expected to ease the country's grim worries over food grain storage.

If international market turns favourable and the Indian govt. provides incentives/subsidy export may exceed beyond preliminary limit of three million tonnes (one million tonnes through private channel and two million tonnes through G to G channel if discussion with Iran gets matured. We expect Indian FOB quotes in Kandla, Rajkot region in Gujarat to hover in the range of \$250 to \$260 per T through private trade at current prices. India can export more wheat from govt.'s stock if exporters get wheat at south Indian ports in the range of \$220 to \$240 per T. India has to compete with Russia and Australia and their quotes remain worth seeing in the months ahead.

We expect Australian and Russian including (Black sea region) quotes to hover in the range of \$250 to 270 and \$220 to 240 per T respectively July onward till Sept. under current condition. If weather turns rough and international prices firm up, it would be advantageous for India from export point of view.

### Indian Parity/Disparity:

	Rajkot (Guj) to Kandla	Kota to Kandla
<b>FOR (Rs/perT)</b>	<b>13500.00</b>	<b>13200.00</b>
Transportation Charges (US \$/ton) to Chittagong	450.00	1000.00
Misc.charges(port handling)	500.00	500.00
Packing/Bags	450.00	450.00
<b>FOB (at Kandla) Rs/T</b>	<b>14900.00</b>	<b>15150.00</b>
<b>FOB value in \$ for SRW</b>	<b>264.28</b>	<b>268.71</b>
Freight Charges (US \$/ton) to Chittagong	15.00	15.00
Insurance @ 0.1% (\$/MT)	0.26	0.27
<b>CIF to Chittagong (value in \$ for SRW)</b>	<b>279.54</b>	<b>283.98</b>
<b>Indian Parity/Disparity</b>		
<b>CIF Russia to Chittagong</b>	275	-4.54
<b>CIF Ukraine to Chittagong</b>	270	-9.54
<b>CIF Australia to Chittagong</b>	301	21.46
<b>CIF Argentina to Chittagong</b>	321	41.46
<b>Indian currency as on:30.05.12</b>	56.38	

We expect wheat prices in domestic market to decrease and parity may turn more favourable in short and medium term. Govt.'s incentives, if provided (likely) may encourage exporters to ship higher quantity. The above given table shows the current parity status.

<b>Comparative FOB of Different Nations</b>			
Countries	30.05.2012	28.04.2012	% Change
Russian	260	252	3.17%
Ukraine	259	245	5.71%
Australia	269	258	4.26%
Argentina	293	279	5.02%
USA	281	272	3.31%

Due to weather concern wheat quotes in global market continued to move northward. However, recent rains and forecast of favourable monsoon in Russia, Ukraine and the US wheat growing belt have restricted gains to some extent and more correction at this stage is likely despite 5 million tonnes lower production estimates by IGC. Russian crop is due in July and it will pressurize global wheat market. However, role of weather would be crucial for market's directional move. At current market scenario overall outlook remains bearish.

**Agriwatch 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	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	3
Total Usage	78.25	81.5	84.5
Carry out	16.12	21.43	27.37
Av Monthly Consumption	6.5	6.7	6.8
Stock to Month Use	2.5	3.2	4.0
Stock to Consumption Ratio	0.2	0.3	0.3

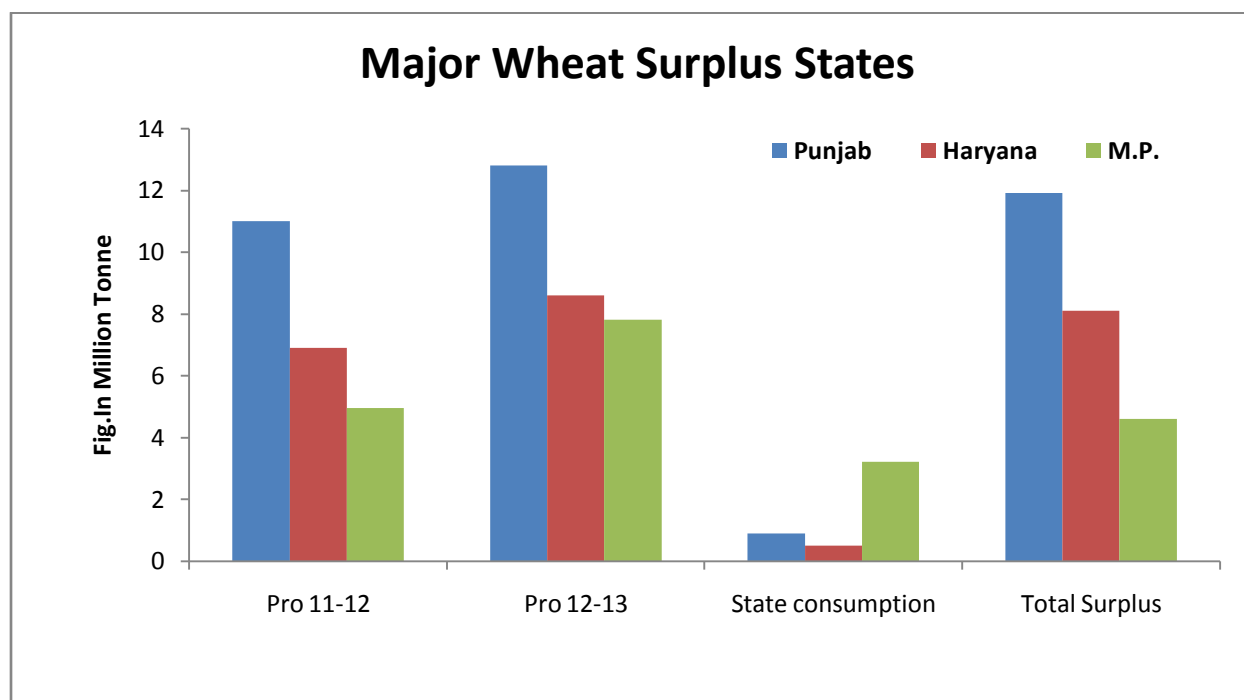
\* Crop year 2011-12, expected carryout for 2012-13

With bumper wheat production over 90 million tonnes total availability for wheat increases from 102.93 million tonnes (crop year 2010-11) to 111.87 million tonnes in 2011-12. With higher availability we expect 1.5 million tonnes higher domestic consumption in MY 2012-13. It might increase from 80 million tonnes to 81.5 million tonnes. With govt.'s back up we assume 3 million tonnes export in MY 2012-13 and thus total usage comes to 84.5 million tonnes. This reflects massive carryout for next year to 27.37 million tonnes. It is higher by almost 6 million tonnes from last year.

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With higher stock backed by bumper production Av monthly consumption, stock to month use and stock to consumption ratio have been continuously increasing as depicts the depicts the above given balance sheet. For maintaining carryout stock at last year's level India would have to ship out atleast 6 million tonnes wheat so that stock remain under manageable level. The immediate option to ease stock pressure is to export as soon as possible. If wheat is sold in domestic market with highly discounted price, it will further distort normal market force in domestic market as wheat is already ruling under pressure.

### Problem of plenty in M.P., Punjab, Haryana:



Wheat production in MP has increased considerably in comparison to last year. It is a consuming state and high output there means a lesser need to import from the northern states like Punjab and Haryana. Both the states already had a storage constraint for grain stocks and this year it has become a major problem how to consume wheat and where.

According to senior government functionaries, the huge quantities of opening stock, coupled with unprecedented arrivals this year, pose a big challenge for storage in good condition. Government officials are busy arranging rice and sugar godowns, depots and diverse other storage locations. Rice shelters are available, till October, when paddy procurement will begin; paddy cannot be stored in the open.

Punjab's own need for public distribution is only 900,000 tonnes and Haryana's 500,000 tonnes. Punjab has already procured 12.8 mt of wheat procurement, as compared to 11 mt last year. Haryana has crossed 8.6 mt, compared to 6.9 mt last year. MP has procured 7.5 mt, as compared to 4.9 mt last year. Uttar Pradesh, too, has done better, having crossed 2.5 mt, compared to 3.2 mt last year. Higher procurement in U.P. is expected this year too. Under

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immense pressure Punjab is now demanding to open wheat export through land routes. India is considering this option too. However, decision has not been taken as yet.

### State Wise Wheat 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

Agriwatch is stick to previous state wise wheat production estimate. India has set 86 million T wheat production target for 2012-13, lower by over three million T production this year due to over flowing granaries and acute shortage of storage space. However, if The CACP recommendation of MSP (Rs 1350 per qtl.) is accepted, then production containment policy may suffer as yield in all producing region is continuously increasing.

### Revised Wheat Procurement Status:

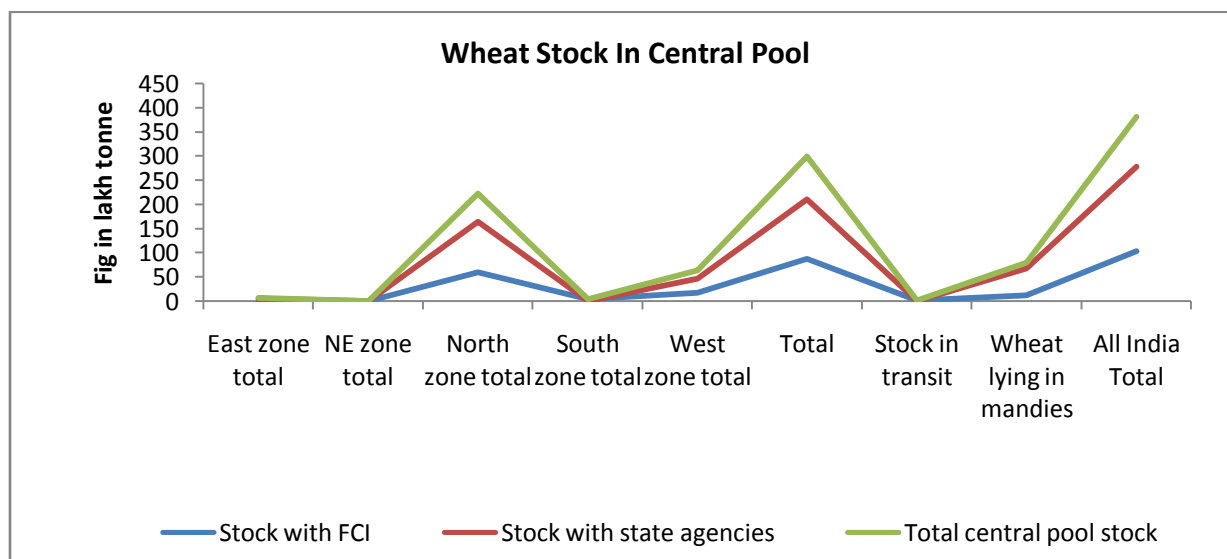
State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 29.05.12		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	127.5	107.17	16.35
Haryana	68.4	86.3	64.09	26.17
U.P.	34.61	24	22.35	-27.77
M.P.	49.65	76.03	43.43	51.12
Rajasthan	13.03	16	11.21	22.79
Others	7.08	7.1	6.47	0.28
All India	283.35	336.93	260.3	18.21

Figure in lakh tonnes

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Wheat procurement is set to break all agencies estimates this year. Going by the current arrivals pace it may cross even 34.5 million T. Farmers in Bihar, U.P., Rajasthan still have 10 to 15 percent marketable wheat stock as per feedback received from farmers of various regions.

### Stock status in central pool as on 1<sup>st</sup> May:



### Required foodgrains under buffer norm:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

Foodgrains stock in centralpool has been on rise from last three years and this year it is likely to break all previous record on back of three consecutive years of bumper crops, especially wheat and rice. As on 1st July India needs 319 lakh tonnes wheat and rice under buffer norms and strategic reserve. Just against it combined wheat and rice stock as on 1st May touched at the alarming height of 711.17 lakh tonnes As on first July we assume wheat and rice stock to touch 83to 84 million tonnes.It is going to pose a severe challenge to the govt. to handle it under



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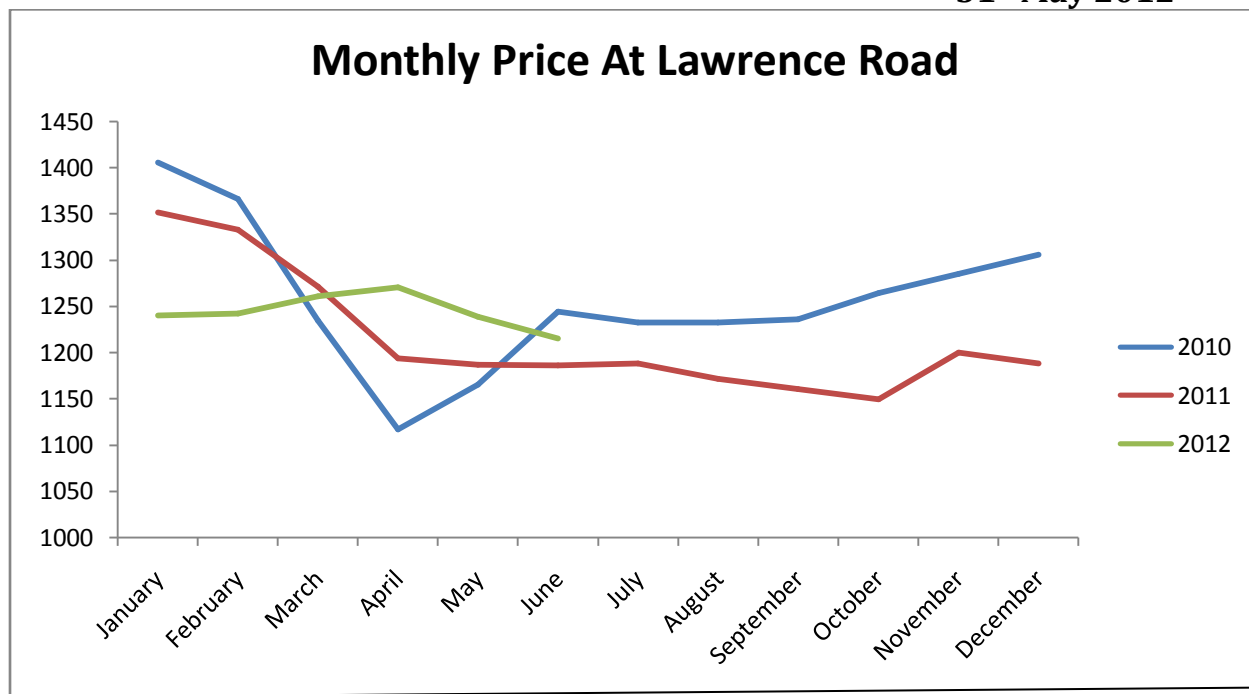
severe storage crunch. At this point of time at least 15 million tonnes wheat and rice stock from govt. reserve should be freed for export with some agreed subsidy or incentives to the private exporters. New Kharif paddy will start hitting the market in October and then situation may be even grimmer.

### State wise Wholesale Prices Analysis for Wheat In May, 2012:

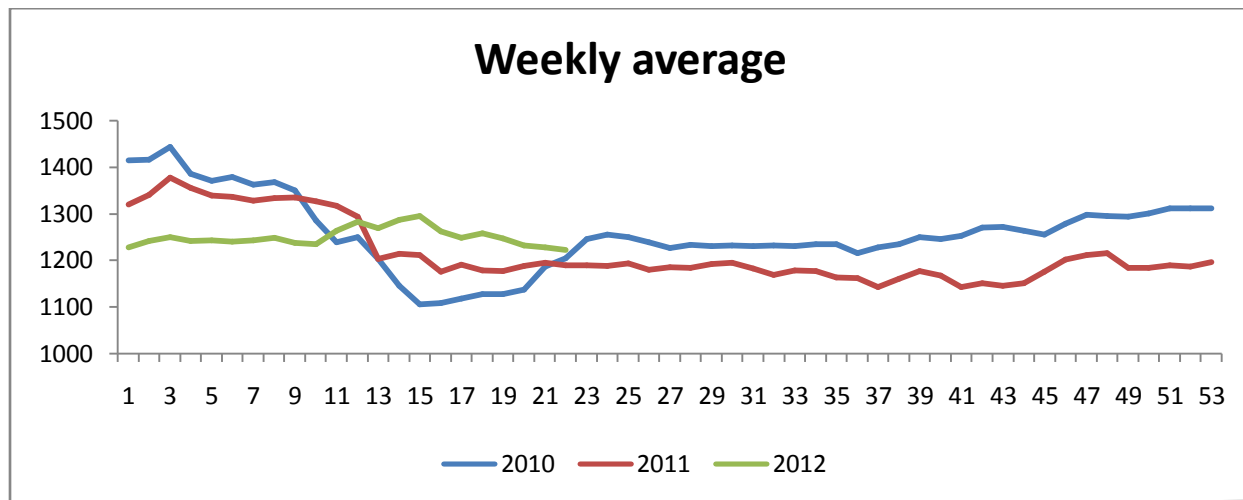
State	Prices 24-31 May 2012	Prices 16-23 May 2012	Prices 09-15 May 2012	Prices 24-31 May 2011	% Change(Ove r Previous Week)	% Change(Ov er Previous Week)	% Change(O ver Previous Year)
A.P.	1950	1937.5	1950	1154.28	0.65	0	68.94
Assam		1051.75	1025	1136.09	—	—	—
Chattisgarh	1145.9	1148.65	1136.23	1117.71	-0.24	0.85	2.52
Gujarat	1367.4	1388.39	1370.25	1183.32	-1.51	-0.21	15.56
Haryana	1285	1285	1285	1120.5	0	0	14.68
Jharkhand	1577.92	1379.79	1399.99	1395.71	14.36	12.71	13.06
Karnataka	1728.72	1558.36	1555.62	1621.28	10.93	11.13	6.63
Kerala		2342.86	2335	2452.17	—	—	—
M.P.	1450.81	1348.08	1358.33	1284.98	7.62	6.81	12.91
Maharashtra	1796.94	1640.13	1595.24	1703.7	9.56	12.64	5.47
Delhi	1165	1467.04	1393.1	1238.14	-20.59	-16.37	-5.91
Orissa		1300.75		1358.45	—	—	—
Punjab	1285	1285.03	1284.87	1120.08	0	0.01	14.72
Rajasthan	1231.96	1266.14	1256.27	1176.84	-2.7	-1.94	4.68
U. P.	1132.97	1138.2	1148.59	1134.26	-0.46	-1.36	-0.11
Uttarakhand	1300	1290.1	1262.66	1124.96	0.77	2.96	15.56
West Bengal	1067.49	1079.33	1061.66	1066.93	-1.1	0.55	0.05
Average	1391.79	1406.3	1394.28	1304.97			

As per the data reported by APMCs

Wheat market traded weak during the week under review. However, prices increased in A.P., Jharkhand, Karnataka, M.P. Maharashtra due to govt.'s supportive buying and increasing possibility of export. Exporters/ traders may be active in those areas where wheat is available at cheaper rates. We expect prices to rule weak despite some recent gains. Supply side will remain ample and loading for port based states is expected to increase with international market turning favourable during last two week.



Wheat prices started to trade under pressure with increased pace of harvest throughout the main growing regions of north and central India and downward pressure continues upto the end of May despite ongoing procurement in various states like Rajasthan, Bihar, U.P. and M.P. With the end of procurement by June end we expect downward pressure to increase as govt. Laden with huge stock is very keen to offload wheat in the open markets through various channels including export with required incentive or subsidy. Cash market in Delhi may test 1200 at lower level. We expect price to touch 2011 level of July in one and a half month. Above given chart also shows the downward pressure.

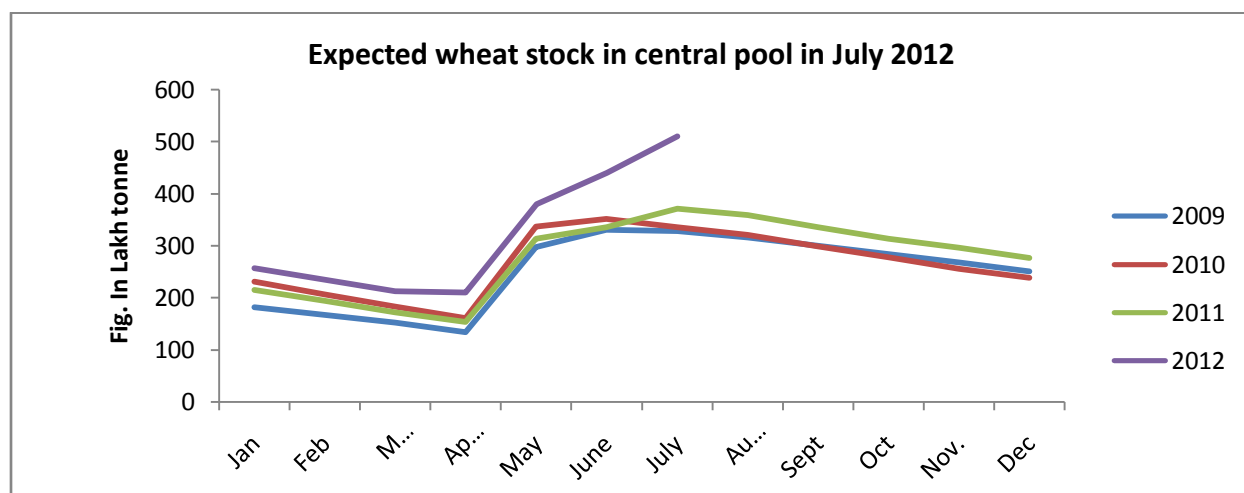




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Weekly average too has touched 2010 level and we expect it to stay steady near 2011 price in mid June. However, some improvement in cash market is due to exporters demand from state like U.P., Rajasthan and Bihar. Once govt. Starts exporting wheat at discount ,prices in domestic market is bound to decrease as supply in domestic market will increase.We expect international market to stay steady to slightly weak at current level in short and medium term under normal weather condition.

### Expected wheat stock in central pool in July-2012:



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

New season started with a hefty stock of over 20 million T and is likely to reach its peak in the beginning of July at 54 million T. We assume over 34 million T wheat procurement in MY 2012-13. The problem of plenty seems very much on the card. With this background Indian govt. has started thinking over GTG deals and encouraging private trade to ship out as much as possible in MY 2012-13. At current global market scenario India would be able to sell wheat in the range of \$220 to \$ 240 per T on FOB basis. If Global markets get firmer, opportunity for India will get fairer.

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

Wheat	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>2007</b>	57.29	53.85	51.0	45.63	116	133.08	129.26	120.19	110.08	101.21	90.25	83.58
<b>2008</b>	77.12	71.62	65.06	58.03	176.92	241.23	249.12	243.8	232.59	220.25	209.61	195.98
<b>2009</b>	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
<b>2010</b>	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14



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<b>2011</b>	215.4	193.73	171.57	153.64	313.75	378.32	371.49	358.75	336.2	314.2	296.71	276.56
<b>2012</b>	256.76	234.25	212.25	200.00	470..0	550.00						

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

Offtake from govt's godowns in June 2012 will be minimal as usual due to seasonality factors. More than 15 percent marketable surplus stock is still in farmer's hand. Export demand too is not up to the mark. Wheat stock in July may touch 54 to 55 million T at the end of June.

### Futures Market:

Wheat futures 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, futures market is expected to move up in the medium to long term with an assured support from govt.'s buying on MSP.June contract may move in a range of 1170 to 1200.

With increasing arrivals, pressure is being seen on future market and is expected to trade range bound during the month. Higher crop size and lower demand in peak arrival season will weigh on future market. Stake holders are releasing positions in the months of June and July

### June Futures contract chart:





### Technical Commentary:

- Monthly chart formation shows market to trade range bound in the month of June with weak bias likely to continue.
- RSI is moving down in neutral region hints market to trade range bound in short and medium term.
- Volume, price and open interest are decreasing hints consolidation in the market.
- 

### Trading Strategy:

1170 the lower side is the capable support whereas 1250 holds importance as an immediate resistance. 1170-1250 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:

**We expect global wheat market to test \$6.40 per bushel level**, the nearest by support in July contract. Rains in Russia, Ukraine, Australia and wheat growing belt in the US have pressurize the wheat market. Corn prices too have decreased. However, feed demand for wheat is expected to support market at lower level-Bloomberg

**Global 2012/13 crop prospects remained mostly favourable during May**, but adverse conditions lowered harvest expectations in the EU, Russia and Morocco, contributing to a 5m. tons cut in the world production forecast, to 671m. (695m.). Higher than previously forecast feed use slightly raises the projection of world consumption but, at 681m. tons, it is still expected to be 7m. lower than in 2011/12-IGC

**Wheat prices in the Western Europe fell in line with the U.S. market as rain** in the black Sea region and Australia eased recent concerns about dry weather denting global wheat supply. Fears that Spain's banking system could fall victim to a euro zone debt crisis curbed buying across markets, although resulting weakness in the euro provided some background support for grain markets priced in the common currency.Reuters

**Morocco's wheat harvest should stand at around 3 million tonnes** this year, including 2 million tonnes of soft wheat, down sharply from a year earlier, the head of the country's agriculture industry group said on Wednesday. This would mean that wheat imports may rise by 50 percent from their level during the ongoing import calendar year, which starts in June and ends in May of the following year.FAO

**The Canadian Wheat Board, Western Canada's grain marketing monopoly**, said that the current strike at Canadian Pacific Railway Ltd.could delay at least 162,000 tonnes of grain shipments to buyers.The delay means the CWB, which is operated by the Canadian government and which will lose its monopoly on Aug. 1, will incur penalties for failing to deliver grain to waiting vessels on time.CWB

**The USDA's Wheat outlook showed that world wheat production in 2012/13** is projected to fall to 677.6 million tons, down 17.1 million, or 2.5 percent from last year's record of 694.6 million tons. Foreign wheat production is projected to decrease even more, down 23.8 million

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tons, or 3.7 percent compared to 2011/12. If realized, this year's wheat output would be the fourth largest in history, behind the record harvests of 2008, 2009, and 2011. USDA

**Though total world grain area is projected to increase, wheat area declines** slightly, by 0.2 percent, as wheat has become comparatively less attractive to producers in a number of countries (Argentina, Australia), and as winterkill and dryness take its toll in a number of others (EU-27, Ukraine).

**Output from the Australian wheat crop now being sown may be 24.5** million tons, with shipments in the year starting Oct. 1 set to be 18 million to 19 million tons, Johnson said. Abares in March forecast a harvest of 25.7 million tons, 13 percent below last year's record 29.5 million tons as the crop area was seen declining. Exports in the year from July 1 may total 21 million tons, from the record 21.2 million tons a year earlier. Aware

**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.

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### IGC Wheat Balance Sheet:

IGC/26.05.12	2007-2008	2008-09	2009-10	2010-11	2011-12 estimated	Million T	Projection for 2012-13
<b>Wheat</b>						<b>26/04/2012</b>	<b>24.05.12</b>
<b>Production</b>	607	685	679	653	695	676	671
<b>Trade</b>	110	137	128	126	143	135	136
<b>Consumptions</b>	603	645	652	657	688	680	681
<b>Carryover stocks</b>	132	173	199	195	202	206	191
<b>YOY ch.</b>	5	41	26	-4	7	-	-11
<b>Major Exporters</b>	47	69	78	72	71	70	62

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World wheat stocks at the start of 2012/13 are placed 8m. tons below the projection in April's report, mainly because of higher than previously estimated feed use in the past year. Reflecting



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lower stocks at the beginning of the season and a cut in the production forecast, carryover stocks at the end of 2012/13 are 15m. tons lower than last time, at 191m. (202m.).

Those in the major exporters are forecast to recede by 8.4m. tons, to 62.4m., including a draw-down from heavy opening levels in Australia, Kazakhstan and Ukraine. Reduced imports of feed wheat are expected to see world trade dip by 7.4m. tons from the anticipated 2011/12 record, to 135.7m. The share of global trade taken by Black Sea exporters may not be as high, with smaller crops seen restricting shipments by Russia and Ukraine. Export surpluses are expected to be smaller in the EU and Argentina, but increased production and reduced competition will likely boost sales by the US.source:IGC

### CBOT Futures Prices:

Month	Open	High	Low	close	Difference	Volume	O.I
Jul12	675.00	684.00	655.25	656.75	-23.25↓	66,972	211,669
Sep12	689.75	698.50	671.00	672.25	-22.25↓	19,580	54,174
Dec12	710.00	719.50	693.00	695.00	-20.50↓	19,298	117,613
Mar13	725.50	735.00	711.00	713.50	-17.50↓	2,677	21,203
May13	734.50	738.00	721.50	721.50	-16.50↓	557	6,048
Jul13	735.25	744.00	721.75	724.25	-15.00↓	3,184	11,712
Total Volume and Open Interest						112,598	429,226

### CBOT Wheat July Chart:



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### Market Analysis:

CBOT wheat future closed lower. It may trade higher in weeks ahead as market is near strong support level. However, US weekly sales report may provide market direction for next move. CBOT wheat July contract is expected to trade in the range of 640 to 680 cent per bushel.

### Indicative FOB Quotes:

	Variety	% Change over Prev. Year	(29.05.12)	Week Ago (22.05.12)	Month Ago (29.04.12)	Year Ago (29.05.11)
<b>USA (Chicago)</b>	RTRS 2srw	-4.75	281	278	263	295
<b>France</b>	FCW3	-3.32	291	287	274	301
<b>U.k</b>	Feed wheat	-1.68	293	289	271	298
<b>Canada (ThunderBay)</b>	Q2cw	-1.71	287	285	279	292
<b>Russia</b>	Milling grade	8.98	267	266	255	245
<b>Ukraine</b>	Milling grade	10.42	265	263	253	240
<b>Argentina</b>	Milling grade	-3.28	295	293	276	305
<b>Australia</b>	CWRS	-7.24	269	265.5	250	290

### Landed cost: as on 30.05.2012

Cost Component		Australia	USA	France	UK
FOB Value		269.00	280.00	293.00	299.00
Freight		55.00	60.00	60.00	62.00
Export tax		0.00	0.00	0.00	0.00
C&f Value		324.00	340.00	353.00	361.00
Int. charge for one month	0.01	3.24	3.40	3.53	3.61
Risk premium-risk of rejection at Indian port	10	10.00	10.00	10.00	10.00
C & F Value plus risk premium & int. charges		337.24	353.40	366.53	374.61
Landing charges	0.01	3.37	3.53	3.67	3.75
Landed cost at Indian port( USD/MT)		340.61	356.93	370.20	378.36
Landed cost at Indian port( NRI/T)	56.53	19254.82	20177.48	20927.14	21388.47
Port handling charges		800.00	800.00	800.00	800.00
Local transport		110.00	110.00	110.00	110.00
Warehousing charges (for 1 Month)		75.00	75.00	75.00	75.00
Transit Insurance		12.00	12.00	12.00	12.00
Gunny bags		500.00	500.00	500.00	500.00
Transit loss	0.05	9.25	9.25	9.25	9.25
Loading & unloading		200.00	200.00	200.00	200.00
Market price of wheat		20961.07	21883.73	22633.39	23094.72
profit margin	2%	419.22	437.67	452.67	461.89
Total cost		21380.29	22321.40	23086.06	23556.61

## **Wheat Monthly Report**

### **31<sup>st</sup> May 2012**

**Note:** The internal cost of marketing has been worked out in consultation with port and market experts to arrive at the actual market cost of imported wheat at **South Indian port(Kakinada)**. This calculation would help in finding out the feasibility of import/export.

#### **Weather Update:**

No major change in monsoon forecast has been viewed even in the month of May. India expects normal monsoon in the first phase of kharif season. 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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