

Domestic market Update:

Wheat cash market continued to rule under pressure on bearish outlook during the week under review. Higher production amid overflowing stock due to record procurement (over 37 million T) and govt. clear intention to augment supply through various channels at discounted prices at Rs 1170 per qtl. weigh on wheat market fundamentals. The demand for flour usually remains low at this time of the year. We expect wheat market to rule at current level as subsidized wheat flow is expected to increase and cap any wave of firmness in near future.

Trade through private channel too is rather slow in the domestic market and only purchase for immediate requirements is taking place. Prices of wheat at various centers have decreased in anticipation of ample supply through govt.'s end. We expect prices to rule at current level during the week under review. Private exporters too are in wait and watch mood and waiting for govt.'s move on export incentive / subsidy.

India is likely to export 4.5 million tons of wheat in the year to March 31, 2013, but has the potential to export twice as much due to a bumper harvest and lack of domestic storage space. Abdolreza Abbassian, a Rome-based senior economist at the Rome-based FAO, said in an interview that if India exports more wheat it could push down global prices. What India does with its growing stockpile of wheat is closely watched by market participants, that include big trading companies like Glencore International AG and Cargill Inc.

Iran is expected to buy bulk quantity of Indian wheat in the months ahead. We expect two million tonnes may be shipped out to Iran this year. Irani delegation are now testing samples collected from various sourcing states and we expect positive result soon. Besides, other countries like Indonesia, Malaysia and some African countries are showing interests in Indian wheat due to competitive price.

Wheat procurement during current Rabi Marketing Season 2012-13, has crossed the mark of 370 lakh tonne. As per the ministry official, total 371, 97,161 tonne wheat has been procured by various government agencies so far. Procurement as on 22th June of previous Rabi Season was 275, 04,417 tonne. Punjab has led the procurement by 128,26,540 tonne followed by Haryana - 86,65,380 tonne and Madhya Pradesh - 84,92,820 tonne. Uttar Pradesh has also procured significant quantity i.e. 45, 46,593 tonne.

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.

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.

Physical Market Dynamics:

Wheat cash market traded under stress on increasing possibility of higher supply from govt. granary in the weeks ahead before the food ministry has proposed an additional share of 8 million tonnes of grains to BPL families and 2 mill tons to APL families at subsidized rate. It has proposed supply of 3 million tons of wheat to bulk consumers at a uniform rate of Rs.1170/qtl.

As the government food grains inventories is huge, the food ministry is planning to influence the EGoM chairman to approve supply of 5 million tons to APL families at higher rates of Rs.9.5/kg wheat and Rs.12.40/kg rice. At present wheat and rice is sold to APL families through ration shops at 6.10/kg and 8.30/kg respectively. The ministry proposal is based on recommendation made by expert panel headed by PMEAC chairman.

On export front internal activities for purchase, sales and seeking probable buyers have increased as Indian wheat is competitive at current price. Indian FOB quotes come to \$ 250 to \$260 per T While Australian and Russian wheat Quotes are in the range of \$ 270 to \$280 per T for the similar quality of Indian wheat. However, with Indian entry of bulk selling we expect prices to come down by 10 to 15 percent in the global wheat market as exporters expect. So there is a higher possibility of Indian wheat export at the rate of \$230 to \$ 240 per metric T on FOB basis.

Besides, India's weakening rupee against the U.S. dollar, which makes its exports cheaper, definitely would make the nation's wheat exports attractive. Global wheat prices might also come down because of the upcoming European and Black Sea region harvest. However, hurdles related to wheat export remain. India's government will have to categorize the difference between what it paid farmers for wheat and the lower export price as a World Trade Organization-compatible export incentive such as ocean freight reimbursement.

Procurement has entered in the last phase and probably will be over in the end of this month. A record production of wheat has helped procurement of the essential staple rise by approx. 34% to a record of over 370 lakh tons this year so far. Total 371, 97,161 tons wheat has been procured by the various Government agencies by June 22, 2012 while procurement on the day of previous Rabi Season was 275, 04,417 tons.

Punjab and Haryana had procured nearly 12.92 mt and 8.66 mt of wheat, respectively, in the current season. Wheat purchase in Madhya Pradesh stood at 8.6 mt this year while in Uttar Pradesh it was at 4.03 mt this year. Farmers are engaged in Kharif sowing so arrival from their side is drying up fast, however we believe that farmers still have 10% marketable surplus in Uttar Pradesh and Rajasthan. Pressure is likely to continue on higher supply in emerging situation at discounted price.

In spite of one week delay, monsoon is progressing well and eased pressure and fear regarding kharif planting. We expect normal monsoon in the first phase and there is no adverse impact on kharif crop at the planting phase of various crop.

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) |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------------|--|---------------------------------------|
| A.P. | 1950 | 1950 | 1640.6 | 1700 | 0 | 18.86 | 14.71 |
| Assam | 1092.19 | 1074.62 | 1078.07 | 1030 | 1.63 | 1.31 | 6.04 |
| Chattisgarh | 1329.82 | 1164.1 | 1198.04 | 1061.93 | 14.24 | 11 | 25.23 |
| Gujarat | 1364.05 | 1388.67 | 1373.74 | 1148.83 | -1.77 | -0.71 | 18.73 |
| Haryana | 1195 | 1278.01 | | 1123.96 | -6.5 | — | 6.32 |
| Jharkhand | 1428.08 | 1418.46 | 1463.21 | 1388.59 | 0.68 | -2.4 | 2.84 |
| Karnataka | 1526.38 | 1635.91 | 1654.91 | 1779.66 | -6.7 | -7.77 | -14.23 |
| Kerala | 2320 | 2385 | 2328.57 | 2308.33 | -2.73 | -0.37 | 0.51 |
| M.P. | 1273.78 | 1290.46 | 1290.61 | 1112.16 | -1.29 | -1.3 | 14.53 |
| Maharashtra | 1677.02 | 1630.54 | 1693.9 | 1679.56 | 2.85 | -1 | -0.15 |
| Nagaland | 1095.63 | 1085 | | | 0.98 | — | — |
| Delhi | 1139.83 | 1213.44 | 1311.89 | 1185.99 | -6.07 | -13.12 | -3.89 |
| Orissa | | | 1336.21 | 1374.83 | — | — | — |
| Punjab | 1284.99 | 1281.51 | 1284.96 | 1120 | 0.27 | 0 | 14.73 |
| Rajasthan | 1225.19 | 1228.65 | 1246.9 | 1101.54 | -0.28 | -1.74 | 11.23 |
| Tamil Nadu | | | | 1005 | — | — | — |
| Uttar Pradesh | 1137.07 | 1136.65 | 1129.22 | 1135.52 | 0.04 | 0.7 | 0.14 |
| Uttrakhand | 1285 | 1198.07 | 1283.78 | 1122.6 | 7.26 | 0.1 | 14.47 |
| West Bengal | 1082.06 | 1076.51 | 1077.07 | 1089.39 | 0.52 | 0.46 | -0.67 |
| Average | 1376.83 | 1378.56 | 1399.48 | 1303.77 | | | |
| As per the data reported by APMCs | | | | | | | |

Wheat cash markets continue to dip on bearish outlook in major wheat producing states and we expect prices to stabilize at current level as it is already low. Average wheat prices have been on decline during last three weeks. Major decline has been witnessed in Delhi, Rajasthan, Kerala, Karnataka and M.P. Likely higher supply from govt.'s granary with addition allocation through various channels at discounted price weigh on market fundamentals.

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 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 | INR |
|--|-------------------------------|-----------------------|------------|
| FOR (Rs/perT) | 13000.00 | 12900.00 | 57.12 |
| 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 | 14800.00 | |
| FOB value in \$ for SRW | 251.23 | 259.10 | |
| Freight Charges (US \$/ton) to Chittagong | 18.00 | 18.00 | |
| Insurance @ 0.1% (\$/MT) | 0.25 | 0.26 | |
| CIF to Chittagong (value in \$ for SRW) | 269.48 | 277.36 | |

Indicative FOB Quotes:

| | Fig:\$/MT | Fig:\$/MT | Fig:\$/MT |
|---|------------------|------------------|------------------|
| Comparative FOB of Different Nations | | | |
| Countries | 23.06.2012 | 23.05.2012 | % Change |
| Russian | 278 | 260 | 6.92% |
| Ukraine | 276 | 264 | 4.55% |
| Australia | 280 | 265 | 5.66% |
| Argentina | 285 | 277 | 2.89% |

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 case of US it is almost similar.. On current prices India should be able to export wheat in the range of \$ 275 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.

Despite lower prices India will be able to export more wheat this year (4.0 to 5 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:

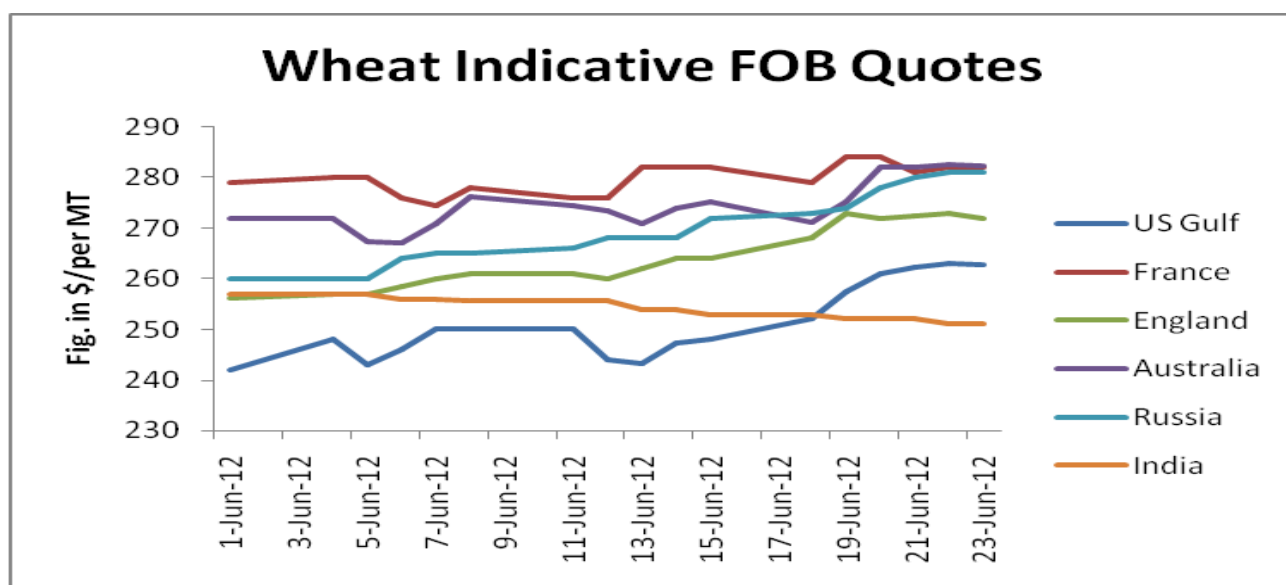
| Wheat Stock as on June 1 st 2012 | Stock with FCI | Stock with state agencies | Total central pool stock |
|---|----------------|---------------------------|--------------------------|
| East zone total | 6.56 | 0.84 | 7.4 |
| NE zone total | 0.56 | 0 | 0.56 |
| North zone total | 101.25 | 265.90 | 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 1200-1220 |
| Future market (July Contract) | Rs 1135-1160 |

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 1220 depending on demand –supply side. Pressure on wheat market is likely to continue despite ongoing procurement activities. Wheat future July contract is expected to trade in the range of Ra 1135-1160 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 harvest 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 1125 to 1160 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:

1125 the lower side is the capable support whereas 1160 holds importance as an immediate resistance. 1125 and 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 1125 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 | 510.69 | 520.00 | | | | | |

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 520 lakh Tat the end of June.

International Market Update:

CBOT wheat rose to a three-week top on short-covering and concerns the USDA might cut its forecast of 2012/13 world wheat production in its next monthly report in July. The world production is likely decline, and with the confirmation from various sources -- whether it's Russian production or EU production . SovEcon Chief Executive Andrei Sizov Sr. on Tuesday lowered his forecast of Russia's 2012/2013 wheat crop to 50 million tonnes, down from 53 million about a month earlier.

China's official grain think-tank has lopped about 2 percent off its estimate of 2012 winter wheat output in the world's largest producer and consumer of the grain, where widespread damage from a fungus disease looks set to spur imports.The forecast adds to a darkening global supply picture after Australia this week slashed its winter wheat production forecast by more than 7 percent, following projections for harsh weather to hit output in top exporters Russia, Europe and the United States.

Iraq bought 250,000 metric tons of wheat from Australia, Russia, and Canada. The purchase comprised 100,000 tons of Australian wheat, 100,000 tons of Russian wheat and 50,000 tons of Canadian wheat. The purchase price or when the shipments will arrive has not been specified. Glencore International Plc (GLEN) will supply 100,000 metric tons of Australian wheat and 50,000 metric tons of Russian wheat, Olam International Ltd. (OLAM) will provide 50,000 metric tons of Russian wheat and Viterra Inc. (VT) will supply 50,000 metric tons of Canadian wheat.

India can export up to 3 million tonnes of wheat from the government stock to sanction-hit Iran if West Asian nation is satisfied with the quality of the grain, Food Minister K V Thomas said today."A delegation from Iran was here for a week. After their field visit, they have taken samples to their country to finalise the quality issues," Thomas said.Our understanding is that the team felt positive about testing facilities in India. If Iran clears quality norms, especially Karnal bunt disease, there is a scope to export 2-3 million tonnes of wheat from the government stock

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 |
| ch. | 5 | 41 | 26 | -4 | 7 | - | -11 |

Wheat CBOT July wheat chart:


CBOT Price projection for current week:

| | | |
|-------------|----------------------|----------------------------|
| Short term | (Five days) Negative | 8.4 to 8.9 cent per bushel |
| Medium term | (Ten days) Positive | 8.6 to 9.0 cent per bushel |

Indicative FOB Quotes: Dated:22.06.12

| | Variety | % Change over Prev. Year | (22.06.12) | Week Ago (16.06.12) | Month Ago (22.05.12) | 3 Months Ago 22.04.12 | Year Ago 22.06.11 |
|----------------------|------------|--------------------------|------------|---------------------|----------------------|-----------------------|-------------------|
| USA (Chicago) | RTRS 2srw | -10.02 | 262.3 | 248.6 | 261 | 255.7 | 291.5 |
| France | FCW3 | -5.15 | 281.7 | 282.6 | 287.7 | 290.4 | 297 |
| U.k | Feed wheat | -6.85 | 272 | 260.5 | 278 | 284.6 | 292 |
| Canada | Q2cw | -7.64 | 278 | 274 | 269 | 281 | 301 |
| Russia | SRW | 6.04 | 281 | 278 | 265 | 248 | 265 |
| Ukraine | SRW | 6.08 | 279 | 267 | 257 | 247 | 263 |
| Argentina | SRW | -5.05 | 282 | 279 | 274 | 267 | 297 |
| Australia | CWRS | -1.40 | 281 | 276.11 | 265.05 | 261 | 285 |

We expect global wheat prices to come down from the current high as supply side is ample despite rough weather generated spike. Impending short fall in production is likely to be compensated by bulk Indian stock. With Indian entry prices are bound to come down.

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