

**Executive summary:**

Wheat prices remained under pressure on higher crop prospects, record production estimate (88 million T) and revised last year's final wheat output (86.87million T against target of 84 million tonnes) during the week under review.

Wheat prices in key markets have been ruling in the range of Rs 1,100 to Rs 1250 per qtl. depending on demand, supply and actual carry in expenses in various trading zones. The demand for wheat has been negligible during the week against normal supply. Local flour millers are making the ad-hoc purchase to fulfill their immediate requirements. As wheat is ruling at lower level, the prices are expected to remain stable at current level despite likely bumper crop.

Weather has been favourable for standing wheat crop. Cold waves prevailing over parts of Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra and some parts of western Madhya Pradesh are conducive for wheat production, which is in the sprouting stage right now. The cold wave is good for the wheat crop with no incidence of ground frost reported as of now. It will definitely increase the yield and production.

However, a sudden rise in temperature may reduce crop size and the next four week would be very crucial for the final size of wheat crop.

Iran's interest in Indian wheat may provide export boost,if translated into reality,that is already at its lower ebb.

**Domestic Market Fundamentals:**

Wheat market is expected to trade range bound during current week. New crop from producing states is hardly five to six weeks away from now and major buyers like flour millers are in no hurry to buy in bulk quantity at this point of time. Arrivals from new crop in Gujarat are increasing and pressure is likely to be felt at the end of this month. Higher yield(10 %) is reported from Saurashtra region. Rack loading from Rajasthan and M.P. to south Indian states has come down due to negligible margin. However, prices of wheat are expected to inch up towards MSP of Rs 128(declared for MY 2012-13) in the month of March.If export deals with Iran takes place,it may restrict further loss in the cash markets, especially in the states having port facilities.

**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. However, current favourable weather may boost up yield more than expectation for this year if there is no sudden rise in temperature in key producing states.

State	Area 2010-11(lakh ha.)	Production 2010-11(lakh T)	Area covered till 27 <sup>th</sup> 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
<b>All India Total</b>	<b>294.06</b>	<b>859.19</b>	<b>295.6</b>	<b>873.22</b>	<b>2734</b>

#### 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 1<sup>st</sup> April 2012, much higher than actual requirement. Wheat procurement will start on 1<sup>st</sup> April and continue till June.

#### Wheat Trade Channel Market Expenses from Production Centers to Consumption Centers:

Sourcing Market	Rajkot	Kota	Kanpur (UP)	Gulab Bagh	Bhopal	Bundi(Raj)	Baran(Raj)
-----------------	--------	------	-------------	------------	--------	------------	------------

				(Bihar)	(MP)		
Consumption Centers	Hyderabad	Coimbatore	Orissa	Orissa	Pune	Madurai	Coimbatore
<b>Loose prices (Rs/Qtl)</b>	<b>1200</b>	<b>1120</b>	<b>1100</b>	<b>1130</b>	<b>1130</b>	<b>1130</b>	<b>1120</b>
Puccka Aadatiya Comm	12.00	11.20	11.00	11.30	11.30	11.30	11.20
Market Fee	0	0	22	22.6	18.08	18.08	17.92
Other mandi expenses /Hamali	0	0	11	16.95	16.95	16.95	16.8
Cleaning/Loading Charges (Rs/Qtl)	5	5	5	5	5	5	5
Gunny Bag Cost	40	40	40	40	40	40	40
<b>Total Market expenses borne by buyers</b>	<b>57.00</b>	<b>56.20</b>	<b>89.00</b>	<b>95.85</b>	<b>91.33</b>	<b>91.33</b>	<b>90.92</b>
Transportation Cost (Rs/Qtl)	180	175	100	110	150	160	155
Insurance (if any)	3.00	2.80	2.75	2.83	2.83	2.83	2.80
Unloading at destinations (Rs/Qtl)	5	5	5	5	5	5	5
<b>Total transport cost + loading/unloading</b>	<b>188.00</b>	<b>182.80</b>	<b>107.75</b>	<b>117.83</b>	<b>157.83</b>	<b>167.83</b>	<b>162.80</b>
<b>Total cost at factory gate (Rs/Qtl)</b>	<b>1445.00</b>	<b>1359.00</b>	<b>1296.75</b>	<b>1343.68</b>	<b>1379.16</b>	<b>1389.16</b>	<b>1373.72</b>
Local Prices at Consumption Center (Rs/Qtl)	1375.00	1380.00	1300	1300	1350	1395	1395
<b>Parity/Disparity (Rs/Qtl)</b>	<b>-70.00</b>	<b>21.00</b>	<b>3.25</b>	<b>-43.68</b>	<b>-29.16</b>	<b>5.85</b>	<b>21.28</b>

Margins for interstate trading are not very encouraging at current prices on various sourcing and consuming centers as depicts the above given table. With decreased prices at Orissa, Hyderabad and pune rack loading for these centers has almost halted. Main reason for decreasing prices at consuming centers is diversion of wheat from PDS to open market on mass scale and it has disrupted the normal interstate trading course. Besides, govt. is focusing on augmenting supply at the rate lower than cash market prices.

#### Export Scenario:

There is no positive report for Indian wheat except Iran's latest interest to buy Indian wheat on mass scale. Russian FOB wheat quotes have increased from \$245 to \$275 per T last week due to dwindling supply for export and rising local prices. It could be positive for India, but other major exporters like Australian, Canadian and Argentinean quotes are still lower(\$250 to 265 per T) and they supply wheat at very competitive prices with assured quality and timely delivery. Indian fob quotes stand in the range of \$255 to \$280 per T from various centers.

**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
<b>East Zone Total</b>	7.73	<b>7.02</b>	1.02	<b>0.92</b>	<b>7.94</b> (8.75 Dec)
<b>NE Zone Total</b>	0.19	<b>0.17</b>	0.0	<b>00</b>	<b>0.17</b> (0.19 Dec)
<b>North Zone Total</b>	67.30	<b>63.21</b>	149.06	<b>138.50</b>	<b>201.71</b> (216.36 Dec)
<b>South Zone Total</b>	5.49	<b>5.16</b>	00	<b>00</b>	<b>5.16</b> (5.49 Dec)
<b>West Zone Total</b>	18.24	<b>17.21</b>	25.80	<b>21.38</b>	<b>38.59</b> (44.04Dec)
<b>Stock in Transit</b>	1.73	<b>3.19</b>	00	<b>00</b>	<b>3.19</b> (1.73 Dec)
<b>All India Total</b>	100.68	<b>95.96</b>	175.88	<b>160.80</b>	<b>256.76</b> (276.56 Dec)

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

**Price trend:**

Average prices of wheat have improved in comparison to January in most markets. Major jump was seen in Chattisgarh due to supply shortage and restricted release from govt.'s stock. Just opposite to it major fall has been witnessed in Punjab where price of wheat decreased by 28 percent in comparison to last month. Major fall in prices is attributed to higher release from FCI godowns at the rate of Rs 1150 per qtl. against prevailing market price of Rs 1170 to Rs 1200 per qtl. However, traders say that prices should stabilize at current level for short term despite bumper production outlook and higher stock.

**Comparative Average Wheat Price Trend In Domestic Markets:**

State	Prices Febraury, 2012	Prices January, 2012	Prices Febraury, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Chattisgarh	1204.73	889.57	1286.22	35.43	-6.34
Gujarat	1235.81	1257.24	1377.26	-1.7	-10.27
Haryana	1166.79	1217.92	1125.47	-4.2	3.67

Jharkhand	1417.37	1365.98	1449.74	3.76	-2.23
Karnataka	1575.3	1400.25	1755.28	12.5	-10.25
Kerala	2190	2240.29	2347.19	-2.24	-6.7
Madhya Pradesh	1184.61	1162.58	1316.38	1.89	-10.01
Maharashtra	1584.76	1719.58	1754.77	-7.84	-9.69
Delhi	1184.83	1201.71	1290.18	-1.4	-8.17
Orissa	1411.89	1277.3	1574.11	10.54	-10.31
Punjab	1170	1636.83	1205.4	-28.52	-2.94
Rajasthan	1156.2	1156.11	1278.81	0.01	-9.59
Uttar Pradesh	1104.27	1065.32	1240.89	3.66	-11.01
Uttarakhand	1135	1134.82	1239.7	0.04	-0.03
West Bengal	1114.27	1129.82	1350.29	-1.38	-17.48
Average	1376.72	1308.56	1472.36		

**Expected Price Range For Current Week:**

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1200-1250
Future market (March Contract)	Rs1220-1250

**Future market:**

Wheat future market is expected to trade under pressure during current week on weak fundamental and bumper production prospects this year. Stake holders are not interested to hold back position for long.

**Commodity: Wheat future Chart: Exchange: NCDEX Contract: March,2012 (Expiry: March.. 20 2012**



**Technical Commentary:**

- Candle stick chart formation shows market to move in range bound mode.
- RSI is moving up in neutral region hints upward moment from current level for 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:**

1220 is the capable support whereas 1250 holds importance as an immediate resistance. 1220-1250 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:**

CBOT wheat closed higher on support from corn and soybean amid growing concern over the South American crop. Besides weaker dollar helped wheat to recover during the week under review. Moreover, supply disruption from black sea reason, increased domestic demand due to higher corn prices give edge to wheat. However, prices are likely to move range bound in medium term due to ample stock and abundant world supplies. The USDA revised its estimate of stocks in Kazakhstan, where wheat consumption had declined in the previous year. Higher wheat production for the current crop year in India, Morocco and Kazakhstan also helped pushing wheat stocks higher. Medium term direction for world wheat market will depend on Eastern European weather. Low temperatures there recently are causing new concerns about their effects on next year's crop.

**News in Flash-Market updates:****Higher production in Australia:**

**Australia's chief commodities forecaster Tuesday raised its production forecasts for wheat this crop year to a record 29.5 million metric tons**, which an analyst said would also boost exports, maintain downward pressure on domestic prices and threaten to further build inventories in the country. In its quarterly crop report, the Australian Bureau of Agricultural and Resource Economics and Sciences forecast wheat production would rise 4.2% from its December estimate and 5.7% from the previous record of 27.9 million tons in the crop year ended March 31, 2011. After domestic demand of 6 million tons a year is met, the balance of local production is available for export, usually making Australia one of the largest suppliers to the world wheat trade. Abares forecast exports in the marketing year that began Oct. 1 at a record 22.3 million tons, up 3.2% from a December estimate and a 20% rise from actual exports of 18.6 million tons in 2010-11. Source: Abare

**Bangladesh tenders to import 50,000 T of wheat:**

Bangladesh's state grains buyer issued a tender on Thursday to import 50,000 tonnes of wheat as part of efforts to boost reserves. The last date of submission of offers is Feb. 26, with validity till March 6, and the wheat is to be shipped in 40 days after signing the contract. This is the seventh tender for wheat issued by the state grains buyer, which has said it plans to import a total of 900,000 tonnes of wheat in the year to June. Apart from tenders, Bangladesh is buying 60,000 tonnes of wheat from Ukraine at \$280 a tonne, including CIF liner out, in a government-to-government deal, after purchasing 100,000 tonnes from Kiev in September. The state grains buyer has so far purchased or completed deals for 560,000 tonnes including the latest pact with Ukraine. Reuters



**IGC Wheat Balance Sheet:**

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

**Indicative FOB Quotes for wheat:**

Country	Variety	% Change over Prev. Year	(12.02.12)	Week Ago (04.02.12)	Month Ago (12.01.12)	Year Ago (12.02.11)
<b>USA (Chicago)</b>	RTRS 2srw	-8.72	276.3	268	256	302.7
<b>France</b>	SRW	-6.99	287.6	276.2	248	309.2
<b>U.k</b>	SRW	-15.13	253.6	246.2	239.6	298.8
<b>Canada (ThunderBay)</b>	1 CW SWS BASE GRADE	-11.99	257	254.8	257.3	292
<b>Russia</b>	Milling grade	10.53	275	260	232	248.8
<b>Ukraine</b>	Milling grade	11.02	272	258	231	245
<b>Argentina</b>	Milling grade	-2.14	275	269	256.2	281
<b>Australia</b>	HRW No-1	-0.76	261	257	244	263

**DISCLAIMER**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2005 Indian Agribusiness Systems Pvt. Ltd.