

Domestic market Update:

With lots of developments regarding export within and outside the govt., amid favourable global price, wheat export from India is likely to increase in the months ahead. Competitive price attracts global buyers towards Indian wheat. Indian wheat is available at discount of around \$30 to \$35 per T from Australian and black sea region crop.

We expect 3.5 million T wheat export in current MY (2012-13) through govt. and private trade channel. India has decided to export 2 million tonnes wheat from govt.'s stock and recommended to release stock at Rs 11700 per T for export purpose. Even export from private trade channel may exceed 1.5 million T in normal condition and better parity from Rajasthan, Gujarat and Madhya Pradesh.

Iran is expected to be the major buyer of Indian wheat (1.5 to 2.0 million tonnes) if recently collected wheat samples from M.P., Punjab and Haryana by Iranian representatives get approved. Indonesia, Malaysia and B,desb have started sourcing wheat from India. Besides, Indian exporters have received fresh buying queries from Philippines, Oman, Iraq, Qatar, Yeman, Oman, Turkey and Afghanistan.

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

Wheat procurement during current Rabi Marketing Season 2012-13, has crossed the mark of 370 lakh tonne. As per the ministry official, total 37.73 tonne wheat has been procured by various government agencies so far. Procurement as on 30th June of previous Rabi Season was 27.74 tonne. Punjab has led the procurement by 129 tonne followed by Haryana - 86 tonne and Madhya Pradesh – 86.72 tonne. Uttar Pradesh has also procured significant quantity i.e. 40, 46,593 tonne.

India's food grain stocks reached an unprecedented level 84.41 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:

With the end of procurement season, barring Bihar, wheat prices in domestic market continued to trade under pressure and decreased below MSP (Rs 12850 per T) in major wheat trading hubs of India. Even export attempt could not materialize due to lower global prices during the first half of June. However, global wheat market started firming up in the second half of this month (June) on weather generated concern and lower global crop outlook. With higher FOB quotes in Black Sea Region, Australia, US, Canada and Argentina Indian wheat with cheaper and ample availability started attracting importers. At prevalent global prices India is the cheapest source of wheat and we expect more export deals in the months ahead.

Favourable export prospects, increased export demand on back of comparatively attractive prices support domestic market prices to some extent. However, uptrend is unlikely to continue as govt. will export at cheaper prices. Besides, availability in domestic market is bound to increase as supply through PDS and OMSS (open market sales scheme) at discounted prices increases with govt.'s clear cut intension to augment supply in domestic market. Acute storage crunch and monsoon season continue to encourage govt. to offload more wheat in and outside India.

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.

Weather is likely to activate once again and we expect wide spread rainfall in south, west and central India in the days ahead. Overall rain fall has been 23 percent lower and has delayed the kharif plantings by two weeks. Major kharif crop area is lagging behind and loss of production is feared.

Parity/Disparity Table on Current Domestic Price:

| INR value:56.30 | Rajkot (Guj) to Kandla | Kota to Kandla | MSP | ECO.Cost |
|---|------------------------|-----------------|------------|------------|
| FOR (INR/perT) | 13500.00 | 13750.00 | 12850 | 18220 |
| Transportation Charges (Rs/ton) to Kandla | 450.00 | 450.00 | 1200 | 1200 |
| Misc.charges(port handling) | 450.00 | 450.00 | 450.00 | 450.00 |
| Packing/Bags(Plastic bag of 50 k.g.) | 150.00 | 150.00 | 150.00 | 150.00 |
| FOB (at Chittagong) Rs/T | 14550.00 | 14800.00 | 14650 | 20020 |
| FOB value in \$ for SRW | 258.44 | 262.88 | 260 | 356 |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Freight Charges (US \$/ton) to Chittagong | 18.00 | 18.00 | 18.00 | 18.00 |
| Insurance @ 0.1% (\$/MT) | 0.26 | 0.26 | 0.26 | 0.36 |
| CIF to Chittagong (value in \$/MT) | | | | |
| for milling grade | 276.70 | 281.14 | 278.47 | 373.95 |

Indian wheat is competitive now globally and Indian wheat exporters started exporting wheat below \$300 per T on CIF basis. Cargil has just clinched 32000 MT deals for Indonesia. The deal is said to be in the range of \$290 to \$295 per T CIF basis. Loading for Malaysia and some west Asian countries at Kandla port continues. the quantity in question is 38000 T and Glencore has finalized the deal. The CIF value for the same contact is \$ 289 to \$290 per T as per market sources. Just against it Indian competitors like Russia, Australia at current prices are not able to supply below \$315/\$320 perT. Prices in global wheat market are unlikely to decrease drastically due to increasing fear of lower crop size and we expect Indian wheat to remain competitive in the months ahead.

Percentage change in FOB value in global market during the month of June:

| Milling/ SRW wheat :Comparative FOB of Different Nations Fig:\$ /per MT | | | |
|--|------------|------------|----------|
| Countries | 30.06.2012 | 30.05.2012 | % Change |
| Russian | 284 | 272 | 4.41% |
| Ukraine | 282 | 270 | 4.44% |
| Australia | 294.2 | 271 | 8.56% |
| Argentina | 294 | 279 | 5.38% |
| US | 273.1 | 242.1 | 12.80% |
| France | 301.5 | 278 | 8.45% |

Latest global FOB quotes are favourable for India .Prices of wheat in global market have increased rapidly on fear of rough weather and lower crop estimation.FOB quote has increased considerably in the US- one of the biggest wheat exporters. Even France ,Australia, Russia and Ukraine have jumped unexpectedly during last one month as the above given table shows.

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 |

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Revised Wheat Procurement Status:

| State | Total procurement in My 2011-12 (April-March) | Progressive procurement as on 15.06.12 | | % increase over last year |
|-----------|---|--|------------|---------------------------|
| | | MY 2012-13 | MY 2011-12 | |
| Punjab | 109.58 | 128.26 | 109.43 | 17.05 |
| Haryana | 69.28 | 86.65 | 68.82 | 25.07 |
| U.P. | 34.61 | 40.38 | 29.1 | 16.67 |
| M.P. | 49.65 | 84.93 | 49.05 | 71.06 |
| Rajasthan | 13.03 | 18.15 | 12.29 | 39.29 |
| Others | 7.08 | 8.1 | 6.97 | 14.41 |
| All India | 283.23 | 366.47 | 275.66 | 29.39 |

Figure in lakh tonnes

Overall procurement fig. has crossed 37.7 million T as on 30.06.12 and final data from various procuring states is still awaited. Overall wheat procurement this year by 33.21 percent on back of higher supply and better pace of procurement by various procurement agencies. Procurement in Bihar and Uttar Pradesh continues but arrivals have come down considerably as farmers are now busy with kharif sowing despite lower rainfall, almost 23 percent lower than normal as on 25.06.12. Farmers still have 5 to 7 percent marketable surplus.

Comparative monthly price trend:

| State | Prices June, 2012 | Prices May, 2012 | Prices June, 2011 | % Change(Over Previous Month) | % Change(Over Previous Year) |
|----------------|-------------------|------------------|-------------------|-------------------------------|------------------------------|
| Andhra Pradesh | 1673.54 | 1516.41 | 1164.53 | 10.36 | 43.71 |
| Assam | 1158.89 | 1052.39 | 1082.78 | 10.12 | 7.03 |
| Chattisgarh | 1208.4 | 819.13 | 1094.26 | 47.52 | 10.43 |
| Gujarat | 1378.84 | 1372 | 1124.4 | 0.5 | 22.63 |
| Haryana | 1278.72 | 1285 | 1127.6 | -0.49 | 13.4 |
| Jharkhand | 1454.94 | 1412.15 | 1367.75 | 3.03 | 6.37 |
| Karnataka | 1585.97 | 1584.32 | 1710.82 | 0.1 | -7.3 |
| Kerala | 2340.22 | 2297.62 | 2331.48 | 1.85 | 0.37 |
| Madhya Pradesh | 1275.76 | 1354.41 | 1160.75 | -5.81 | 9.91 |
| Maharashtra | 1684.64 | 1603.73 | 1592.25 | 5.05 | 5.8 |
| Nagaland | 1103.77 | | | — | — |
| Delhi | 1223.75 | 1387.01 | 1198.23 | -11.77 | 2.13 |
| Orissa | 1266.26 | 1184.29 | 1426.54 | 6.92 | -11.24 |
| Punjab | 1284.44 | 1284.89 | 1120 | -0.04 | 14.68 |
| Rajasthan | 1242.38 | 1257.68 | 1110.41 | -1.22 | 11.88 |
| Tamil Nadu | | | 1005 | — | — |
| Uttar Pradesh | 1123.66 | 1140.2 | 1133.98 | -1.45 | -0.91 |

| | | | | | |
|---|---------|---------|---------|-------|------|
| Uttarakhand | 1213.08 | 1267.21 | 1131.74 | -4.27 | 7.19 |
| West Bengal | 1104.43 | 1068.4 | 1088.9 | 3.37 | 1.43 |
| Average | 1366.76 | 1342.88 | 1276.19 | | |
| *Report Generation: As per the data reported by APMCs | | | | | |

Average price of wheat improved with increasing demand from wheat exporters. Local millers too have increased uplifting of wheat with decreasing arrivals and firming up prices in local markets. However, prices of wheat in Delhi, Haryana, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh have decreased slightly in the last weeks of June. However, average prices in comparison to last year have increased considerably. The main reason of higher price is attributed to higher MSP this season. However, we expect domestic prices to ease in the months ahead with higher govt.'s allocation for domestic market at discounted price through PDS, OMSS and other welfare schemes. Supply will remain ample throughout the season.

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.

Expected Price Range For Current Week:

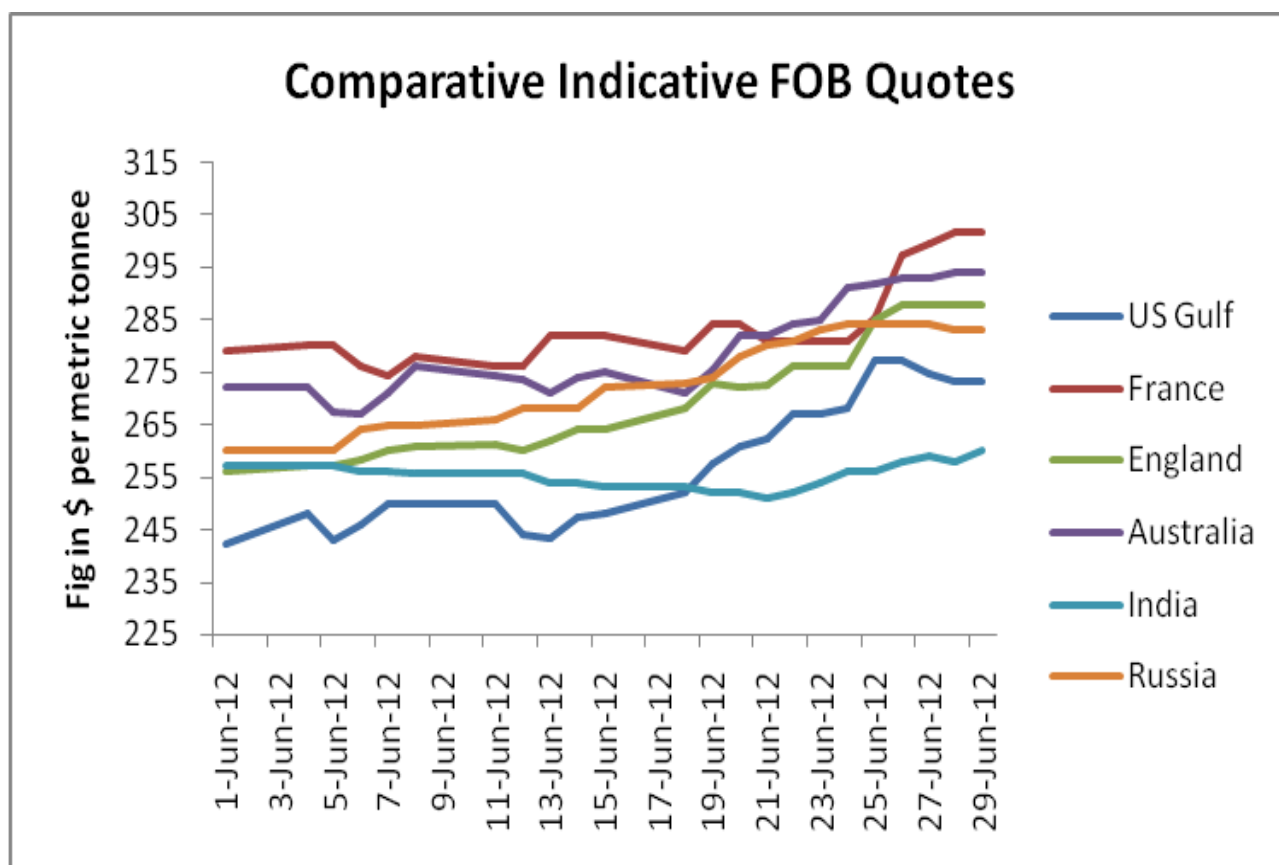
| Market : Delhi Spot (mill delivery) | Rs/per qtl. |
|-------------------------------------|--------------|
| Cash market | Rs 1200-1220 |

Future market (July Contract)

Rs 1165-1175

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 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 1165-1175 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 harvest continues and it will pressurize market in the weeks ahead despite lower production estimate.

Wheat futures market:

Wheat future market traded weak during the week under review and is expected to trade in between 1175 to 1200 in the current week. Export demand and firming up international market support domestic market and we expect market to hover in the range of above given price band.

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



Technical Commentary:

- Weekly chart formation shows market to trade range bound with firm bias likely to continue in short term.
- RSI is moving up in neutral region hints market to move up.
- Price and open interest are increasing depicts long build up.

Trading Strategy:

1175 the lower side is the capable support whereas 1200 holds importance as an immediate resistance. 1175 and 1200 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. We expect market to touch 1200 this 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 | 530.00 | | | | | |

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

Offtake from govt's godowns in July 2012 may improve as prices are increasing.. More than 10 percent marketable surplus stock is still in farmer's hand. Export demand has improved and will continue to support prices. Wheat stock in July may cross 530 lakh T at mid July..

International Market Update:

CBOT wheat market traded lower as correction was expected at higher level. Prices are likely to trade range bound in the days ahead. Russian harvest is on and it will restrict market for further gains despite lower crop estimate in Russia. Attractive prices in India attract buyers towards India and some big deals are likely from India in the weeks ahead-CME

Argentine wheat farmers have planted nearly half the area forecast for the 2012/13 crop, and seedlings are off to a good start due to favorable weather, the Buenos Aires Grains Exchange said on Thursday. Argentina is the world's sixth-biggest wheat exporter and the key supplier to neighboring Brazil, but growers have been planting less of the crop in recent years. They say a government system of export quotas depresses prices in the local market-Rueters

Cargill Inc has sold some 32,000 tonnes of Indian wheat to Indonesia, first bulk shipment of Indian wheat to Asia in at least seven years, traders said on Friday. The ship carrying Indian wheat from Kandla port is scheduled to arrive at Indonesia's Tanjung Priok port in the first week of July. The cargo was sold by agribusiness firm Cargill to Indonesia's Bogasari flour mills, the traders said-Reuters

The Middle East has bought around 200,000 tonnes of new-crop Indian wheat and more deals are likely, as a rally in global prices and the weakening currency of the South Asian nation make exports competitive. Indian wheat has been moving to the Middle East but now there should be more interest. The spread between Indian and Australian wheat is around \$30 to \$40 today, which is very attractive-Bloomberg

In the cash market, Indian wheat is quoted at around \$258-259 a tonne free on board (FOB), compared with \$293 a tonne being offered for Australian wheat. In the Middle East, Indian wheat is being offered at around \$280 a tonne, including cost and freight (C&F), while rival Black Sea cargoes are being quoted at close to \$315 a tonne. Private Trade

Ukraine's 2012 grain harvest is likely to total 43 to 44 million tonnes, compared with a record 56.7 million tonnes in 2011 due a sharp decrease in wheat output. Russia's Agriculture Ministry and a leading analyst cut their 2012/13 grain crop and export forecasts on Monday after winterkill and spring drought caused yields to fall. For the new season the ministry cut its wheat crop forecast to 46-49 million tonnes from 57 million tonnes expected earlier-Ag Russia

China's official grain think-tank revised down the country's 2012 winter wheat output to 111.7 million metric tons from the 114 million metric tons previously forecast after widespread damage from disease. The winter wheat now being harvested accounts for about 95 percent of the country's total wheat output, which the China National Grain and Oils Information Center (CNGOIC) also revised down to 118 million metric tons this year from an estimate of 120.3 million metric tons last month.

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 |

CBOT Future Chart:


CBOT Price projection for current week:

| | | |
|-------------|----------------------|----------------------------|
| Short term | (Five days) Negative | 7.2 to 7.4 cent per bushel |
| Medium term | (Ten days) Positive | 7.8 to 8.0 cent per bushel |

Indicative FOB Quotes: Dated: 28.06.12

| | Variety | % Change over Prev. Year | (28.06.12) | Week Ago (21.06.12) | Month Ago (28.05.12) | Year Ago (25.06.11) |
|---------------|---------------|--------------------------|------------|---------------------|----------------------|---------------------|
| USA (Chicago) | RTRS 2srw | -2.55 | 274.8 | 262.2 | 242 | 282 |
| France | FCW3 | 2.18 | 299.4 | 280.7 | 278.5 | 293 |
| U.k | Milling grade | 5.04 | 287.8 | 272.4 | 256.2 | 274 |
| Canada | Q2cw | -0.34 | 289 | 275 | 271 | 290 |
| Russia | SRW | 7.55 | 285 | 266 | 258 | 265 |
| Ukraine | SRW | 4.12 | 278 | 264 | 258 | 267 |
| Argentina | SRW | 9.96 | 287 | 265 | 260 | 261 |
| Australia | CWRS | 4.80 | 293.55 | 281.94 | 278.19 | 278.19 |

We expect global wheat prices to move up from the current level with extended dry spell. Weather remains the major price driving factors for the global wheat market

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