

Executive summary:

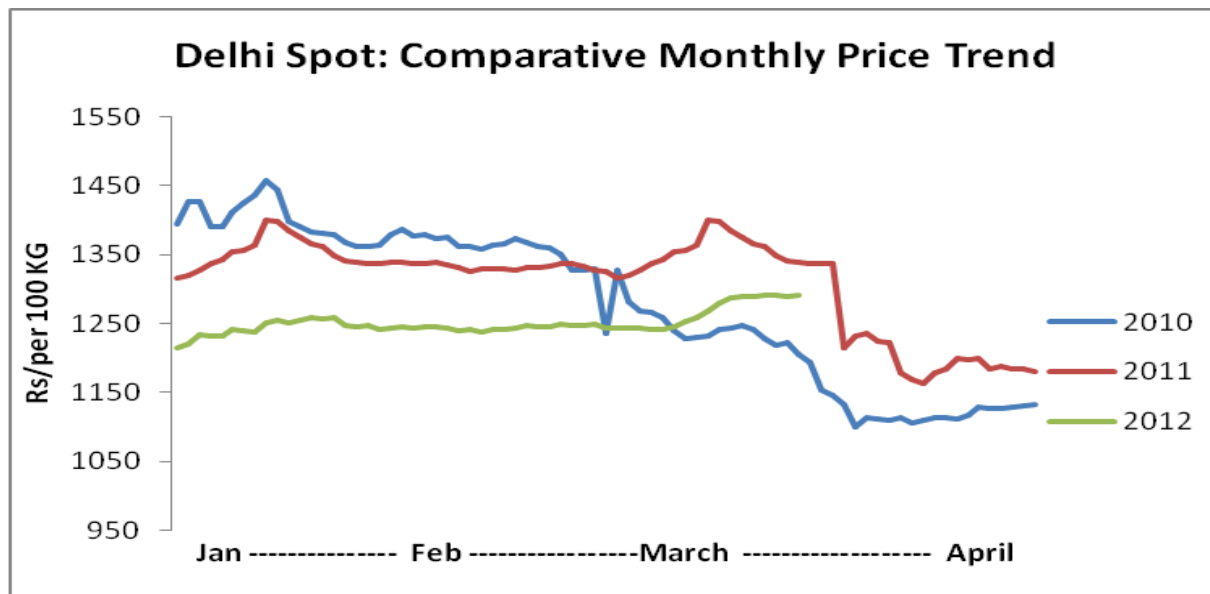
Domestic wheat market continued to move northward as the lean season reaches its end and given the higher MSP for MY 2012-13 during the week under review despite commencement of harvesting in Gujarat, Madhya Pradesh and Rajasthan. Prices are likely to stand steady at current levels with increasing expectations of delay in arrivals of new crop in Punjab, Haryana, Uttar Pradesh, Rajasthan and Bihar. Recent light spell of rains and comparatively lower temperature have extended the ripening phase of grains in the northern parts of India.

Wheat procurement has already started in states like Gujarat, M.P., Maharashtra from 15th of March and for other regions like Punjab, Haryana, Uttar Pradesh and Rajasthan it is scheduled to commence on 1st of April. It will commence on 15th of April in Bihar. Quantity of procurement has been negligible due to lower arrivals and is expected to increase from mid April as usual. However, procurement in M.P. has touched two lakh tonnes so far.

On export front, demand for Indian wheat has been very sluggish and Indian exporters could not attract buyers due to higher price difference. Russia, Ukraine and Australia are selling wheat at very competitive prices. Iran may be a potential buyer for Indian wheat in bulk quantity in the months ahead. Window for export may open once again in mid year when govt.'s buying comes to an end. As of now there are no concrete deals with Iran and Iraq.

There are indications that the quantity restriction on export of wheat and wheat products may also be lifted for two years given the higher stock and bumper production. The Ministry of Agriculture is aggressively pushing for the same and is under serious consideration.

Comparative Yearly Study of Spot Market Delhi Prices During Jan, Feb, March & April:



Prices in spot markets throughout India start firming up from Oct-Nov and continue to move up during January and from Feb-to March they rule almost stable to slightly weak just ahead of new crop. March onward prices remain under pressure and move towards MSP. This year prices are ruling very close to the MSP and govt. is keen to buy maximum wheat available from new crop during procurement season. So prices are likely to rule stable in the weeks ahead as depicted in the above chart.

Harvesting Status And Procurement Schedule:

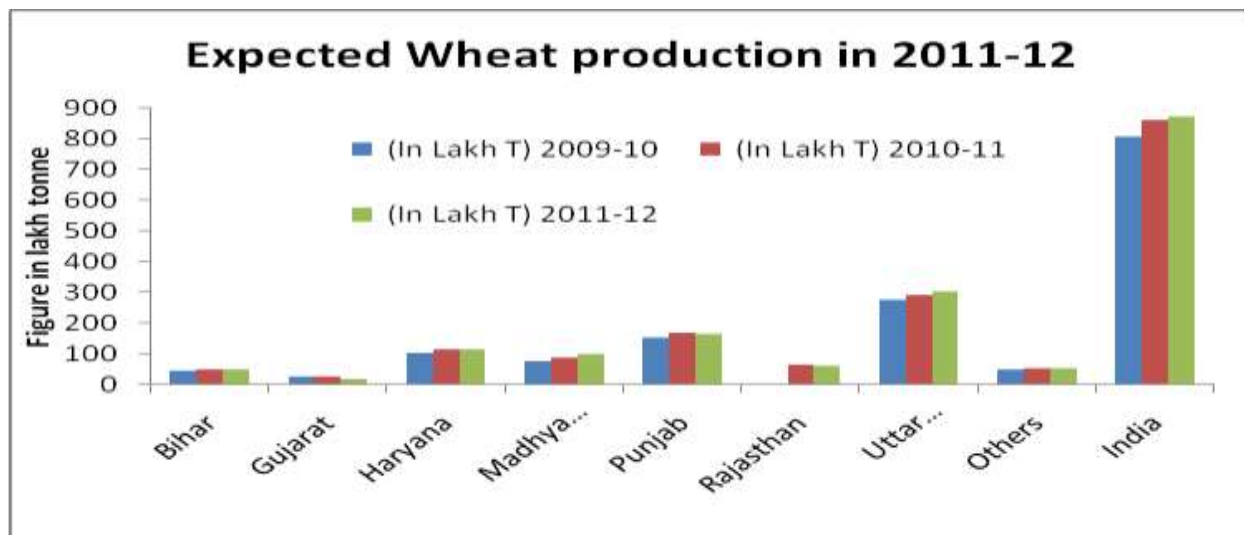
State	Harvesting under way	Percentage harvesting	Harvesting expected to be over	Arrival pressure likely from	Procurement starts from
Punjab	Yet to start	0	At the end of April	Mid April to May	1st April
Haryana	Yet to start	0	At the end of April	Mid April to May	1st April
Rajasthan	Started	10	At the end of April	April to May	1st April
Guajarat	Started	95	At the end of March	March to April	15th March
M.P.	Started	30	At the end of April	April to mid May	15th March
Uttar Pradesh	Yet to start	0	First week of May	Mid April to May	1st April
Bihar	Yet to start	0	First week of May	Mid April to May	15th April
Maharastra	Started	25	At the end of April	April to May	15th March

Procurement through govt.'s agencies has been negligible so far due to lower arrivals in M.P. and Rajasthan. Maximum quantity of wheat arriving in markets of Gujarat has been procured by local millers, traders and exporters. As the crop size has been reported lower in Gujarat, govt.'s procurement quantity is also expected to come down in comparison to last year. Almost 60 percent crop has been marketed before the commencement of procurement, so Gujarat contribution to the central pool kitty will remain lower than usual in MY 2012-13.

However, wheat prices are likely to rule below MSP where procurement agencies are not fully active as has been seen in the case of Eastern U.P. and Bihar. Private trade will be active in such remote regions as they get cheaper wheat on loose basis and sell it to millers/exporters as and when opportunity arises.

Wheat Production:

As stated above wheat production in India is set to rise by nearly one million T from previous year's production of 86.8 million T. Wheat production has been on the rise for last three years as depicts the state wise production bar chart. However, wheat production in Gujarat will decline marginally due to lower area coverage. Production in Rajasthan is expected to be stable on back of higher yield despite marginally lower area coverage. Farmers switched to pulses in some parts of Rajasthan for better returns. In spite of these factors overall production will cross all previous records and India is bound to sit on bulging stockpiles of foodgrains this year.



On Export Front:

Despite ample availability and sufficient surplus for export, Indian exporters failed to attract current and potential wheat buyers mainly on three counts. Firstly, Russian and Australian wheat is cheaper, secondly, wheat prices in domestic markets have increased due to govt.'s buying strategy on MSP and thirdly, unresolved payment issue (likely to be sorted out soon) with potential bulk buyer of agro commodities like Iran. Indian FOB Quotes (from ports located in Gujarat) for wheat come between \$260 to \$ 280 per T from various producing regions. Against it, Russian and Australian wheat exporters are supplying wheat at \$280 to \$300 per T on delivered basis with assured timely supply. If wheat prices in the international market increase from current level beyond \$300 to 320 per T, Indian exporters may grab some deals in the months ahead. Even GTG deal may be helpful in offloading some stocks in the international market if prices goes beyond \$340 to \$345 per T, almost near the cost of govt.'s stock.

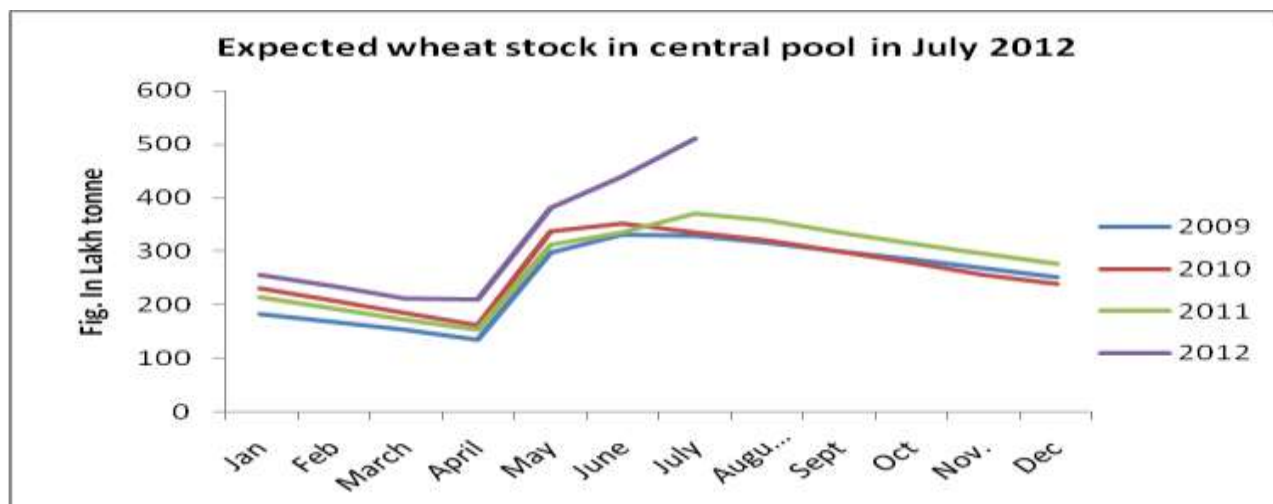
Despite some recent shipments of sugar, soya meal through third party' involvement and govt. eagerness, nothing concrete has emerged so far for long duration export –import business. However, possibility for more export with recent efforts has increased and some wheat, other agro commodities shipments to Iran from India may be expected soon.

Parity continues to be negative :

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	13000	13000	13500	14350
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500	500
Local transport, port warehousing, labour charges, shortage	500	500	1000	1000
Indian FOB (Rs/MT)	14000	14000	15000	15850
Indian FOB (USD/MT)	277	277	297	314
Insurance @ 0.1%	0.28	0.28	0.30	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	298	298	317	301
INR	50.5	50.5	50.5	50.5
Russian Wheat FOB (USD/MT)	275	275	275	275
Parity on FOB Basis (USD/MT)	-2	-2	-22	-39

Note: If we consider Iran as possible destination, freight will go up by \$20 to \$ 25 per T.

Expected wheat stock in central pool in July-2012:

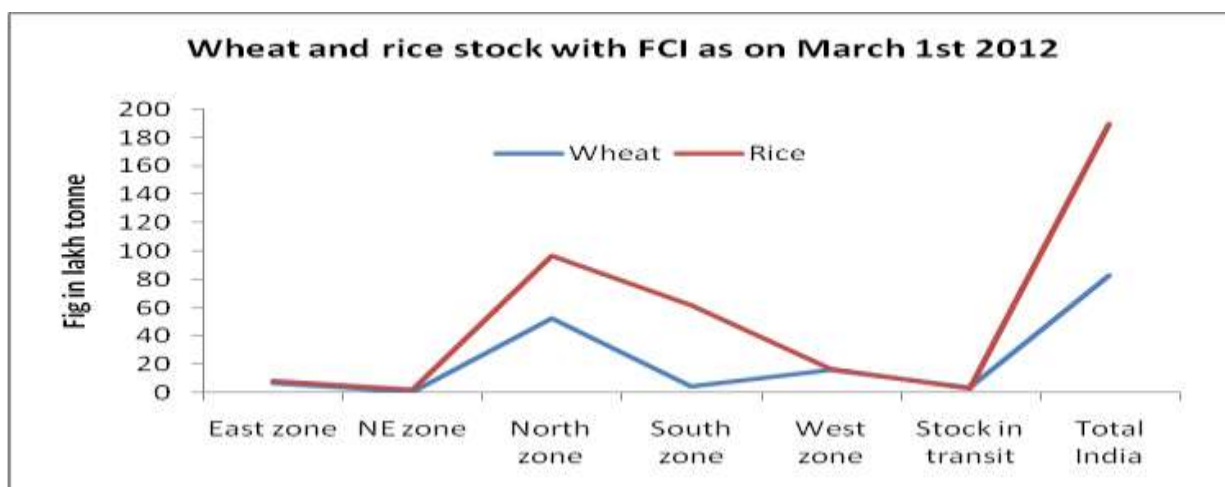


Note: Fig in lakh tonne(one lakh tonne is equivalent to 0.1 million T)

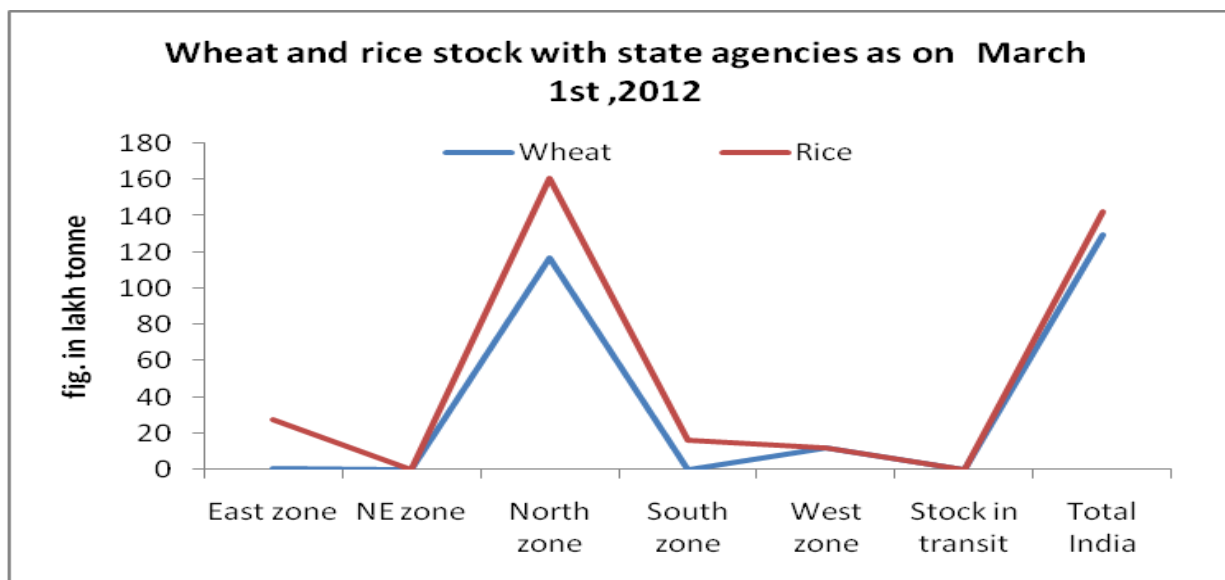
New season will start with a hefty stock of over 20 million T and is likely to reach its peak in the beginning of July at 51 million T. We assume 31 million T wheat procurement in MY 2012-13. The problem of plenty seems very much on the card. With this background Indian govt. has started thinking over GTG deals and encouraging private trade to ship out as much as possible in MY 2012-13.

Zone Wise Stock Details:

With FCI:



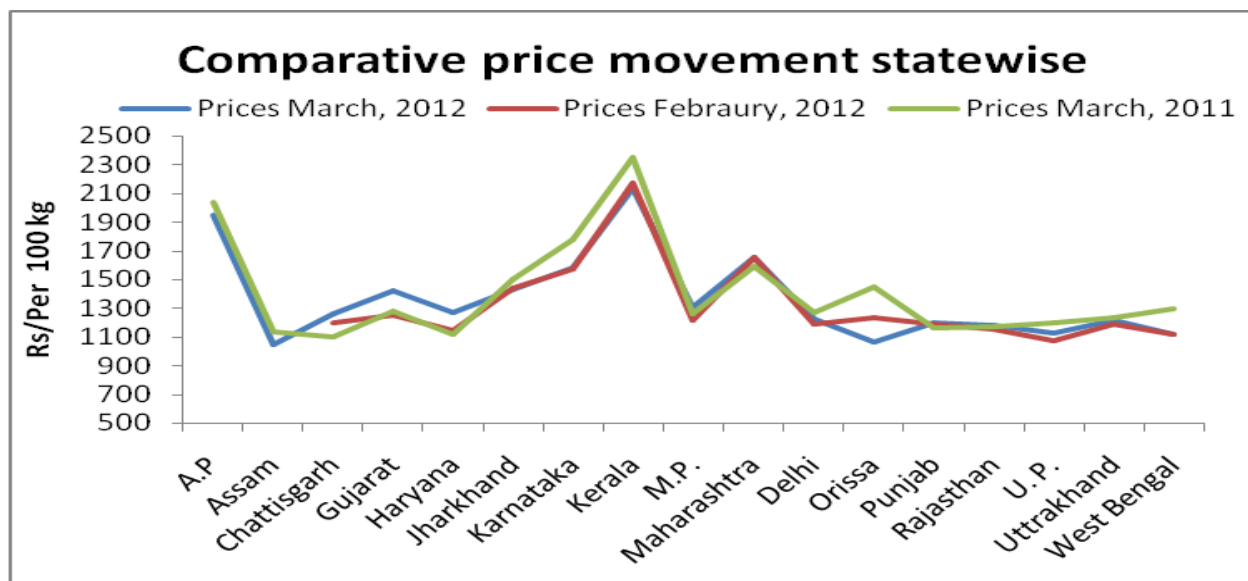
With State Agencies:



Wheat and rice stocks in north zone are on its peak as these regions are major contributors to the central pool kitty. Rice and wheat stocks are lower only on consuming regions. Above given charts show rice and wheat stocks as on 1st of March, 2012 in FCI and state agencies godowns.

Movement of foodgrains from surplus to deficit regions continues but with slow pace due to increasing availability from the new crop. In case of wheat, stock will start ballooning up soon.

State wise price movement:



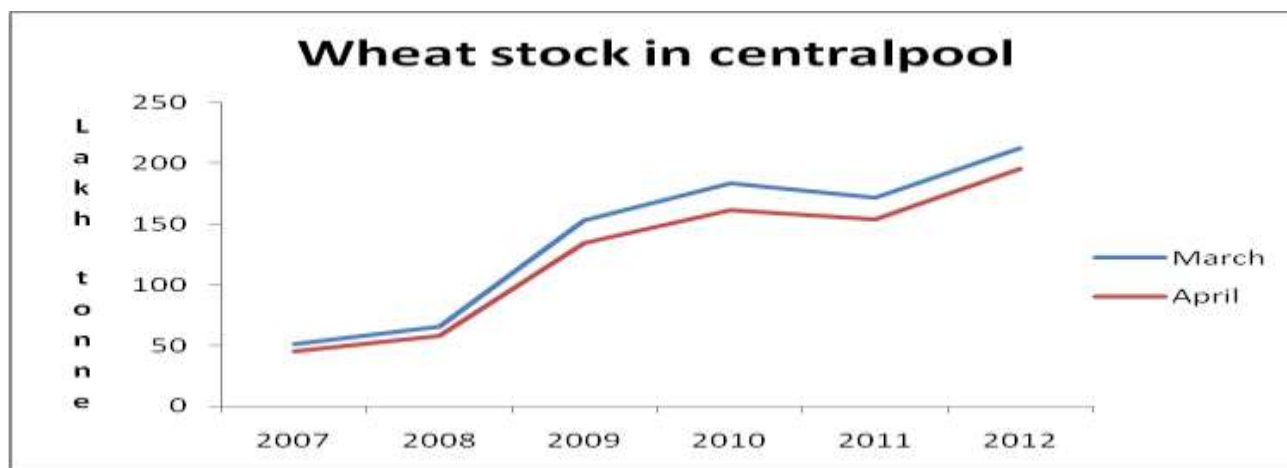
Wheat prices in domestic markets have increased considerably from Feb and are moving towards MSP in major producing states. Wheat is expected to rule steady to slightly weak in the month of April on arrival pressure from new crop. However, any major fall is unlikely even in the remote areas of eastern U.P. and Bihar where procurement agencies are not as active as we find in Punjab, Haryana, Rajasthan and M.P. Wheat prices ruled higher in the states like A.P., Karnataka and Kerala as these are non-producing consuming states. Prices of wheat are expected to decrease when procurement comes to an end (June) in domestic market.

As on March 1st, 2012 wheat stock with Central pool registered at 234.55 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:



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 1.9 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.
Cash market	Rs 1250-1285
Future market (April Contract)	Rs1250-1300

Delhi spot traded in the range of 1250 to 1280 in April. 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 first week of April.

Wheat future market:

Wheat future market traded weak 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:

- Weekly chart formation shows market to trade range bound in the month of April.
- RSI is moving down in neutral region hints market to be under consolidation phase for short and medium term.
- Volume, price and open interest are decreasing hints buyers unwillingness to take fresh position in the market.

Trading Strategy:

1235 the lower side is the capable support whereas 1265 holds importance as an immediate resistance. 1235-1265 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction. Pressure of arrivals from new crop is expected to drive market for trading under range.

International Market:-Development and Trade:

World grain prices should remain "very firm" over the near term as demand from Asia exceeds forecasts and dry weather reduces supply, the senior economist of the UN's Food and Agriculture Organization (FAO) said on Monday.

Wheat prices in the European Union rose to the highest level in around nine months on Monday, boosted by growing concerns over crop damage and a surge on U.S. grain and oilseed markets.

Reports of higher frost damage than initially feared in Germany, eastern France, Poland, Hungary and the Czech Republic, combined with the absence of rain forecasts to relieve mounting drought worries were feeding worries about final EU harvest numbers in 2012.

Australia's 2012/13 wheat production is forecast at 27 million tonnes, down about 6.5 percent from the Post's 2011/12 estimate, which was increased to a record 28.9 million tonnes. The estimate for 2011/12 wheat exports was also increased, to a record 20.5 million tonnes.

Wheat production in Argentina for 2012/13 is projected to drop to 12 million tonnes as a result of a lower planted area. Most of the lost area will be planted with barley, which is forecast to increase by 50 percent. Corn planted area is also projected to drop, but yields are expected to recover after a severe drought which affected the 2011/12 crop.

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 recently. 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.

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.).

CBOT Wheat May Contract:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (26.03.12)	Week Ago (18.03.12)	Month Ago (26.02.12)
May'12(\$/MT)	-0.50	236.05	236.51	237.25
May'12(INR/MT)	-0.50	11920.75	11943.94	11981.05
July'12 (\$/MT)	-1.29	239.36	240.46	242.48
July'12 (INR/MT)	-1.29	12087.74	12143.40	12245.44
Sept'12 (\$/MT)	-4.27	245.15	249.19	256.08
Sept'12 (INR/MT)	-4.27	12379.96	12584.05	12931.93
Nov'12 (\$/MT)	0.73	252.31	251.39	250.47
Nov'12 (INR/MT)	0.73	12741.75	12695.37	12648.98

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

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