

Domestic market Update:

Domestic cash wheat markets get support from higher demand from south Indian flour millers, exporter's fresh query and firmed up international quotes. Prices of wheat have increased Rs 100 to Rs 120 per qtl.in sourcing states like Rajasthan and M.P. during last two weeks and private trades are of the opinion that price may move further up if supply from govt's granary is not ensured soon.

Millers from south India are sourcing wheat from Rajasthan at Rs 1600 per qtl. from Bundi and Baran region. Wheat is available here at Rs 1345 per qtl,if we add Rs 45 per qtl loading –unloading charges and Rs 175 per qtl as freight, total amount comes to Rs 1565 per qtl. Thus traders/brokers get net margin of Rs35 per qtl.if exporters source wheat at this price, total cost involves in it comes to at Rs 1510 at Kandla port , around \$275 per T without broker's margin. So private trade prefers to sell to the private millers in south India.

Export scenario for Indian wheat is very favourable for India at current international quotes and we expect better opportunity in the weeks ahead as supply side in the global market will remain tight with lower crop estimation worldwide. Experts from grain market expect Fob quotes to touch \$340 to \$350 per T soon and it will go completely in favour of India. Export in small quantity through a no. of tender/bid will be more profitable.

.State-run trading firms such as STC, MMTC and PEC are likely to float multiple global tenders for export of 2 million tonnes of wheat permitted by the government earlier this week. Each export tender will be invited for quantities up to 1.5 lakh tonnes to ensure better realization. Earlier this week, the Cabinet Committee on Economic Affairs (CCEA) had permitted export of two million tonnes of wheat to clear surplus stock for accommodating the new crop.

The Centre would sell 1.3 million tonnes of wheat to bulk consumers like flour millers at subsidised rates in the first phase in July-September to ease storage crisis. Following the nod of a ministerial panel last month for the sale of three million tonnes of wheat via the Open Market sale Scheme to bulk users, the food ministry has issue an order allocating 1.3 million T of wheat for sale under the scheme in the first quarter starting from July.Allocation of around 1.3 million T of wheat has been made under the OMSS for the July Sep period.

Buoyed by record production of wheat in the country, government's procurement of the key food staple rose by 36 per cent to a record 37.85 million tonnes (mt) in the current marketing season so far.The government had purchased 27.85 mt of wheat in the 2011-12 wheat marketing season (April-March). Wheat purchase in this season has surpassed government's target of 32 mt.

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 markets continued to trade steady to slightly firm on better offtake from millers and improved export scenario with better margin for private trades. Stockiests are not willing to sell wheat even at higher prices in anticipation of higher realization in the weeks ahead. However, we expect higher offtake from govt.'s granary through PDS and OMSS in the days ahead.It will restrict market to gain further. Even flour millers will prefer to lift wheat from govt's godowns at Rs 1170 per

qtl. as wheat is ruling higher in open market. Regular supply from govt.'s side will ensure stability in the market despite ongoing export. This year (MY 2012-13) wheat export may touch 3.5 million T including govt.'s quota.

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.

Weather is likely to activate once again and we expect wide spread rainfall in south, west and central India in the days ahead. We expect situation to improve considerably in the weeks ahead.

Parity/Disparity Table on Current Domestic Price:

INR Value:55.98 Date:09.07.2012	Rajkot (Guj) to Kandla	Kota to Kandla	MSP	ECO.Cost
FOR (Rs/perT)	13950.00	14500.00	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	15000.00	15550.00	14650	20020
FOB value in \$ for SRW	267.95	277.78	262	358
Freight Charges (US \$/ton) to Chittagong	18.00	18.00	18.00	18.00
Insurance @ 0.1% (\$/MT)	0.27	0.28	0.26	0.36
CIF to Chittagong (value in \$ for SRW)	286.22	296.06	279.96	375.99

Indian wheat is now competitive enough to compete with any origin's wheat and firming up global prices are giving more edge to Indian exporters. India FOB is around \$275 per T on Kandla port while other source quotes have crossed \$310 per T. The difference of above \$35 per T makes Indian wheat the cheapest one and the gap is likely to widen further as we expect Overseas FOB quotes to touch \$350 per T given the current weather outlook worldwide and lower crop estimation for the next crop. Situation will remain favourable for India even in medium term and India will be able to sell wheat higher than MSP. We expect quotes for govt.'s stock in the range of \$245 to

\$260 per T in the weeks ahead. It came to Rs 13775 per T. If global market continues its uptrend, higher realization is not a distinct possibility. The above given table shows the status of numerical through private trade.

State-run trading firms such as STC, MMTC and PEC are likely to float multiple global tenders for export of 2 million tonnes of wheat permitted by the government earlier this week. Each export tender will be invited for quantities up to 1.5 lakh tonnes to ensure better realization. Earlier this week, the Cabinet Committee on Economic Affairs (CCEA) had permitted export of two million tonnes of wheat to clear surplus stock for accommodating the new crop. The govt is in no hurry to export wheat in bulk and it will provide private trade better opportunity to encash the emerging global market.

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

Comparative FOB of Different Nations			
Countries	07.07.2012	07.06.2012	% Change
Russian	309	285	8.77%
Ukraine	304	281	8.19%
Australia	321	287	11.85%
Argentina	312	290	7.59%
US	311	267	16.48%
France	307	293	4.78%

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.

FOB Global Indicative quotes:

All prices are for SRW /milling grade, comparable to Indian quality	1st April-12	1st May-12	1st June-12	1st July-12	9-Jul-12
USA	266	248	242	293	312
France	286	286	279	295	304.5
Uk	279	281	256.2	285	291.1
Australia	239	267	272	305.33	321.74
Russia	227	245	271	301	310.6
India	224	249	258	272	275
Fig in \$ /MT					

Revised Wheat Procurement Status: Fig:in lakh T

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 29.06.12&29.06.11		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	128.31	109.53	14.60
Haryana	68.4	86.65	68.82	21.06
U.P.	34.61	49.82	32.82	30.53
M.P.	49.65	84.93	49.05	41.54
Rajasthan	13.03	19.09	12.82	31.74
Others	7.08	8.82	7.01	19.73
All India	283.35	377.62	280.05	24.96

Overall procurement fig. has crossed 37.8 million T as on 30.06.12 and final data from various procuring states is still awaited. Overall wheat procurement this year has increased by 29.39 percent on back of higher supply and better pace of procurement by various procurement agencies. Higher procurement has increased storage problems in major wheat growing regions.

Comparative monthly price trend:

State	Prices 01-08 Jul 2012	Prices 24-30 Jun 2012	Prices 16-23 Jun 2012	Prices 01-08 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1950	1950	1950	1700	0	0	14.71
Assam	1417.86	1380.26	1092.19	1037.5	2.72	29.82	36.66
Chattisgarh	1187.46	1164.89	1241.09	947.84	1.94	-4.32	25.28
Gujarat	1510.31	1394.54	1379.09	1095.96	8.3	9.51	37.81
Haryana	600	1150.98	1195	1159.18	-47.87	-49.79	-48.24
Jharkhand	1374.22	1417.74	1446.26	1418.82	-3.07	-4.98	-3.14
Karnataka	1615.71	1689.79	1499.6	1658.82	-4.38	7.74	-2.6
Kerala	2375	2366.67	2291.67	2380	0.35	3.64	-0.21
Madhya Pradesh	1217	1245.65	1264.24	1142.26	-2.3	-3.74	6.54
Maharashtra	1706.35	1691.78	1650.57	1577.3	0.86	3.38	8.18
Nagaland	1141.56	1121.47	1095.63		1.79	4.19	—
NCT of Delhi	1162.72	1171.46	1140.6	1135.72	-0.75	1.94	2.38
Orissa	1422.22	1235.35	1205	1510.12	15.13	18.03	-5.82
Punjab	1284.87	1286.85	1284.98	1154.29	-0.15	-0.01	11.31
Rajasthan	1257.01	1242.36	1238.1	1121.7	1.18	1.53	12.06
Uttar Pradesh	1141.21	1122.16	1132.55	1152.1	1.7	0.76	-0.95
Uttarakhand			1285	1123.11	—	—	—
West Bengal	1103.22	1187.68	1078.94	1088.38	-7.11	2.25	1.36
Average	1380.4	1401.15	1359.47	1317.83			

As per the data reported by APMCs

Despite improvement in prices wheat average prices have decreased during the week under review in comparison to last week as the above given table shows. Wheat prices are likely to stay steady as miller's demands have improved. Supply side will remain ample with govt 's strategy to augment supply through various channels like PDS,OMSS.

Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1220-1250
Future market (July Contract)	Rs 1225-1275

Wheat market traded firm on back of better demand prospects in the weeks ahead. However, government release strategy will restrict gains in the weeks ahead. Stockists have slowed down release of stock in anticipation of better export prospects. Besides, higher demand from miller's side is supporting the market at present.

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 the market to hover in the range of above given price band.

NCDEX August future contract, 2012 (Expiry: August. 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:

1290 the lower side is the capable support whereas 1350 holds importance as an immediate resistance. 1290 and 1350 is the immediate trading range for the price; drift in either direction is likely to take it further in the respective same direction.

However, release from government's stock may restrict market to move up unexpectedly. Supply will continue to flow with government stock with subsidized prices.

STOCKS OF FOODGRAINS & SUGAR IN CENTRAL POOL AS ON 01.07.2012			(Figs. in lakh MT)
	IN STORAGE	IN TRANSIT	TOTAL
RICE	304.57	2.51	307.08
WHEAT	495.23	2.85	498.08
Wheat lying in mandies	0.00	0.00	0.00
TOTAL	799.80	5.36	805.16
COARSE GRAINS	0.53	0.00	0.53
SUGAR	0.20	0.10	0.30
GRAND TOTAL	800.52	5.46	805.98

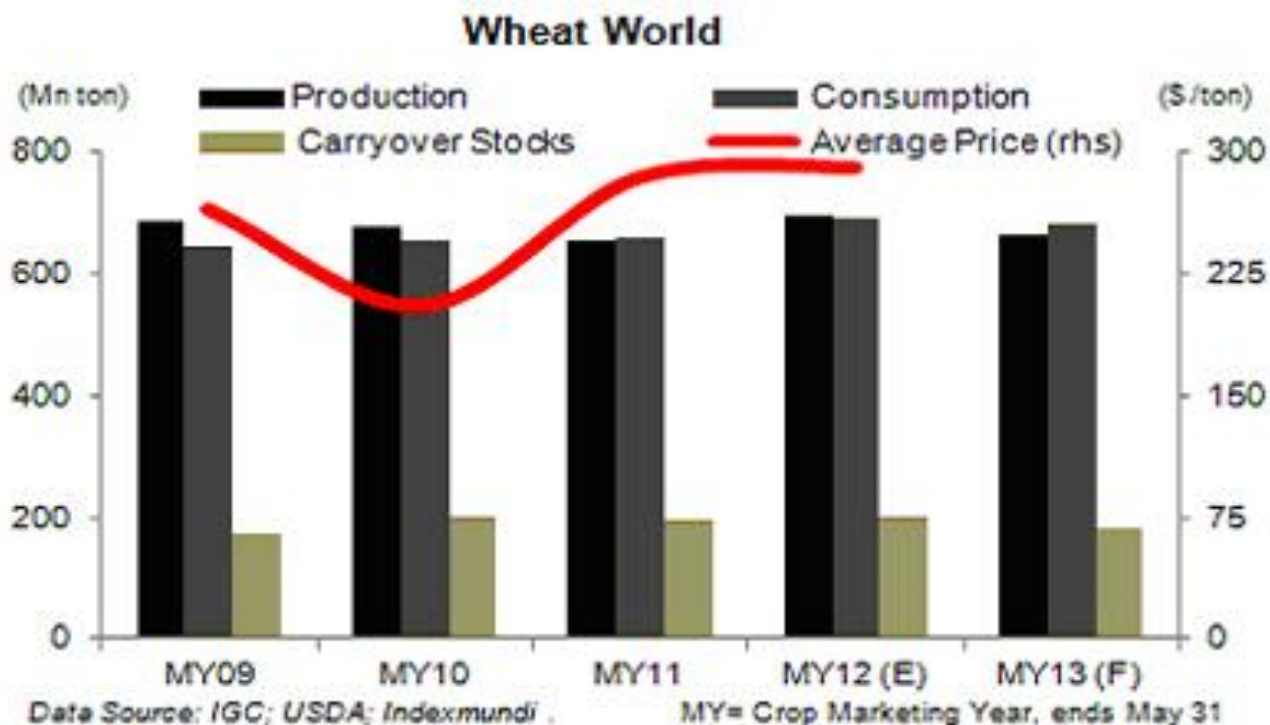
International market Updates:

FOB Global Indicative quotes:

All prices are for SRW /milling grade, comparable to Indian quality	1st April-12	1st May-12	1st June-12	1st July-12	9-Jul-12
USA	266	248	242	293	312
France	286	286	279	295	304.5
Uk	279	281	256.2	285	291.1
Australia	239	267	272	305.33	321.74
Russia	227	245	271	301	310.6
India	224	249	258	272	275
Fig in \$ /MT					

Lately, the prices have been pointing northwards, with the Russian wheat exports priced as high as \$312 a ton on July 4. The cumulative wheat harvest this year from major Black Sea exporters-Russia, Ukraine and Kazakhstan-is expected to fall by 22 percent, due to "damage from a bitterly cold winter combined with a spring drought in Russia and Ukraine". Moreover, the wheat production outlook from International Grains Council-the multilateral association of major grains producing nations and regional blocks-is unfavorable for the next crop marketing year 2012-13 (MY13). As illustrated in the figure, IGC anticipates a four percent reduction in production and a one percent fall in consumption to lead to a nearly nine percent decline in MY13 carryover stocks. The IGC outlook is influenced by further deterioration expected in Russian production, despite improvements in the US and EU harvests. The global wheat trade is forecast to slip by 6.25 percent to 135 million tons in MY13, as exports from major wheat producing nations-Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine and the United States-are expected to decline by 18.3 percent. These expectations have already factored in the wheat export contracts in markets from the US Gulf Coast to the Black Sea region. If this pattern holds out a little longer, this is the opportunity for Pakistan to

lock in attractive prices, get rid of the surplus, and free up the storage and financial space. India announced last week to export up to two million tons of wheat, for the same reasons. However, to export wheat at this point, a clearer picture must emerge vis-à-vis available reserves, food security requirements, and hence, exportable surplus. Source: IGC



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

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.