

Executive summary:

Wheat cash and future markets continued to rule firm during the week under review despite higher area coverage and increased offtake from govt.'s granary in January first week. Wheat production is expected to cross 85 million tonnes once again under normal weather conditions. Acreage may touch last year's level (294 lakh ha.) and better yield is expected.

Export opportunity from India is bleak due to higher disparity at current market prices. Stock in private hands is declining fast and dwindling arrivals is supportive to the market fundamentals in the short term. Despite firmness in overseas markets, countries like Russia, Ukraine, Australia- the main competitors for India in respect of soft wheat (feed grade), quote cheaper and out price India for most destinations including Bangladesh. Export demand in February and March is expected to remain sluggish.

In domestic markets, one sided rally is unlikely as supply from govt.'s granary is continuously increasing. Also diversion of wheat meant for PDS may restrict market to trade unevenly in weeks ahead. Market should either stabilize at current level or inch up in a limited range this week.

Domestic Market Fundamental:

Prices of wheat in various markets have improved as expected due to higher demand from bulk users like millers. Rake loading from Rajasthan to south India continues with minimum margin of one percent. As on 6th January area under wheat coverage touched 284 lakh ha even as sowing is under progress in Bihar and Uttar Pradesh. Final sowing figure will be known in the third week of January. Weather conditions in February and March will be a driving force for final output and abnormal temperature will impact yield. However, under normal weather conditions we may expect a better crop year once again.

Price Trend in Various Markets:

Wheat prices at different centers have increased during the week under review as the table below depicts. Average prices of wheat in Gujarat, Haryana, Jharkhand, M.P., Delhi, Punjab, Uttar Pradesh and West Bengal have gone up in comparison to last week and going by current trend, it is likely to go up further based on demand. However, prices of wheat have decreased slightly in states like Chhattisgarh, Karnataka and Rajasthan to some extent. Lean season, improved demand and lower arrivals from private trades are supporting prices at current level.

Moreover, MSP of wheat has been fixed at higher side Rs 1285 per qtl. and the new crop is two and a half months away. So cash market is moving towards the MSP level despite higher area coverage and ample stock in govt.'s granary. Decrease in prices at some states are attributed mainly to higher supply and lower than expected demand.

State	Prices 01-08 Jan 2012	Prices 24-31 Dec 2011	Prices 16-23 Dec 2011	Prices 01-08 Jan 2011	% Change(Over Previous Week)
Chattisgarh	1136.93	1140.23	1213.24	1264.9	-0.29
Gujarat	1246.22	1242.6	1179.63	1434.96	0.29
Haryana	1124.24	1087.97	1086.88	1276.56	3.33
Jharkhand	1365.99	1359.43	1340.52	1470.98	0.48
Karnataka	1412.37	1543.5	1353.99	1794.09	-8.5
Madhya Pradesh	1176.91	1145.65	1147.12	1321.88	2.73
Delhi	1208.28	1163.32	1158.33	1350.73	3.86
Punjab	1140	1135.24	1140.58	1193.45	0.42
Rajasthan	1110.95	1116.98	1096.76	1267.21	-0.54
Uttar Pradesh	1044.23	1020.34	1036.58	1172.67	2.34
West Bengal	1118.51	1103.57	1097.42	1262.14	1.35

Zone Wise Wheat Stock position: As on 01.01.2012

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

Due to seasonal demand wheat stock at various zones has decreased from previous month and it will continue to decline in the weeks ahead. Millers and medium users are sourcing wheat from Govt.'s stock as arrivals from private stock have declined considerably. As on 1st Jan-2012 total wheat stock in govt.'s granary stood 256.76 lakh tonnes. We expect 20 lakh tonnes offtake in Jan and Feb each. This means carryout stock will be higher than last year by four million tonnes.

Stock in India is ample and has been increasing for the last three years on account of bumper production led by favourable weather and higher area coverage. Even after meeting the proposed food security obligations (likely to be implemented 1st April this year) India should have exportable surplus in the range of 2 to 3 million tonnes if normal weather conditions prevail.

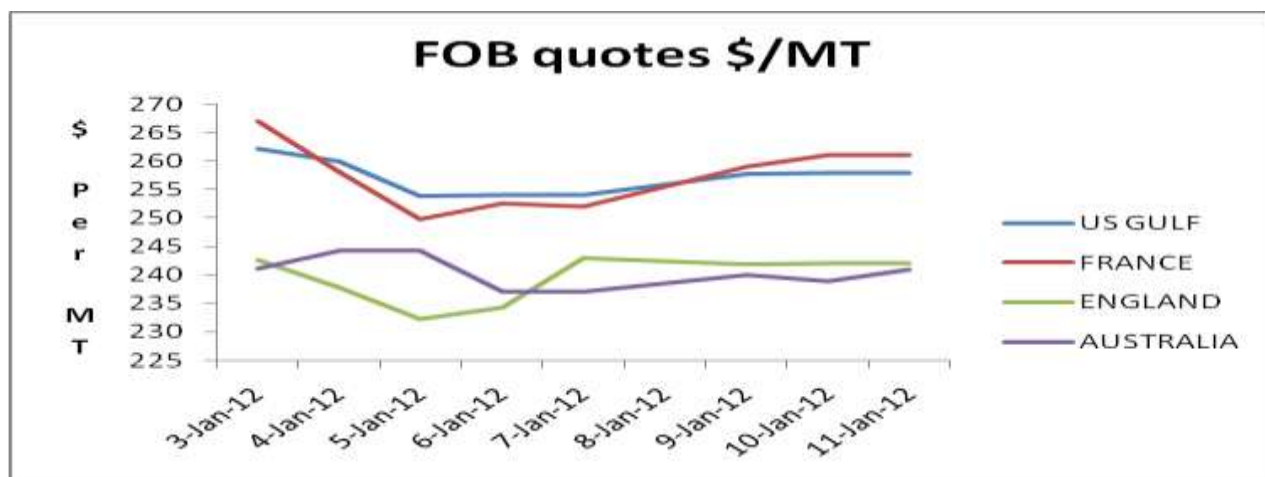
FOR Prices of Indian wheat at Gujarat Ports:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)
FOR (Rs/ton)	12700	12650	13225
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500
Indian FOB (Rs/MT)	13700	13650	14225
Indian FOB (USD/MT)	264	263	274
Insurance @ 0.1%	0.26	0.26	0.27
Freight Charges (US \$/ton) to Chittagong	20	20	20
CIF (kandla to Chittagong)	285	284	295
INR	51.84	51.84	51.84
Russian Wheat FOB (USD/MT)	237	237	237
Parity on FOB Basis (USD/MT)	-27	-26	-58

Note:* CIF for same destination

Above table of FOR prices denotes clear disparity from various centers for export. Russia and Ukraine are able to supply at cheaper rates. As prices in domestic market are on the rise, disparity gap may widen further and will make export unfeasible in weeks ahead. Ample supply and stock in world market continue to out price Indian wheat despite some improvements in prices during recent weeks.

FOB Quotes For World Soft Wheat During The Week:



FOB quotes during the week have been on the rise on weather concern and dry weather in Argentina. However, recent rains in Argentina, better production prospects in major growing countries and ample stock world over weigh on market. We expect prices to stabilize at current level or dip slightly on higher stock expectation in US and lower demand for feed grade wheat.

Expected Price Range for Current Week:

Market	Rs/per qtl.
Cash market	Rs 1230-1250
Future market	Rs1260-1300

Wheat Price Trend Review – Delhi Spot


As evident from the chart 1247 level is currently a good resistance level breaching the same will take the wheat prices to the next resistance level of 1265 level. Good support can be seen at 1230 -1235 levels. Overall wheat prices are expected to remain firm.

Future market:

Commodity: Wheat future Chart:

Contract: Feb.

Exchange: NCDEX

Expiry: Feb. 20 2011



Technical Commentary:

- Candle stick chart formation shows market to be under consolidation phase.
- RSI moving up in neutral region hints firmness to continue in the future market.
- Increasing volume, price and open interest hints market to be on long build up state.

Trading Strategy: 1265 the lower side is the capable support whereas 1300 holds importance as an immediate resistance. 1265-1300 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

International Developments and Impact:

US wheat futures ended mixed as market tracks flat corn prices with traders bracing for Thursday's big USDA reports. Traders are likely to be cautious until they are released. Traders are watching ongoing South American rains to see how much they will help the corn and soy crop. Pressure from the rains has offset by outside market support, including higher equities and a weaker dollar. Weak export demand limits.

Syria's state grains agency has rejected all offers and made no purchase in an international tender to buy 100,000 tonnes of soft milling wheat, European traders said on Tuesday. Prices were said to be too high- Reuters

A La Nina weather year can also cause dry conditions in the U.S. grain belt. A severe drought in the United States in 2012 could sharply reduce global food and fuel supplies and give a big lift to grain.-CME

Russia's FOB prices of ordinary milling wheat with 11.5 percent protein content rose to \$237 per tonne at Black Sea ports from \$236 the week before, while wheat with 12.5 percent protein content rose to \$243 per tonne from \$242.-Bloomberg

Australian 2011/12 wheat production is projected 2.3 million tons higher this month at 28.3 million, the largest wheat crop in the country's history. Wheat production for the previous 2010/11 crop year is also revised up 1.9 million tons to 27.9 million, the second-highest on record, the highest in a decade-Abare

World global wheat production forecast for 2011/12 soared 5.7 million tons this month to 689.0 million, to exceed the record of 2009/10 by 3.5 million tons and surpassing the global record yield of 2008/09 by 0.07 tons/hectare- USDA

Price trend In CBOT: March Contract:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (10.01.12)	WeekAgo (04.01.12)	MonthAgo (12.12.11)
March'11 (\$/MT)	7.66	235.04	238.81	218.33
March'12 (INR/MT)	7.66	12137.68	12332.15	11274.43
May'12 (\$/MT)	7.33	242.12	248.36	225.58
May'12 (INR/MT)	7.33	12502.90	12825.43	11649.14
July'12 (\$/MT)	7.69	248.18	251.30	230.45
July'12 (INR/MT)	7.69	12815.95	12977.21	11900.52
Sept'12(4/MT)	7.59	255.25	257.18	237.25
Sept'12 (INR/MT)	7.59	13181.17	13280.78	12251.52

CBOT Chart:



Wheat market may bounce back from this level as it is touching its low. Immediate support is 580 cent per bushel whereas nearest by resistance is 620 cent. Drifting either side may drive market in respective same direction.

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