

Executive summary:

Wheat market traded almost in a range with weak bias on various factors like higher production estimate, better crop condition throughout the country and higher supply side during the week under review. Recent spell of rains is expected to boost up yield and growth of the plant and may add pressure further.

However, traders say that decline from current level is unlikely as wheat is already ruling at lower level at this particular point of time. It is expected to rule in the range of Rs 1200 to 1250 per qtl. in Delhi. All India average is likely to remain below Rs 1200 for next week.

Wheat is unlikely to trade higher in the month of Feb. Supply side will remain ample on back of higher release and record stock, supported by good crop prospects (87.3 MMT estimated by Agriwatch against govt. estimate of 88.3 million tonnes). Yield is expected to be higher from last year in states like U.P., Gujarat, Haryana, Rajasthan, Bihar and M.P.

Domestic Market Fundamentals:

Sowing of wheat is almost over now and total area covered so far is 0.13 million ha. higher than previous year (29.4 million ha.). Wheat has been sown in 29.5 million Ha. Higher coverage has been reported from Madhya Pradesh (6.02 lakh hectare), Rajasthan (3.11 lakh hectare) and Jharkhand (0.65 lakh hectare). Aided by a drop in temperature, higher area coverage and scattered rains across Northern States during the beginning of Jan the country may achieve wheat output of 87.32 million tonnes in 2011-12 against the govt. target of 84-85 million tonnes and last year production of 85.9 million tonnes.

Domestic wheat markets continue to reel under pressure on higher supply from govt.'s granaries, higher percentage (25 to 30 %) of diversion of wheat meant for PDS in open market and govt.'s intention to augment supply continuously for next two-three months. New arrivals in Gujarat from Gondal region add further pressure. Export opportunity for Indian exporters has been non-existent so far due to the disparity and ample availability worldwide. India is unlikely to ship out any of its allocated quota of 2 million tonnes at the end of March 2012.

Weather throughout the country has been favourable for wheat crop currently in the tillering to sprouting stage and it is expected to remain congenial in the weeks ahead. There is no report of yellow rust or pest infestation from any pockets of wheat growing regions so far.. Higher moisture level in the field of Uttar Pradesh is favourable for late variety sowing. A fresh spell of winter rain in major states is awaited and can boost up crop size.

Wheat production and yield estimates for the crop year 2011-12

Wheat production is likely to go up almost by 2.4 million tonnes in the crop year 2011-12. States like M.P., Rajasthan, Bihar and Uttar Pradesh are expected to contribute more wheat in total production due to higher area, conducive weather conditions and expected higher yield. Production in Punjab and Haryana will remain almost steady as further increase in yield is quite difficult at this stage in these states. Yields in these states are already at its highest level. Yield and production in Gujarat may decline due to higher than normal temperature during tillering stage and lower area coverage. Overall wheat area has increased by one lakh ha. To 29.5

million ha. We expect higher yield in all states except Punjab, Haryana and Gujarat. Yield average may go up from 2734 kg to 2954 kg per ha. this year given the normal weather conditions.

State	Area 2010-11(lakh ha.)	Production 2010-11(lakh T)	Area covered till 27 th Jan.2012(lakh ha.)	Expected production in 2011-12/in lakh tonnes	Last year yield 2010-11 /Kg per Ha
Punjab	35.1	164	35	163450	4672
Haryana	25	116.3	25	115500	4652
Uttar Pradesh	96.37	300.01	96.25	303188	3113
M.P.	39	85	46	100510	2179
Rajasthan	30.4	60	30.5	60237.5	1974
Gujarat	16	25	11.1	17316	1563
Uttarakhand	3.79	8.78	3.9	9165	2317
Bihar	24.4	47	24.4	50020	1926
Others	24	53.1	23.6	54280	2213
All India Total	294.06	859.19	295.6	873.22	2734

Current Wheat Stock in Central Pool and Expectation in Feb- and March-2012

Wheat	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2007	57.29	53.85	51.0	45.63	116	133.08	129.26	120.19	110.08	101.21	90.25	83.58
2008	77.12	71.62	65.06	58.03	176.92	241.23	249.12	243.8	232.59	220.25	209.61	195.98
2009	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
2010	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14
2011	215.4	193.73	171.57	153.64	313.75	378.32	371.49	358.75	336.2	314.2	296.71	276.56
2012	256.76	234.25	215.25									

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

With continuation of lean season, offtake from central pool has been on the increase as usual as the above table shows. We expect 2.0 million T offtake in Feb. and 1.5 million T in March 2012 as per current offtake trend and higher domestic demand amid govt.'s intention to augment supply and vacate storage space for the new crop. Thus the new procurement season may start with over 20. million tonnes in stock against the minimum requirement of 7 million tonnes (buffer norm 3 million T and Strategic Reserve 4 million T) as on 1st April 2012, much higher than actual requirement. Wheat procurement will start on 1st April and continue till June.

Export from India is not feasible due to disparity from various centers as depicts the following table. Disparity gap is almost 42 from Gujarat, 46 from Rajasthan and 15 from Punjab. Virtually no export is taking place from India as prices in domestic market are higher in comparison to other exporting sources. The disparity gap will continue as new crop is still two months away from now and wheat will continue to trade at current level with likely sideways move.

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	12800	12750	13000	13600
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)	13800	13750	14000	13500
Indian FOB (USD/MT)	280	279	284	253
Insurance @ 0.1%	0.28	0.28	0.28	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	300	299	304	274
INR	49.37	49.37	49.37	49.37
Russian Wheat FOB (USD/MT)	238	238	238	238
Parity on FOB Basis (USD/MT)	-42	-41	-46	-15

Export Scenario:

No major change on export front is being seen as of now 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. Production in Australia and Argentina is expected to cross previous expectations with improving weather conditions in major wheat growing regions.

Uneven stocks needs to be managed:

Zone wise stock details show that supply needs to be improved in the east, north-east and south zone. North and west zone have maximum stock as usual. Despite stock movement from these zones to non producing zones, stock in north and west zone will remain on the higher side. Higher freight makes wheat costlier in north-east and south zone.

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)

As on Feb 1, wheat stock with Central pool registered at 234.33 lakh tonnes.

There is a little possibility of firmness in the international market in the near future as the availability for exportable surplus is healthy. However weather concern will support market at lower level.

Comparative Average Wheat Price Trend In Domestic Markets:

State	Prices January, 2012	Prices December, 2011	Prices January, 2011	% Change (Over Previous Month)	% Change (Over Previous Year)
Andhra Pradesh	1081.72	1390	1703.45	-22.18	-36.50
Chattisgarh	1050	1157.17	1089.08	-9.26	-3.59
Gujarat	1250.94	1216.92	1444.58	2.80	-13.40
Haryana	1217.92	1085.74	1340.07	12.17	-9.12
Jharkhand	1365.98	1341.69	1441.52	1.81	-5.24
Karnataka	1400.19	1450.84	1754.24	-3.49	-20.18
Kerala	1395	1420	1850	-1.76	-24.59

Madhya Pradesh	1170	1190	1350.51	-1.68	-13.37
Maharashtra	1175	1250	1475	-6.00	-20.34
Delhi	1230	1250	1320	-1.60	-6.82
Orissa	1277.3	1284.93	1300.67	-0.59	-1.80
Punjab	1150	1138.95	1195.78	0.97	-3.83
Rajasthan	1125	1140	1287.08	-1.32	-12.59
Uttar Pradesh	1082.51	1031.04	1196.44	4.99	-9.52
Uttrakhand	1134.82	1099.96	1326.21	3.17	-14.43
West Bengal	1127.11	1095.14	1272.14	2.92	-11.40
Average	1202	1221	1396		

Prices of wheat have increased in Jan in comparison to Dec.2011 and increased in Gujarat, Haryana, Jharkhand, Punjab,U.P. and West Bengal .However, in comparison to last year, overall prices have decreased considerably due to higher stock, ample supply and bumper incoming crop. New wheat crop from Gujarat starts from Gondal region and arrival pressure is likely to be felt after two weeks. No major spike is expected in Feb month as supply from govt's stock will continue to cap market in the weeks ahead. Wheat prices are expected to move in the range of Rs1200 to 1300 per qtl. depending on quality and availability in that particular region.

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1225-1260
Future market(Feb. Contract)	Rs1240-1275

Future market:

Wheat futures market is expected to rule steady to slightly weak during current week on improved sowing, conducive weather and higher allocation for bulk consumers like flour millers and traders. Fundamentals are unsupportive to the wheat futures market and stake holders are releasing their long positions on expectation of higher supply side, likely bumper production estimate amid weak export demand for Indian wheat.

Commodity: Wheat future Chart:

Exchange: NCDEX Contract: Feb.2012



Technical Commentary:

- Candle stick chart formation shows market to be under corrective phase.
- RSI is steady in neutral region hints sideways movement will continue in the futures market in the short term.
- Declining volume and open interest are unsupportive to buyers.
- MACD is moving down in negative region denotes lack of fresh buying support.

Trading Strategy:

1240 is the capable support whereas 1275 holds importance as an immediate resistance. 1240-1275 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction. Players should trade under given range.

International Developments and Impact:

US wheat futures surged, rallying on worries about crops in the former Soviet Union and short-covering. A cold snap in the Black Sea region is driving worries about winterkill there, although the extent of the damage won't be known for weeks. Traders also note spec funds are holding a huge net short position, leaving the market vulnerable to an added short-covering boost when prices begin to climb. Traders also cite month-end fund buying. However, higher production in Australia will restrict market for any unexpected spike in near term.

News in Flash-Market updates:

U.S. wheat futures closed lower on back of profit-taking and ideas the market was overbought on previous day's rally. Recent gains on severe cold in Russia and Ukraine may have reflected a "buy the rumor" scenario, and that traders were now selling the fact. Uncertainty about Russian exports limits losses, but traders say even if the country enacts restrictions, world supplies will be at higher side. CME

Canada's wheat production looks to edge up almost 2 percent to 25.7 million tonnes in 2012/13 from 25.261 in the current year. Durum production in Canada, which is the world's top exporter

of the wheat used to make pasta, will climb about 4 percent to 4.33 million tonnes in 2012/13-cwb.

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. Aware

The estimate of world wheat production in 2011 is boosted by 7m. tonnes since the November Market Report, to a record 690m. Much of the increase reflects better than anticipated results in the southern hemisphere especially in Argentina and Australia, but there are also sizeable upward revisions for China and Kazakhstan-IGC

World stocks at the end of 2011/12 are revised higher and are now seen reaching 204m. tonnes, only slightly below the record of 206m. in 1999/00. Major exporters' stocks are projected to rise significantly in Kazakhstan and Ukraine, but those in the EU and US are to stay broadly unchanged-IGC

IGC Wheat Balance Sheet:

IGC/19.01.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes
Wheat					24/11/2011	19/01/2012
Production	607	685	679	653	683	690
Trade	110	137	128	126	135	135
Consumptions	602	645	652	656	679	681
Carryover stocks	132	172	199	195	200	204
YOY ch.	5	40	27	-4		+9
Major Exporters	47	69	77	71	71	74

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