

Executive summary:

Cash wheat market traded firm during the week under review on back of delay in harvesting in major wheat producing states like Punjab and Haryana supported by bonus of Rs 100 per qtl by Rajasthan govt. recently. Madhya Pradesh too is offering bonus over and above MSP. Higher prices of wheat in the states likes Punjab, Haryana, Rajasthan and M.P. have forced private trades to source wheat from eastern U.P. and Bihar and they are concentrating now to these states.

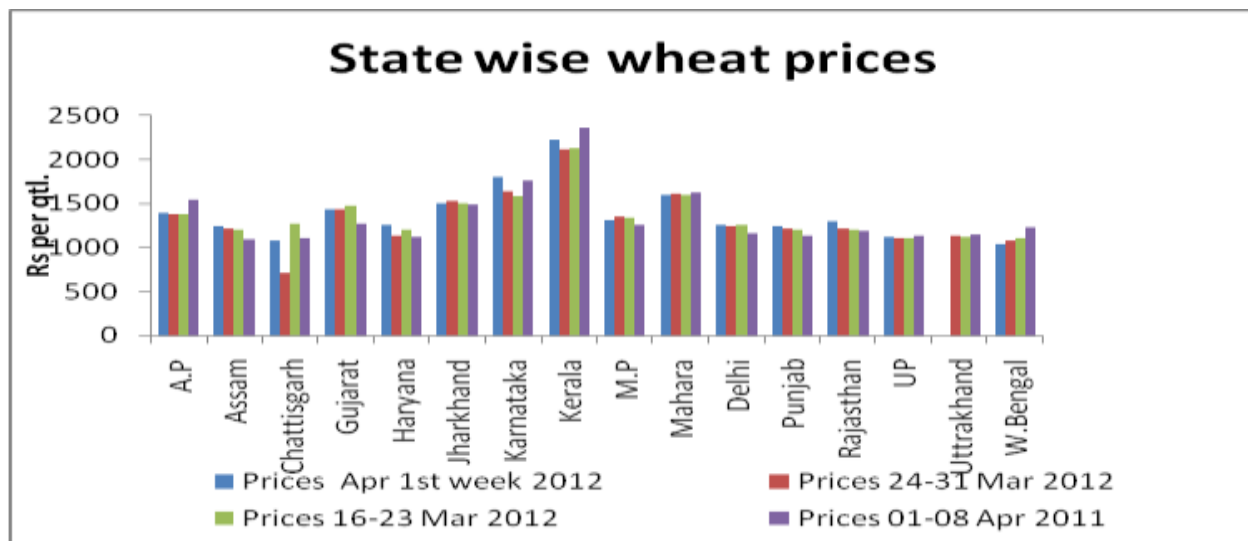
However, arrivals from new crop are yet to pick up in these states amid normal demand and all these factors are pushing up wheat prices towards MSP. Prices of wheat in Bihar and eastern U.P. too have increased in last one week and we expect prices to move up further until arrivals reach its peak.

On export front, Indian wheat is not competitive and with rising domestic prices it would be very difficult to attract buyers in the weeks ahead. Talk with Iran, Syria is said to be under progress, however, no real deals have struck as of now. Australia, Russia, Ukraine, US are supplying wheat around Indian FOB quotes.

Wheat procurement will remain slow even in the second week of April due to delayed harvesting except M.P., Rajasthan. Despite all these factors wheat procurement is bound to go up this season.

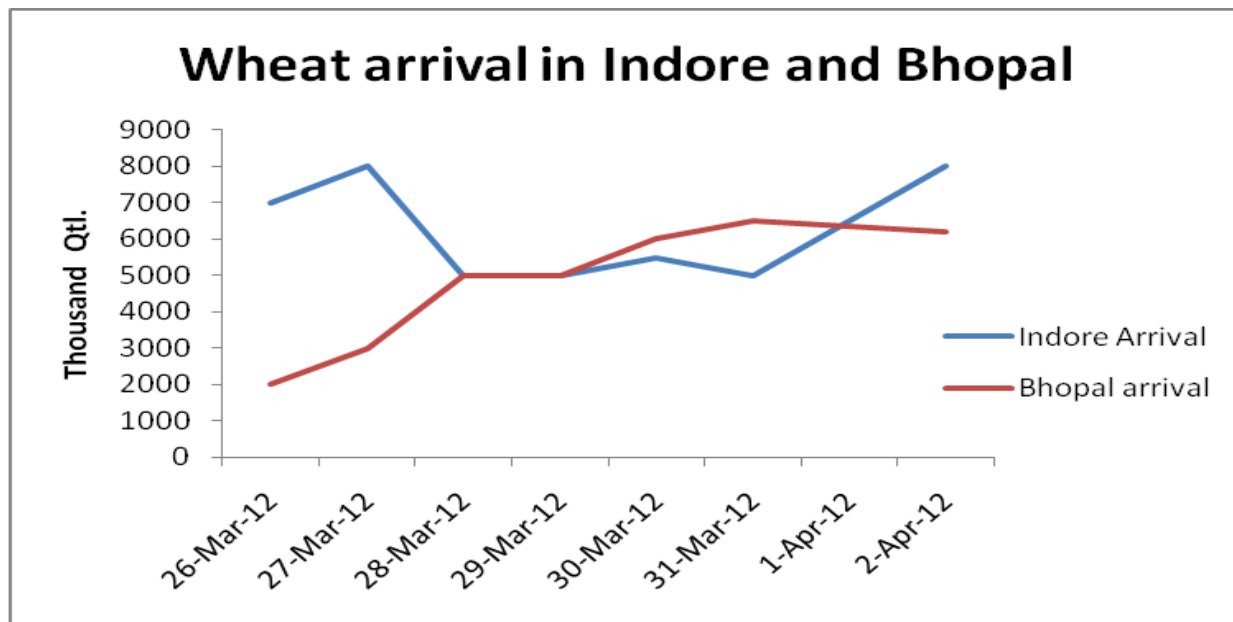
Weather remains favourable for harvesting so far. However, projection for below normal rainfall in June –July may affect kharif planting.

State wise comparative wholesale prices for Wheat First week April, 2012:



As the above given chart shows, prices of wheat in the first week of April have firmed up in comparison to last week of March. However, prices of wheat in Assam, Chhattisgarh, Haryana, M.P. and Delhi have eased slightly on expectation of higher crop size. Wheat prices are expected to consolidate further with the commencement of procurement in the days ahead. However, at peak arrival season (end April to mid May) prices may fall – as per traders view.

Arrivals Trend In M.P.:



Arrivals of wheat in Bhopal and Indore have been increasing except last two days of last financial year as depicts the above given chart. Trade usually remains sluggish during March closing. However, arrivals start to pick up once again with brisk harvesting activities. We expect more arrivals in mid April. Private trades are not very active in M.P. due to higher prices. Procurement agencies have procured more than three lakh tonnes wheat in M.P. so far. In other states, procurement activities are yet to pick up due to delayed harvesting and slow release of wheat by farmers. With declaration of bonus by Rajasthan govt., we expect higher arrivals in the weeks ahead.

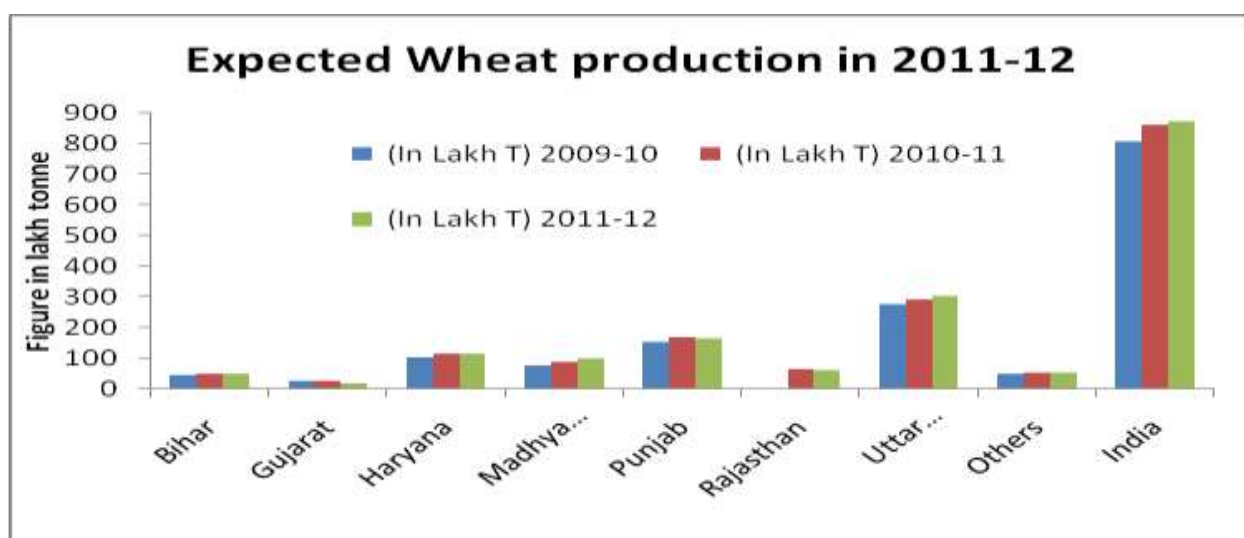
Harvesting Status And Procurement Schedule:

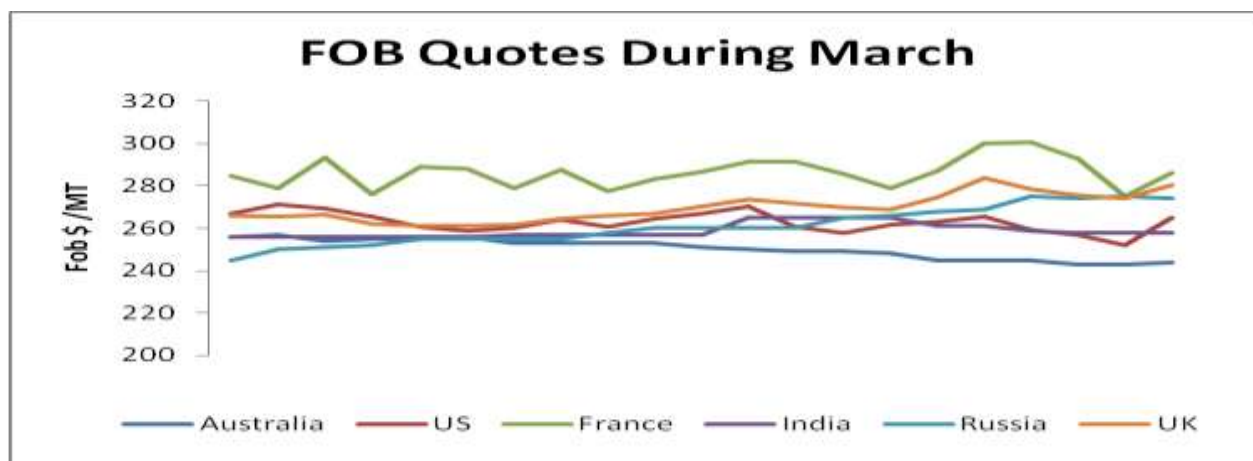
Despite activeness of procurement agencies as scheduled procurement of wheat remains negligible in Punjab, Haryana and Rajasthan due to delayed harvesting. Arrivals from new crop started in Rajasthan and it will pick up from mid April as per the feed back received from farmers. Farmers of Rajasthan have been waiting for bonus. Major procurement activities are expected mid April onward. With the offering of bonus by Rajasthan and M.P., pressure on other state govt. is mounting and farmers in these states may wait for a month in hope of getting bonus. It may impact normal arrival in these states.

State	Harvesting under way	Percentage harvesting	Harvesting expected to be over	Arrival pressure likely from	Procurement starts from
Punjab	Yet to start	0	April end	April end to May	1st April
Haryana	Yet to start	0	April end	April end to May	1st April
Rajasthan	Started	15	April end	April end to May	1st April
Guajarat	Started	95	March end	March to April	15th March
M.P.	Started	45	April end	Mid April to mid May	15th March
Uttar Pradesh	Yet to start	5	First week of May	Mid April to May	1st April
Bihar	Yet to start	2	First week of May	Mid April to May	15th April
Maharashtra	Started	40	At the end of April	April to May	15th March

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.



FOB Quotes:


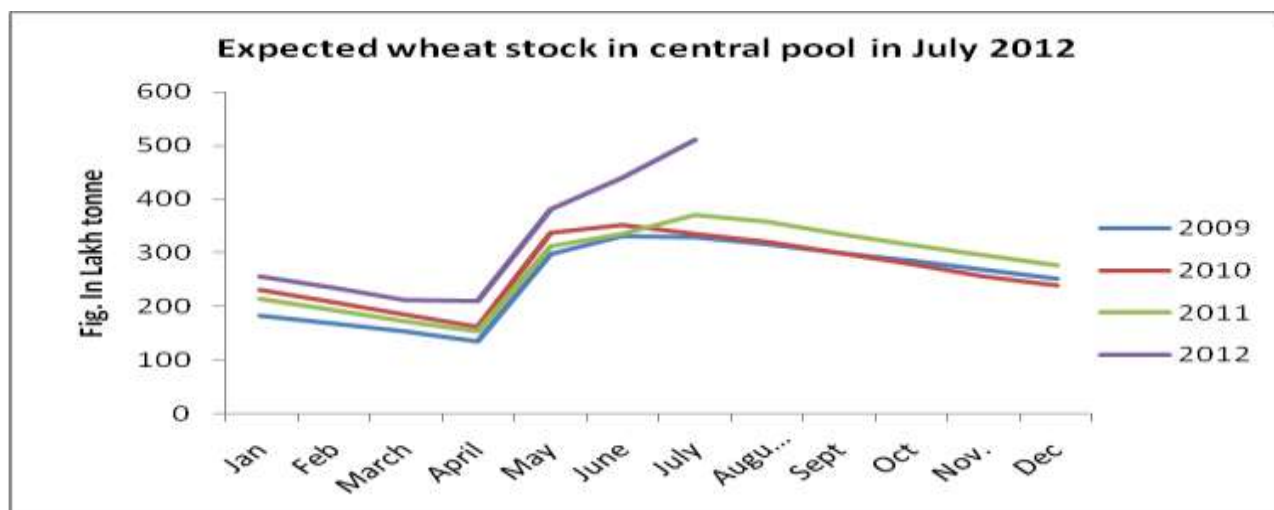
Comparative studies of FOB quotes denote firmness in the international market except Australia, Russia and to some extent India too. However, Australian quotes are the lowest ones and India, Russia are unable to compete with them. With rising domestic prices Indian exporters find difficult to attract buyers at current prices. If international prices go up beyond \$300 per MT, export chances from India may increase.

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.

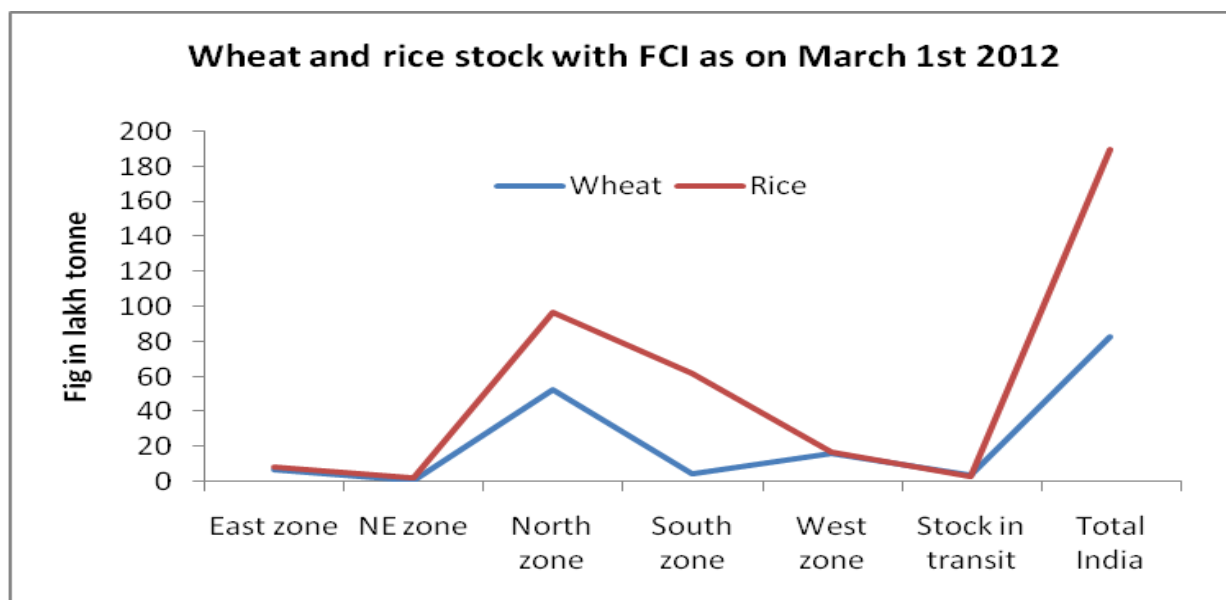
Expected wheat stock in central pool in July-2012:



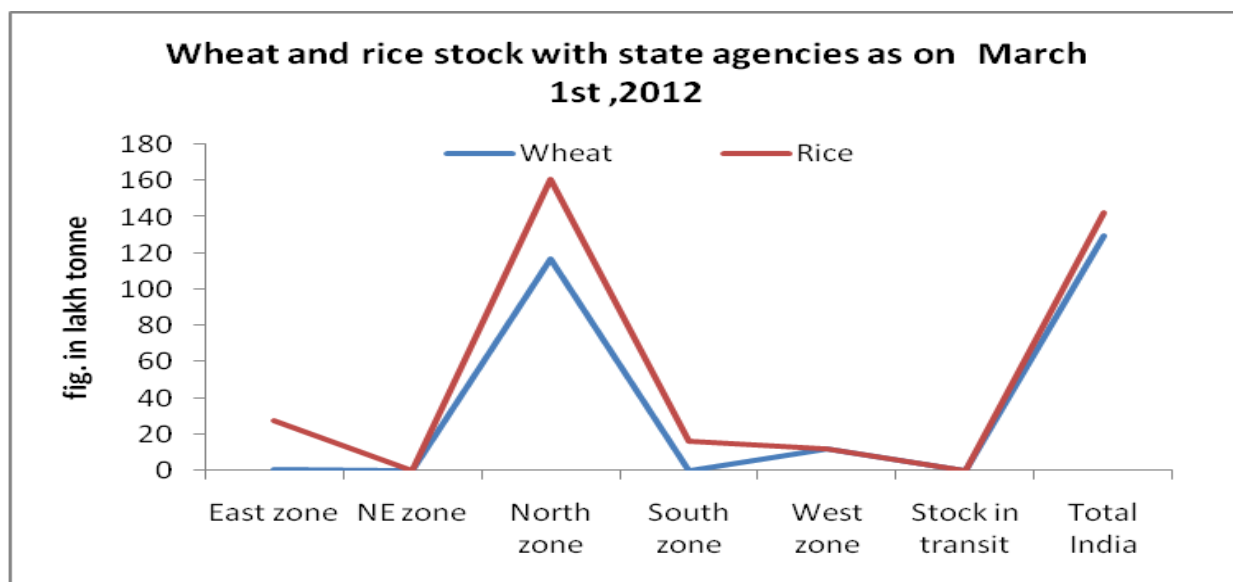
Note: Fig in lakh tonne(one lakh tonne is equivalent to 0.1 million T)

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:



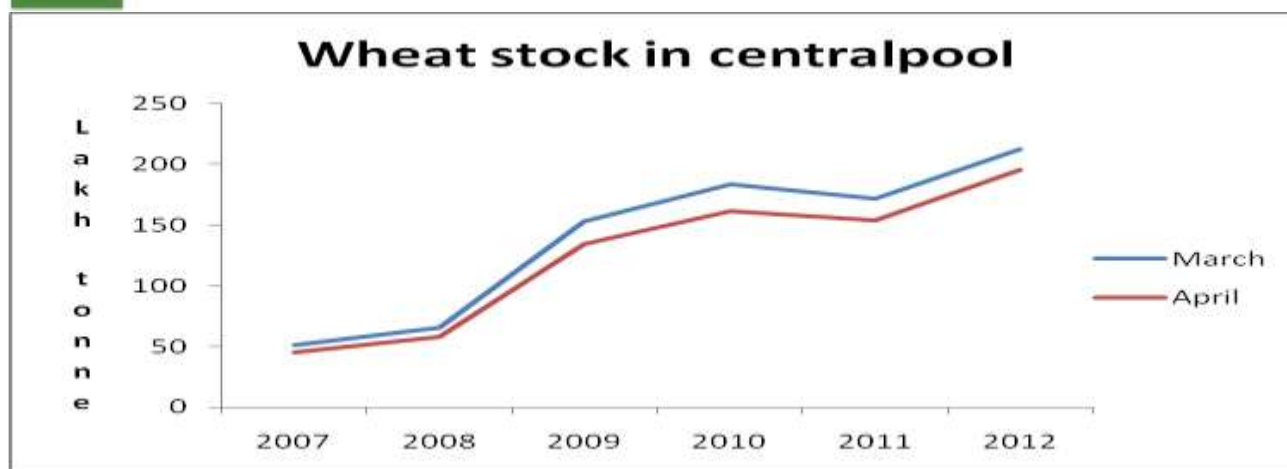
Wheat and rice stocks in north zone are on its peak as these regions are major contributors to the central pool kitty. Rice and wheat stocks are lower only on consuming regions. Above given charts show rice and wheat stocks as on 1st of March, 2012 in FCI and state agencies godowns. Movement of foodgrains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

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)	0.00	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)	0.00	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 1275-1285
Future market (April Contract)	Rs1250-1300

Delhi spot traded in the range of 1275 to 1285 in April. Wheat prices are expected to trade steady despite bumper crop prospects and ample availability in the domestic market.

Wheat future market:

Wheat future market traded weak during the week under review and is expected to trade in between 1235 to 1275 in April contract. With the commencement of procurement on MSP, wheat future market may get 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 up in neutral region hints market to be under build up phase for short and medium term.
- Volume, price and open interest are increasing hints buyers willingness to take fresh position in far months contract.

Trading Strategy:

1235 the lower side is the capable support whereas 1275 holds importance as an immediate resistance. 1235-1275 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:

Wheat futures surged sharply higher on fear of lower planting this year. All locations settled with gains falling within the range of 0.385 to 0.515, with most contracts ending near the top of this range. This helped Chicago Wheat to finish with slight weekly gains. Bullish USDA report data for Wheat sets the market up to start the month of March on a Bullish note, as all Wheat plantings of 55.9-M acres were well below expectations as were quarterly grain stocks of 1.2-B bu.

Wheat Exports Australia chief executive officer Peter Woods says the image of Australian wheat has taken a turn for the worse since the demise of the single desk. "For some reason, Australian wheat is not performing as it used to, in terms of quality and performance," he said. The feedback we've received from South East Asian millers is that they're having to modify their blending ratios.

Pakistan Flour Mills Association (PFMA) has decided unilaterally to jack up its transportation charges by Rs7 per 20kg flour bag to Rs15. Consequently, after including the new the transportation charges, the 20kg flour bag will be delivered to the retailers now in Rs580 instead of earlier rate of Rs573.

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.).

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

CBOT Wheat May Contract:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (30.03.12)	WeekAgo (23.03.12)	MonthAgo (30.03.12)
May'12(\$/MT)	-2.04	242.76	235.04	247.81
May'12(INR/MT)	-2.04	12349.18	11956.70	12606.16
July'12 (\$/MT)	-1.79	247.63	239.82	252.13
July'12 (INR/MT)	-1.79	12596.82	12199.66	12825.76
Sept'12 (\$/MT)	-1.60	253.51	245.97	257.64
Sept'12 (INR/MT)	-1.60	12895.85	12512.71	13106.11
Nov'12 (\$/MT)	-0.63	261.59	253.51	263.24
Nov'12 (INR/MT)	-0.63	13307.02	12895.85	13391.13

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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