

Domestic market Update:

Wheat cash market is likely to trade under pressure on the back of higher supply side against current demand during the week under review. Ladden with hefty wheat stock govt. is keen to offload more wheat through PDS and other welfare schemes with discounted prices. Wheat is ruling below MSP and we expect more pressure in the weeks ahead once govt. starts releasing wheat on discounted price.

Even flour millers, exporters and bulk buyers will get wheat with incentives and Govt. is planning to offer wheat at Rs 1170 per qtl. The total quantity may be in the range of 3 million tones. However, final decision over it is still awaited. The govt. may take decision over incentive before June end.

On export front, development is rather slow due to lack of a clear cut policy on govt.'s end. All concerned ministries are in favour of export and a long procedural activities are making export difficult. The govt. has to decide over incentive /discount as economic cost of central pool stock is much higher (Rs 18200 per T) than prevailing market price. Wheat is available in the market at Rs 11500 to Rs 12000 per qtl. depending on sourcing place. The gap is to be fulfilled by the govt. If we add other cost upto port (Rs 1000 to Rs 1500 per T) it would be available around Rs 13000 per T at port.

This means govt.'s FOB cost is around \$ 325 per T while private trade FOB cost will be around \$232 to \$235 per T at current prices. Thus govt would have to provide the difference to make wheat competitive for export and it may be in the range of Rs 5200 to Rs 5300 per T. However, if prices in domestic market dip further, the subsidy requirement may be even higher.

India's food grain stocks reached an unprecedented level 82.41 million tonnes, 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.

Total wheat purchase in this marketing season has already surpassed the government's target of 31.8 mt. As per the latest government data, wheat procurement as on June 15, 2012, stood at 36.55 mt, while the arrival stood at 38.79 mt. Punjab and Haryana had procured nearly 12.82 mt and 8.66 mt of wheat, respectively, in the current season. Wheat purchase in Madhya Pradesh stood at 8.49 mt this year while in Uttar Pradesh it was at 4.03 mt this year.

Wheat production of India, the world's second-largest producer, is estimated at a record 90.23 mt in the 2011-12 crop year (July-June). The minimum support price of wheat stands at Rs 1,285 per quintal. 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.

After delayed start monsoon have revived once again and is progressing well now with much awaited rains. However, delayed start have affected rice trans-planting in south India by a week. If it continues in the later part of this month, no major impact on kharif crop is expected.

Market Fundamentals:

Wheat cash market is expected to trade steady on balanced demand and supply side at current level. However, overall market sentiments remain bearish. Flour millers possibly will start sourcing wheat from FCI now as they can get near capacity quantity of wheat from last year's crop once government clarifies subsidy policy and quantity which is likely to be declared by the end of next week. Farmers in Gujarat are busy now in sowing groundnuts and cotton and so they are not releasing marketable surplus stock. The supply continues from Rajasthan and Uttar Pradesh as it is available at cheaper rates. Besides, government intension to augment supply through PDS and various welfare schemes (Rs.1170/qttl) and decision over discount /subsidy is still awaited and all these factors weigh on cash wheat market. Iran wheat buyers are testing Indian wheat market nerve for sourcing the superior quality of wheat. Madhya Pradesh may be their most favorable sourcing center.

Arrival continued to dry up from farmer's side as procurement season is coming to an end on 30th June for MY 2012-13. However total procurement touched almost 36 million tonnes so far. The major contributing states are Punjab followed by Haryana, M.P with contribution of 129, 89, 86 lakh tonnes respectively. Some quantity of wheat is coming in Bihar and the State Government is procuring it.

Wheat cash market traded almost ready in producing states like Uttar Pradesh, Bihar Punjab and Haryana. Wheat market in Rajkot today, dips further from Rs.1300 to Rs.1290/qttl. Rake loading from Kota region of Rajasthan continued at Rs.1300/qttl on delivered basis. Exporters like L.D and Cargill are active and they are sourcing wheat from U.P and Rajasthan due to cheaper availability as comparison to Gujarat. 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 wheat growing regions of the world.

Domestic Market News Updates:**Iranian delegation in India to study wheat import:**

The Iranian delegation, comprising an international affairs department personal and a plant pathologist, landed in state capital on Friday and are scheduled to visit places in and around the state capital to check the wheat quality and other aspects. The team is leaving the state capital Saturday morning after getting the first-hand knowledge of quality and other aspect of the wheat."It would be too early to say that Iran would procure wheat from the state given the Iranian delegation arrived in the state capital just Friday.

Once a laggard, Madhya Pradesh has procured 85 lakh metric tons of wheat this year following bumper harvest. Right now, the state is facing problems in wheat storage huge stock lying in the open. There is inadequate storage facility in Bhopal, Raisen, Hoshangabad, Harda, Sehore and Vidisha districts, sources said. In the given circumstances, the Iranian delegation visit can be a great opportunity with monsoon likely to hit the state soon. There are speculations that Iran has plan to procure more than 10 lakh metric tons from MP, a state known for producing one of the finest quality of wheat. According to the latest statistics, Punjab, Haryana and MP have procured

12.98 million tons, 8.65 million tons and 8.5 million tons wheat under minimum support price (MSP) respectively for the year 2011-12 by last week.

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.

Wheat weekly price trend:

State	Prices 16-23 Jun 2012	Prices 09-15 Jun 2012	Prices 01-08 Jun 2012	Prices 16-23 Jun 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh		1950	1640.6	1700	—	—	—
Assam		1074.62	1078.07	1030	—	—	—
Chattisgarh		1169.45	1198.03	1061.93	—	—	—
Gujarat	1299.79	1384.66	1376.37	1148.83	-6.13	-5.56	13.14
Haryana		1278.01		1123.96	—	—	—
Jharkhand		1416.82	1463.21	1388.59	—	—	—
Karnataka		1650.53	1654.91	1779.66	—	—	—
Kerala		2385	2328.57	2308.33	—	—	—
Madhya Pradesh	1167.04	1298.86	1291.85	1112.16	-10.15	-9.66	4.93
Maharashtra		1698.66	1698.5	1679.56	—	—	—
Nagaland		1085			—	—	—
Delhi		1178.8	1289.75	1185.99	—	—	—
Orissa			1336.21	1374.83	—	—	—
Punjab		1281.26	1284.96	1120	—	—	—
Rajasthan	1125	1220.63	1246.74	1101.54	-7.83	-9.76	2.13

Tamil Nadu				1005	—	—	—
Uttar Pradesh	1111.54	1128.36	1129.54	1135.52	-1.49	-1.59	-2.11
Uttrakhand	1285	1228.07	1262.86	1122.6	4.64	1.75	14.47
West Bengal	1080	1054.82	1077.07	1089.39	2.39	0.27	-0.86
Average	1178.06	1381.39	1397.33	1303.77			
As per the data reported by APMCs							

Wheat prices have declined considerably during the week under review. Impact of recent dip might be seen in the weeks ahead in average price too 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. Govt. intention to offload more wheat in domestic market on highly subsidized prices may pressurize cash market fundamental further.

Revised Wheat Procurement Status: Fig:in lakh T

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 08.06.12		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	128.17	109.38	17.48
Haryana	68.4	86.81	68.67	17.31
U.P.	34.61	35.37	25.75	8.23
M.P.	49.65	84.93	49.50	31.94
Rajasthan	13.03	17.13	11.68	3.87
Others	7.08	7.1	6.47	0.57
All India	283.35	358.68	267.76	79.39

Wheat procurement is set to break all previous projections this year. Going by the current arrivals pace it may cross even 37.5 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 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 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)	13000.00	12800.00	
Transportation Charges (US \$/ton) to Chittagong	450.00	1000.00	
Misc.charges(port handling)	450.00	450.00	
Packing/Bags	450.00	450.00	
FOB (at Chittagong) Rs/T	14350.00	14700.00	
FOB value in \$ for SRW	256.62	262.88	
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)	274.87	281.14	
Indian Parity/Disparity			
CIF Russia to Chittagong	301	26.13	
CIF Ukraine to Chittagong	300	25.13	
CIF Australia to Chittagong	315	40.13	
CIF Argentina to Chittagong	318	43.13	
Indian currency as on:16.06.12	55.92		
Comparative FOB of Different Nations			
Countries	16.06.2012	16.05.2012	% Change
Russian	268	265	1.13%
Ukraine	266	264	0.76%
Australia	271	265	2.26%
Argentina	281	277	1.44%

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:

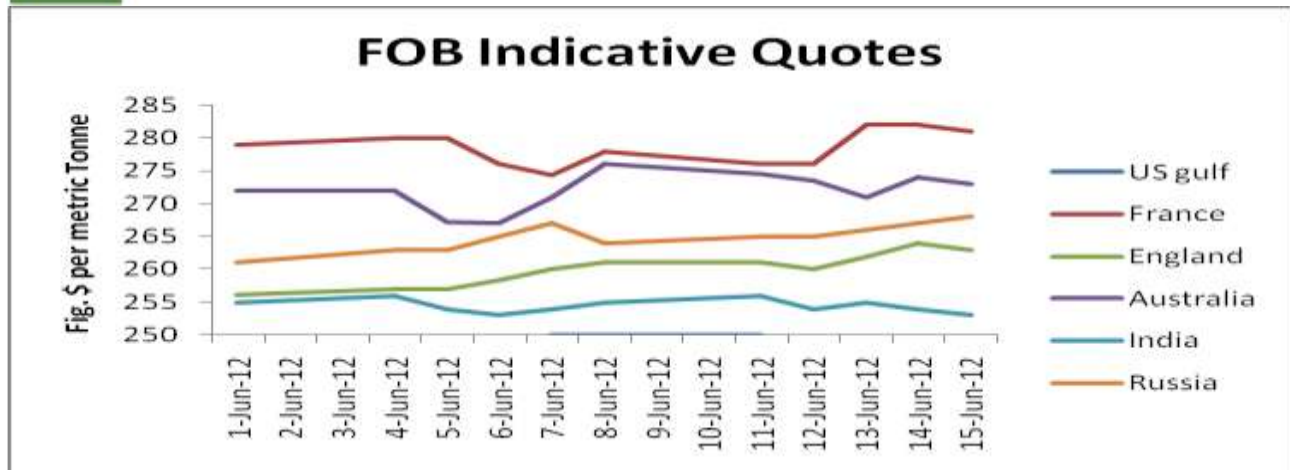
Wheat Stock as on just 1 st 2012	Stock with FCI	Stock with state agencies	Total central pool stock
East zone total	6.56	0.84	7.4
NE zone total	0.56	0	0.56
North zone total	101.25	265.90	367.15
South zone total	5.77	0	5.77
West zone total	20.86	46.71	64.3
Total	135	86.69	488.43
Stock in transit	1.27	0	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 1200-1225
Future market (July 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 1225 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:



Indicative FOB quotes in global wheat market are ruling higher than India. Indian parity is favourable right now. However, with entering India in global wheat market with bulk volume prices will come down. Russian wheat is due in July and it will pressurize market further. However, demand for Indian wheat is not good and bulk perspective buyers may be Iran on G to G deals.

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 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 July-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	507.69	510.00					

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
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							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) Negative	6.0 to 6.20 cent per bushel
Medium term	(Ten days) Positive	6.2 to 6.40 cent per bushel

Indicative FOB Quotes: Dated:14.06.12

	Variety	% Change over Prev. Year	(14.06.12)	Week Ago (08.06.12)	Month Ago (14.05.12)	Year Ago (14.06.11)
USA (Chicago)	RTRS 2srw	-13.99	247.4	249.6	247	282
France	FCW3	-4.01	281.7	277.7	285	293
U.k	Feed wheat	-3.87	263.8	260.5	277	274
Canada	Q2cw	-5.45	275	276	271	290
Russia	SRW	1.85	270	269	258	265
Ukraine	SRW	1.87	268	267	257	263
Argentina	SRW	-6.21	278.7	281	274	296
Australia	CWRS	-1.68	273.59	276.11	265.05	278.19

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