

Executive summary:

India's wheat production may cross 88 million tonnes, an all-time high, in the 2011-12 crop year surpassing the earlier estimate on the back of favourable weather condition and better yield in Rajasthan, M.P. and Uttar Pradesh. According to the second advance estimates for the 2011-12 crop year (July-June), wheat production is estimated at record 88.31 million tonnes. Yellow rust and terminal heat has not occurred so far.

With commencement of harvesting in major wheat producing states like Punjab, Haryana, Uttar Pradesh and Bihar wheat market is likely to trade under pressure in the weeks ahead despite the intention of higher procurement on back of better crop prospects and higher MSP. The bonus (Rs 100 per qt.) offered by states like Rajasthan and M.P for MY 2012-13. will also ensure higher procurement in these states. Punjab, Uttar Pradesh, M.P., Rajasthan, Haryana and Bihar are expected to contribute more wheat to the central pool kitty this year.

The Food Corporation of India (FCI) and state government agencies have started their wheat procurement drive for the 2012-13 rabi marketing season in key producing states of Haryana, Punjab and Rajasthan from April 1. Procurement has already started in M.P. and Gujarat. The government has set a record procurement target of close to 32 million tonne. Last year, FCI, along with various state procurement agencies, lifted 28.33 mt.

The Reserve Bank of India has released Rs. 9,500 crore as the credit limit for the month of April for wheat procurement on support price. The State Government (M.P.) had demanded a total of Rs. 11 thousand crore. The Reserve Bank has released the funds as the first installment at present for the procurement process for the month of April

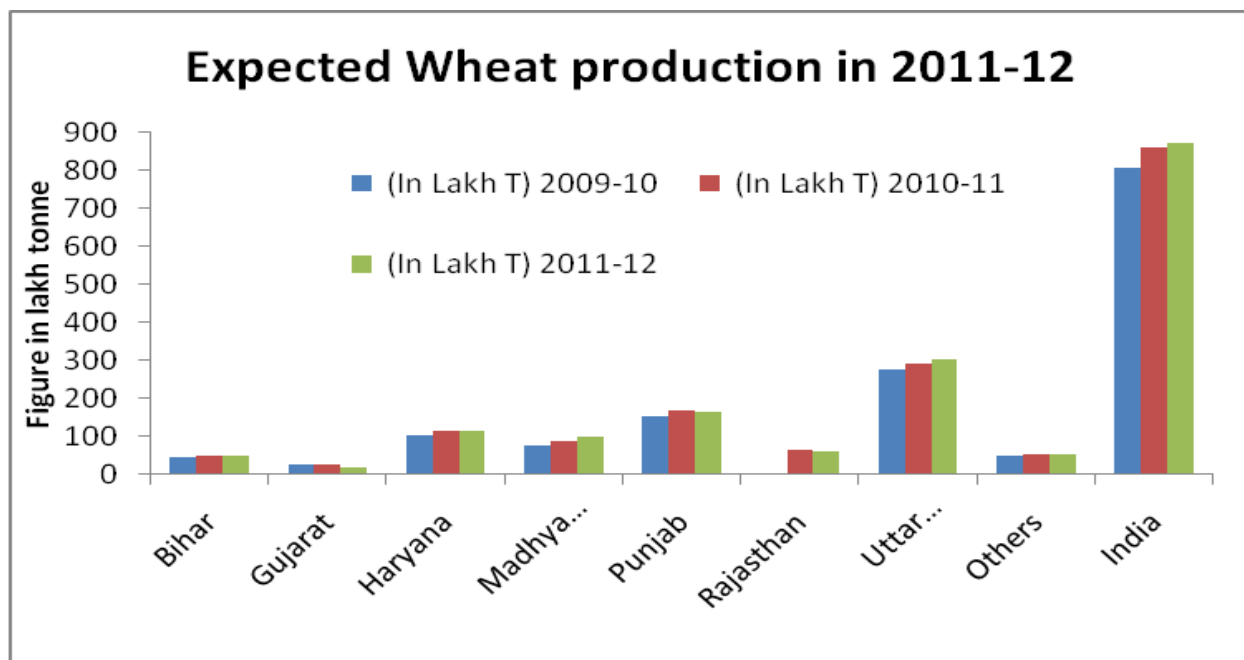
There is a fear in the market that wheat will trade lower than MSP in Rajasthan, Bihar and Uttar Pradesh at peak arrival month (May) due to higher availability and lower demand throughout the country. Small and medium farmers in Uttar Pradesh and Bihar prefer to sell their crop at doorstep because of lower quantity. Private trade takes advantage of the situation as usual.

On export front situation is not favourable for Indian wheat due to lower international quotes. Australia is supplying wheat @ \$280 per T on CIF basis. Major buyers like Iran and Syria are fulfilling their requirements from major exporting countries like US, Russia, Ukraine. India is unable to offer wheat below \$280 at current scenario. Export chance may emerge after June when procurement comes to an end.

Wheat may trade range bound at current level in short term. However, with higher arrivals expected at the beginning of May wheat might trade under pressure. Lower demand during harvesting season will continue to weigh on the prevailing market sentiments.

India Heads To Record Wheat Production:

Wheat production in India may cross previous estimate 87.5 million T on back of higher yield and favourable weather so far. Wheat production is likely to touch 88.5 million tonnes. Production in Uttar Pradesh may exceed 31 million tonnes, higher by one million T from previous estimate. Production in Rajasthan, Bihar and M.P. may increase slightly from last year. Initial feedback from farmers is very encouraging from production point of view.



Harvesting Status And Procurement Schedule:

State	Harvesting under way	Percentage harvesting	Harvesting expected to be over	Arrival pressure likely from	Procurement starts from
Punjab	Started	2	At the end of April	Mid April to May	1st April
Haryana	Started	3	At the end of April	Mid April to May	1st April
Rajasthan	Started	20	At the end of April	April to May	1st April
Guajarat	Completed	100	At the end of March	March to April	15th March
M.P.	Started	45	At the end of April	April to mid May	15th March
Uttar Pradesh	Started	4	First week of May	Mid April to May	1st April
Bihar	Started	5	First week of May	Mid April to May	15th April
Maharastra	Started	65	At the end of April	April to May	15th March

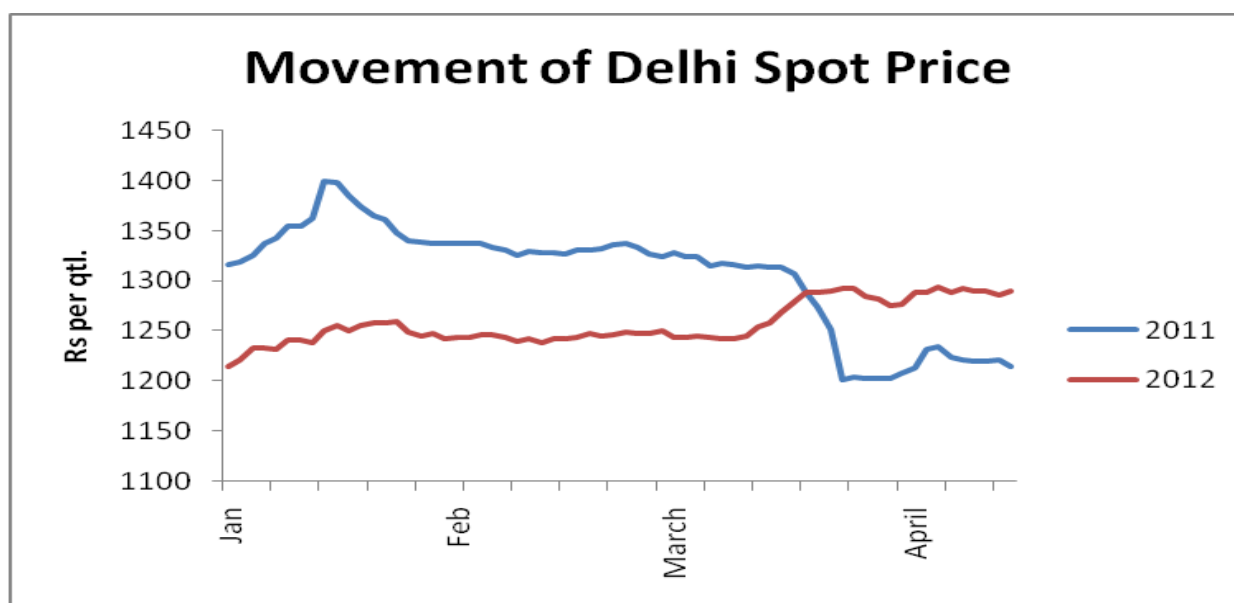
Wheat harvesting in Gujarat has come to an end. It has just commenced in Punjab, Haryana, Uttar Pradesh, Bihar while it is running smooth in M.P., Rajasthan. Arrival pressure is expected from April end in Punjab, Haryana and Uttar Pradesh. Just opposite to it arrivals are continuously increasing in M.P. and Rajasthan. Weather remains favourable for smooth

harvesting of the crop. However, recent rains have delayed threshing activities by two to three days.

Wheat procurement:

Wheat procurement has crossed one million T in the second week of April. Out of this M.P. contributed 0.9 million T. The main reason behind lower procurement in other states is mainly attributed to lower arrivals and delayed harvesting due to extended ripening period of the standing crop. However, arrival is expected to increase with brisk pace of harvesting. The moisture content is higher too in new crop and farmers will prefer to wait for a week or two to meet the parameter set by the procurement agencies. Above 11 percent moisture level in wheat is unacceptable.

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



Wheat price crossed over each-other in mid March during 2011 and 2012 in Delhi spot market as the above given data shows. The difference of price in same month is due to difference of MSP (Rs 1170 & Rs 1285 per qtl.). With increasing arrivals prices are likely to come down as we have seen in 2011. Higher production, normal demand and increased availability throughout the country may pressurize wheat market in spite of ongoing procurement activities.

On Export Front:

Wheat export from India is not feasible at current point of time due to cheaper availability of wheat in major exporting nations. Australia is supplying wheat at \$280 per tonne on CIF basis. Argentina, Russia, US too are supply wheat below \$300 per T. With ongoing procurement season at prices in domestic market have firmed up and freight cost from surplus states has gone up thus making export more difficult at this point of time. India exporters would either have

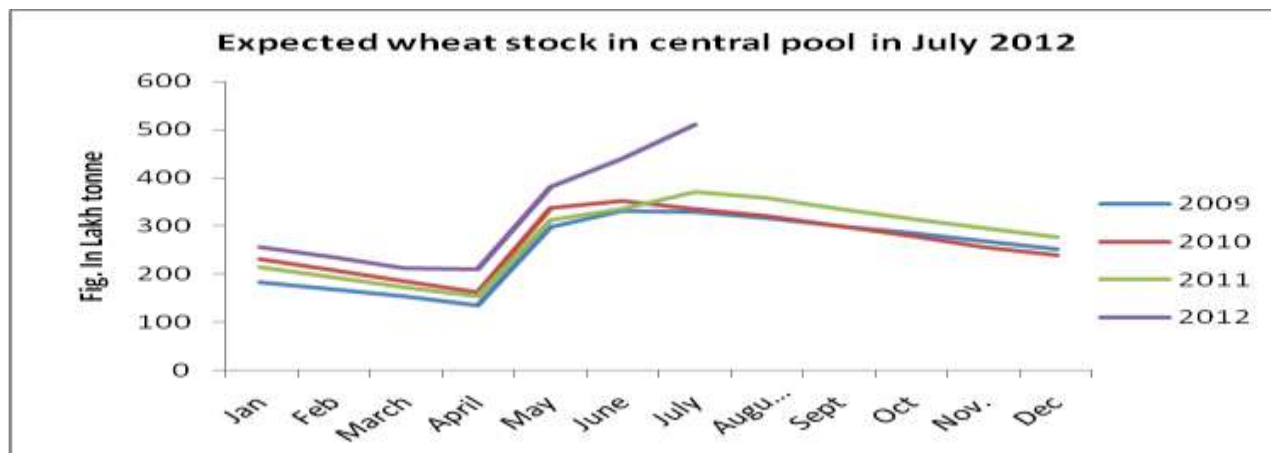
to wait for firmness in the international market or for decrease in the domestic market. Unluckily, there is a remote possibility for either of the two in near and medium term.

Parity continues to be negative:

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	13150	13150	13400	14450
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)	14150	14150	14900	15950
Indian FOB (USD/MT)	276	276	291	311
Insurance @ 0.1%	0.28	0.28	0.29	0.25
Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	296	296	311	301
INR	51.29	51.29	51.29	51.29
Russian Wheat FOB (USD/MT)	275	275	275	275
Parity on FOB Basis (USD/MT)	1	-1	-16	-36

Note: Australia is exporting wheat at \$280 per T on CIF basis and posing great challenge for other exporting nations.

Expected wheat stock in central pool in July-2012:



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

Season Starts with hefty stock:

New season starts with 533.02 lakh tonnes wheat and rice stock. The below given table shows the foodgrains status in central pool as on 1st April, 2012. Wheat stock matched the level estimated by Agri watch in Feb. at 20 million T.

Quantity in lakh tonne:

	IN STORAGE	IN TRANSIT	TOTAL
RICE	330.42	3.08	333.50
WHEAT	195.89	3.63	199.52
Wheat lying in mandies	0.00	0.00	0.00
TOTAL	526.31	6.71	533.02
COARSE GRAINS	0.93	0.00	0.93
SUGAR	0.31	0.11	0.42
GRAND TOTAL	527.54	6.82	534.36

State wise price movement:

State	Prices 01-08 Apr 2012	Prices 24-31 Mar 2012	Prices 16-23 Mar 2012	Prices 01-08 Apr 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A.P.	1907.14	1087.45	1107.42	2062.5	75.38	72.21	-7.53
Assam	950	1215.15		1090	-21.82	—	-12.84
Chattisgarh	1235.77	713.82	1264.78	1103.56	73.12	-2.29	11.98
Gujarat	1414.87	1461.9	1468.36	1274.96	-3.22	-3.64	10.97
Haryana	1281.56	1138.72	1208.13	1119.66	12.54	6.08	14.46
Jharkhand	1577.34	1517.66	1497.86	1487.42	3.93	5.31	6.05
Karnataka	1745.51	1634.37	1581.26	1760.84	6.8	10.39	-0.87
M.P.	1351.82	1352.54	1336.26	1251.24	-0.05	1.16	8.04
Maharashtra	1640.99	1597.85	1602.88	1626.97	2.7	2.38	0.86
Delhi	1300	1245.3	1252.12	1163.09	4.39	3.82	11.77
Orissa	1237.57	1126.02	1167.55	1459.66	9.91	6	-15.22
Punjab	1238.07	1212.73	1204.59	1130.87	2.09	2.78	9.48
Rajasthan	1224.28	1195.95	1205.69	1184.17	2.37	1.54	3.39
U.P.	1144.3	1105.09	1100.7	1130.61	3.55	3.96	1.21
Uttarakhand	1160	1157.54	1126.76	1145.73	—	—	—
West Bengal	1086.81	1101.73	1109.12	1223.4	-1.35	-2.01	-11.16
Average	1402.25	1293.04	1335.35	1387.02			

Source; Agmarknet

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1275-1300
Future market (April Contract)	Rs1230-1275

Delhi spot traded in the range of 1275 to 1300 in April. Wheat prices are expected to stay steady at current level despite bumper crop prospects and ample availability in the domestic market. Delayed harvesting is hampering arrivals and support price at current level. However, pressure may be seen at April end .

Wheat future market:

Wheat future market traded weak during the week under review and is expected to trade in between 1230 to 1275 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 in short and medium term.
- Volume, price and open interest are decreasing hints buyers unwillingness to take fresh position in the market.

Trading Strategy:

1230 the lower side is the capable support whereas 1265 holds importance as an immediate resistance. 1230-1265 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 given range.

International Market:-Development and Trade:

- Chicago Board of Trade wheat futures closed weak on good crop weather in the U.S. and improved crop weather in Europe. Some positioning was noted ahead of the long holiday weekend-CME



- Position-squaring was noted ahead of the release on Tuesday of USDA's April supply/demand and crop production reports. An average of analysts' estimates pegged the 2011/12 U.S. wheat ending stocks at 792 million bushels, below the forecast in March for 825 million bushels-USDA
- Bangladesh's state grains buyer issued a tender on Thursday to import 50,000 tonnes of wheat to boost granaries, a procurement official said. The deadline to submit offers is April 19, with validity till April 30-Daily Times
- Tunisia's state grains agency purchased on Friday 75,000 tonnes of soft wheat and 25,000 tonnes of durum wheat of optional origin, European traders said. The agency paid soft wheat \$287.49, \$287.89 and \$287.29 per tonne cost and freight for shipment in May and June.-Bloomberg
- Russia exported 1.82 million tonnes of wheat in the first two months of 2012, official customs data showed on Friday. Russian imports of red meat fell in January-February, year-on-year, while poultry imports rose. Reuters
- Egypt, the world's largest wheat importer, has bought 115,000 tonnes of U.S. soft red winter wheat for May 21-31 shipment on a free on board basis, the main government wheat buyer said on Thursday-Bloomberg
- The Australian Bureau of Statistics said wheat exports hit 2.4 million tonnes in February, up 283,000 tonnes or 13 percent from the previous month. That was nearly double the exports from a year ago and the highest monthly total since 2003. However, analysts said the trend may end when March volumes are announced later this month as flooding in New South Wales and Victoria disrupted transport of grains to shipping ports-Aware
- As per IGC latest update world wheat production in 2012/13 is expected to fall by 15m. tonnes from the past year's record, to 681m., capped by a projected reduction in the average yield from the current year's high. Crops may be smaller in Australia, Kazakhstan, Morocco and Ukraine. but better outcomes are expected in North America and Russia.
- Global consumption is forecast to grow only modestly, with gains in food and industrial use partly offset by a fall in feed demand. Nevertheless, feed use is expected to remain at a relatively high level due to ample global supplies-IGC
- World stocks are forecast to recede from the past year's peak, but availabilities should remain comfortable, including in the major exporters. Some reduction in world wheat trade is forecast, mainly due to lower purchases for feed amid improved supplies of maize and barley-IGC

CBOT Wheat May Contract:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (05.04.12)	WeekAgo (28.03.12)	MonthAgo (05.03.12)
May'12(\$/MT)	-5.34	234.58	235.04	247.81
May'12(INR/MT)	-5.34	11970.87	11994.30	12645.81
July'12 (\$/MT)	-5.83	237.43	239.82	252.13
July'12 (INR/MT)	-5.83	12116.17	12238.03	12866.10
Sept'12 (\$/MT)	-5.94	242.34	245.97	257.64
Sept'12 (INR/MT)	-5.94	12366.46	12552.07	13147.33
Dec'12 (\$/MT)	-4.99	250.11	253.51	263.24
Dec'12 (INR/MT)	-4.99	12762.99	12936.41	13433.24

Pressure on CBOT wheat market continues despite some rough weather report. Crop condition in US is very good with ample availability of wheat worldwide. World wheat market is expected to trade range bound in the days ahead. Export demand for US wheat is not very encouraging as Australia is quoting competitive prices with ample exportable surplus.

IGC Wheat Balance Sheet:

IGC/02.04.12	2007-2008	2008-09	2009-10	2010-11 est.	2011-12 Forecast	Million Tonnes	Projection for 12-13
Wheat					23/02/2012	02/04/2012	02/04/12
Production	607	685	679	653	695	696	681
Trade	110	137	128	126	137	139	136
Consumptions	603	645	652	656	681	681	683
Carryover stocks	132	173	199	193	211	210	208
YOY ch.	+5	+41	+26	-3		+14	-2
Major Exporters	47	69	77	71	76	76	73

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Nevertheless, feed use is expected to remain at a relatively high level due to ample global supplies. World stocks are forecast to recede from the past year's peak, but availabilities should remain comfortable, including in the major exporters. Some reduction in world wheat trade is forecast, mainly due to lower purchases for feed amid improved supplies of maize and barley.

CBOT Chart: May Contract



CBOT wheat May contract traded under pressure on improved weather report in the US and huge exportable surplus in Australia. Wheat may trade in the range of 640 to 670 cent per bushel in short term. Buyer's unwillingness to buy at current prices also weigh on market direction. Overall scenario is bearish.

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