

Executive summary:

Domestic wheat at major trading centers continued to rule under pressure on reports of higher area coverage and conducive weather during the week under review. The firm sentiments that were witnessed in the beginning of the week could not sustain as supply from govt.'s stock continued to ease pressure forced by dwindling arrivals from private stock. Supply side is expected to remain ample in weeks ahead and therefore, no major spike in wheat prices is likely in the weeks ahead. Wheat may trade sideways in the range of Rs 1240 to 1275 per qtl. in major markets.

Wheat area is likely to remain at previous year's levels with continued sowing in Bihar and Uttar Pradesh.. As on 6th January all India coverage under wheat was registered at almost 284 lakh ha. against 283.23 lakh ha. in the corresponding period last year. Favourable weather, comparatively higher area coverage and easily available fertilizers paint a bumper wheat production prospects.

As usual, export market for India has not been congenial so far due to cheaper availability of wheat in the international market and we expect the same conditions will continue in months ahead.

Interstate trading continues mostly from Rajasthan and M.P. to south Indian states with a minimum margin of 1%. Offtake from Govt.'s granary is continuously increasing and it will continue to ensure ample supply even in the lean season.

Domestic Market Fundamental:

Market fundamentals for wheat remain weak and pressure is likely to continue on cash and futures markets as wheat meant for PDS and various welfare schemes maybe entering the market apart from the higher release through OMSS. Export demand for Indian wheat is negligible as major exporters like Russia, Ukraine and Australia are offering wheat at very competitive price. Supply side is expected to remain higher as govt. will continue to release wheat through various channels at fixed rate in weeks ahead. Recent rains will not only ensure better tilling but also help to enhance higher yield for early sown varieties, especially in Gujarat, Haryana and Punjab. Market participants say that prices should stabilize at current level for short to medium term.

Export Scenario:

Export scenario is not favourable for India as prices in the international market are ruling below expectation. Major exporters like Australia, Russia, Ukraine and Argentina are selling wheat at very competitive prices and are dominating the world wheat market with cheaper quotes. There is a little possibility of firmness in the international market in the near future as of the availability of exportable surplus is good and will cap uptrend. Wheat export from India will remain at lower side and may be limited to Bangladesh and Malaysia at commercial level.

FOR Prices of Indian wheat at Gujarat Ports:

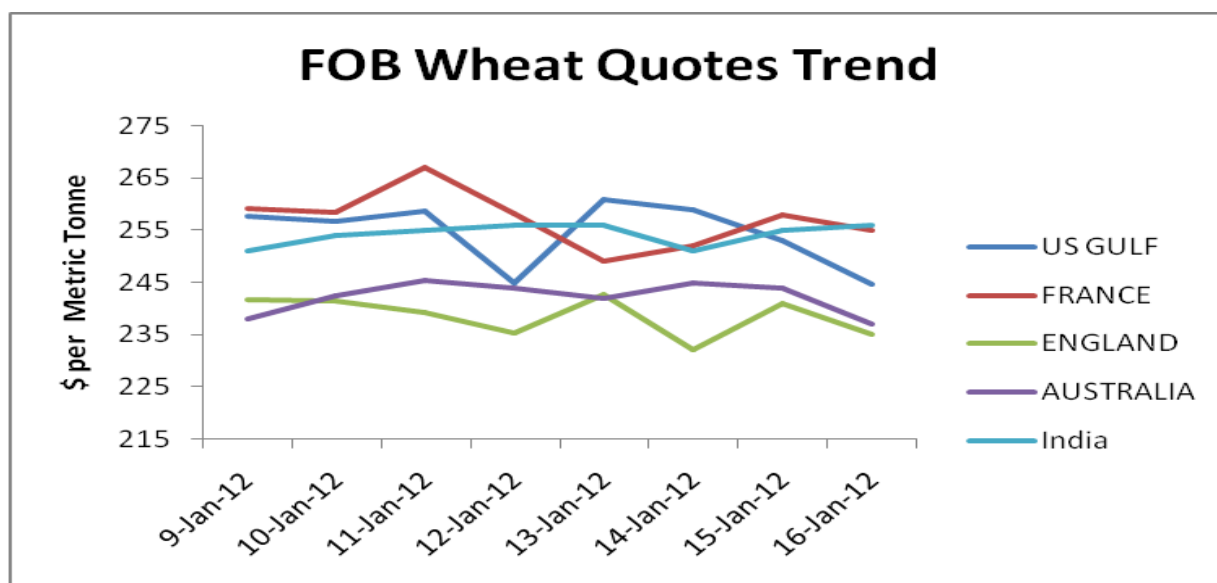
Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	12900	12800	13500	12750
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	500	500
Indian FOB (Rs/MT)	13900	13800	14500	13500
Indian FOB (USD/MT)	270	268	281	253
Insurance @ 0.1%	0.27	0.27	0.28	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	290	288	302	274
INR	51.51	51.51	51.51	51.51
Russian Wheat FOB (USD/MT)	237	237	237	237
Parity on FOB Basis (USD/MT)	-33	-31	-44	-16

Note:* CIF for same destination

Parity remains negative:

Parity from Gujarat and from other destinations remains negative and this makes wheat export from India unfeasible. Prices in local market are unlikely to decrease further due to likely higher demand at lower level and seasonality despite higher stock in govt.'s granary and smooth release.

FOB Quotes For World Soft Wheat During The Week:



Wheat FOB quotes in international market remained depressed during the week on larger-than-expected USDA supply estimates. The market was driven lower by corn, which tumbled on the new forecasts. Prices are expected to remain under pressure in the short term due to lower demand for feed grade wheat at present.

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 (44.04 Dec)
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)

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.

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.

Wheat prices at various centers:
Prices in Rs/Quintal

State	Prices 09-15 Jan 2012	Prices 01-08 Jan 2012	Prices 24-31 Dec 2011	Prices 09-15 Jan 2011	% Change(Over Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1950	1950	1950	1900	0	2.63
Chattisgarh	1157.89	1134.18	1140.23	1257.62	2.09	-7.93
Gujarat	1277.5	1246.05	1242.6	1430.89	2.52	-10.72
Haryana	1111.45	1124.24	1087.97	1599.69	-1.14	-30.52
Jharkhand	1343.51	1365.99	1359.43	1429.58	-1.65	-6.02
Karnataka	1395.7	1331.82	1543.5	1883.87	4.8	-25.91
Madhya Pradesh	1166.48	1119.72	1145.65	1356.66	4.18	-14.02
Maharashtra	1740.96	1633.55	1707.74	1759.27	6.58	-1.04
Delhi	1208.84	1197.76	1163.32	1335.32	0.93	-9.47
Punjab	1135	1140	1135.24	1191.92	-0.44	-4.78
Rajasthan	1127.28	1111.6	1116.98	1305.36	1.41	-13.64
Uttar Pradesh	1064.78	1064.37	1020.34	1186.2	0.04	-10.24
West Bengal	1123.89	1113.34	1103.57	1246.88	0.95	-9.86
Average	1388.89	1340.59	1342.72	1443.21		

Average prices of wheat during the second week of Jan increased slightly in comparison to second week except in Haryana, Punjab and Jharkhand. However in comparison to last year's prices, there has been a significant decline, as the above table shows. Prices should stabilize at the current level with a weak bias.

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1240-1275
Future market(Feb. Contract)	Rs1260-1300

Future market:

Wheat futures market is expected to rule steady to slightly weak during current week on improved sowing, congenial weather and lower demand from bulk consumers. Even interstate trading has been at lower side with narrowing parity for south Indian markets. Fundamentals are unsupportive to the wheat futures market and stake holders are releasing their long

positions on expectation of higher supply side amid weak export demand for Indian wheat. Market seems to be in over brought region and a correction is due in the short term.

Commodity: Wheat future Chart:

Contract: Feb.

Exchange: NCDEX

Expiry: Feb.. 20 2011



Technical Commentary:

- Candle stick chart formation shows market to be under corrective phase.
- RSI is moving down in over sold region hints caution to the bears for short term.
- Declining volume, price and open interest are unsupportive for buyers denotes consolidation
- MACD is moving steady in negative region denotes lack of fresh buying support.

Trading Strategy:

1240 is the capable support whereas 1270 holds importance as an immediate resistance. 1240-1170 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:

Wheat prices in the international market continued to rule under pressure on expectation of larger crop in Australia, France and Argentina next season. Australia is quoting \$237 for milling grade wheat (basis FOB) while France's quotes are \$246 per tonne. Russian prices too are under pressure and Fob quote may be revised down further to compete with other wheat exporters. Higher US supply –demand report last week adds more bearish pressure supported by lower corn prices in the international market.

News in Flash:

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 has also been revised up by 1.9 million tons to 27.9 million, the second-highest on record, the highest in a decade- **Abare**

Algeria's state grains agency LAIC bought 300,000 tonnes of optional-origin milling wheat at between \$277-\$278 per tonne, cost and freight included. The Egyptian state's main wheat buying agency, the General Authority for Supply Commodities (GASC), set a tender to buy an unspecified amount of wheat from global suppliers for March 21-31 shipment. Details awaited- **CME**

U.S. wheat weekly export sales highlights :

Net sales of 365,200 MT for the 2011/2012 marketing year were up noticeably from the previous week and 17 percent from the prior 4-week average. Increases were primarily for Japan (154,200 MT), Taiwan (84,700 MT), unknown destinations (73,000 MT), Mexico (44,200 MT), and the Philippines (30,700 MT, including 18,000 MT switched from unknown destinations). Decreases were reported for Canada (55,000 MT). Net sales of 73,000 MT for delivery in 2012/2013 were reported mainly for the Philippines (48,000 MT) and Nigeria (12,000 MT). Exports of 196,200 MT were down 54 percent from the previous week and 56 percent from the prior 4-week average. The primary destinations were to Japan (57,600 MT), Nigeria (39,500T), the Philippines (29,700 MT), Mexico (27,800 MT), and South Korea (25,200MT). NOTE: Accumulated exports were adjusted down for hard red spring wheat for Jamaica (6,100 MT), the Dominican Republic (1,300 MT), and Belize (1,100 MT)-**USDA**

CBOT Future Price:

CBOT Futures Prices (USD per Metric Tonnes)
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Futures Month	% Change Over Previous Month	Today (13.01.12)	WeekAgo (05.01.12)	MonthAgo (13.12.11)
March'11 (\$/MT)	1.81	222.28	238.81	218.33
March'12 (INR/MT)	1.81	11416.15	12265.28	11213.30
May'12 (\$/MT)	2.12	230.36	248.36	225.58
May'12(INR/MT)	2.12	11831.28	12755.89	11585.97
July'12 (\$/MT)	3.31	238.08	251.30	230.45
July'12 (INR/MT)	3.31	12227.54	12906.85	11836.00
Sept'12(4/MT)	3.45	245.42	257.18	237.25
Sept'12 (INR/MT)	3.45	12604.94	13208.76	12185.09

CBOT Chart:



US wheat futures ended lower amid spillover pressure from corn and worries about Europe's debt problems. Latest USDA weekly report, which showed greater-than-expected grain supplies, continued to reverberate, particularly in corn, which has been leading wheat prices. Ample world wheat supplies and a lack of export prospects hang over the market. Friday's trade was also swayed by a stronger US dollar and lower equities, as investors worry about Europe's debt, potential impact to the world economy and, by extension, commodity demand.

Pressure on CBOT market may continue and March contract may test 580 the lower side immediate support. Nearest by resistance is 610 cent. Drifting either side may drive market in respective same direction.

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