

Emerging Scenario And Market Dynamics:

Wheat cash market continued to rule under pressure on higher than expected supply and we expect prices to stay steady at current level. Arrivals in Punjab and Haryana started declining and procurement is likely to come to an end in the fourth week of May in these states. However, it will continue with brisk pace in Rajasthan, Uttar Pradesh and Bihar despite acute storage crunch. Private trade/exporters will continue to source wheat from Rajasthan and Uttar Pradesh as it is available at cheaper prices

The government wants to lighten its bulging inventories. The State Trading Corporation of India (STC) has invited bids from domestic exporters for gauging market nerves under current market scenario. The govt. is willing to offload 2 to 3 million tonnes wheat immediately and working onto evolve a price mechanism that could facilitate wheat export in the months ahead. It also appears that the PEC and STC's mandate is to discover the FOB price in dollar, take approval from policymakers for the best bids received, and ship out maximum wheat at earliest.

The government is working out the details of wheat exports to Iran, a move that can help India settle part of its fuel import bill with the oil-rich nation and also reduce its grains stockpile at warehouses. New Delhi is keen on increasing exports to Iran to be able to part-settle its oil import bill of about \$12 billion every year through a bilateral mechanism. Payment through regular banking channels has become difficult because of the sanctions imposed the US and the EU on Tehran

We expect export quotations by private trades/exporters in the range of \$225 to 235 per tonne on delivered basis at Kandla despite current parity at \$245 to 250 per tonnes. The main reason behind expected lower quotes is Ukraine, Russian new crop likely to be harvested in July. They will sell new crop in the range of \$220 to 230 per tonnes as usual and the Indian exporters' would not like to overlook the emerging scenario in the global wheat market despite recent firmness in the international market.

With bumper wheat production (over 91 million tonnes) and record procurement (over 29.6 million tonnes so far) India is facing acute storage crunch with having only 63 million tonnes storage capacity at present. Total wheat procurement is 25 percent higher so far and may exceed the fixed procurement target of 31.8 million tonnes. We expect 34 million tonnes procurement in this season under normal procurement activities. The arrivals so far has crossed 31 million tonnes with Punjab topping the chart with 12.4 million tonnes followed by Haryana (8.4 million tonnes) and Madhya Pradesh (6.6 million tonnes).

Market Fundamentals:

Wheat market is expected to trade steady to slightly weak on lower demand from bulk users. Bulk buyers are waiting for govt.'s price to be fixed for export from reserve stock. We expect it to be in the range of \$220 to 230 per tonne. Private exporters are shipping out wheat in the range of \$275 to 280 per T on CIF basis Malaysia. Indian wheat cost \$240 to 245 per tonnes at current domestic market prices. If we add freight charges and profit margin for exporters, it comes to \$270 to 280 per tonne. The cheapest source, Russia, too is shipping out wheat at this price and

India should be able to offload at least one million tonnes wheat at this price through private channels.

Wheat prices are firming up in the international market on rising weather concern in the US and black sea regions and may support Indian efforts of wheat export in the months ahead. Weak INR too is considered favourable for export. Besides, we expect domestic market to rule at current level and may slightly ease with procurement activities coming to an end soon. Supply side remains ample and better marketing strategy can facilitate export further.

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)	13200.00	13575.00	13300.00	14200.00	13100.00
Insurance @ 0.1%	13.20	13.58	13.30	14.20	13.10
Freight Charges (INR Rs/ton) to Chittagong	1089.00	1633.50	1633.50	1905.75	1089.00
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	15139.00	16058.50	15783.50	16955.75	15039.00
FOB value in \$ for SRW	242.42	249.31	244.26	260.79	240.59
CIF value in \$ for SRW	278.03	294.92	289.87	311.40	276.20

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 in favour of India from Russia, Ukraine and Australia. On current prices India should be able to export wheat in the range of \$ 270 to 280 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

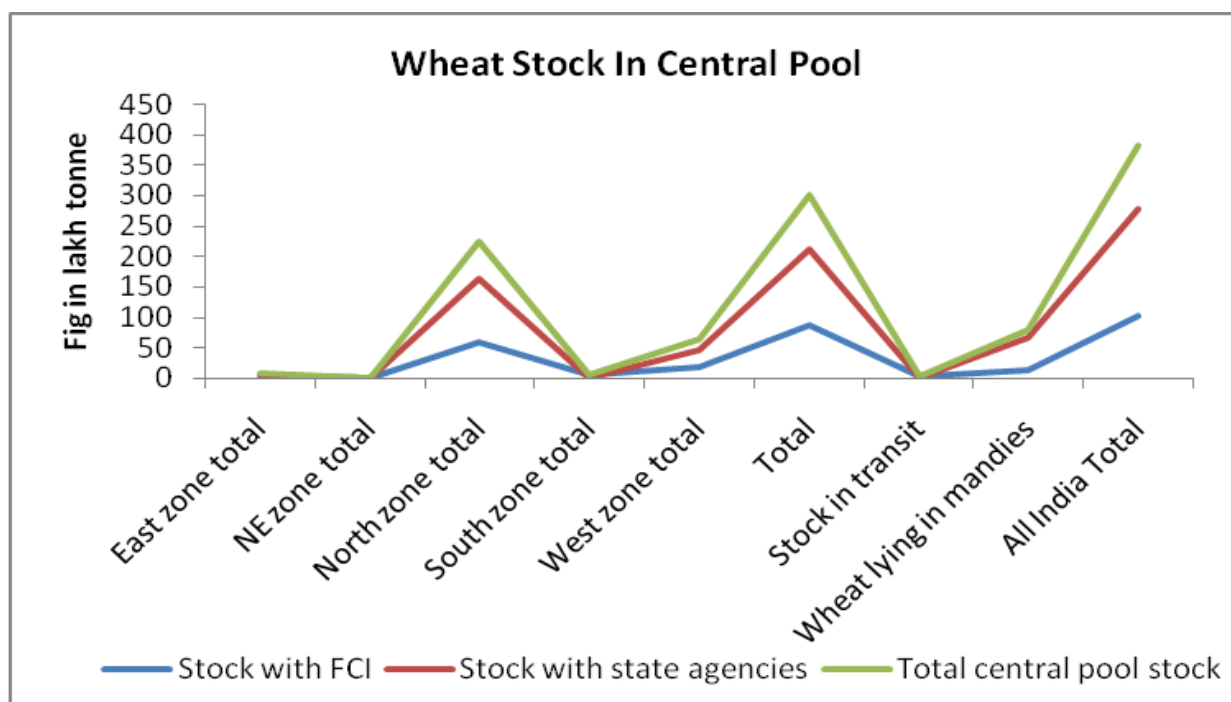
around MSP, chances for bulk export might increase despite ample availability of stock worldwide and lower than expected demand from feed industries at this point of time.

Wheat Procurement:

Percentage increase in procurement:

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 11.05.12		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	119	104.78	11.95
Haryana	69.28	82.27	65.52	20.36
U.P.	34.61	13.78	9.94	27.87
M.P.	49.65	50.07	36.09	27.92
Rajasthan	13.03	10.31	7.73	25.02
All India	283.35	278.36	225.1	19.13

Total wheat procurement has crossed 30 million tonnes till date statewise breakup is available till 11.05.12. wheat procurement has crossed all previous record and contribution by all major producing states to the central pool kitty has considerably increased as the above given table shows.



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

Prices in Rs/Quintal

State	Prices 16-23 May 2012	Prices 09-15 May 2012	Prices 01-08 May 2012	Prices 16-23 May 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1950	1950	1950	1131.52	0	0	72.33
Assam	1055.26	1025	1060	1125.97	2.95	-0.45	-6.28
Bihar		1285	1285		—	—	—
Chattisgarh	1118.73	1136.68	1123.94	1147.38	-1.58	-0.46	-2.5
Gujarat	1365.56	1374.76	1362.24	1175.61	-0.67	0.24	16.16
Haryana	1285	1285	1285	1121.51	0	0	14.58
Jharkhand	1377.07	1388.45	1426.03	1435.16	-0.82	-3.43	-4.05
Karnataka	1491.94	1555.42	1587.08	1671.3	-4.08	-5.99	-10.73
Kerala	2366.67	2335	2168.75	2432.14	1.36	9.13	-2.69
Madhya Pradesh	1316.28	1358.94	1351.47	1259.77	-3.14	-2.6	4.49
Maharashtra	1709.19	1606.02	1585.04	1557.58	6.42	7.83	9.73
Delhi		1398.51	1397.21	1406.62	—	—	—
Orissa	1500		1201	1413.52	—	24.9	6.12
Punjab	1285.13	1284.87	1284.86	1119.96	0.02	0.02	14.75
Rajasthan	1294.1	1259.77	1260.23	1203.38	2.73	2.69	7.54
Uttar Pradesh	1137.37	1143.6	1146.3	1129.43	-0.54	-0.78	0.7
Uttrakhand		1262.28	1258.15	1129.24	—	—	—
West Bengal	1074.15	1057.56	1054.05	1074.66	1.57	1.91	-0.05
Average	1421.76	1394.52	1377.02	1325.57			
As per the data reported by APMCs							

Wheat market traded weak during the week under review. However, prices increased in Assam, Kerala, Rajasthan and Maharashtra due to improved demand at lower prices. Exporters/ traders may be active in those areas where wheat is available at cheaper rates. We expect prices to rule at current level on increasing possibility of export and likely incentive to the domestic wheat exporters when purchased from govt.'s stock.

Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1225-1250
Future market (June Contract)	Rs 1160-1185

Wheat cash market in Delhi traded under pressure due to subdued demand from bulk buyers on bearish outlook ahead.

Wheat cash market is expected to trade in the range of Rs 1225 to Rs 1250 depending on demand –supply side. Pressure on wheat market is likely to continue with procurement activities coming to an end in Haryana and Punjab. Wheat future June contract is expected to trade in the range of Ra 1160-1185 during the current week.

Wheat futures market:

Wheat future market traded weak during the week under review and is expected to trade in between 1160 to 1185 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 and govt.'s export strategy on export front. As supply side in domestic market will remain at higher side so strong clue even from international market will not support wheat prices in India. We expect future market to trade sideways at current level and players are unwilling to take position in far months analysing the overall wheat scenario on domestic front.

NCDEX Junefuture contract,2012 (Expiry: June. 20 2012)


Technical Commentary:

- Weekly chart formation shows market to trade range bound with weak bias likely to continue in the month of June.
- RSI is steady 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:

1160 the lower side is the capable support whereas 1195 holds importance as an immediate resistance. 1160-1195 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction. Market may test the support level of 1160 in the current week. Players are advised to trade under given range.

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 May2012:

	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 Kazakistan and Ukraine.

Wheat CBOT Chart: May Contract (Date18.05.12)



CBOT Futures Prices:

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (18.05.12)	WeekAgo (10.05.12)	MonthAgo 18.04.12)
July'12(\$/MT)	11.91	255.43	232.20	228.25
July'12(INR/MT)	11.91	13898.21	12633.83	12418.93
Sept'12 (\$/MT)	10.88	258.37	236.61	233.02
Sept.'12 (INR/MT)	10.88	14058.13	12873.71	12678.81
March'13 (\$/MT)	9.88	264.53	245.42	240.74
March'13 (INR/MT)	9.88	14392.97	13353.48	13098.60
May'13 (\$/MT)	7.12	269.30	282.90	251.39
May'13(INR/MT)	7.12	14652.84	15392.48	13678.32

We expect global wheat market t prices decrease in the current week as prices have increased only on weather concern. Wheat availability throughout the world is ample and correction at current level is awaited in short term.

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