

Executive summary:

Harvesting of wheat crop started in states like Madhya Pradesh, Gujarat in mid Feb and in Maharashtra in the last week of Feb. It is expected to commence in major states like Punjab, Haryana, Rajasthan U.P. and Bihar from the third week of March. Crop condition throughout India is excellent and preliminary production estimate of 87.32 million T by Agriwatch may be revised slightly upward if weather remains normal.

Against Agriwatch production estimate, the govt. of India expects 88.31 million T wheat production this year (2011-12) against the set target of 84 million T on back of better yield, favourable weather and a very good status of standing crop so far. Weather remains conducive in major wheat growing regions. However, temperature in the month of March would be very crucial for the final output in Punjab, Haryana, U.P. Rajasthan and Bihar.

While area under wheat rose for the last two years, as per the Second Advance Estimate (Ministry of Agriculture), area at 28.89 million ha. is down against the final estimate of 29.06 million ha. for 2010-11. However, the coverage area has been 104 percent higher than normal area (27.74 million ha) but there is an absolute change of -1.8 lakh ha. from previous year's area coverage.

Domestic Market Fundamentals:

Cash wheat market continued to rule under pressure during February on ample supply side against normal demand. Higher offtake from govt.'s stock, ample availability throughout the country backed up by stock in private hands and new arrivals in states like M.P., Gujarat and Maharashtra amid bumper production estimate and lower export demand continued to reign the market direction and the south ward journey continued in domestic wheat market despite lean season.

However, more down side is unlikely as the commencement of procurement season is approaching near and with the beginning of buying on MSP wheat prices are expected to touch Rs 1285 per qtl. in major producing states. Wheat prices in M.P. will remain at higher level on back of Rs 100 per qtl. bonus as usual. Lower procurement is expected in Gujarat as crop size is lower and almost 25 percent new crop has been marketed so far and availability for procurement agency will be lower than expectation from 15th of March.

Wheat Trade Channel Market Expenses from Production Centers to Consumption Centers

Sourcing Market	Rajkot	Kota	Kanpur (UP)	Gulab Bagh (Bihar)	Bhopal (MP)	Bundi(Raj)	Baran(Raj)
Consumption Centers	Hyderabad	Coimbatore	Orissa	Orissa	Pune	Madurai	Coimbatore

Loose prices (Rs/Qtl)	1260	1200	1175	1230	1200	1200	1200
Pucca Aadatiya Comm	12.60	12.00	11.75	12.30	12.00	12.00	12.00
Market Fee	0	0	23.5	24.6	19.2	19.2	19.2
Other mandi expenses /Hamali	0	0	11.75	18.45	18	18	18
Cleaning/Loading Charges (Rs/Qtl)	5	5	5	5	5	5	5
Gunny Bag Cost	40	40	40	40	40	40	40
Total Market expenses borne by buyers	57.60	57.00	92.00	100.35	94.20	94.20	94.20
Transportation Cost (Rs/Qtl)	180	175	100	110	150	160	155
Insurance (if any)	3.15	3.00	2.94	3.08	3.00	3.00	3.00
Unloading at destinations (Rs/Qtl)	5	5	5	5	5	5	5
Total transport cost + loading/unloading	188.15	183.00	107.94	118.08	158.00	168.00	163.00
Total cost at factory gate (Rs/Qtl)	1505.75	1440.00	1374.94	1448.43	1452.20	1462.20	1457.20
Local Prices at Consumption Center (Rs/Qtl)	1485.00	1460.00	1350	1360	1400	1475	1480
Parity/Disparity (Rs/Qtl)	-20.75	20.00	-24.94	-88.43	-52.20	12.80	22.80

Interstate trade is being struck on minimum margin and rake loading has decreased considerably with negative margin for various centers as depicted in the above given table. Wheat is being loaded for Coimbatore from Rajasthan. Some rake loading for Punjab from Rajasthan too has been reported as delivered price from Rajasthan to Punjab is lower due to high tax structure in Punjab. Wheat procurement preparation is on and all possible exercise is being carried out before the procurement starts.

Expected Wheat Procurement in MY 2012-13:

Wheat procurement under normal conditions supported by higher MSP of Rs 1285 per qtl., may increase at least by 7 percent from previous level of over 28 million tonnes to 30.8 million tonnes. We expect a significant increase of 6.3 million T in M.P. The state govt. of M.P. has provided Rs 100 per qtl bonus over and above MSP for the state and it will ensure maximum procurement locally. As MSP of wheat has been set higher for this year, higher

procurement is expected from every producing state this year. We expect total procurement to the tune of 31 million T against govt.'s expectation of almost 32 million T.

Fig in Lakh T	Production		Expected production	Procurement		Expected procurement
States	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Bihar	46.23	50.00	50.02	1.83	2.66	2.82
Gujarat	26.48	28.30	17.31	0.62	1.05	1.00
Haryana	105.00	114.00	115.50	63.47	68.91	73.04
Madhya Pradesh	78.46	88.57	100.51	35.38	49.85	62.84
Punjab	152.63	168.25	163.45	102.08	109.9	116.49
Rajasthan	68.28.	65.00	60.23	4.75	13.77	14.60
Uttar Pradesh	278.10	290.20	303.18	16.45	34.9	36.99
Others	50.5	52.12	54.28	0.55	2.69	2.85
India	807.10	859.30	873.22	225.13	281.44	308.21

Current Wheat Stock in Central Pool and projection for 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	212.25	210.00								
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Note: Fig in lakh tonne (one lakh tonne is equivalent to 0.1 million T)

- Expected carryout in April may cross over 21 million T

Offtake from govt's godowns in March 2012 is likely to be in the range of 2 to 2.2 million T or even lower. Arrivals of new crop and higher availability in private hands (more than 6 lakh T, including with ITC) will continue to restrict offtake from central pool though the season is at close. From April onwards, wheat stock will start increasing with the commencement of procurement in major wheat growing states like Punjab, Haryana, M.P., Rajasthan, Bihar and U.P. and is expected to touch record level of 52 million T at the end of procurement season (June) including current carryout stock of 21 million T. During procurement season offtake from govt. stock will remain negligible due to availability in the domestic market.

We expect the new season will start with hefty carryout stock of over 21 million T against the minimum requirement of 7 million tonnes (buffer norm 3 million T and Strategic Reserve 4 million T) as on 1st April 2012.

As on Feb 1, 2012 wheat stock with Central pool registered at 234.25 lakh tonnes.

Zone	Stock with FCI	Stock with state agencies	Total central pool stock
East zone	7.25	0.88	8.13
NE zone	0.38	0.00	0.38
North zone	57.48	127.97	185.45
South zone	4.70	00	4.70
West zone	16.28	16.29	32.57
Stock in Transit	3.02	0.0	3.02
Total	89.11	145.14	234.25

Price trend:

Average prices of wheat have improved in comparison to January in most markets. Major jump was seen in Haryana, Punjab and kerala due to supply shortage and restricted release from govt.'s stock. Just opposite to it major fall has been witnessed in Chattishgarh, Karnataka, Orissa and Uttarakhand where price of wheat decreased considerably in comparison to last month. Major reason for 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 Wheat Price Trend In Domestic Markets:

Prices in domestic markets have improved and wheat is expected to trade on the higher side from current level. Prices improved considerably in states like Andhra Pradesh, Chattisgarh, Karnataka, and Madhya Pradesh. However, when we consider the prices from the previous

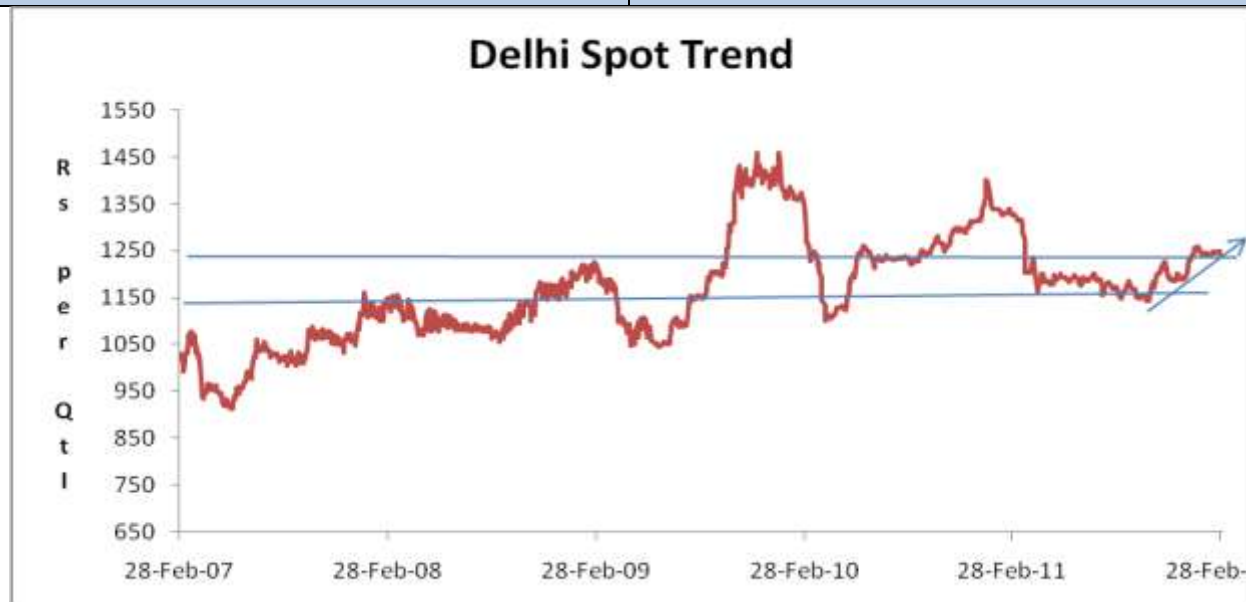
year, it is still lower due to higher availability and ample supply side. With commencement of procurement we expect prices to touch the level of announced MSP of Rs\ 1285 per qtl.

Comparative Wheat Price Trend in Jan-Feb 2012

State	Prices Febrary, 2012	Prices January, 2012	Prices Febrary, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1450	1281.72	1625	30.27	-0.81
Chattisgarh	1197.91	893.45	1286.22	34.08	-6.87
Gujarat	1255.2	1257.15	1377.26	-0.16	-8.86
Haryana	1149.43	1217.92	1125.47	-5.62	2.13
Jharkhand	1396.52	1365.98	1449.74	2.24	-3.67
Karnataka	1575.66	1400.25	1755.28	12.53	-10.23
Kerala	2167.5	2240.29	2347.19	-3.25	-7.66
Madhya Pradesh	1214.18	1157.56	1316.38	4.89	-7.76
Maharashtra	1652.84	1719.58	1754.77	-3.88	-5.81
Delhi	1192.24	1201.71	1290.18	-0.79	-7.59
Orissa	1235.25	1277.3	1574.11	-3.29	-21.53
Punjab	1185.83	1636.83	1205.4	-27.55	-1.62
Rajasthan	1158.28	1156.04	1278.81	0.19	-9.43
Uttar Pradesh	1071.69	1065.31	1240.89	0.6	-13.64
Uttrakhand	1183.92	1170.49	1239.7	1.15	-4.5
West Bengal	1114.94	1129.82	1350.29	-1.32	-17.43
Average	1325.08	1323.21	1451.02		

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1220-1250
Future market (April Contract)	Rs1225-1275



Delhi spot traded in the range of 1220 to 1250 in Feb. as the above given chart indicates. Wheat prices are expected to move up towards MSP from current level despite bumper crop prospects and ample availability in the domestic market. It may trade Rs 1230 to Rs 1270 in the month of March.

Wheat future market remained under pressure on higher supply, better production prospects and higher production estimate supported by govt's intention to augment supply through various channels like OMSS,PDS. However, future market is expected to move up in far away months with an assured support from govt.'s buying on MSP. March contract may move in a range of 1200 to 1250.

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NCDEX March future contract,2012 (Expiry: March.. 20 2012)



Technical Commentary:

- Monthly chart formation shows market to trade range bound in the month of March.
- RSI is moving up in neutral region hints market to improve from current level for short and medium term.
- Volume, price and open interest are increasing hints long build up in the market.

Trading Strategy: 1220 the lower side is the capable support whereas 1245 holds importance as an immediate resistance. 1200-1245 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

International market update:

International Development and Trade:

Wheat prices at its bench mark market of CBOT featured gain amid short covering as evident from significant reduction of OI. Keeping in view the recent Australian flood and better demand from Middle East continue to lend support to the wheat prices at its bench mark market of CBOT. Port workers strike at Argentina and lower supply from Latin American nation further added to the bullish sentiments. Meanwhile, international demand for good quality wheat improved in near term and buyers who are buying from Kazakhstan and Black Sea regions (currently offering lower quality wheat-feed wheat) are now start looking for mill quality from destinations like US, Ukraine, Russia, Australia and India. This is likely to divert demand towards Indian ports especially during the time when new wheat starts coming into Indian market making export feasible during April and onwards.

IGC Wheat Balance Sheet:

IGC/23.02.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes
Wheat					19/01/2012	23/02/2012
Production	607	685	679	653	690	695
Trade	110	137	128	126	135	137

Consumptions	603	645	652	656	681	681
Carryover stocks	132	173	199	196	204	211
YOY ch.	5	41	26	-3		+15
Major Exporters	47	69	77	71	74	76

CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (02.03.12)	WeekAgo (24.02.12)	MonthAgo (02.02.12)
March'11 (\$/MT)	1.09	246.16	235.50	243.49
March'12 (INR/MT)	1.09	12184.82	11657.42	12052.97
May'12 (\$/MT)	-0.52	247.81	235.60	249.10
May'12(INR/MT)	-0.52	12266.66	11661.96	12330.31
July'12 (\$/MT)	-0.76	252.13	239.91	254.06
July'12 (INR/MT)	-0.76	12480.35	11875.65	12575.83
Sept'12(4/MT)	1.37	257.64	240.13	254.15
Sept'12 (INR/MT)	1.37	12753.14	11886.57	12580.37

Indicative FOB Price: (As on 02.03.12)

Country	Variety	% Change over Prev. Year	(02.03.12)	Week Ago (24.02.12)	Month Ago (02.02.12)	Year Ago (30.02.11)
USA (Chicago)	RTRS 2srw	-8.75	275.3	278	266	301.7
France	SRW	-6.77	283.6	276.2	248	304.2
U.k	SRW	-13.78	251.6	246.2	239.6	291.8
Canada (ThunderBay)	1 CW SWS BASE GRADE	-14.09	256	254.8	257.3	298



Russia	Milling grade	-1.08	275	260	232	278
Ukraine	Milling grade	-0.72	274	258	231	276
Argentina	Milling grade	-4.86	274	269	256.2	288
Australia	HRW No-1	-8.19	256	259	249	281

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