

Emerging Scenario And Market Dynamics:

Prices in cash wheat markets have inched up despite hampered procurement activities due to shortage of gunny bags and storage space in states like Punjab, Haryana, M.P. and to some extent even in Rajasthan too. However, it could not sustain at higher level on increasing supply at week ending 12th May. Even increasing possibility of export could not support prices in the states like Uttar Pradesh, Rajasthan and Bihar.

Exporters like Cargil and Louis Dreyfus are sourcing wheat from Gujarat, Rajasthan and Uttar Pradesh. They procure wheat on delivered basis in Rajkot at Rs 1290 to 1300 per qtl. The FOR for Rajkot quoted in the range of Rs 1295 to 1310 per qtl. during the week under review. Bulk buyers are waiting for govt.'s export decision from reserve stock and likely subsidy to be announced soon. Even PEC is ready to enter in wheat export market in big way. The STC is testing market nerve by inviting tenders for export.

As per the latest data, wheat procurement has crossed 23.7 million tonne (mt) against around 20 mt reported during the same period last year. This is an increase of more than 20% from the last year. The procurement would further pick up momentum in Punjab and Haryana in the coming week supported by dry weather and higher release by farmers.

Jammu and Kashmir government started procurement of wheat at the Minimum Support Price (MSP) of Rs 1,285 per quintal from last week. The procurement will continue till June-end. Instructions regarding this have been given for timely and hassle-free procurement.

Record wheat and rice production (90.2 and 103.41 million tonnes respectively) and higher MSP (Rs 1285 and Rs 1100 per qtl.) for ongoing marketing season have encouraged record procurement and ultimately resulted the mis-match between storage and procured quantity.

Wheat prices are expected to trade range bound at current level in short term and are likely to decrease in medium term with procurement coming to an end in June. The possibility of export is increasing and we expect fair chances for India June onward with govt.'s likely support.

Market Fundamentals:

Outlook for cash wheat market remains bearish in short and medium term on back of record production (over 90 million tonnes) and bulging wheat stock in govt.'s granary. Private trades are not actively buying wheat from major wheat producing states like Punjab, Haryana and M.P. due to higher tax structure (14.5 % and the bonus of Rs 100 per qtl. over and above MSP.) With govt.'s intention to augment supply in the open market and sell wheat from reserve stock for export under compulsion of vacating storage space, wheat is bound to trade lower in short and medium term from current level.

Export possibility has definitely improved despite lower international prices. India is the second cheapest source of wheat after USA when it is sourced from Gujarat. However, locally produced wheat is not available in Gujarat for export and exporters would have to source it from Rajasthan and Uttar Pradesh. If govt. provide wheat to exporters at port based states like Gujarat, Tamil Nadu, Andhra Pradesh and West Bengal at current MSP, exporters may get active once again and export figure may go up beyond expectation (around 3.5 to 4 million

tonnes) in the current financial year. India can export wheat in Iran, Bangladesh, Indonesia, Malaysia and other south Asian countries.

Iran may be a potential bulk buyer. Faced with sanctions, Iran is keen to buy wheat from India, provided the South Asian country is able to supply grain free from traces of fungal disease found in its bread basket northern region. An Indian team plans to visit Iran once again to address Tehran's concern on shipments from India. Even possibility of a barter trade may not be ruled out. Private wheat shipments have been slow despite the removal of export restrictions, as the government's guaranteed minimum price is higher than prevailing international prices, which have fallen due to a global surplus. However, with govt.'s back up situation is likely to improve in the months ahead.

Let Us Have a Close Look At Current Parity Status:

Comparison of wheat delivered at Chittagong:

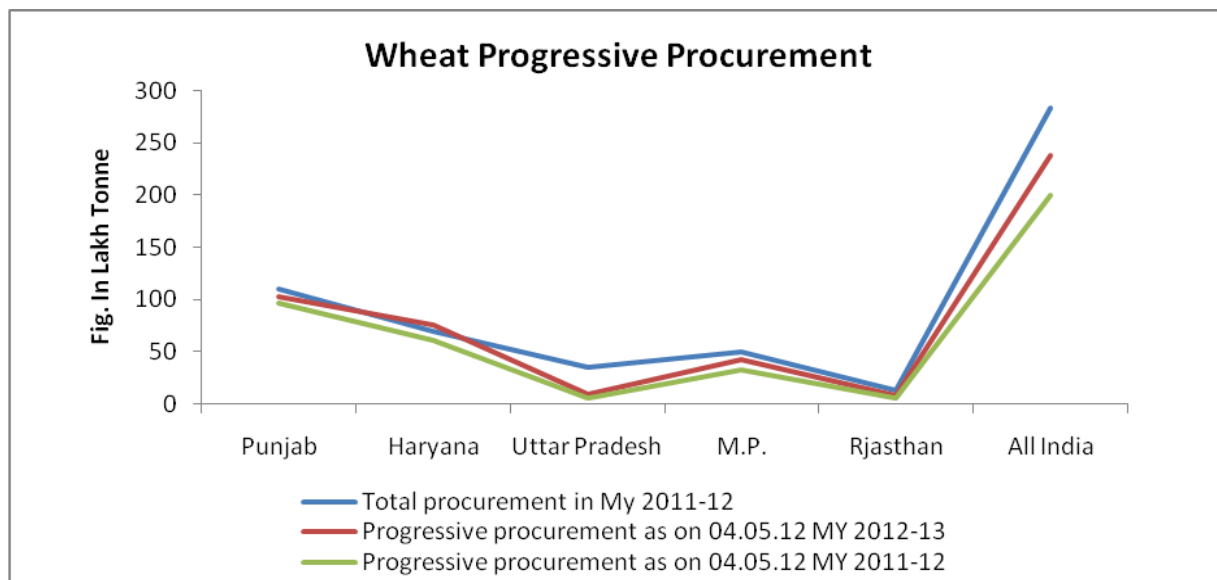
	India (Kandla)	Russia	Ukraine	Australia	India(Raj.)
FOB (Rs/perT) (sourced from Gujarat)	13100.00	13360.00	13105.00	13747.00	13200.00
Insurance @ 0.1%	13.10	13.36	13.11	13.75	13.20
Freight Charges (INR Rs/ton) to Chittagong	1070.40	1605.60	1605.60	1873.20	1070.40
Misc.charges(port handling)	400.00	400.00	400.00	400.00	400.00
Packing/Bags	450.00	450.00	450.00	450.00	450.00
CIF (at Chittagong) Rs/T	15020.40	15815.60	15560.60	16470.20	15120.40
FOB value in \$ for SRW	244.77	249.63	244.86	256.86	246.64
CIF value in \$ for SRW	280.65	295.51	290.74	307.74	282.52

INR/\$ value: Rs 53.54

India is very close to compete with Russia, Ukraine and Australia on parity front even outside Bangladesh. In case of Bangladesh Indian parity is favourable due to freight advantage as the above given chart shows. FOB quotes are almost similar to India in Russia, Ukraine and even in the US. On current prices India should be able to export wheat in the range of \$ 280 to \$300 per tonnes depending on destined locations. The above given table shows indicative value and may vary with changing freight rates, wheat prices and fluctuation in exchange rate accordingly.

However, everything depends on govt's back up as incentives, subsidy for private trades and GTG deals in the coming months. If govt. provide wheat at port based states to exporters on MSP, chances for bulk export might increase despite ample availability of stock worldwide and lower than expected demand from feed industries at this point of time. We expect decision over it at June end when procurement comes to an end.

Wheat Procurement:

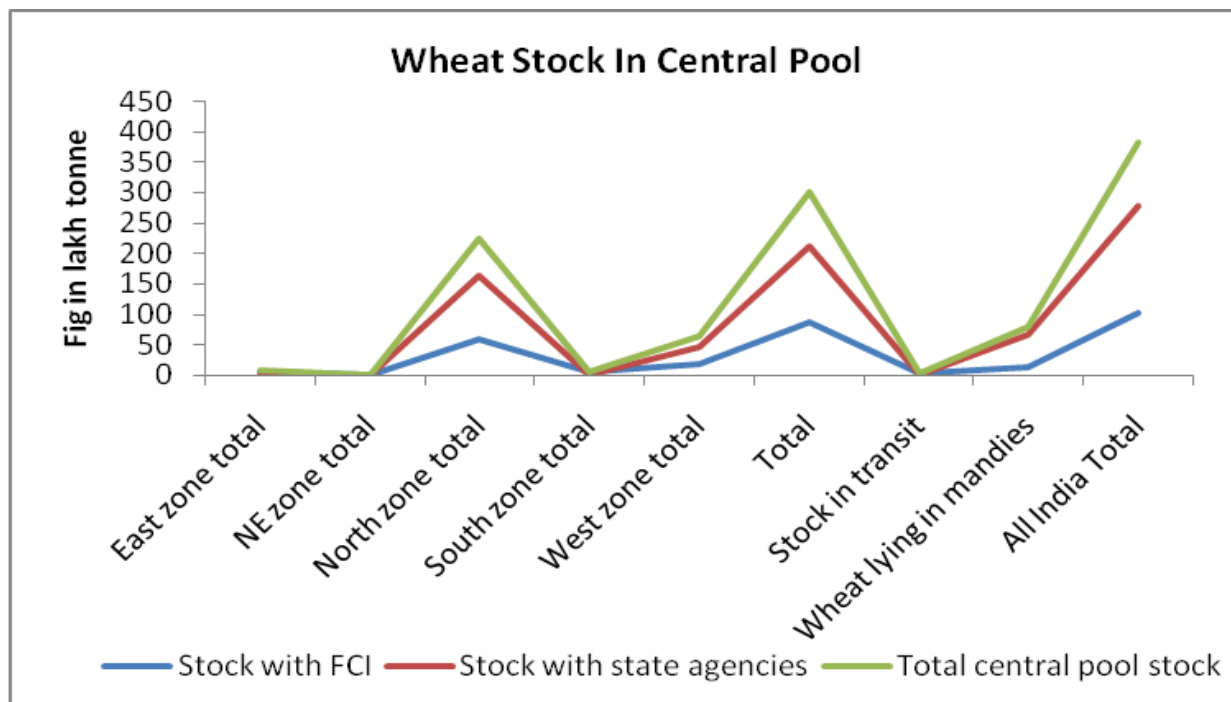


All-India progressive procurement of Wheat for the marketing season 2012-13 as on 04.05.2012 was 237.52 lakh tonnes which is higher than the procurement of 200.19 lakh tonnes up to the corresponding period of last year. However, total procurement figure has crossed 281 lakh tonnes so far and state wise break up is still awaited. Punjab contribution to the central pool kitty has increased unexpectedly higher at 120 lakh tonnes and wheat is still arriving in mandis.

Percentage increase in procurement:

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 04.05.12		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	102.13	96.36	5.65
Haryana	69.28	74.98	60.66	19.10
U.P.	34.61	8.78	5.29	39.75
M.P.	49.65	42.05	31.82	24.33
Rjasthan	13.03	7.74	5.43	29.84
All India	283.35	237.52	200.19	15.72

The percentage increase in wheat procurement is clear from the above given table in all major wheat producing states. Despite delayed harvesting and procurement activities all states contributions have been considerably high. The major percentage increase has been seen in U.P., Rajasthan, M.P. and Haryana. However, current status is likely to change in the weeks ahead. Total procurement under current scenario may easily cross 33 million tonnes if smooth procurement activities continue outside Punjab and Haryana.

Stock status in central pool as on 1st May


Wheat stock in the 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.

Central pool 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

Total foodgrains stock in central pool as on 1st May, 2012

	IN STORAGE	IN TRANSIT	TOTAL
RICE	326.81	2.42	329.23
WHEAT	299.67	2.37	302.04
Wheat lying in mandies	79.90	0.00	79.90
TOTAL	706.38	4.79	711.17
COARSE GRAINS	0.94	0.00	0.94
SUGAR	0.26	0.03	0.29
GRAND TOTAL	707.58	4.82	712.40

Required foodgrains under buffer norm:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

Foodgrains stock in central pool has been on rise from last three years and this year it is likely to break all previous record on back of three consecutive years of bumper crops, especially wheat and rice. As on 1st July India needs 319 lakh tonnes wheat and rice under buffer norms and strategic reserve. Just against it combined wheat and rice stock as on 1st May touched at the alarming height of 711.17 lakh tonnes. As on first July we assume wheat and rice stock to touch 83 to 84 million tonnes. It is going to pose a severe challenge to the govt. to handle it under severe storage crunch. At this point of time at least 15 million tonnes wheat and rice stock from govt. reserve should be freed for export with some agreed subsidy or incentives to the private exporters. New Kharif paddy will start hitting the market in October and then situation may be even grimmer.

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

State	Prices 09-15 May 2012	Prices 01-08 May 2012	Prices 24-30 Apr 2012	Prices 09-15 May 2011	% Change(O ver Previous Week)	% Change(Ov er Previous to Previous Week)	% Change(O ver Previous Year)
A.P.	1950	1950	1950	2000	0	0	-2.5
Assam	1025	1060	1049.07	1125.56	-3.3	-2.29	-8.93
Bihar	1285	1285	1285		0	0	—
Chattisgarh	1137.32	1123.11	1128.17	1101.51	1.27	0.81	3.25
Gujarat	1385.73	1361.36	1351.9	1210.61	1.79	2.5	14.47
Haryana	1285	1285	1285	1125.6	0	0	14.16
Jharkhand	1391.85	1466.92	1505.31	1426.66	-5.12	-7.54	-2.44
Karnataka	1598.4	1587.08	1574.43	1714.61	0.71	1.52	-6.78
Kerala	2358.33	2168.75	2150	2425	8.74	9.69	-2.75
M.P.	1357.42	1356.13	1354.89	1291.34	0.1	0.19	5.12
Maharashtra	1702.03	1623.94	1628.14	1616.18	4.81	4.54	5.31
Delhi	1542.5	1422.4	1252.23	1379.5	8.44	23.18	11.82
Orissa		1201	1167.05	1550.54	—	—	—
Punjab	1284.8	1284.85	1285.26	1119.9	0	-0.04	14.72
Rajasthan	1286.6	1252.89	1282.25	1188.88	2.69	0.34	8.22
U.P.	1145.26	1144.82	1163.33	1131.58	0.04	-1.55	1.21
Uttrakhand	1176	1285.18	1255.82	1121.45	-8.5	-6.36	4.86
West Bengal	1044.4	1032.46	1047.87	1069.37	1.16	-0.33	-2.34
Average	1409.16	1382.83	1373.1	1388.13			

Source:APMC

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.

Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1240-1285
Future market (May Contract)	Rs 1150-1175

Wheat cash market in Delhi traded under pressure with increasing arrivals from neighbouring states like Haryana and Uttar Pradesh. Wheat cash market is expected to trade in the range of Rs 1240 to Rs 1285 depending on demand –supply side. Pressure on wheat market is likely to

continue despite ongoing procurement activities. Wheat future May contract is expected to trade in the range of Ra 1150-1175 during the current week.

Wheat futures market:

Wheat future market traded weak during the week under review and is expected to trade in between 1150 to 1175 in the current week. Bumper production, higher supply side will continue to weigh on wheat futures market in short and medium term. Stake holders are waiting for stabilization in the market. However, we expect market to recover from current level as May contract is ruling at its low now. Higher prices in cash market may support wheat future in the weeks ahead.

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:

1150 the lower side is the capable support whereas 1192 holds importance as an immediate resistance. 1150-1192 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. Market may test 1150 in current week.

International Market:

IGC has revised down world wheat production estimate by 5 million tonnes to 676 million tonnes in its latest estimates. It is almost 19 million tonnes lower than previous year's record production. 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. tonnes 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.

Despite reduction in overall production estimate wheat supply world over is likely to remain ample to take care of growing needs of feed industries. Wheat may trade range bound at current level. However, weather may play an important role in deciding market trend in medium term. Surplus stock in the US, Australia, Russia, Ukraine and India is expected to restrict any unexpected gains in short and medium term.

IGC 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

USDA Word Production Estimate In April and May 2012:

	USDA World Wheat Production Estimate (Fig.in million T)		
	May USDA 2011-12 est.	April USDA 2011-12 est.	May USDA 2012-13 est.
Argentina	14.5	14.5	12
Australia	29.5	29.5	26
Canada	25.26	25.26	27
EU-27	137.38	137.49	132
India	86.87	86.87	91
FSU-12	114.42	114.3	97.76
Russia	56.23	56.23	56
Kazakhstan	22.73	22.73	15
Ukraine	22.12	22	13

The USDA has revised its world wheat production estimate in May down for Argentina, Australia, EU-27, FSU-12, Russia, Kazakhstan and Ukraine, while wheat production estimate has been revised up for Canada and India. Major decrease has been predicted for Kazakhstan and Ukraine.

Wheat CBOT Chart: May Contract (Date 11.05.12)



CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (10.05.12)	WeekAgo (30.04.12)	MonthAgo 10.04.12)
May'12(\$/MT)	-5.29	223.75	237.98	236.24
May'12(INR/MT)	-5.29	12033.09	12798.74	12704.89
July'12 (\$/MT)	-5.24	225.95	240.46	238.44
July'12 (INR/MT)	-5.24	12151.64	12932.12	12823.44
Sept'12 (\$/MT)	-5.63	231.09	243.86	244.87
Sept'12 (INR/MT)	-5.63	12428.27	13114.88	13169.22
Dec'12 (\$/MT)	-3.48	239.73	246.80	248.36
Dec'12 (INR/MT)	-3.48	12892.60	13272.96	13356.93

CBOT Price projection for current week:

Short term	(Five days) Positive	6.0 to 6.20 cent per bushel
Medium term	(Ten days) Negative	5.9 to 6.15cent per bushel

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