

Domestic market Update:

- **Wheat market continued to trade weak on lower** offtake from flour millers, lower demand from exporters and likely higher allocation by the govt. for flour millers in the weeks ahead. Higher stock, rising pressure for vacating storage space on govt. amid weak clues for global market weighed on market fundamentals during the week under review. Wheat market is likely to trade weak in short and medium term as inner tone lacks fundamental support.
- **With higher availability and supply we expect total** procurement of wheat to cross over previous Agriwatch (April) estimate of 34 million tonnes in ongoing procurement season ending June as various procurement agencies have procured 33.63 million tonnes wheat so far and it still continues in the states like M.P., Rajasthan, Uttar Pradesh and Bihar.
- **With overflowing foodgrains stock (rice and wheat)** currently near 75.5 to 76 million tonnes in govt.'s granary (still likely to increase), shortage of storage space and depressed domestic prices India started to ponder over offloading more wheat and rice stocks (near 10 to 15 million tonnes) in the international market with some required incentives still under consideration. We expect export to increase from India in the months ahead with likely dip in domestic prices.
- **India has set the production target for wheat at 86** million tonnes for the crop year 2012-13, starting from October this year against the actual production of over 90 million tonnes in 2011-12. Lower production target may help govt to ease the pressure of record stock stored out from last two years bumper crop.
- **All-India progressive procurement of Wheat for the** marketing season 2012-13 as on 25.05.2012 was 326.19 lakh tonnes which is higher than the procurement of 252.31 lakh tonnes upto the corresponding period of last year. Procurement activities get slowed due to storage crunch. However, it is still on in the states like U.P., Bihar and Rajasthan.
- **At current market scenario amid govt.'s back up India** may ship out two to three million tonnes wheat in MY 2012-13 through private and G to G deals in normal condition. The figure may go up if incentive is provided. Morocco, Iran, Bangladesh, Nepal, Malaysia, Indonesia and some west African countries may be the perspective buyers of Indian wheat. Talk over barter deals between India and Iran is still in progress and we hope some concrete result at the end of June.
- **Japanese weather scientists have warned again that** rainfall this year would be below average in most parts of India and South East Asia, and that a dry season awaits rice farmers in the region. India's meteorological department has said that monsoon will be normal this year, but so far indications haven't been encouraging. Japanese scientists monitoring the situation have maintained their February forecast that India will likely have a deficit monsoon this year.

Market Fundamentals:

Assuming normal monsoon season India is expected to enjoy a bumper kharif harvest once again and downward pressure on foodgrains price including wheat and rice is a likely possibility. Demand in domestic market lags behind the current supply and with procurement season almost coming to an end in major wheat growing states like Punjab, Haryana. Wheat prices in M.P. have started declining and are ruling below MSP on major trading hubs of wheat. Higher supply, stock, subdued demand and lower export so far are weighing on the market fundamentals. We expect wheat prices to dip further from current level.

Indian govt. overburdened with foodgrains stock now, is changing its production policy of wheat and rice and trying to contain increasing production. The government has increased the rice production target slightly from 2011-12's actual production of 103.41 million tonnes to the targeted 104 million tonnes in 2012-13. It is considered almost negligible increase. The target for wheat has been lowered to 86 million tonnes from this year's production of over 90 million tonnes. The move is expected to ease the country's grim worries over food grain storage.

If international market turns favourable and the Indian govt. provides incentives/subsidy export may exceed beyond preliminary limit of three million tonnes (one million tonnes through private channel and two million tonnes through G to G channel if discussion with Iran gets matured. We expect Indian FOB quotes in Kandla, Rajkot region in Gujarat to hover in the range of \$250 to \$260 per T through private trade at current prices. India can export more wheat from govt.'s stock if exporters get wheat at south Indian ports in the range of \$220 to \$240 per T. India has to compete with Russia and Australia and their quotes remain worth seeing in the months ahead.

We expect Australian and Russian including (Black sea region) quotes to hover in the range of \$250 to 270 and \$220 to 240 per T respectively July onward till Sept. under current condition. If weather turns rough and international prices firm up, it would be advantageous for India from export point of view.

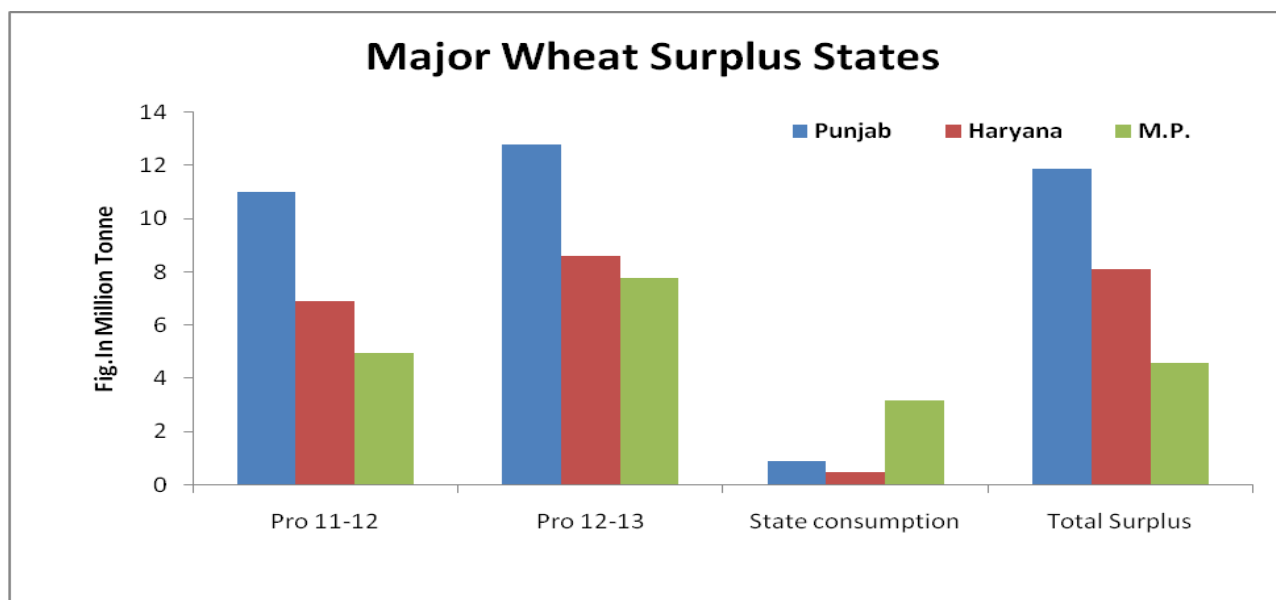
Problem of plenty in M.P., Punjab, Haryana:

Wheat production in MP has increased considerably in comparison to last year. It is a consuming state and high output there means a lesser need to import from the northern states like Punjab and Haryana. Both the states already had a storage constraint for grain stocks and this year it has become a major problem how to consume wheat and where.

According to senior government functionaries, the huge quantities of opening stock, coupled with unprecedented arrivals this year, pose a big challenge for storage in good condition. Government officials are busy arranging rice and sugar godowns, depots and diverse other storage locations. Rice shelters are available, till October, when paddy procurement will begin; paddy cannot be stored in the open.

Punjab's own need for public distribution is only 900,000 tonnes and Haryana's 500,000 tonnes. Punjab has already procured 12.8 mt of wheat procurement, as compared to 11 mt last year. Haryana has crossed 8.6 mt, compared to 6.9 mt last year. MP has procured 7.5 mt, as compared

to 4.9 mt last year. Uttar Pradesh, too, has done better, having crossed 2.5 mt, compared to 3.2 mt last year. Higher procurement in U.P. is expected this year too. Under immense pressure Punjab is now demanding to open wheat export through land routes. India is considering this option too. However, decision has not been taken as yet.



Wheat weekly price trend:

Prices in Rs/Quintal							
State	Prices 01-08 Jun 2012	Prices 24-31 May 2012	Prices 16- 23 May 2012	Prices 01-08 Jun 2011	% Change(Ov er Previous Week)	% Change(Ov er Previous to Previous Week)	% Change(Ov er Previous Year)
A.P.	1950	1950	1937.5	2000	0	0.65	-2.5
Assam	1075	1060	1051.75	1089.38	1.42	2.21	-1.32
Chattisgarh		1205.6	1146.11	1121.8	—	—	—
Gujarat	1319.68	1368.11	1388.14	1097.37	-3.54	-4.93	20.26
Haryana		1284.96	1285	1136.78	—	—	—
Jharkhand	1652.74	1457.53	1387	1354.5	13.39	19.16	22.02
Karnataka	1985.99	1654.91	1558.36	1744.81	20.01	27.44	13.82
Kerala	2350	2300	2342.86	2345.45	2.17	0.3	0.19
M.P.	1275.07	1360.81	1345.87	1197.91	-6.3	-5.26	6.44
Maharashtra	1700	1666.22	1634.25	1565.98	2.03	4.02	8.56
Delhi	1285	1304.06	1457.63	1223.27	-1.46	-11.84	5.05
Punjab	1284.93	1285	1285.03	1120	-0.01	-0.01	14.73

Rajasthan	1228.57	1244.84	1266.07	1116.64	-1.31	-2.96	10.02
U.P.	1101	1127.56	1137.96	1134.46	-2.36	-3.25	-2.95
West Bengal	1100.94	1085.44	1079.33	1080.13	1.43	2	1.93
Average	1485.3	1423.66	1420.19	1355.7			
As per the data reported by APMCs							

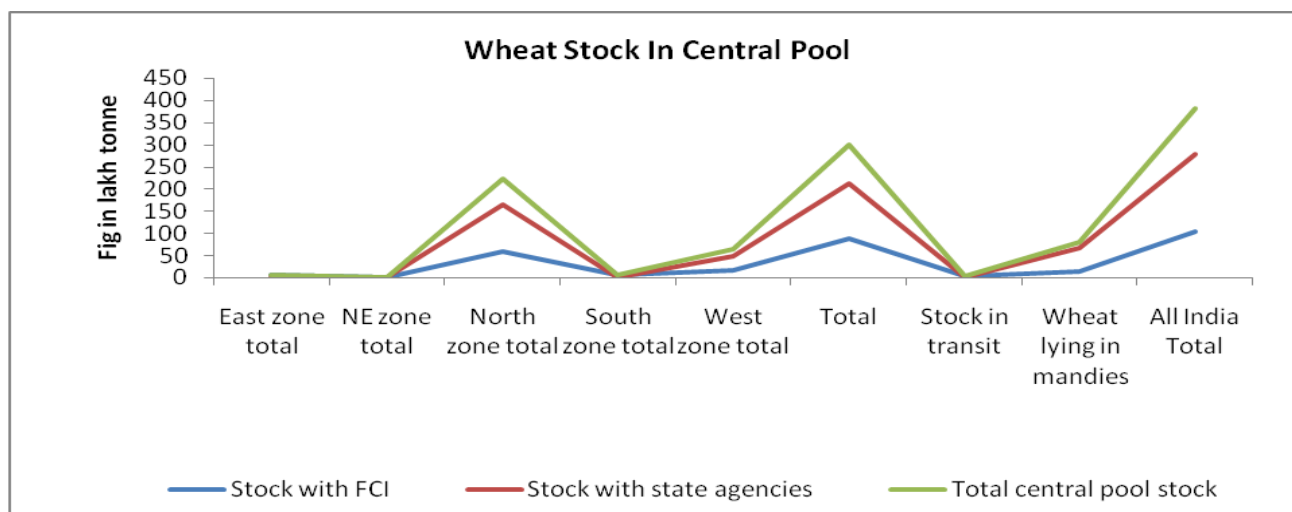
Wheat prices have declined considerably during the week under review. However, average price of wheat have gone up in comparison to last two weeks. Impact of recent dip might be seen in the weeks ahead in average price as market is moving southward and pressure on prices are likely to continue on weak market fundamentals. Wheat prices in Gujarat, M.P., Delhi, Punjab, Rajasthan and U.P. have decreased on week to week basis. However, some improvements were registered in West Bengal, Karnataka, Kerala and Maharashtra, especially in consuming states.

Revised Wheat Procurement Status: Fig:in lakh T

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 29.05.12		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	127.5	107.17	16.35
Haryana	68.4	86.3	64.09	26.17
U.P.	34.61	24	22.35	-27.77
M.P.	49.65	76.03	43.43	51.12
Rajasthan	13.03	16	11.21	22.79
Others	7.08	7.1	6.47	0.28
All India	283.35	336.93	260.3	18.21

Wheat procurement is set to break the estimates of all projections this year. Going by the current arrivals pace it may cross even 34.5 million T. Farmers in Bihar, U.P., Rajasthan still have 10 to 15 percent marketable wheat stock as per feedback received from farmers of various regions. They are holding back stock to receive better price on increasing possibility of higher demand for export. However, global market is not favourable for Indian point of view at present as prices have decreased once again. Supply side is expected to remain ample throughout the world.

Stock status in central pool as on 1st May:



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 centralpool 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 83to 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.

Let Us Have a Close Look At Current Parity Status:

Comparison of wheat delivered at Chittagong: Date 02.06.12

	India (Kandla)	Russia	Ukraine	Australia	India(Raj.)
FOB (Rs/perT) (sourced from Gujarat)	13250.00	14677.00	14625.00	14665.00	13500.00
Insurance @ 0.1%	13.25	14.68	14.63	14.67	13.50
Freight Charges (US \$/ton) to Chittagong	1015.20	1692.00	1692.00	1974.00	1128.00
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	15115.20	17219.00	17167.00	17439.00	15428.00
FOB value in \$ for SRW	234.93	260.23	259.31	260.02	239.36
CIF value in \$ for SRW	268.00	305.30	304.38	309.20	273.55

INR/\$ value: Rs 56.45

India is now in a position to compete with Russia, Ukraine and Australia on parity front even outside Bangladesh. In case of Bangladesh Indian parity is much favourable due to freight advantage as the above given chart shows. FOB quotes are lower in India in comparison to Russia, Ukraine and even in the US. On current prices India should be able to export wheat in the range of \$ 270 to \$300 per tonnes depending on various destinations. The above given table shows indicative value and may vary with changing freight rates, wheat prices and fluctuation in exchange rate accordingly.

Export from govt.'s stock requires subsidy in the range of Rs 550 to Rs 600 per qtl. due to higher economic cost (Rs 18.25 per kg) as discussed above. Quality and price mechanism will continue to pose a challenge as buyers have more options to source wheat at competitive prices in short and medium term from global markets. The new crop in Russia is due in July and Russia may quote \$220 to \$230 per T as usual on FOB basis.

Despite lower prices India will be able to export more wheat this year (1.5 to 2 million T) with govt.'s back up and considerable surplus for export. However, weather remains the crucial factor and we need to have a close look on weather development in major wheat exporting countries like Russia, Ukraine, the US, Australia and Argentina and China.

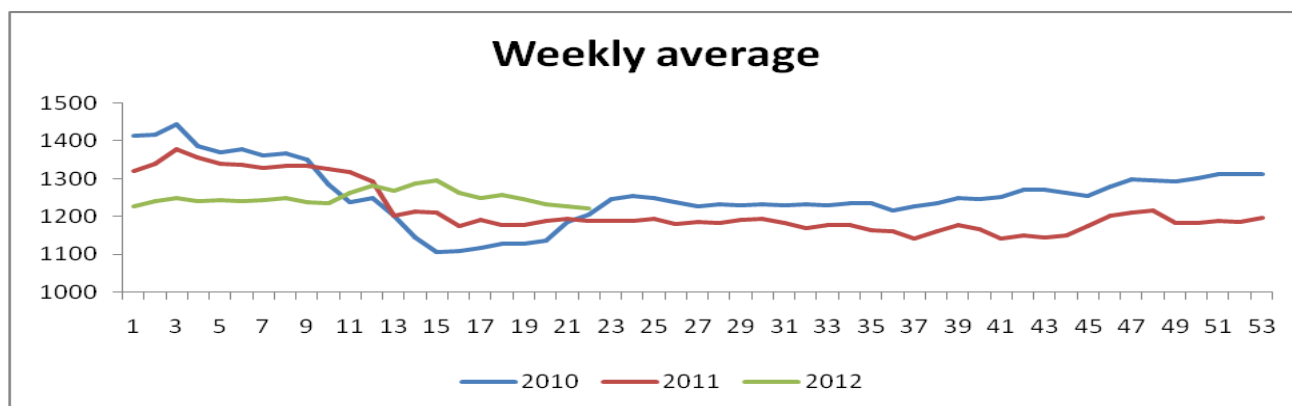
Central pool stock in tabulated form:

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

Weekly average too has touched 2010 level and we expect it to stay steady near 2011 price in mid June. However, some improvement in cash market is due to exporters demand from state like U.P., Rajasthan and Bihar. Once govt. Starts exporting wheat at discount ,prices in domestic market is bound to decrease as supply in domestic market will increase. We expect international market to stay steady to slightly weak at current level in short and medium term under normal weather condition.

Delhi Spot: Rs per qtl.



Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1200-1240
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 1200 to Rs 1240 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 1135 to 1186 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 June contract is ruling at its low now..

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



Technical Commentary:

- Weekly chart formation shows market to trade range bound with weak bias likely to continue in short term.
- RSI is moving down in oversold region hints caution to the bears.
- Price and open interest are decreasing while volume is increasing hints short build up.

Trading Strategy:

1139 the lower side is the capable support whereas 1186 holds importance as an immediate resistance. 1139-1186 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 higher stock is expected to drive market to trade under given range. Market may test 1139 in the current week.

Current Wheat Stock in Central Pool and projection for June-2012:

Wheat	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2007	57.29	53.85	51.0	45.63	116	133.08	129.26	120.19	110.08	101.21	90.25	83.58
2008	77.12	71.62	65.06	58.03	176.92	241.23	249.12	243.8	232.59	220.25	209.61	195.98
2009	182.12	167.74	152.76	134.29	298.26	331.22	329.22	316.23	300.73	284.57	268.88	251.61
2010	230.92	206.23	183.88	161.25	337.13	351.62	335.84	320.47	298.62	277.77	255.58	239.14
2011	215.4	193.73	171.57	153.64	313.75	378.32	371.49	358.75	336.2	314.2	296.71	276.56
2012	256.76	234.25	212.25	200.00	470.0	550.00						

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

Offtake from govt's godowns in June 2012 will be minimal as usual due to seasonality factors. More than 15 percent marketable surplus stock is still in farmer's hand. Export demand too is not up to the mark. Wheat stock in July may touch 54 to 55 million T at the end of June.

International Market Update:
IGC Lowers wheat production estimates:

Global 2012/13 crop prospects remained mostly favourable during May, but adverse conditions lowered harvest expectations in the EU, Russia and Morocco, contributing to a 5m. tons cut in the world production forecast, to 671m. (695m.). Higher than previously forecast feed use slightly raises the projection of world consumption but, at 681m. tons, it is still expected to be 7m. lower than in 2011/12.

World wheat stocks at the start of 2012/13 are placed 8m. tons below the projection in April's report, mainly because of higher than previously estimated feed use in the past year. Reflecting lower stocks at the beginning of the season and a cut in the production forecast, carryover stocks at the end of 2012/13 are 15m. tons lower than last time, at 191m. (202m.).

Those in the major exporters are forecast to recede by 8.4m. tons, to 62.4m., including a draw-down from heavy opening levels in Australia, Kazakhstan and Ukraine. Reduced imports of feed wheat are expected to see world trade dip by 7.4m. tons from the anticipated 2011/12 record, to 135.7m. The share of global trade taken by Black Sea exporters may not be as high, with smaller crops seen restricting shipments by Russia and Ukraine. Export surpluses are expected to be smaller in the EU and Argentina, but increased production and reduced competition will likely boost sales by the US.

IGC balance sheet:

IGC/24.05.12	2007-2008	2008-09	2009-10	2010-11	2011-12 estimated	Million T	Projection for 2012-13
Wheat						26/04/2012	24.05.12
Production	607	685	679	653	695	676	671
Trade	110	137	128	126	143	135	136
Consumptions	603	645	652	657	688	680	681
Carryover stocks	132	173	199	195	202	206	191
YOY ch.	5	41	26	-4	7	-	-11

Wheat CBOT Chart: May Contract (Date25.05.12)

CBOT Futures Prices:

Month	Open	High	Low	close	Difference	Volume	O.I
Jul12	675.00	684.00	655.25	656.75	-23.25↓	66,972	211,669
Sep12	689.75	698.50	671.00	672.25	-22.25↓	19,580	54,174
Dec12	710.00	719.50	693.00	695.00	-20.50↓	19,298	117,613
Mar13	725.50	735.00	711.00	713.50	-17.50↓	2,677	21,203
May13	734.50	738.00	721.50	721.50	-16.50↓	557	6,048
Jul13	735.25	744.00	721.75	724.25	-15.00↓	3,184	11,712
Total Volume and Open Interest						112,598	429,226

CBOT Price projection for current week:

Short term	(Five days) Positive	6.4 to 6.60 cent per bushel
Medium term	(Ten days) Negative	6.2 to 40 cent per bushel

Indicative FOB Quotes:

	Variety	% Change over Prev. Year	(29.05.12)	Week Ago (22.05.12)	Month Ago (29.04.12)	Year Ago (29.05.11)
USA (Chicago)	RTRS 2srw	-4.75	281	278	263	295
France	FCW3	-3.32	291	287	274	301
U.k	Feed wheat	-1.68	293	289	271	298
Canada (ThunderBay)	Q2cw	-1.71	287	285	279	292
Russia	Milling grade	8.98	267	266	255	245
Ukraine	Milling grade	10.42	265	263	253	240
Argentina	Milling grade	-3.28	295	293	276	305
Australia	CWRS	-7.24	269	265.5	250	290

FOB prices of wheat have been on the rise from last two weeks, however, we expect prices to dip further as weather concern has eased with recent forecast of rains in Ukraine, Russia and USA.

DISCLAIMER

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2005 Indian Agribusiness Systems Pvt. Ltd.