

**Executive summary:**

Wheat market continued to trade under pressure on increasing expectation of record crop (more than 90 million tonnes) this year during the week under review and we expect more pressure in the physical markets in the days ahead, despite ongoing buying activities on MSP, with rising arrivals in various mandis throughout the major wheat producing states.

Harvesting in Punjab, Haryana, Uttar Pradesh, Rajasthan and Bihar is in full swing while in M.P. it has entered in the last phase. Recent rains have delayed harvesting in some pockets. However, now rising temperature, sunshine and dry weather have encouraged harvesting and threshing activities once again and resultantly we expect higher arrivals in the first week of May.

Wheat procurement has crossed 5.5 million tonnes in the 2012-13 rabi marketing season as arrivals have begun to pick up in key producing states of Haryana and Punjab. So far, the Government agencies in states such as Madhya Pradesh, Haryana, Punjab and Uttar Pradesh have procured a total of 5.57 MT against 4.68 MT in the corresponding period last year. It is higher by 19 percent till date.

The Centre will take a final decision on continuation of export of agricultural produce such as wheat, rice, sugar and onion, at a high-level meeting on April 30. We expect export to continue in the months ahead as availability of foodgrains (rice, wheat and maize) is ample. Despite unfavourable export market for Indian wheat we expect higher wheat export this year despite disparity at current level. It will cross one million tonnes as prices will remain suppressed due to higher availability with the end of procurement season (June).

India's wheat production may cross 90 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 except some losses due to recent rains and hailstorm.

Monsoon rainfall over South Asia will be normal for a third year this season, potentially increasing plantings of rice, soybeans and sugar cane. El Nino weather conditions, which can affect parts of Asia, may emerge only in the later part of the June-September monsoon season and most forecasts indicate neutral conditions and normal rains. Farmers in South Asia may plant more of rice, corn, sugar cane and cotton on normal showers, helping India sustain exports and ease global food prices.

**Market Fundamental:**

Arrivals from newly harvested crop have started to increase in Punjab, Haryana, Rajasthan, Uttar Pradesh and Bihar with opening up the cloudy weather and increasing temperature. Wheat cash market is expected to trade under pressure despite increased activities of various procurement agencies. Prices of wheat are ruling below MSP in many pockets of Rajasthan, U.P. and Bihar. Traders are procuring wheat in the range of Rs 1050 to Rs 1100 per qtl. on loose basis from small land holders. Wheat and Maida loading from Rajkot and Mundra ports continued in small quantity. Exporters like Cargil and L.D are sourcing wheat from U.P. (Udaipur, Baraiely) at Rs 1245-1250 on delivered basis Rajkot.

With rising arrivals and supply exporters are buying at centers where govt.'s procurement agencies are not fully active. However, any major decrease in prices from current level is unlikely as demand from various sectors is expected to increase at current lower level. With decreased prices in the domestic market parity for Indian wheat seems very much in sight now and it will boost export further through private channel. World wheat prices are moving in the range of \$245 to \$280 per T and now Indian exporters are able to export below \$300 per tonne with decreasing prices in domestic markets.

Exporter's buyings will depend on advance order. However, some major exporters are buying wheat to store for export purpose. Despite competition and ample availability Indian wheat export is bound to increase this year due to cheaper availability and higher stock

### State wise Wholesale Prices Weekly Analysis for Wheat Third Week April, 2012:

State	Prices 16-23 Apr 2012	Prices 09-15 Apr 2012	Prices 01-08 Apr 2012	Prices 16- 23 Apr 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A.P.	1525	1550	1650	1675	-1.32	2.25	-2.14
Assam	1025	1030	950	1130.27	-0.49	7.89	-9.31
Bihar	1285	1230	1215	1150	—	—	—
Chattisgarh	1130.13	1122.28	1198.58	1093.58	0.7	-5.71	3.34
Gujarat	1365.08	1385.59	1407.46	1276.14	-1.48	-3.01	6.97
Haryana	1285	1285	1294.22	1128.56	0	-0.71	13.86
Jharkhand	1568.87	1517.11	1519.47	1426.42	3.41	3.25	9.99
Karnataka	1564.07	1598.35	1718.83	1787.53	-2.14	-9	-12.5
Kerala	2153.57	2110	2100	2300	2.06	2.55	-6.37
M.P.	1337.29	1379.54	1351.74	1258.74	-3.06	-1.07	6.24
Maharashtra	1515.69	1573.27	1598.79	1551.45	-3.66	-5.2	-2.3
Delhi	1250	1265	1275	1152.38	-1.18	5.35	18.85
Orissa	1100	1673.77	1237.57	1433.5	-34.28	-11.12	-23.26
Punjab	1284.93	1292.62	1238.07	1120.05	-0.59	3.78	14.72
Rajasthan	1216.66	1205.22	1214.9	1176.42	0.95	0.14	3.42
U.P.	1133.17	1107.75	1124.05	1120.26	2.29	0.81	1.15
Uttarakhand	1285	1243.55	1240	1119.65	3.33	3.63	14.77
West Bengal	1093.63	1057.53	1056.61	1113.31	3.41	3.5	-1.77
Average	1346.23	1370.12	1356.41	1334.9			

With increasing arrivals and expectation of bumper crop, prices of wheat have decreased considerably in various markets in comparison to last week as the above given data shows. Prices of wheat in most of the centers have decreased on higher production estimate and increasing supply from U.P., Rajasthan and Bihar. Pressure on wheat market is likely to continue in the weeks ahead despite ongoing procurement activities. Small land holders in the

eastern U.P. Bihar and Rajasthan are selling wheat below MSP. Wheat is available in these areas in the range of Rs 1075 to Rs 1150 per qtl. on loose basis.

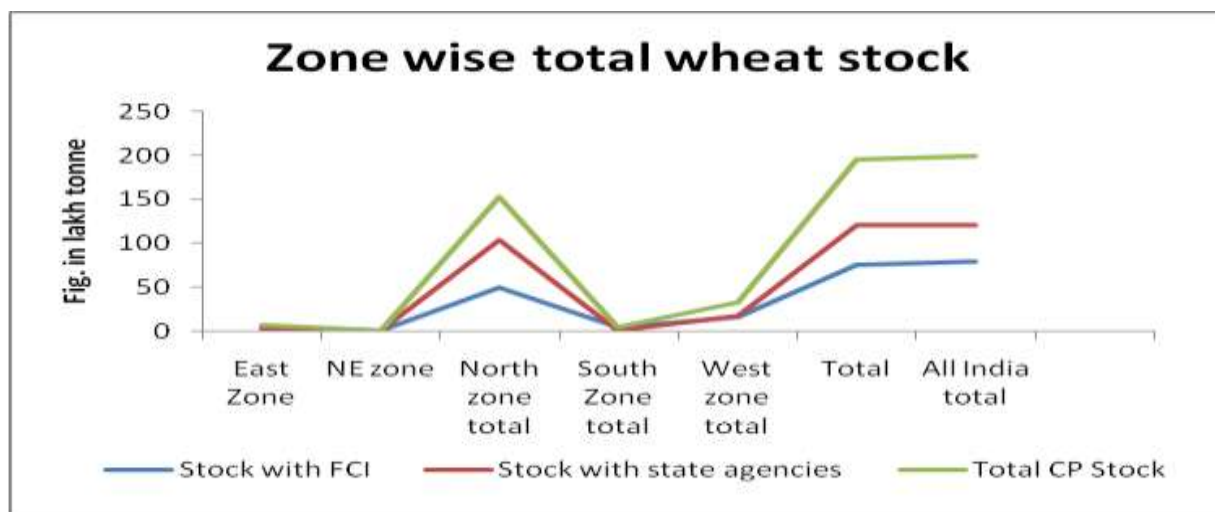
### India Heads To Record Wheat Production and procurement:

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	53	55.02	1.83	2.66	3.82
Gujarat	26.48	28.3	17.31	0.62	1.05	1.11
Haryana	105	114	115.5	63.47	68.91	73.04
M.P.	78.46	88.57	100.51	35.38	49.85	64.84
Punjab	152.63	168.25	163.45	102.08	109.9	116.49
Rajasthan	68.28.	70	85	4.75	13.77	18.4
U.P.	278.1	294.2	310.18	16.45	34.9	40.1
Others	50.5	52.12	54.28	0.55	2.69	2.85
India	807.1	868.44	901.25	225.13	283.73	320.65

### Agriwatch revised production and procurement estimates

Wheat production in India is likely to cross 90 million tonnes on back of higher yield realized in U.P., Rajasthan, M.P. and Bihar this year. Based on final feedback of traders and farmers total wheat production will be almost 32 lakh tonnes higher than last year production. Due to higher production procurement size too will go up beyond 32 million tonnes. If govt. Continues procurement in the remote areas of Rajasthan, Bihar, Uttar Pradesh without acknowledging the storage crunch, figure may be even higher. As per current feedback we expect 901.25 lakh tonnes wheat production and 320.65 lakh tonnes procurement.

### Stock of wheat in central pool as on 01.04.2012:



Wheat stock in north and west zone has been higher as usual. These zones are major wheat producing regions and contribute the highest quantity to the central pool. With ongoing procurement stock in both the zones is bound to go up once again. It would be better to shift stock in East, NE and west zone before the onset of monsoon. However, storage crunch even in these regions will continue to pose challenge for the procurement agencies.

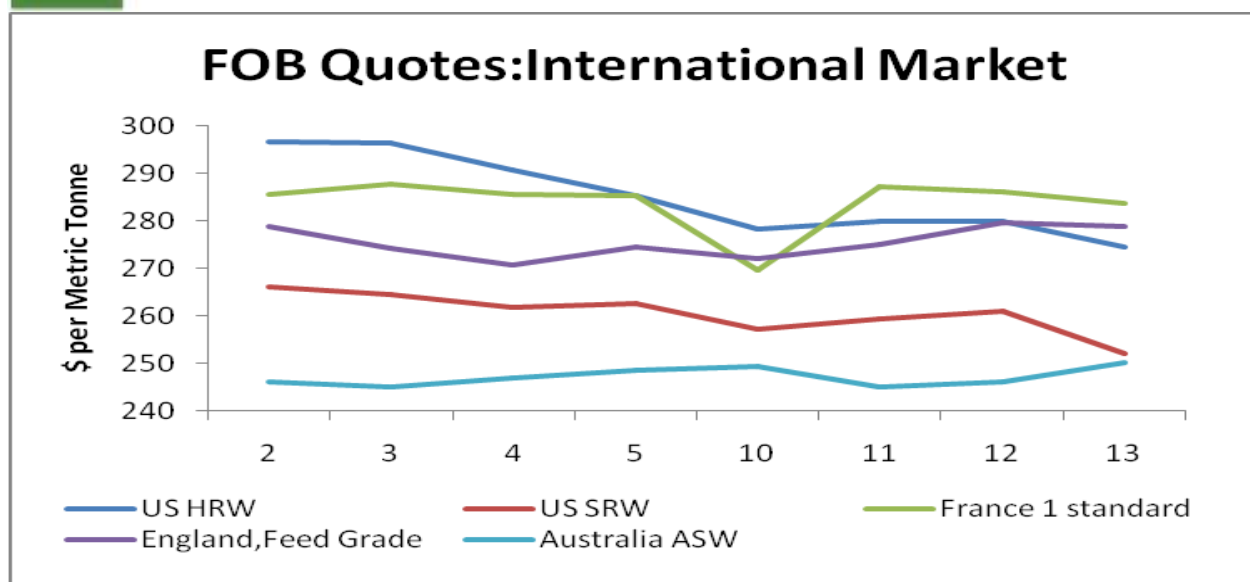
#### Harvesting Status And Procurement Schedule:

State	Harvesting under way	Percentage harvesting	Harvesting expected to be over	Arrival pressure likely from	Procurement starts from
Punjab	Started	50	At the end of April	Mid April to May	1st April
Haryana	Started	50	At the end of April	Mid April to May	1st April
Rajasthan	Started	65-70	At the end of April	April to May	1st April
Gujarat	Completed	100	At the end of March	March to April	15th March
M.P.	Started	80	At the end of April	April to mid May	15th March
Uttar Pradesh	Started	45	First week of May	Mid April to May	1st April
Bihar	Started	35	First week of May	Mid April to May	15th April
Maharashtra	Started	85	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.

However, harvesting in U.P., Bihar may continue till the first week of May as late varieties have been sown in some pockets of these states. Intermittent rains too have extended the maturing period and harvesting for these varieties is expected to be delayed by two weeks from normal schedule. There is no report of any damage from recent rains and there is no incident of any pest attack so far. Over all yield of crop is better than expectation in major growing regions.

#### Comparative FOB Quotes:



Wheat FOB quotes during the week under review decreased slightly in major wheat exporting nations except Australia. Higher stock worldwide, better crop prospects despite some weather concern weigh on international market's fundamental. However, further downside is unlikely as demand is expected to increase at current level. FOB quotes of wheat may hover in the range of \$245 to \$295 per T depending on various exporting nations.

**Export Parity/Disparity (FOB basis) Date: 24.04.12**

Parity Calculation Sheet	Rajkot (Kandla)	Rajkot (Gandhidham)	Rajasthan (Baran/Bundi)	Punjab
FOR (Rs/ton)	12500	12500	12750	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)	13500	13500	14250	15950
<b>Indian FOB (USD/MT)</b>	<b>257</b>	<b>257</b>	<b>272</b>	<b>304</b>
Insurance @ 0.1%	0.26	0.26	0.27	0.25

Freight Charges (US \$/ton) to Chittagong	20	20	20	20
CIF (kandla to Chittagong)	278	278	292	301
INR	52.43	52.43	52.43	52.43
<b>Russian Wheat FOB (USD/MT)</b>	<b>270</b>	<b>270</b>	<b>270</b>	<b>270</b>
<b>Parity on FOB Basis (USD/MT)</b>	<b>13</b>	<b>13</b>	<b>2</b>	<b>-34</b>

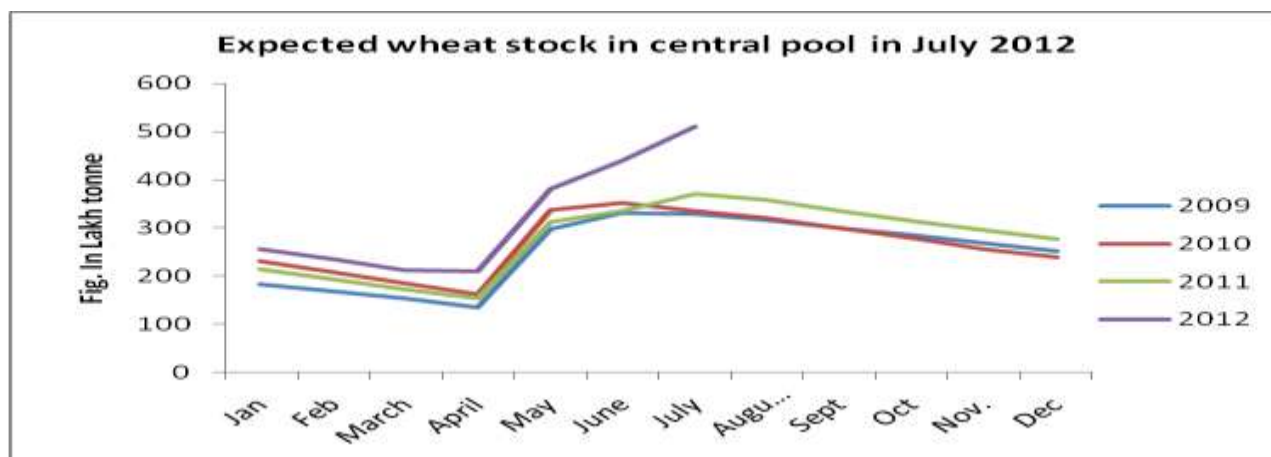
Australian FOB quote is \$ 250 per MT

Export parity is now turning in the favour of India with decreasing domestic prices as depicts the below given table. We have calculated Indian FOB on prevailing market prices in domestic market. Parity from various locations is marginal but is increasing when compared to Russia.

India can export wheat now at \$ 280-285 per T and Iraq and Iran's fresh interest in Indian wheat is expected to revive sluggish export pace in near future. Ample availability of wheat and lower domestic prices may encourage exporters to avail the benefit of lower prices and ship out wheat for various destinations. Indian competitiveness is increasing now.

**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)

**Expected Price Range For Current Week:**



Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1245-1300
Future market (May Contract)	Rs 1150-1180

Delhi spot traded in the range of 1245 to 1300 in the third week of April. Wheat prices are expected to stay steady to slightly weak on arrival pressure. Market is expected to remain under pressure in the weeks ahead.

### Wheat futures market:

Wheat future market traded weak during the week under review and is expected to trade in between 1220 to 1250 in April contract. With the commencement of procurement on MSP, wheat future market may get support despite higher crop production forecast at lower level.

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



### Technical Commentary:

- Weekly chart formation shows market to trade range bound with weak bias likely to continue in the month of April.
- RSI is moving down in oversold region hints caution to the bears.
- Volume, price and open interest are decreasing hints buyers unwillingness to take fresh position in the market.

### Trading Strategy:

1150 the lower side is the capable support whereas 1180 holds importance as an immediate resistance. 1150-1180 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:

**Post estimates Vietnam's total wheat imports** for MY 2011/2012 at 2.3 million tonnes. The volume of U.S. wheat imports into Vietnam is expected to reach 200,000 tonnes in MY 2011/2012, and 250,000 tonnes in MY 2012/2013. Australia still dominates the wheat import market in Vietnam. Australian wheat accounted for over 70 percent of Vietnam's total wheat imports in both MY 2009/2010 and MY 2010/2011-CME

**The condition of French soft wheat crops was** stable for the second week running, thereby suggesting rain this month had eased pressure on plants that had endured severe frost and a long dry spell. As of April 16, 62 percent of French soft wheat was rated good or excellent, unchanged from a week earlier although still down on 70 percent a year ago-Bloomberg

**Iran's wheat import needs are expected to drop 32** percent year on year to 1.7 million tonnes in the 2012/13 marketing year (April/March) thanks to higher carryover stocks from the current season. Iran has built ample stocks of wheat, the dominant cereal in the country -- accounting for nearly 70 percent of total cereal production -- in the early months of 2012-FAO.

**Asian flour millers slowed purchases this week expecting** global prices to slide as an improved outlook for the U.S. winter crop raised supply prospects, while Malaysian millers are in the market to buy 60,000 tonnes of South American corn. Even as benchmark U.S. wheat futures edged lower this week, Australian wheat prices held firm on slow farmer sales ahead of the plantings-Reuters

**The Russian government sold 742,895 tonnes of** grain in its first six intervention tenders this year, data from an exchange showed last week, with wheat accounting for 622,822 tonnes. Average domestic prices for third-grade milling wheat were stable at 6,550 roubles per tonne ex-works in European Russia. Fourth-grade prices stood at 6,525 roubles per tonne ex-works last week-Free Press Journal

**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-Bloomberg

**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

#### **IGC Wheat Balance Sheet:**

<b>IGC/02.04.12</b>	<b>2007-2008</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11 est.</b>	<b>2011-12 Forecast</b>	<b>Million Tonnes</b>	<b>Projection for 12-13</b>
<b>Wheat</b>					<b>23/02/2012</b>	<b>02/04/2012</b>	<b>02/04/12</b>
<b>Production</b>	607	685	679	653	695	696	681
<b>Trade</b>	110	137	128	126	137	139	136





<b>Consumptions</b>	603	645	652	656	681	681	683
<b>Carryover stocks</b>	132	173	199	193	211	210	208
<b>YOY ch.</b>	+5	+41	+26	-3		+14	-2
<b>Major Exporters</b>	47	69	77	71	76	76	73

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. 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. USA, Argentina, Russia and Ukraine Wheat may trade in the range of 600 to 645 cent per bushel in short term. Buyer's unwillingness to buy at current prices also weigh on market direction. Overall scenario is bearish. However, we expect cbot to trade in the range of 600 to 645 cents per bushel. The nearest by major support is 600.

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