

Executive summary:

Wheat prices at domestic spot market continued to rule firm on eyeing procurement by FCI which will start from 1st April in Punjab, Haryana, Rajasthan and U.P. Buying on MSP in Gujarat and Rs 100 per qtl. bonus over and above MSP in M.P. are supporting prices to rule firm despite bumper production prospects. Price is expected to inch up and stabilize near MSP in the days ahead.

Thin trading activities may be seen from major trading centers. Lack lustre demand and relatively thin off-take prior to new crop arrivals kept wheat prices range bound in most of the trading centers. Arrivals start improving from Delhi as the harvesting is in progress in selected patches in Gujarat, Rajasthan and Haryana. We expect arrivals to improve further during 3rd and 4th week of March.

Growers are waiting for procurement to start from April and they are seen busy with harvesting activities in Gujarat, M.P. and Rajasthan. At the same time scattered harvesting is reported from adjoining regions of these states. With pace of harvesting to gain momentum during coming days we expect arrivals to increase and subsequent procurement from 1st April.

Given the record production of wheat for 2012-13 (MY) which is likely to surpass all the previous record we expect procurement to set a record this year too.

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)	1250	1200	1150	1250	1250	1200	1200
Puccka Aadatiya Comm	12.50	12.00	11.50	12.50	12.50	12.00	12.00
Market Fee	0	0	23	25	20	19.2	19.2
Other mandi expenses /Hamali	0	0	11.5	18.75	18.75	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	57.50	57.00	91.00	101.25	96.25	94.20	94.20
Transportation Cost (Rs/Qtl)	180	175	100	110	150	160	155
Insurance (if any)	3.13	3.00	2.88	3.13	3.13	3.00	3.00

Unloading at destinations (Rs/Qtl)	5	5	5	5	5	5	5
Total transport cost + loading/unloading	188.13	183.00	107.88	118.13	158.13	168.00	163.00
Total cost at factory gate (Rs/Qtl)	1495.63	1440.00	1348.88	1469.38	1504.38	1462.20	1457.20
Local Prices at Consumption Center (Rs/Qtl)	1485.00	1450.00	1350	1360	1400	1475	1480
Parity/Disparity (Rs/Qtl)	-10.63	10.00	1.13	-109.38	-104.38	12.80	22.80

Interstate trade through rake loading remains sluggish and traders are waiting for supply to increase from new crop. Due to uneven trend of prices in consuming centers margins have turned negative and have directly impacted the normal trade course as the above table depicts. Besides, old stocks in private hands are exhausting fast and sellers are waiting for stabilization in the market. The impact of enhanced railway freight (20 percent) is still to be assessed and it will make the grains movement costly. Fresh interstate trade may take place in April when market gets stabilized.

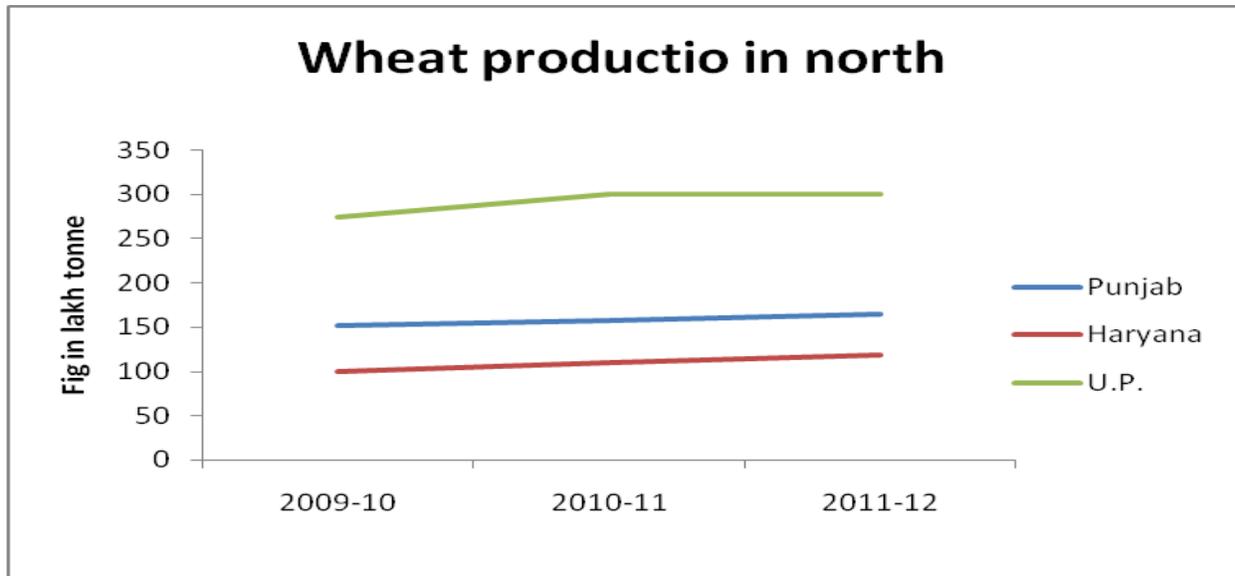
State wise Wholesale Prices Weekly Analysis for Wheat Third week March, 2012

State	Prices 16-23 Mar 2012	Prices 09-15 Mar 2012	Prices 01-08 Mar 2012	Prices 16-23 Mar 2011	% Change(Over Previous Week)	% Change(Over Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1950	1950	1950	2050	0	0	-4.88
Chattisgarh	1156.38	1295.94	1263.53	1172.97	-10.77	-8.48	-1.41
Gujarat	1516	1379.08	1320.17	1229.84	9.93	14.83	23.27
Haryana	1141.95	1353.52	1142.35	1125	-15.63	-0.04	1.51
Jharkhand	1456.18	1471.06	1460.53	1475.69	-1.01	-0.3	-1.32
Karnataka	1631.23	1590.13	1543.19	1799.03	2.58	5.71	-9.33
Kerala	2118.75	2165	2114.29	2366.67	-2.14	0.21	-10.48
Madhya Pradesh	1346	1285.24	1265.47	1263.15	4.73	6.36	6.56
Maharashtra	1664.5	1621.59	1714.99	1501.21	2.65	-2.94	10.88
Delhi	1239	1191.42	1181.63	1257.94	3.99	4.86	-1.51
Punjab	1200.88	1203.22	1195.65	1163.98	-0.19	0.44	3.17
Rajasthan	1172.91	1175.66	1163.87	1165.54	-0.23	0.78	0.63
Uttar Pradesh	1113.66	1126.77	1119.33	1198.34	-1.16	-0.51	-7.07
West Bengal	1104.98	1135.5	1127.73	1284.85	-2.69	-2.02	-14
Average	1415.17	1367.66	1362.34	1405.31			

Source: APMC

Wheat prices have declined in the states where procurement is yet to start and have increased where it has already commenced. However, overall average prices are ruling lower on expectation of higher supply from new crop in the weeks ahead. With the commencement of procurement from 1st of April, wheat prices are expected to move towards MSP.

Wheat Production in major wheat growing states:



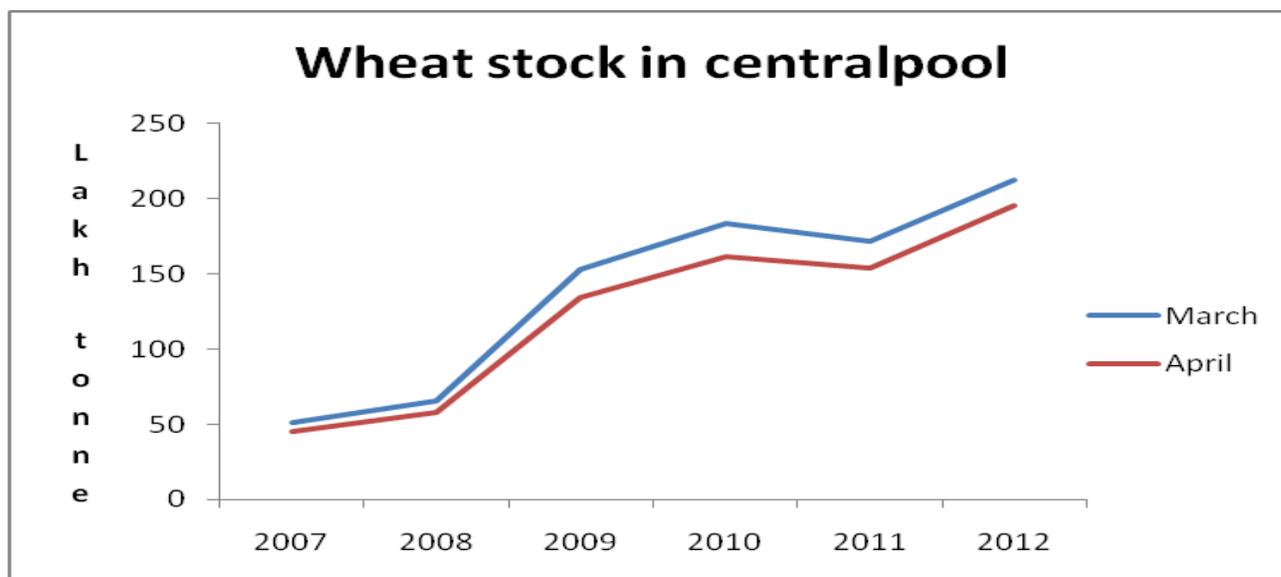
Wheat production in major wheat growing states has been on the rise from last three years as the above chart shows. We expect production to increase further this year on back of conducive weather and better yield realized by farmers in the states like M.P., Gujarat, and Rajasthan. Harvesting in Punjab, Haryana and U.P. is yet to start and feedback from farmers points slightly higher yield this year too.

As on March 1st, 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	6.75 (7.25)	0.86 (0.88)	7.61 (8.13)
NE zone	0.52 (0.38)	0.00	0.52 (0.38)
North zone	52.81 (57.48)	116.76(127.97)	169.57 (185.45)
South zone	4.23 (4.70)	00	4.23 (4.70)
West zone	15.97 (16.28)	11.80 (16.29)	27.77 (32.57)
Stock in Transit	2.85 (3.02)	0.0	2.85 (3.02)
Total	83.13 (89.11)	129.42 (145.14)	212.55(234.25)

Wheat stock in central pool has come down due to higher offtake in lean season demand as usual. However, it starts increasing from April with the commencement of procurement. In comparison to last year wheat stock has increased continuously on back of bumper crop in three consecutive years.

YOY Wheat Stock in Central pool In March and April:



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 procurement		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
States						
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 April-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	212.55	195.10								

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

- Expected carryout in April may come down below 20 million T

Offtake from govt's godowns in March 2012 is likely to be in the range of 1.8 to 2.0 million T or even lower. Arrivals from new crop will impact the pace of offtake from central pool. 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 19.5 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.

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
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Cash market	Rs 1250-1285
Future market (April Contract)	Rs1250-1300

Delhi spot traded in the range of 1250 to 1280 in March. 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 in between Rs 1250 to Rs 1280 in the month of March.

Wheat future market:

Wheat future market traded firm during the week under review and is expected to trade in between 1250 to 1300 in April contract. With the commencement of procurement on MSP, wheat future market gets support despite higher crop production forecast and ample stock from last year's crop.

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



Technical Commentary:

- Monthly chart formation shows market to trade range bound in the month of April.
- 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: 1250 the lower side is the capable support whereas 1300 holds importance as an immediate resistance. 1250-1300 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

International Development and Trade:

Pakistan has decided to export a million tonnes of wheat to Iran in a barter deal, an official in Islamabad said on Monday, as Western sanctions over Tehran's nuclear programme squeeze its ability to pay for food imports-Reuters

France was also expected to win further sales to Morocco, which has extended an import duty freeze in response to poor weather affecting its harvest outlook. Dry conditions in parts of

France, where most groundwater levels are below normal were also a concern for this summer's wheat harvest, although traders said it was too early to anticipate any production impact-CME

Russian export prices for benchmark wheat declined last week after Egypt bought U.S. and Canadian supplies in a tender, while competition from neighbouring Kazakhstan added to the downward pressure on prices. Russian wheat with 12.5 percent protein content weakened to \$279 per tonne from \$281 on a free-on-board basis (FOB) in the port of Novorossiisk-The fourth-grade wheat purchase prices in Russian deep-water ports declined to 7,900 to 8,100 roubles (\$270-\$280) per tonne last week from 8,000 to 8,200 roubles per tonne on a carriage-paid-to (CPT) basis-Bloomberg

European Union wheat exports will benefit little from rising world demand over the next five years as its shipments are curbed by growing use of cereals in biofuels, limited production gains and competition from Black Sea exporters-Free Press Journal

German wheat dropped in line with the fall in Paris but with firm feed. Wheat prices again providing background support. Standard quality milling wheat for March delivery in Hamburg was offered for sale down three euros at 219 euros a tonne with buyers at around 217 euros-CME

Global production of wheat this year will be the second highest on record at 690 million tons, the United Nations Food and Agriculture Organizations (FAO) announced today. This year's production is 10 million tons less than last year, a 1.4 per cent decrease. However, it is still well above the average of the past five years-FAO

IGC has revised the global wheat production estimate up for 2011/12, to 695m. tonnes (653m.), boosts total availabilities to 892MMT. Projected food and industrial consumption are both revised lower this month by IGC, but attractive prices, particularly compared with maize, lift the forecast of feed use by 2m. tonnes, to 131m. (115m.)IGC

Total wheat trade may match the 2008/09 peak, at 136.8m. tonnes (125.7m.) Eventhough total consumption is growing at a faster than average pace, world stocks are projected to rise to 211m. tonnes (196m.).

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 (16.03.12)	WeekAgo (07.03.12)	MonthAgo (16.02.12)
May'12(\$/MT)	4.64	244.23	234.86	233.39
May'12(INR/MT)	4.64	12296.94	11825.22	11751.23
July'12 (\$/MT)	3.70	247.08	238.99	238.26
July'12 (INR/MT)	3.70	12440.30	12033.33	11996.34
Sept'12 (\$/MT)	3.12	252.22	245.61	244.60
Sept'12 (INR/MT)	3.12	12699.28	12366.31	12315.44
Nov'12 (\$/MT)	2.93	258.56	252.50	251.21
Nov'12 (INR/MT)	2.93	13018.38	12713.16	12648.41

CBOT Wheat Chart May Contract:



Market Analysis:

US wheat futures rise sharply on strength in soybeans and concerns about the crop. Soybeans have been rallying, hitting a 6-month high, and has been pulling corn and wheat higher. Meanwhile, worries about dry weather in the southern Plains is causing concerns about crops, as are unusually warm temperatures that are causing the crop to break dormancy early. That puts it potentially at risk for a late freeze. Wheat also got a boost from fresh sales of 120K metric

tons to Egypt, split between Canada and the US. CBOT May wheat ends up 21c at \$6.64 3/4 a bushel while KCBT May climbs 23 1/2c to \$7.04 1/2 and MGEX May rises 13 3/4c to \$8.20 1/4.

Indicative FOB Price: (As on 16.03.12)

Country	Variety	% Change over Prev. Year	(16.03.12)	Week Ago (07.03.12)	Month Ago (15.02.12)	Year Ago (15.03.11)
USA (Chicago)	RTRS 2srw	-8.89	273.3	276.8	272.4	305.5
France	SRW	-10.35	278	278.2	271	311.2
U.k	SRW	-13.25	256.6	252.2	245.6	295.8
Canada (ThunderBay)	1 CW SWS BASE GRADE	-7.63	273.3	275	265	301
Russia	Milling grade	-1.08	273	260	232	278
Ukraine	Milling grade	-0.72	272	258	231	276
Argentina	Milling grade	-4.86	268	269	256.2	288
Australia	HRW No-1	-10.18	245	256	248	285

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