



Executive Summary:

Despite freeze on wheat MSP area under wheat is unlikely to decline this year due to better price at the time of sowing, continuation of export and favourable weather condition for wheat sowing throughout the main growing regions. However, lower rainfall in non-major producing states like Gujarat, Karnataka and Tamil Nadu farmers may reduce wheat area as it requires more water than other cash crops like cotton, castor, cumin and spices. Experts in agri sector say that it is not going to impact overall area and production too.

Major wheat producing states like Punjab, Haryana, Rajasthan, Bihar, Uttar Pradesh and M.P. are expected to maintain area at previous year's level. As per preliminary estimates and sowing intention of farmers wheat production is expected to be over 91 million tonne in normal weather condition. Situation would be clearer with ongoing sowing progress. We expect overall area to be higher than last year (296 lakh ha.).

As stock is at higher level (40.57 million T as on 1st Nov.2012) against the required quantity 112 million T on January, 2013. If govt. continues to offload 30 lakh T wheat per month on an average for next five month starting from Nov., the total stock at March end would be 255.75 lakh T that will be almost 55 lakh T higher than last year's carry out. We assume 15 to 20 lakh T more wheat export in the remaining five months up to March 2013. As of now almost 3 million T wheat has been shipped out through Public and private channels.

Indian wheat will continue to fetch in the range of \$ 305 to \$320 per T on FoB basis as global market is likely to trade stable in the range of \$330 to \$350 per T in the month of Nov-Dec despite supply squeeze through black sea regions. Australia and US have still ample exportable surplus amid steady demand for feed grade wheat. Right now India remains the cheapest source of wheat in the world and buyers are likely to turn to India for ample availability and attractive prices.

Wheat prices in domestic market are likely to lose ground once again as govt is almost ready to offload 60 to 70 million T wheat in Nov and Dec months for OMSS. Likely higher release, better area coverage and increasing possibility of bumper crop may restrict market from getting firmer from current level. If govt. allows private trade (likely) to export from central pool stock, it will ensure stability in the cash market as is viewed by the private trade.

Weather is likely to remain favourable for wheat sowing in Nov. and we expect it to pick up after Diwali. Field preparation for sowing is on. Declining temperature is supportive for sowing activities. Sowing in Gujarat, Maharashtra has already started with slow pace. Overall wheat production scenario seems good so far.

Domestic Market Dynamics:

Month of October started with firm tone and it touched its high in mid October. Firmness in cash wheat market is attributed mainly to short supply in the cash market, restricted release from central pool and increased offtake by flour millers from cash market due to increased festive demand for wheat products. However, with continuous release for millers, lower export demand

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for export and uncertainty in global wheat market restricted firmness in domestic market. Besides, expected release of 6 to 7 million T to for OMSS in Nov and Dec, better production prospects once again could not allow wheat to go for bull run. Wheat is trading in the range of Rs1450 to Rs 1575 in various cash markets of producing states. However, it is ruling higher in non producing states.

Scenario for cash wheat market in near months is not very supportive as govt. is planning to offload more wheat in the domestic market as more space is needed for paddy. In brief we can say that major player is govt. for domestic wheat market as maximum wheat is under its custody. We expect market to trade steady in the near term, it may dip from current level with expected release sooner.

India's Wheat Balance Sheet:

All units in million tonnes	2009-10	2010-11	2011-12	2012-13*
Carry in	13.42	16.12	20.43	26.33
Production	80.80	86.81	93.90	91.00
Imports	0.15	0.00	0.00	0.00
Total Availability	94.37	102.93	114.33	117.33
Consumption	78.15	81.00	83.50	84.50
Exports	0.10	1.50	4.50	5.00
Total Usage	78.25	82.50	88.00	89.50
Carry out	16.12	20.43	26.33	27.83
Av Monthly Consumption	6.51	6.75	6.96	7.04
Stock to Month Use	2.48	3.03	3.78	3.95
Stock to Consumption Ratio	0.21	0.25	0.32	0.33

Note: * We have assumed private stock of around 1 million T for 2012-13 carryout

As the above given balance sheet shows total availability and carry out for next year will increase despite lower production estimate (preliminary) around 91 million T. India can easily export at least 60 million T wheat from govt's stock to maintain the carry in stock at 2011-12 level. Higher carryout stock is due to record production in 2011-12. Higher export will not affect the domestic availability or even prices if releases through OMSS is maintained on the basis of supply-demand gap for different zones. India is at very comfortable stage on stock front and should avail the benefit of favourable global prices. Av monthly consumption, stock to month use ratio and stock to consumption ratio too are continuously increasing despite higher export figure as depicts the above given table.

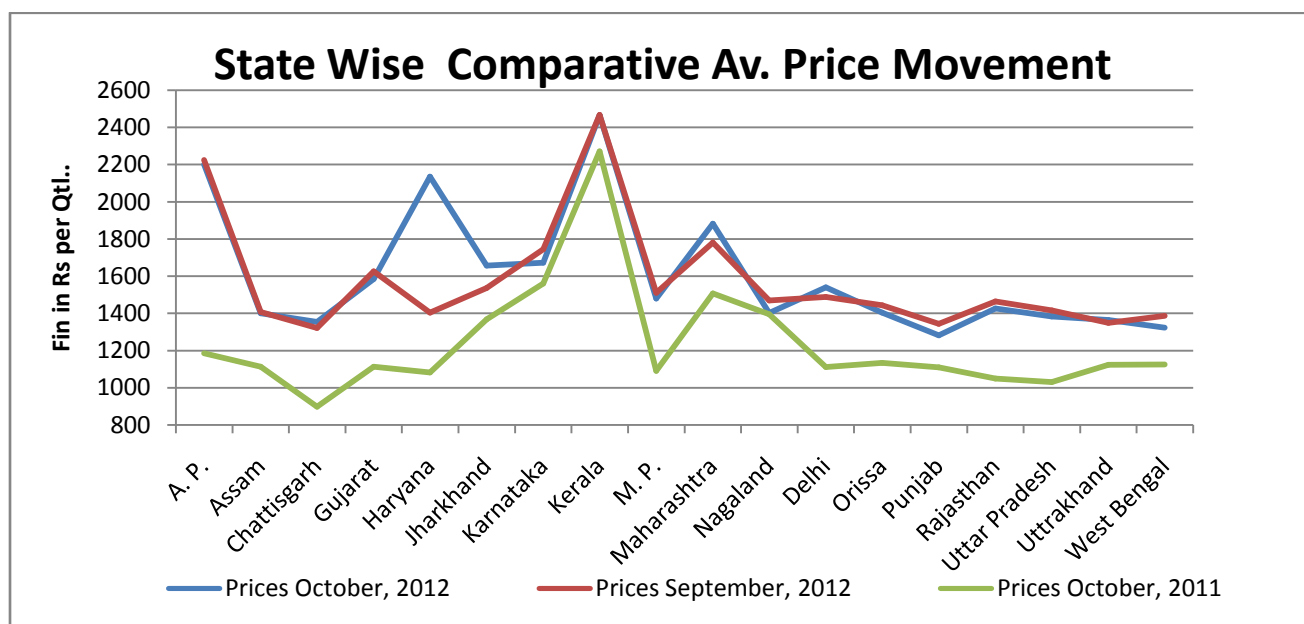
India's Wheat Production in Global Context:-

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Year	World Production in million ton	Indian Production in million ton	India's % share in global wheat production
2001-02	584	72.77	12.46
2002-03	569	65.76	11.56
2003-04	555	72.15	13.00
2004-05	627	68.64	10.95
2005-06	619	69.35	11.20
2006-07	596	75.81	12.72
2007-08	607	78.57	12.94
2008-09	685	80.68	11.78
2009-10	679	80.8	11.90
2010-11	651	85.93	13.20
2011-12	696	93.9	13.49
2012-13 E	662	91	13.74

Indian wheat production share in global wheat production has been increasing steadily buoyed by good monsoons, adequate procurement on higher MSP and increasing possibility of higher export. Global production has seen dips more often due to changing weather patterns especially in United States of America, Australia and Russia. The US, Australian and Russian production remains the major price driving force in the global wheat market. The government holding of wheat stocks has been increasing each year and now stands at close to more than a third of the production. This has bearing on the private stock availability for domestic and international trade. Production figure for 2012-13 is preliminary estimate and may vary depending on price, weather condition and other seasonal factors. Agri experts expect over 91 million T production this year too under normal weather condition.

Wheat price movement during month of Sept. & Oct 2012:



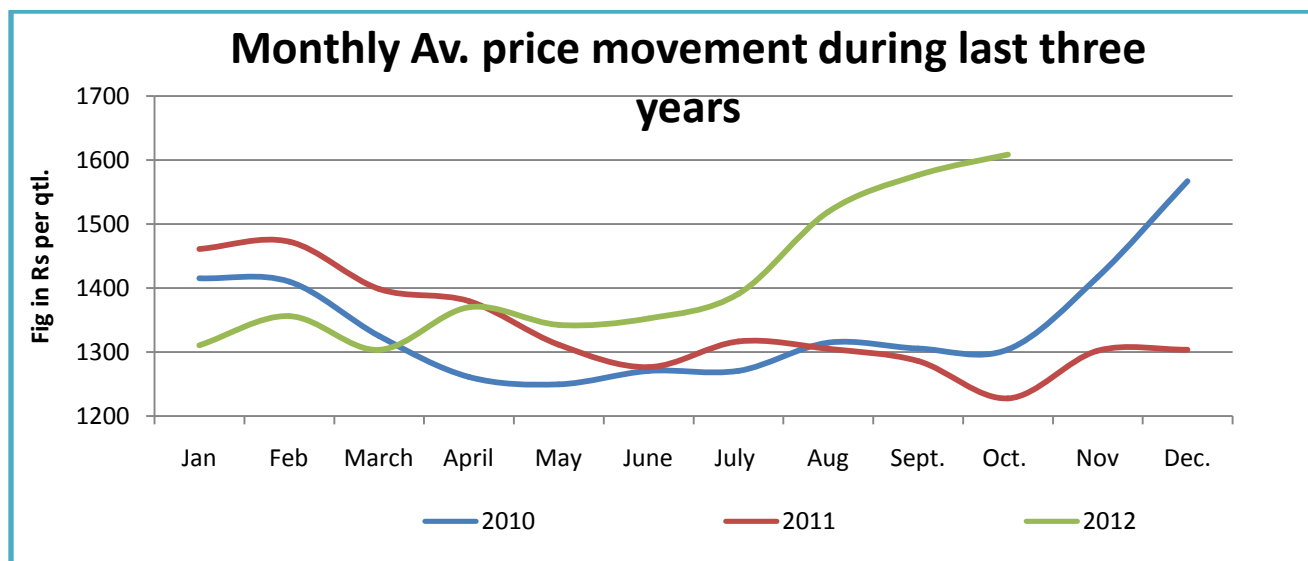


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State wise Av.price table:

Fig in Rs per Qtl.	Prices October, 2012	Prices September, 2012	Prices October, 2011
A. P.	2200	2225	1185.42
Assam	1401	1406.56	1112.5
Chattisgarh	1353.33	1321.63	896.64
Gujarat	1583.82	1626.47	1112.15
Haryana	2135.7	1404.17	1081.93
Jharkhand	1657.42	1535.41	1368.09
Karnataka	1672.48	1745.16	1560.52
Kerala	2466.67	2467.31	2271.43
M. P.	1479.58	1510.1	1090.58
Maharashtra	1881.47	1780.76	1506.27
Nagaland	1402.18	1469.07	1395
Delhi	1539.76	1487.98	1111.56
Orissa	1404.32	1442.56	1132.88
Punjab	1280.69	1343.81	1110.02
Rajasthan	1425.16	1463.68	1049.22
Uttar Pradesh	1382.52	1415.5	1029.63
Uttrakhand	1363.15	1348.61	1122.74
West Bengal	1323.27	1385.78	1123.85

Wheat average monthly prices movement during last three years:



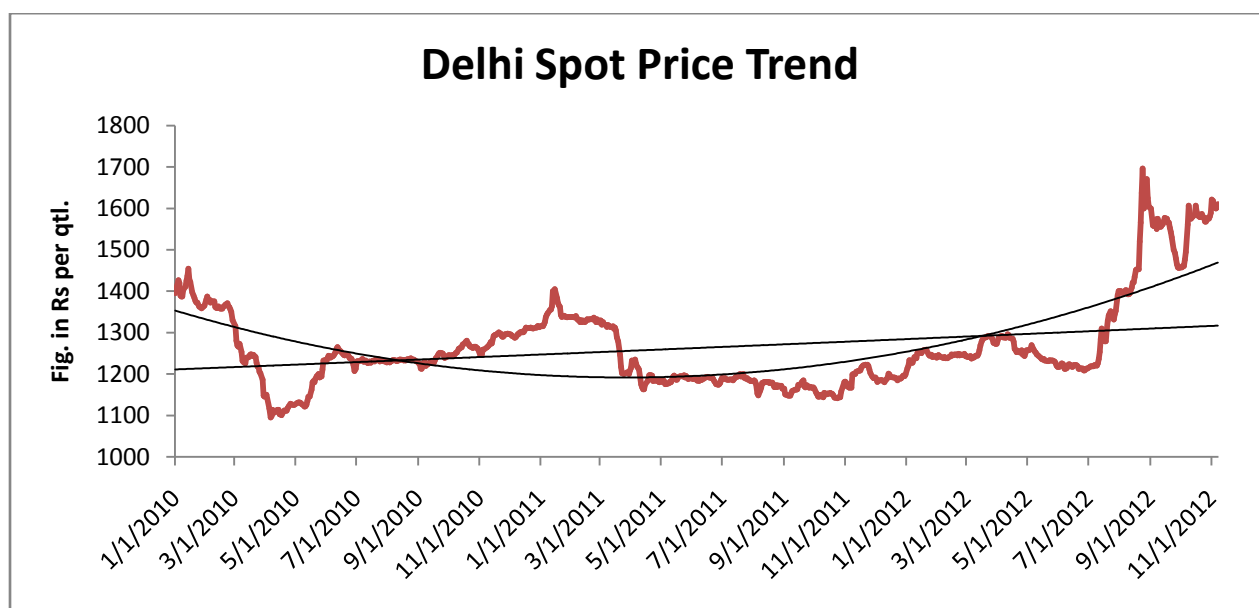
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Av. Wheat price this year has been ruling considerably higher than 2010 & 2011. The price gap started to build up from April mainly due to Higher MSP. The gap further widened due to higher procurement by the govt's agencies. Private trade participation declined and after the end of procurement season i.e. July onward supply crunch in domestic market supported prices to get more firmer as maximum millers dependency increased on govt.'s stock. Stock in private hands continued to decline despite continuous release from central pool. More wheat supply is needed immediately to stabilize the market. Even private trade active buying for export from domestic market helped price to shoot up. The above given line chart of Av price shows the same trend.

Av. price table for last three years:

Month/Fig in Rs /qtl.	2010	2011	2012
Jan	1414.96	1461.13	1310.58
Feb	1409.7	1472.36	1356.04
March	1324.77	1398.34	1303.16
April	1260.9	1379.2	1369.94
May	1249.17	1311.18	1342.35
June	1270.37	1276.19	1352.62
July	1270.56	1316.35	1390.78
Aug	1314.41	1304.93	1519.17
Sept.	1305.25	1285.76	1576.64
Oct.	1303.78	1227.38	1608.47
Nov	1416.94	1301.89	
Dec.	1567.1	1303.56	

Delhi spot market price trend:



Delhi spot market price are ruling higher and due to restricted offloading and delayed decision on Nov- Dec allocation cash as well as future market continue to get support. However we



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expect prices to come down with final decision on allocation schedule. In current scenario any drastic fall is unlikely as cash market is running short supply amid lean season.

Stock status with govt. and with farmers and traders:

Stock With Govt. Agencies	Stock ith Govt. Agencies	Marketable surplus With farmers	Stock with traders
June-12	48.79	4.5	0.9
July-12	49.80	2.5	0.7
August-12	47.52	1.5	0.5
Sept-12	46.16	1.2	0.4
Oct-12	43.15	1.0	0.3
Nov-12	40.5	1.0	0.2

Source: FCI and traders, Fig in million T

The above given table shows that maximum stock is in govt.'s godowns. Even farmer's stock too has come down to 1.0 million T. It is lower by 5 lakh T from previous year till date as higher prices encourage them to sell more in the month of Oct. and August. Traders have minimum stock this year as they have shipped out maximum this year.

Wheat coverage area& expectation for 2012-13 as per pre-sowing intention of farmers:

(Area : ' 000 Hectare)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Andhra Pradesh	10	9	14	10	10	10.6	11
Arunachal Pradesh	4.0	3.6	3.3	3.2	3.7	3.6	3.4
Assam	60	56	50.1	58.4	44.8	50	56
Bihar	2049.7	2162.5	2158.3	2193.3	2103.5	2133.46	2316
Chhattisgarh	91.5	93.3	89.9	112.2	110.8	107	112
Gujarat	1201	1274	1091	878	1274	1230	990
Haryana	2376	2462	2462	2492	2515	2815	2659
Himachal Pradesh	362.2	366.6	360	352.5	357.2	355	360
Jammu and Kashmir	260	278.3	278.7	288.9	290.7	280	295
Jharkhand	84.3	86.3	99.9	99.7	96.4	105.41	105.86
Karnataka	269	276	269	283	255	234	220
Madhya Pradesh	3992.8	3742.3	3785.2	4275.9	4341	4198	4440
Maharashtra	1231	1253	1022	1081	1307	1125	1250



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Manipur	-	-	-	-	2.1		1
Meghalaya	0.6	0.6	0.4	0.4	0.4	0.5	0.4
Nagaland	1.5	1.5	1.4	2	3.1	1.9	2
Odisha	3.9	5.6	5.3	4	2.9	4	4.2
Punjab	3467	3488	3526	3522	3510	3550	3578
Rajasthan	2564.8	2591.8	2294.8	2394.2	2479.2	2935	2800
Sikkim	6.5	4.5	5.8	5.2	2.7	3.1	4
Tamil Nadu	-	-	-	-	0.1	-	0.2
Tripura	1.0	1	0.6	0.7	0.3	0.2	0.3
Uttar Pradesh	9197.6	9115	9513	9668	9637	9656	9650
Uttarakhand	391	397	398	395	379.2	379.5	380
West Bengal	350.6	352.6	307	315.9	316.8	324	325
Dadra and Nagar Haveli	0.6	0.6	0.6	0.7	0.1	0.1	0.2
Delhi	17.9	17.5	17.1	21.3	25.6	29	30
Others	32.1	-	-	-	-	-	
India	27903	27945.3	27753.4	28457.5	29068.6	29530.37	29593.56

Area under wheat has been continuously increasing from last 5 years and this year too higher coverage is expected marginally on back of higher prices at the time of sowing. However, it is preliminary estimate and may vary by 1 to 2 percent minus /plus with space of time .

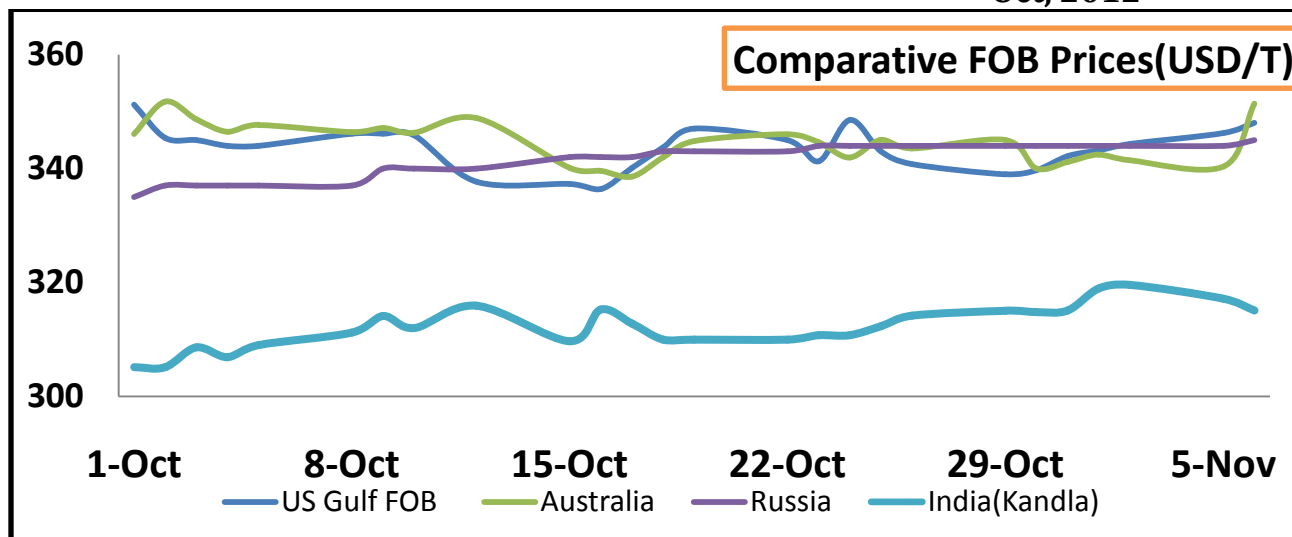
Required foodgrains under buffer norm:

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

Expected Price Range For Current month:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market (Steady)	Rs 1550-1600
Future market (Dec Contract) Steady to range bound	Rs 1550-1600

Major Countries FOB Comparison (USD/T):



Comparative quotes by CPSU and private trades:

Tenders date	Opening Date/Closing Date	CPSU	Name of Port	Qty(MT)	USD/T(Tender Bid)	CBOT Dec (USD/T)	KANDLA FOB Cost for Private A/c
13.07.12	03.08.12	STC	Mundra	100000	302.50	332.04	295.00
		PEC	Kandla	90000	296.68		295.00
25.07.12	16.08.12	PEC	Krishnapatnam	60000	308.00	323.95	298.00
07.08.12	21.08.12	MMTC	Pipava	35000	301.00	338.74	304.00
03.08.12	24.08.12	STC	Chennai	40000	311.11	326.43	316.90
13.08.12	10.09.12	PEC	Kandla	125000	313.50	326.89	313.00
23.08.12	13.09.12	PEC	Krishnapatnam	70000	316.01	331.39	314.75
27.09.12	27.09.12	PEC	Karaikal	30000	308.00	314.31	310.80



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18.09.12	09.10.12	STC	Chennai	40000	305.00	317.53	314.11
19.19.12	09.10.12	MMTC	Kakinada	50000	308.25	317.53	314.11
28.09.12	19.10.12	PEC	Krishnapatnam	100000	310.00	320.56	310.00
3.10.12	19.10.12	STC	Mundra	150000	311.75	320.56	310.00

Wheat export under public and private account:

Wheat export under OGL	Wheat (Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Oct-11	1.3	215.90	242.79
Nov-11	1.8	225.41	234.05
Dec-11	1.35	230.79	228.41
Jan-12	1.05	237.07	237.73
Feb-12	0.8	239.53	240.81
Mar-12	0.9	244.02	241.00
Apr-12	1.15	236.89	235.13
May-12	2.55	252.15	236.73
Jun-12	3.45	256.64	245.82
Jul-12	3.1	296.12	318.27
Aug-12	3.75	310.07	328.89
Sep-12	2.5	314.48	327.44
Oct-12	3.75	312.38	318.41
Total	27.45		

International Trade Scenario & outlook:

Ukraine had increased the wheat exportable surplus to 5.5 million tonnes for this season starting from 1 July 2012. So far it is expected that Ukraine has exported 4.5 million tonnes since July 1 2012.

US and EU Sanction hit Iran has imported wheat from 7 countries. According to the Iran Deputy Minister for Industry and Trade, Iran has purchased 50,000 tonnes from Germany and 359,900 tonnes from Russia between July and September 2012.

Kansas State of US has completed 99% of winter wheat planting. The emerging crop's condition as 13 percent poor to very poor, 50 percent fair, 35 percent good and 2 percent excellent.

Wheat futures (CBOT and KCBT) are trading higher, supported by a lower-than-expected rating of the U.S. winter-wheat crop from government analysts. Chicago Board of Trade futures for

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December delivery are up 5 cents, or 0.6%, at \$8.69 1/2 a bushel. Kansas City Board of Trade December wheat is up 4 1/2 cents, or 0.5%, at \$9.08 1/2 a bushel. MGEX December wheat is up 3 cents.

According to the ministry, Ukraine has exported 4.06 million tonnes of wheat so far this season, including 1.44 million tonnes in October and 1.32 million tonnes in September. It is expected that Ukraine might export 5-5.5 million tonnes before enforcing formal ban.

Egypt has bought 300,000 tonnes of wheat from France, Romania and Russia. 60,000 tonnes of Romanian wheat from Ameropa at USD 355.88/T CNF, 120,000 tonnes of Russian wheat from Glencore at USD 356.50/T CNF, 60,000 tonnes of French wheat from Bunge at USD 353.61/T CNF Basis. Iran has bought 50000 MT of standard milling wheat from Germany for November delivery.

The harvest of Wheat in Australia has shown good quality of wheat but lower yields. Western Australia is expected to produce 5.5-6.5 million tonnes of wheat as compared to 11 million tonnes last year. Although Australian government has pegged it total production at 22.5 million tonnes but it very likely that it will be around 21.5 million tonnes.

Global wheat production is expected to decline to 658.73 MMT against 695.69 MMT estimated last year. Weather remains key factor to influence wheat prices. Further shortfall in any region may drive prices higher than current expectation.

IGC balance sheet:

	2007-2008	2008-09	2009-10	2010-11	2011-12 estimated	Million T	Projection for 2012-13
						29/09/2012	25.10.2012
Production	607	685	679	653	694	657	655
Trade	110	137	128	126	145	132	132
Consumptions	603	645	653	659	692	679	679
Carryover stocks	132	173	199	194	196	175	172
Y-O-Y change	5	41	26	-6	-6	-22	-24
Major Exporters	47	69	78	73	73	51	50

IGC highlights:

- **Wheat sentiment remains generally bullish, underpinned by evidence of very thin export supplies in the Black Sea region.**
- **Lower yields in the EU and Kazakhstan, as well as deteriorating crop prospects in Argentina and Australia, reduce the forecast for world production to 655m t.**

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- Global feed use is forecast to fall sharply, and world carryover stocks are placed 3m t lower than before, at 172m, with those in the major exporters at a five-year low.
- Export forecasts have been cut for the US and Australia in favour of bigger shipments by Russia and India.

Indicative FOB Quotes:

	Variety	% Change over Prev. Year	Today (7.11.12)	Week Ago 31.10.12	Month Ago (October)	3 Months Ago (Aug)	Year Ago (Nov)
USA (Chicago)	RTRS 2SRW	22.59	347.60	342.20	346.10	339.00	268.00
France	FCW3	17.90	351.40	343.00	336.00	323.00	284.00
United Kingdom	Feed wheat	20.99	351.40	341.00	323.30	298.20	274.00
Australia	CWRS	28.60	341.07	341.14	346.39	346.10	243.00
Russia	SRW	29.65	345.00	344.00	336.00	320.00	242.00
Canada(SPOT)	Q2FW	17.72	300.20	305.90	304.40	293.00	247.00
Ukraine	SRW	29.64	342.50	342.50	334.00	317.50	241.00
Argentina	SRW	28.47	345.00	345.00	340.00	325.00	245.00

Comparative monthly average FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1st July-12	1st Aug-12	1st Sept-12	1st Oct-12	6 Nov
USA	293	335.00	338.60	351.20	346.20
France	295	317.40	335.60	339.10	345.90
United Kingdom	285	294.30	323.30	324.20	346.80
Australia	305.33	350.42	344.42	346.02	340.33
Russia	301	298.50	312.50	335.00	344.00
India	272	303.00	314.97	307.46	317.15

USDA global balance sheet:

USDA Global Wheat Balance Sheet: 2011-12 Fig.in MMT–(Updated on 25 October 2012)							
Country	Opening stock 2012-13	Production projected 12-13	Domestic consumption (2011-12)	Import 12-13	Export 12-13	Ending stock 11-12	Production last year
USA	20.21	61.67	36.41	3.58	31.29	17.80	54.41
Canada	5.88	26.7	8.35	0.40	19	5.62	25.26
Australia	6.25	23	6.53	0.12	18	4.48	29.5
Argentina	.962	11.50	6	.005	5.5	.97	15

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Russia	10.44	38	35	1	9	5.43	56.23
China	58.46	118	122	1.5	1	54.94	117.92
EU	13.63	131.58	125	5.5	16.5	9.21	137.39
Ukraine	5.16	15.5	12.30	0.1	4	4.46	22.12
Pakistan	3.45	23	23.2	0.2	0.8	2.65	24.2
India	19.95	93.9	85.9	0	5.5	22.45	86.87
Others	53.75	110.11	221.64	123.53	20.27	44.58	126.12
World total	198.17	653.05	682.33	134.99	130.87	173.00	695.04

USDA Global Wheat Balance Sheet: 2011-12 Fig.in MMT--(Updated on 25 October 2012)							
Country	Opening stock 2012-13	Production projected 12-13	Domestic consumption (2011-12)	Import 12-13	Export 12-13	Ending stock 11-12	Production last year
USA	20.21	61.67	36.41	3.58	31.29	17.80	54.41
Canada	5.88	26.7	8.35	0.40	19	5.62	25.26
Australia	6.25	23	6.53	0.12	18	4.48	29.5
Argentina	.962	11.50	6	.005	5.5	.97	15
Russia	10.44	38	35	1	9	5.43	56.23
China	58.46	118	122	1.5	1	54.94	117.92
EU	13.63	131.58	125	5.5	16.5	9.21	137.39
Ukraine	5.16	15.5	12.30	0.1	4	4.46	22.12
Pakistan	3.45	23	23.2	0.2	0.8	2.65	24.2
India	19.95	93.9	85.9	0	5.5	22.45	86.87
Others	53.75	110.11	221.64	123.53	20.27	44.58	126.12
World total	198.17	653.05	682.33	134.99	130.87	173.00	695.04

CBOT Future chart:



The nearest by support is \$8.50 per bushel while nearest by resistance is \$9.20 per bushel. Breaching either side may drive the market in the respective same direction. CBOT market is

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likely to trade in the range of \$8.5 to 9.5 per bushel in August. In \$ term we can say the CBOT market may move in the range of \$305 per T (the lower support) and \$ 336 per T,

Wheat Top Exporter (Exports in Million Tonnes):-

	United States	Russia	Canada	Australia	Ukraine	Argentina	Kazakhstan	Turkey	India
2000/2001	28.90	0.70	17.32	15.93	0.08	11.33	3.97	1.60	1.57
2001/2002	26.19	4.37	16.27	16.41	5.49	10.28	3.98	0.75	3.09
2002/2003	23.14	12.62	9.43	9.15	6.57	6.80	6.24	0.79	4.85
2003/2004	31.52	3.11	15.84	18.03	0.07	9.47	4.12	0.84	5.65
2004/2005	29.01	7.95	14.87	14.72	4.40	11.90	3.08	2.02	2.12
2005/2006	27.29	10.66	16.02	16.01	6.46	9.64	3.95	3.21	0.80
2006/2007	24.73	10.79	19.43	8.73	3.37	10.72	8.16	2.38	0.09
2007/2008	34.36	12.55	16.12	7.49	1.24	11.21	7.92	1.72	0.05
2008/2009	27.64	18.39	18.88	14.75	13.04	6.79	6.15	2.24	0.02
2009/2010	23.93	18.56	19.04	14.83	9.34	5.10	8.25	4.27	0.06
2010/2011	35.08	3.98	16.58	18.66	4.30	9.49	4.86	3.02	0.07
2011/2012	28.56	21.60	17.50	24.00	5.30	11.80	11.00	3.67	0.75
2012/2013	32.66	8.00	19.50	21.00	6.00	5.50	7.00	3.20	4.50

Overall view:

Global Update And Outlook:

- Global wheat prices are likely to trade range bound in the weeks ahead as fear of lower supply from black sea region eased due to one million tonne marketable surplus with Ukraine still exists.
- Improved weather condition in US too has restricted price to get firmer.
- Australia and Canada too have ample stock to feed the increasing demand from feed industries.
- US too has ample exportable surplus. Tough competition in global wheat market too is restrictive phenomenon to the wheat price.

Domestic Update And Outlook:

- Cash wheat market is likely to trade steady to slightly lower on the increasing possibility of higher allocation.
- Higher area coverage and prospects for bumper production govt.'s allocation strategy are expected to remain price limiting factors.

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