

Executive summary:

Wheat market continued to trade under pressure on rising arrivals in major producing states like Punjab, Haryana and Uttar Pradesh during the week under review. Harvesting still continues for late varieties. Some damage due to recent rains is being analysed. However, it is seen as a minor damage. Cash market remained under pressure despite govt.'s buying activities. Higher stock and storage crunch is compelling govt. to allow export from its granary and market expects some incentives to make Indian wheat more competitive.

The FOR quote for Kandla delivery increased by Rs 50 per qtl. from Rs 1260 to Rs 1310 per qtl during this week and exporters expect further increase in prices on rising possibility of export as Indian wheat is very near to be competitive. Wheat is not available for export purpose in Gujarat and traders /exporters are sourcing it from Rajasthan and Uttar Pradesh.

There is a growing fear in the market that govt may procure lower than expected quantity as storage crunch and shortage of jute bags will continue to hamper the smooth procurement activities. Possible destination for wheat may be B, desh, Indonesia, Iran, Afghanistan, Philippines and some African countries

Weather has not been favourable from harvesting and threshing point of view despite rising temperature. Govt. decision on export and likely incentive to make Indian wheat more competitive are awaited. We expect positive decision soon.

Market Fundamental:

Agriculture ministry has revised the wheat production estimate up from 88.31 million tonnes (2nd advance estimate) to 90.23 million tonnes in the third advance estimates released on 23.04.12 on back of higher realised yield, higher area coverage and favourable weather throughout the season. It is noticeable that India had set the production target of 84 million tonnes for the year 2011-12. Now more than 6 million tonnes higher production from the set target has increased the availability throughout the country and pressure is continuously increasing on price front despite govt.'s current strategy to buy what it can at MSP.

Higher carryout, record production and negligible offtake in the coming months with ongoing wheat and rice procurement are expected to create a situation that may be viewed as the problem of plenty. There is a growing danger of falling prices from current level with the end of procurement season in June.

The procurement agencies are unlikely to continue with aggressive buying due to storage crunch everywhere and under such alarming situation govt. may prefer to offload at least 2 to 3 million tonnes stock from central pool through export by inviting tenders from private traders. The Govt may provide stock from M.P., Gujarat, Rajasthan and to some extent from Bihar too. Wheat will continue to trade under pressure in the weeks ahead.

State wise Wholesale Prices Weekly Analysis for Wheat First Week May, 2012:

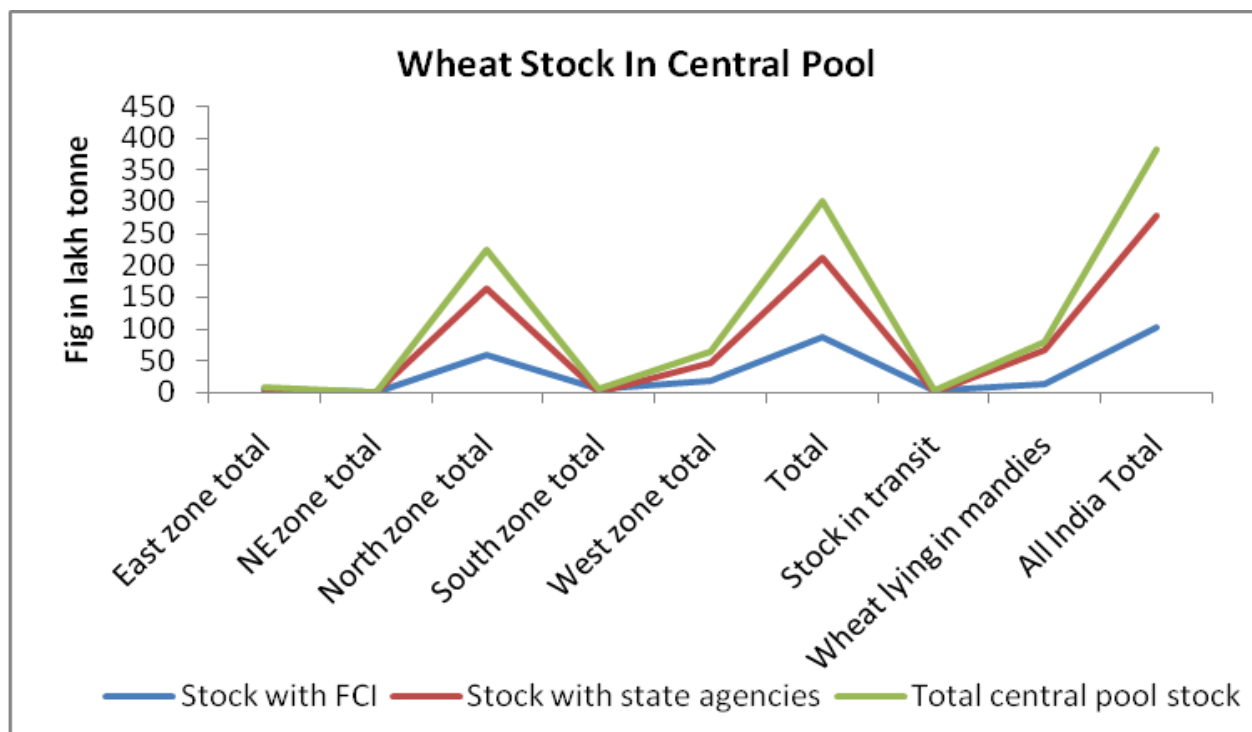
State	Prices 01-08 May 2012	Prices 24-30 Apr 2012	Prices 16-23 Apr 2012	Prices 01-08 May 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Assam	1060	1049.07	1025	1129.17	1.04	3.41	-6.13
Bihar	1285	1285	1285		0	0	—
Chattisgarh	1126.08	1128.17	1129.31	1093.33	-0.19	-0.29	3
Gujarat	1361.13	1351.94	1358.93	1224.35	0.68	0.16	11.17
Haryana	1285	1285	1285	1131.81	0	0	13.53
Jharkhand	1477.09	1505.31	1521.92	1447.16	-1.87	-2.95	2.07
Karnataka	1603.05	1576.86	1560.62	1813.89	1.66	2.72	-11.62
Kerala	2168.75	2150	2153.57	2360.87	0.87	0.7	-8.14
M.P.	1356.81	1356.2	1337.5	1263.76	0.04	1.44	7.36
Maharashtra	1645.7	1628.14	1483.45	1614.59	1.08	10.94	1.93
Delhi	1250.84	1258.23	1347.42	1375.31	-0.31	5.3	3.17
Orissa	1201	1167.05	1100	1323.04	2.91	9.18	-9.22
Punjab	1284.87	1285.26	1284.91	1119.99	-0.03	0	14.72
Rajasthan	1258.09	1282.25	1226.12	1177.58	-1.88	2.61	6.84
Uttar Pradesh	1151.48	1163.59	1130.86	1124.66	-1.04	1.82	2.38
Uttarakhand	1285	1255.67	1252.6	1124.79	2.34	2.59	14.24
West Bengal	1034.44	1047.87	1061.79	1030.65	-1.28	-2.58	0.37
Average	1343.23	1339.31	1326.78	1334.82			

Wheat market traded mixed during the week under review. However, prices increased in Gujarat, Kerala, Karnataka, M.P. Maharashtra due to govt.'s supportive buying and increasing possibility of export. Exporters/ traders may be active in those areas where wheat is available at cheaper rates. We expect prices to rule sideways despite some recent gains. Supply side will remain ample and loading for port based states is expected to increase.

Stock of wheat in central pool as on 01.05.2012:

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

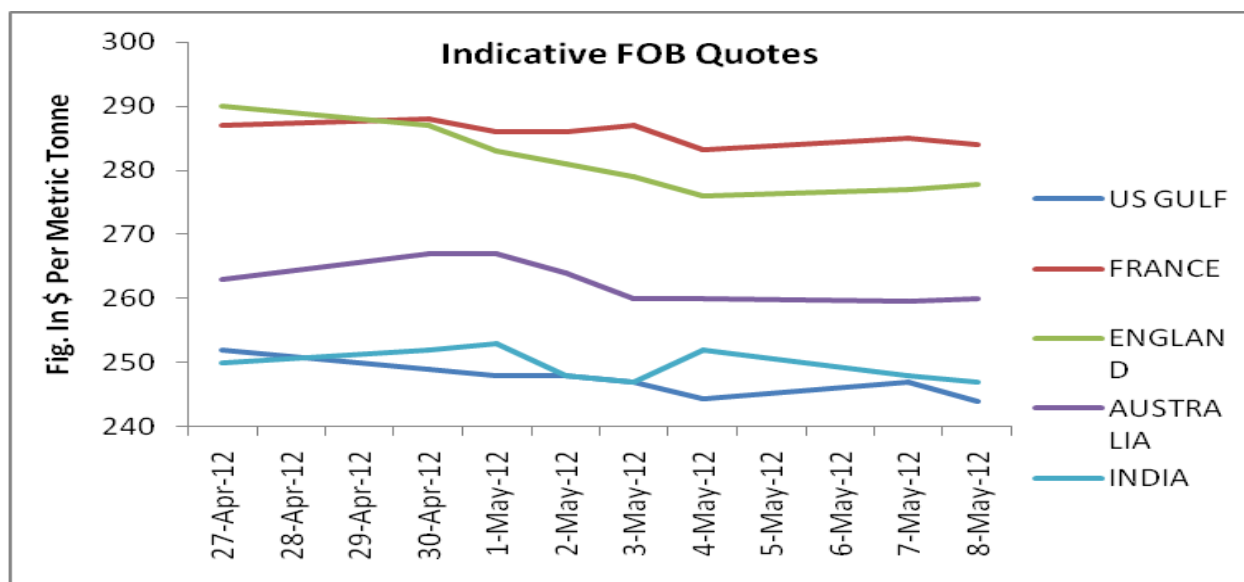
in these regions will continue to pose challenge for the procurement agencies. Stock status has been presented in the following chart and below given table:



Wheat stock in tabulated form:

Wheat Stock as on May 1 st 2012	Stock with FCI	Stock with state agencies	Total central pool stock
East zone total	6.26	0.84	7.1
NE zone total	0.51	0	0.51
North zone total	59.3	163.96	223.26
South zone total	4.5	0	4.5
West zone total	17.59	46.71	64.3
Total	88.16	211.51	299.67
Stock in transit	2.37	0	2.37
Wheat lying in mandies	12.8	67.1	79.9
All India Total	103.33	278.61	381.94

Fig in lakh tonnes

Comparative FOB Quotes:


Wheat FOB quotes during the week under review decreased slightly in major wheat exporting nations except Australia and UK. 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. Indian and US wheat remain the cheapest ones among other competitors. FOB quotes of wheat may hover in the range of \$250 to \$295 per T depending on various exporting nations.

Export Parity/Disparity (FOB basis) Date: 08.05.12

	India (Kandla)	Russia	Ukraine	Australia	India(Raj.)
FOB (Rs/perT) (sourced from Gujarat)	13100.00	13360.00	13105.00	13747.00	13300.00
Insurance @ 0.1%	13.10	13.36	13.11	13.75	13.30
Freight Charges (US \$/ton) to Chittagong	956.16	1593.60	1593.60	1859.20	1062.40
Misc.charges(port handling)	400.00	400.00	400.00	400.00	400.00
Packing/Bags	450.00	450.00	450.00	400.00	400.00
CIF (at Chittagong) Rs/T	14906.16	15803.60	15548.60	16406.20	15162.40
FOB value in \$ for SRW	246.61	251.51	246.71	258.79	250.38
CIF value in \$ for SRW	280.61	297.51	292.71	308.85	285.44

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.

Expected Price Range For Current Week:

Market :Delhi Spot	Rs/per qtl.
Cash market	Rs 1250-1285
Future market (May Contract)	Rs 1175-1180

Delhi spot traded in the range of 1250 to 1285 in the first week of May. Wheat prices are expected to stay steady to slightly weak on arrival pressure.

Wheat futures market:

Wheat future market traded weak during the week under review and is expected to trade in between 1175 to 1200 in May contract. We expect market to trade range bound with weak bias likely to continue.

NCDEX May 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 May.
- 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:

1165 the lower side is the capable support whereas 1202 holds importance as an immediate resistance. 1165-1202 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:

CBOT second month wheat will break a support at \$6.01-1/2 per bushel and drop to \$5.84-3/4. Support has been provided by the 76.4 percent Fibonacci projection level of a wave (c), temporarily stopping wheat from dropping towards \$5.84-3/4, the 100 percent projection level. Strategically, the target at \$5.84-3/4 will only be confirmed after the Friday low at \$5.99-1/2 is broken.

Tunisia's state grains agency has purchased 75,000 tonnes of optional-origin soft wheat in a tender for the same volume which closed on Friday, European traders said. Some 25,000 tonnes was bought at \$279.80 a tonne c&f from trader Granit for July 5-15 shipment, 25,000 tonnes at \$276.90 a tonne c&f for July 15-25 shipment also from Granit and 25,000 tonnes at \$279.00 a tonne c&f from Nidera for July 15-25 shipment.-Reuters

ANZ has forecast Australian wheat production for 2012/13 of 24 million tonnes, down around 5 million tonnes from last year. There are really two things driving that (lower output), one being lower wheat plantings," said Deane. "But the big driver is lower yields. The Australian government has forecast the area planted with wheat will shrink 3 percent to 13.7 million hectares in 2012/13. ANZ

Europe's benchmark wheat, the Paris May contract, was down 1.75 euro or 0.8 percent at 212.75 euros a tonne. Paris new-crop November wheat fell 2.25 euros or 1.1 percent to 199.75 euros (\$260). The next support for the contract was seen by traders at 198.50 euros. 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.

The International Grains Council (IGC) cut its forecast for global wheat production in 2012/13, citing diminished crop prospects in the European Union. It cut its forecast for the 2012/13 global wheat crop by 5 million tonnes to 676 million, well below the previous season's 695 million. IGC

World wheat market update:

The forecast of world wheat production in 2012/13 is cut by 5m. tonnes, to 676m., some 19m. below the previous year's record. The EU crop forecast is reduced sharply due to reports of worse than expected winter damage and recent dry conditions. Growth in food and industrial use is expected to be outweighed by a fall in feed, but total world consumption is forecast to show only a limited decline.

The forecast of world stocks at the end of 2012/13 is cut by 2m. tons, to 206m. (210m.). Having reached a new peak of 140m. tons in the past year, reduced imports for feed could see global wheat trade slump by about 5m., but much will depend on the level of feed wheat prices relative to maize.

IGC Wheat Balance Sheet:

IGC/26.04.12	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	26/04/12
Production	607	685	679	654	695	681	676
Trade	110	137	128	126	140	136	135
Consumptions	603	645	652	656	684	683	680
Carryover stocks	132	173	200	198	210	208	206
YOY ch.	+5	+41	+27	-2	+12		-4
Major Exporters	47	69	78	73	76	73	70

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