

Domestic market Update:

Wheat cash market continued to increase on strong demand from exporters during the week starting 2nd July and is expected to stay steady at current level as higher demand is likely to support the cash market. Even south Indian millers are facing problem in getting supply at regular intervals.. Higher international prices have encouraged exporters to source wheat at higher prices from open markets. Situation is favourable for India and is likely to emerge as a big foodgrains exporter this year.

Wheat prices during the week under review have increased by Rs 100 per qtl.in the states like Bihar, Uttar Pradesh and Rajasthan. Stockiests are holding back wheat stock in anticipation of higher prices in the weeks ahead and thus artificial supply crunch seems very much in sight and support market fundamentals. Tight supply condition is likely to continue for south Indian millers as they are unable to source wheat from open market at previously settled price due to unexpected rally in wheat market Supply from govt.'s godowns at Rs 1170 per qtl. is not sufficient to fulfill their daily capacity utilization.

The PEC Ltd, STC Ltd and MMTC Ltd have invited bids to export 2.4 lakh tonnes (lt) of wheat from Government stocks.PEC Ltd has issued bids for export of 90,000 tonnes of wheat stocked at Food Corporation of India (FCI) godowns in Kandla port. Similarly, STC has invited bids for export of 1 lt wheat stored in FCI godowns at Mundra Port. MMTC has invited bids for export of 50,000 tonnes from Pipavav. The bids for the export of wheat produced in 2011-12 and 2012-13 will close on August 3. The shipments would take place in August-September. The result is awaited and will set direction for further export.

Rally in global wheat market continues on back of lower wheat production estimate next year. Wheat prices in the international market have firmed up during last three weeks on dry conditions impacting output in countries such as Russia, Ukraine and Australia and US. The Chicago Board of Trade futures were hovering around \$8.5 a bushel, making Indian wheat attractive in the global market.

Indian wheat is quoted around \$280 to \$285 based on sourcing states a tonne free on board (FoB), up from \$256-\$257 a tonne two weeks ago. South Korea bought 150,000 tonnes of Indian wheat last month at \$255 to \$275 a tonne, including cost and freight from earlier stored out stock. More deals are now expected from Malaysia, Indonesia, West Asian countries and Iran.

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.

Despite slowed down monsoon it is likely to activate again soon. Rain/thundershowers would occur at many places over west coast, east & northeast India, Lakshadweep and Andaman & Nicobar Islands. Rain/thundershowers would occur at many places over western Himalayan region and Uttar Pradesh over Gujarat, Rajasthan, Punjab, Haryana and Delhi during current week. Overall kharif sowing status is likely to improve.however,paddy area may fall behind target.

Physical Market Dynamics:

Finally genuine process of wheat export from govt's stock started amid firming up international market amid urgency of offloading bulging stock from govt.'s granary and we expect better result and realization at export front this year. With Indian exporters/millers being active prices in the domestic market started surging and continuous uptrend is being seen in the domestic markets from last two weeks. Indian FOB quotes have crossed \$285 per T from \$ 257 per T three weeks ago. Almost \$30 per T hike is attributed mainly to exporter's increased buying interest at higher level and continued rally in the global wheat market.

There is not much wheat available in open market and private trades/whole sellers are unwilling to sell their stock at current prices in anticipation of higher realization. If ample release from govt.'s stock is not ensured and prices in the global market continues to move up, uptrend in domestic market is likely to continue. Millers in south India are facing difficulty to source wheat from open market and it may fuel wheat products prices in south India. Approved wheat quantity for millers at Rs 1170 is below their near capacity utilization.

Latest tenders by PSUs are expected to get better response as many traders /importers are short. Right decision on right timing will help India to reduce bulging stock to some extent. However, price stability in domestic market needs to be ensured by allocating higher supply and allocation. The tenders issued by state-run trading firms MMTC, STC and PEC will close on Aug. 3. Buyers will lift the grain in August and September from Food Corporation of India's warehouses. On July 1, government stocks amounted to 49.8 million tonnes, much higher than a target of 17.1 million for the current quarter.

Wheat export parity/disparity:

INR 55.56	Rajkot (Guj) to Kandla	Kota to Kandla	MSP	ECO.Cost
FOR (Rs/perT)	14500.00	14600.00	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	15550.00	15650.00	14650	20020
FOB value in \$ for SRW	280.28	282.08	264	361
Freight Charges (US \$/ton) to Chittagong	18.00	18.00	18.00	18.00
Insurance @ 0.1% (\$/MT)	0.28	0.28	0.26	0.36
CIF to Chittagong (value in \$ for SRW)	298.56	300.37	282.32	379.21

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 \$280 per T on Kandla port while international quotes have crossed \$305 per T. The difference of above \$25 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 come to Rs 13775 per T. If global market continues its uptrend, even higher realization is not a distinct possibility.

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

Comparative FOB of Different Nations			
Countries	13.07.2012	13.06.2012	% Change
Russian	306	280	9.29%
Ukraine	304	278	9.35%
Australia	324	295	9.83%
Argentina	312	291	7.22%
US	307	269	14.13%
France	311	295	5.42%

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	13-Jul-12
USA	266	248	242	293	306
France	286	286	279	295	311
Uk	279	281	256.2	285	293.1
Australia	239	267	272	305.33	324.74
Russia	227	245	271	301	306.6
India	224	249	258	272	281
Fig in \$ /MT					

Revised Wheat Procurement Status: Fig:in lakh T

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 07.07.12&07.06.11		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.57	128.34	109.57	14.63
Haryana	69.28	86.65	68.82	20.05
U.P.	34.61	50.62	34.61	31.63
M.P.	49.64	84.92	49.04	41.54
Rajasthan	13.03	19.57	13.03	33.42
Others	7.08	10.13	7.01	30.11
All India	283.35	380.23	280.25	25.48

Overall procurement fig. has crossed 38 million T as on 07.07.12 and final data from various procuring states is still awaited. Overall wheat procurement this year has increased by 25.48

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 09-15 Jul 2012	Prices 01-08 Jul 2012	Prices 24-30 Jun 2012	Prices 09-15 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1825.28	1756.61	2070.14	1974.44	3.91	-11.83	-7.55
Assam	2330.15	2540.78	2546.5	2159.88	-8.29	-8.5	7.88
Chattisgarh				900	—	—	—
Gujarat	2305.93	2311.06	2246.22	1946.38	-0.22	2.66	18.47
J K	3250	3250			0	—	—
Jharkhand	2269.3	2253.29	2258.59	2130.89	0.71	0.47	6.5
Karnataka	2388.27	2413.8	2398.18	2087.35	-1.06	-0.41	14.42
Kerala	2552.03	2551.84	2550.04	2918.17	0.01	0.08	-12.55
Madhya Pradesh			1426.58		—	—	—
Maharashtra	4064.82	3927.14	3854.34	4533.2	3.51	5.46	-10.33
Manipur				2500	—	—	—
Meghalaya	3100	2757.14	3100	2800	12.44	0	10.71
Delhi	1600	1600	1552	1650	0	3.09	-3.03
Orissa	1983.5	1881.97	1849.75	2223.36	5.39	7.23	-10.79
Rajasthan		2930		1587.5	—	—	—
Tripura		1866.67	1834.52	2023.16	—	—	—
Uttar Pradesh	1631.09	1626.54	1592.77	1532.72	0.28	2.41	6.42
West Bengal	1869.45	1896.33	1886.2	1906.35	-1.42	-0.89	-1.94
Average	2397.68	2370.88	2226.13	2179.59			

As per the data reported by APMCs

Wheat average prices have improved due to exporters demand. Wheat prices strengthened by Rs 100 per quintal in the wholesale grains market on increased buying by flour mills for the coming festival and marriage season during Last two weeks. A few bold grains also moved up on increased offtake by consuming industries. Increased buying by flour mills against restricted arrivals from producing belts mainly led to an upsurge in wheat prices

Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
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Cash market	Rs 1250-1275
Future market (July Contract)	Rs 1275-1300

Wheat market traded firm on back of better demand prospects in the weeks ahead. However govt release strategy will restrict gains in the weeks ahead. Stokiests have slowed down release of stock in anticipation of better export prospects. Besides, higher demand from miller's side are supporting 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 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 govt.'s stock may restrict market to move up unexpectedly. Supply will continue to flow with govt 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:

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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/01.07.12	2007-2008	2008-09	2009-10	2010-11	2011-12 estimate	Million T	Projection for 2012-13
Wheat						24/05/2012	02.07.2012
Production	607	685	679	653	695	671	665
Trade	110	137	128	126	144	136	135
Consumptions	603	645	652	657	689	681	682
Carryover stocks	132	173	199	195	199	191	182
YOY ch.	5	41	26	-5	+5	-	-17
Major Exporters	47	69	78	72	71	62	58

Global wheat outlook:

Cold weather across Australia's two largest wheat growing states has slowed crop growth, officials said, threatening yields in the world's fourth-largest exporter and adding to concerns about the risk of dry weather later in the year if El Niño returns. The grains market is currently very sensitive to any hint of weather damage after a US heat wave

has boosted prices. Any further shortfall in global wheat supply could stoke further rises in grain prices. Australia is forecast to produce 24.1 million tonnes of wheat in the 2012/13 season, the government's chief forecaster said in June, down from last year's record 25.5 million tonnes on lower plantings.

Russian production estimate has been revised down from 55 million T to below 49 million T. Recent flood in Russia has impacted grains movement for shipment. US crop size is expected to be lower than recent estimate. Argentina's wheat crop growth is slower due to cold wave and it may affect yield further.

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