

Domestic market Update:

- **Wheat cash market continued to trade under pressure** on ballooning up stock in central pool and higher supply in domestic market. We expect wheat to trade sideways with weak bias likely to continue. Besides, govt.'s intention to allocate higher wheat (3 million T) to flour millers at discounted price (around Rs 1170 per qtl) is expected to weigh on cash market fundamentals in the weeks ahead.
- **Despite export parity wheat export from India is rather slow.** However, we expect export volume to increase as demand for feed wheat from global market is likely to increase. Even weather concern remains intact as La-Nina condition is emerging and it may encourage drought and flooding in various regions of the world.
- **India's food grain stocks crossed the 75 million mark by a distance in June**, reaching an unprecedented 82.41 million tons, mostly due to a 31% rise in new crop wheat stocks from May following harvest. According to official data, as of June 1, 2012, India's total food grains stocks increased to about 82.41 million tons, up about 16% m/m from 71.21 million tons on May 1, 2012, and up about 26% y/y from 65.6 million tons as of June 1, 2011.
- **All-India progressive procurement of Wheat for the marketing season 2012-13** as on 01.06.2012 was 345.86 lakh tonnes which is higher than the procurement of 261.87 lakh tonnes upto the corresponding period of last year. The latest figure of procurement has crossed 35.73 million T so far and we expect procurement to reach up to 36.5 million T.
- **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.
- **Monsoon progress in India has not been upto the mark so far** and there is an increasing fear among farmers in rice growing belt that lower rains may hamper rice planting in various states in kharif season 2012-13. Sowing of other kharif crop too may be affected.

Market Fundamentals:

Wheat cash market is likely to trade under pressure with ample availability throughout the country on back of higher production and the govt.'s intention to augment supply for flour millers at discounted price of Rs 1170 per qtl. Besides, exporters are waiting for govt.'s decision over likely export/freight subsidy. They are not buying wheat at mass scale. Some export sales have been reported for unspecified country (probably Malaysia) around \$ 300 per MT on CIF basis. We expect export sales to increase in the weeks ahead on back of higher quotes in the global market as crop size could be lower due to emerging drought like condition in Major wheat producing countries. Black sea region, Australia and Canada are facing moisture stress in wheat growing belt and it may reduce the final crop size.

Wheat is being loaded for south India from Kota region of Rajasthan and is delivered at Rs 1500 to Rs 1550 per qtl., depending on various destinations. Wheat procurement is now at fag end in major

wheat growing states except Uttar Pradesh, Rajasthan and Bihar. Wheat farmers still have 10 percent marketable surplus and they are retaining stock to get higher prices in the lean season. This year due to higher production and stock in central pool, ample availability of wheat throughout the season seems very much on the card. Overall, wheat outlook in short and medium term remain bearish despite possibility of higher export. Even higher allocation for PDS is expected to cap any possibility of uptrend on back of strong clue from global market.

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.

We expect Australian and Russian including (Black sea region) quotes to hover in the range of \$260 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.

Domestic Market News Updates:

Foodgrains Production Touches All Times High of 252.56 Million T:

Foodgrain production has touched an all time high of 252.56 million tonne during 2011-12 as against 244.78 million tonnes in the previous year. It is higher by 7.78 million tonnes as compared to earlier record foodgrain production of 244.78 million tonnes achieved during 2010-11. Total production of rice estimated at 103.41 million tonne and wheat at 90.23 million tonne are new records. Production of rice during 2011-12 in seven States of the eastern region (as per 3rd Advance estimates) went up to 5.54 million tonne where Government of India had launched a special programme of Bringing Green Revolution in Eastern India (BGREI) – a sub scheme of Rashtriya Krishi Vikas Yojana (RKVY) from 2010-11. Rice production in this region is about 21% and 18% more than the production of 2009-10 and 2010-11 respectively.

Production of pulses and oilseeds is 17.02 million tonne and 30.06 million tonne respectively. Cotton production, estimated at 35.20 million bales (170 kg each), is also a new record. The estimated production of sugarcane stands at 351.19 million tonne which is higher by 8.81 million tonne as compared to 2010-11. The massive growth in foodgrain production is a consequence of implementation of the new schemes in the 11th Plan period along with other ongoing schemes.

'Bhagidari atta' to be rich in fibre and nominally priced:

With a huge wheat harvest across North India and massive pile-up of stocks in godowns not resulting in a drop in the price of flour, the Delhi Government has decided to step in yet again with the sale of its "Bhagidari atta" for providing people with wheat flour at a reasonable price.

Delhi Food & Civil Supplies Minister Haroon Yusuf, who had a meeting with several mill owners on Monday, said the Government would be reintroducing its wheat flour scheme through a tender process for which the request for quotation (RFQ) would be issued in a week or 10 days. The scheme is likely to be launched from mid-July or early August depending on when the tendering process gets over. The tender document would specify that the bidders would have to procure the wheat through the open market sale scheme (OMSS) of the Government of India.

India May Allocate Warehouse-to-Port Wheat Export Logistics Via Tenders:

India may issue another tender for wheat exports, inviting offers from companies for handling and transporting consignments to ports from warehouses, if the highest free-on-board prices, quoted in the first tender, are approved, trading executives and government officials said Monday.

"In the first stage, the FOB bid has to be approved and if that happens, in the next [stage], the best option available is to invite offers via tenders again for handling, logistics and inland transportation," one of the officials said. Grain market observers worldwide are closely watching India's tender process because exports from the country's massive stockpile of more than 50 million metric tons of wheat, more than twice the mandatory national reserve requirements, can drag down global prices to multi-year lows and give other origins a run for their money.

The government-run State Trading Corp., in a tender that closed last month, asked private Indian and global trading companies to submit export bids for wheat in official stockpiles. The companies offered to buy the wheat at up to \$230/ton, free on board, well below current market rates of \$252-\$255/ton and also the government's own carrying cost. Glencore International PLC (GLNCY) offered the highest price, to export a total of 98,000 tons wheat from Kandla and Mundra ports at \$230/ton and \$228/ton, FOB, officials said. "We want everything to be transparent, above board and subject to scrutiny," another government official said.

Traders said since international prices and freight charges keep fluctuating daily, government may have to invite several tenders from time-to-time to export wheat consignments, which is a time-consuming process. The last time tenders for handling and logistics were invited, more than an year ago, to export wheat from government stocks to Bangladesh, a few blacklisted firms participated, the matter was dragged to court and shipments never took place.

"By the time [first] cargo sets sail, if at all it does, global prices will already be under downward pressure because of the upcoming European and Black Sea region harvest," said a Mumbai-based trading executive. Others argue that prices may rise if the Black Sea region harvest is below normal. However, the government officials say that STC doesn't have the wherewithal to arrange FOB cargoes on their own but can issue and finalize tenders to select grain handling agents within days of government deciding on the FOB bids. Many traders support the process as the best way to export the grain without inviting allegations of corruption.

Nevertheless they also point out that a minimum export price should be fixed to avoid shipments below market rates. Until last week, India's wheat was offered around \$252-\$255/ton, FOB, which is higher than the rates quoted in STC's tender, though with rupee weakening further against other

currencies, prices are on the decline. In an import tender in Bangladesh, Monday, the lowest offer for Indian wheat was around \$274/ton, C&F, liner out, which works out to be around \$240/ton, FOB. Source: FOX Business

Wheat weekly price trend:

State wise Wholesale Prices Weekly Analysis for Wheat Second week June, 2012 Prices in Rs/Quintal

| State | Prices 09-15 Jun 2012 | Prices 01-08 Jun 2012 | Prices 24-31 May 2012 | Prices 09-15 Jun 2011 | % Change(Over Previous Week) | % Change(Over Previous to Previous Week) | % Change(Over Previous Year) |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------------|--|---------------------------------------|
| Andhra Pradesh | 1950 | 1640.6 | 1950 | 1814.29 | 18.86 | 0 | 7.48 |
| Assam | | 1078.07 | 1060 | | — | — | — |
| Chattisgarh | 1167.66 | 1185.3 | 713.44 | 1113.67 | -1.49 | 63.67 | 4.85 |
| Gujarat | 1378.18 | 1384.35 | 1371.95 | 1124.01 | -0.45 | 0.45 | 22.61 |
| Haryana | | | 1284.96 | 1175.41 | — | — | — |
| Jharkhand | 1455.53 | 1476.75 | 1459.46 | 1373.88 | -1.44 | -0.27 | 5.94 |
| Karnataka | 1641.55 | 1654.91 | 1656.18 | 1707.58 | -0.81 | -0.88 | -3.87 |
| Kerala | 2400 | 2328.57 | 2300 | 2187.5 | 3.07 | 4.35 | 9.71 |
| Madhya Pradesh | 1296.49 | 1292.22 | 1362.4 | 1176.64 | 0.33 | -4.84 | 10.19 |
| Maharashtra | 1732.2 | 1697.44 | 1644.81 | 1520.91 | 2.05 | 5.31 | 13.89 |
| Delhi | 1160 | 1289.75 | 1346.35 | 1222.66 | -10.06 | -13.84 | -5.12 |
| Orissa | | 1336.21 | | 1427.34 | — | — | — |
| Punjab | 1284.86 | 1284.96 | 1285 | 1120 | -0.01 | -0.01 | 14.72 |
| Rajasthan | 1248.34 | 1248.18 | 1242.52 | 1103.18 | 0.01 | 0.47 | 13.16 |
| Uttar Pradesh | 1127.06 | 1134.38 | 1127.55 | 1136.66 | -0.65 | -0.04 | -0.84 |
| Uttarakhand | 1224 | 1262.86 | 1270.52 | 1143.66 | -3.08 | -3.66 | 7.02 |
| West Bengal | 1068.87 | 1085.5 | 1084.48 | 1080.13 | -1.53 | -1.44 | -1.04 |
| Average | 1438.2 | 1398.75 | 1384.98 | 1339.22 | | | |
| 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 01.06.12 | | % increase over last year |
|------------------|---|--|------------|---------------------------|
| | | MY 2012-13 | MY 2011-12 | |
| Punjab | 109.58 | 127.85 | 109.28 | 17.48 |
| Haryana | 68.4 | 86.67 | 68.67 | 17.31 |
| U.P. | 34.61 | 30.73 | 22.28 | 8.23 |
| M.P. | 49.65 | 80.6 | 48.18 | 31.94 |
| Rajasthan | 13.03 | 14.86 | 10.88 | 3.87 |
| Others | 7.08 | 7.1 | 6.47 | 0.57 |
| All India | 283.35 | 347.81 | 265.76 | 79.39 |

Wheat procurement is set to break all previous projections this year. Going by the current arrivals pace it may cross even 36.5 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.

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.

Let Us Have a Close Look At Current Parity Status:

| | Rajkot (Guj) to Kandla | Kota to Kandla |
|--|-------------------------------|-----------------------|
| FOR (Rs/perT) | 13300.00 | 13100.00 |
| Transportation Charges (US \$/ton) to Chittagong | 450.00 | 1000.00 |
| Misc.charges(port handling) | 200.00 | 200.00 |
| Packing/Bags | 450.00 | 450.00 |
| FOB (at Kandla) Rs/T | 14400.00 | 14750.00 |
| FOB value in \$ for SRW | 256.91 | 263.16 |
| Freight Charges (US \$/ton) to Chittagong | 18.00 | 18.00 |
| Insurance @ 0.1% (\$/MT) | 0.26 | 0.26 |
| CIF to Chittagong (value in \$ for SRW) | 275.17 | 281.42 |
| Indian Parity/Disparity | | |
| CIF Russia to Chittagong | 310 | 34.83 |
| CIF Ukraine to Chittagong | 312 | 36.83 |
| CIF Australia to Chittagong | 304 | 28.83 |
| CIF Argentina to Chittagong | 347 | 71.83 |
| Indian currency as on: 11.06.12 | 56.05 | |

| Comparative FOB of Different Nations | | | |
|---|------------|------------|----------|
| Countries | 11.06.2012 | 11.05.2012 | % Change |
| Russian | 267 | 260 | 2.69% |
| Ukraine | 266 | 258 | 3.10% |
| Australia | 271 | 258 | 5.04% |
| Argentina | 289 | 279 | 3.58% |
| USA | 257 | 280 | -8.21% |

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:

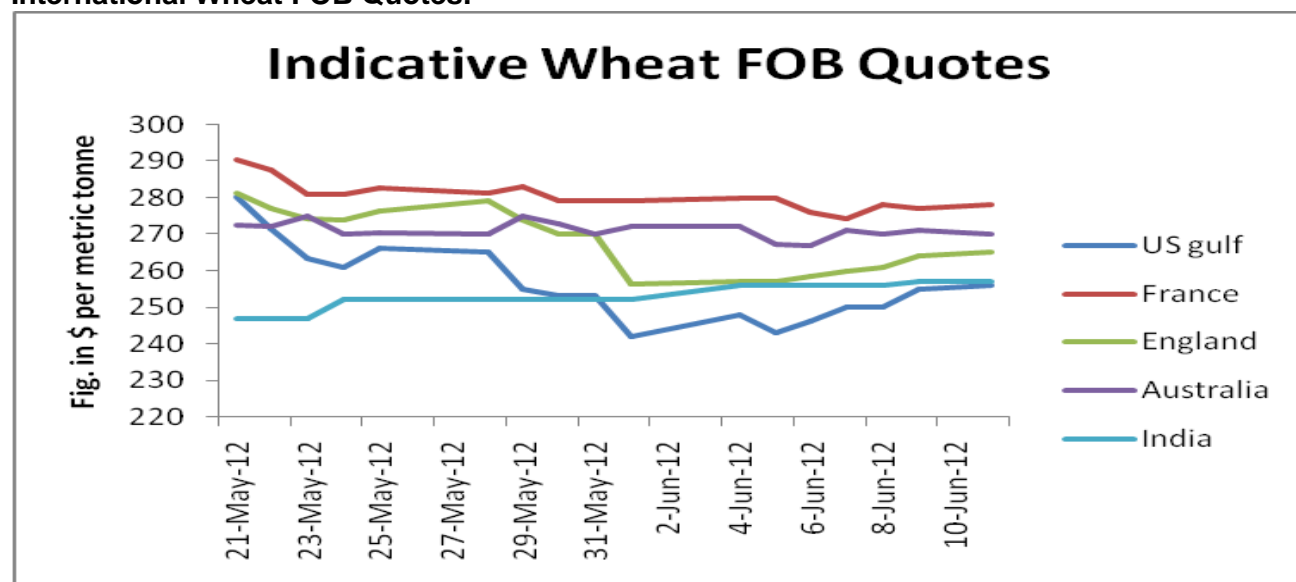
| Wheat Stock as on just 1 st 2012 | Stock with FCI | Stock with state agencies | Total central pool stock |
|---|----------------|---------------------------|--------------------------|
| East zone total | 6.56 | 0.84 | 7.4 |
| NE zone total | 0.56 | 0 | 0.56 |
| North zone total | 101.25 | 265.90 | 367.15 |
| South zone total | 5.77 | 0 | 5.77 |
| West zone total | 20.86 | 46.71 | 64.3 |
| Total | 135 | 86.69 | 488.43 |
| Stock in transit | 1.27 | 0 | 1.27 |
| Wheat lying in mandies | 2.52 | 9.47 | 11.99 |
| All India Total | 138.79 | 362.90 | 501.69 |

Expected Price Range For Current Week:

| Market :Delhi Spot (mill delivery) | Rs/per qtl. |
|------------------------------------|--------------|
| Cash market | Rs 1200-1230 |
| Future market (June 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 1230 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.

International Wheat FOB Quotes:



Indian and US FOB quotes are almost similar for soft wheat. India is expected to compete with black sea region and Australia as FOB quotes are higher so far. However, global wheat prices may decrease towards July as Russian crop is due and it may impact the global wheat prices. Dry weather may support wheat market in short term. We need to have a close watch on weather development.

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: July. 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:

1150 the lower side is the capable support whereas 1175 holds importance as an immediate resistance. 1150-1175 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 1150 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 | 501.69 | 507.00 | | | | | |

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 507 lakh 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 |

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:

Indicative FOB Quotes: Dated : 08.06.12

| | Variety | % Change over Prev. Year | (08.06.12) | Week Ago (30.05.12) | Month Ago (07.05.12) | Year Ago (07.06.11) |
|---------------------|------------|--------------------------|------------|---------------------|----------------------|---------------------|
| USA (Chicago) | RTRS 2srw | -20.88 | 256 | 253.3 | 247 | 301 |
| France | FCW3 | -14.80 | 274.4 | 279 | 285 | 315 |
| U.k | Feed wheat | -15.06 | 259 | 270 | 277 | 298 |
| Canada (ThunderBay) | Q2cw | -5.76 | 278 | 283 | 271 | 294 |
| Russia | SRW | 4.85 | 268 | 270 | 258 | 255 |
| Ukraine | SRW | 4.49 | 267 | 269 | 257 | 255 |
| Argentina | SRW | -11.15 | 278 | 284 | 274 | 309 |
| Australia | CWRS | -8.86 | 271 | 268.5 | 254 | 295 |

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