

Domestic market Update:

Wheat cash market continued to trade higher on short supply in cash market on the back of exporter's demand and squeezing stock in open market. Exporters are buying wheat where ever it is available. However, only major source of wheat is Uttar Pradesh at present and prices have increased here too on better export prospects. Wheat market is likely to trade higher unless allocation is increased.

FOR quotes in Kandla has increased to Rs 1600 per qtl. as parity for export is attractive at current international prices. Millers from south India are facing tough challenge to source wheat at reasonable prices. Allocation for millers at subsidized prices are not enough to meet their daily requirements. It is very difficult to source wheat from open market and it may boost wheat products prices in the weeks ahead.

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 \$350 to \$375 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 get quotes in the range of \$280 to \$300 per T depending on quality and sourcing states. As tender had been invited earlier and prices were not as high as it is today. FOR prices at Kandla may touch Rs 1650 per qtl. in the week under review. Direction for domestic wheat market will depend on govt's allocation strategy and monthly release order.

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 issued 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. However, it will not be able to contain prices as there is a short supply in the domestic market.

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.

All-India progressive procurement of Wheat for the marketing season 2012-13 as on 13.07.2012 was 380.30 lakh tonnes which is higher than the procurement of 280.25 lakh tonnes upto the corresponding period of last year. All-India progressive procurement of Rice for the marketing season 2011-12 as on 13.07.2012 was 344.68 lakh tonnes which is higher than the procurement of 313.84 lakh tonnes upto the corresponding period of last year.

Cumulative Monsoon Rainfall for the country as a whole during the period 1st June to 11th July, 2012 is 22% less than LPA. Rainfall in the four broad geographical divisions of the country during the above period was (-) 36% in North West India, (-) 22% in Central India, (-) 27% in South Peninsula and (-) 13% in East & North East India. Cumulative rainfall deficiency as on 11th July vis-à-vis 30th June, 2012 position has significantly improved from (-) 69% to (-) 36% in Northwest India, from (-) 39% to (-) 22% in Central India and from (-) 29% to (-) 27% in South Peninsula. Deficiency has gone up from (-) 5% to (-) 13% in East & Northeast India.

Physical Market Dynamics:

Wheat market continued to trade firm and bullish trend is likely to continue in the weeks ahead. Private wheat traders are rueing a missed opportunity on exports as global prices continue to soar on tight supplies. So far, the Government has procured about 96 per cent of this year's market arrivals in Punjab, Haryana, Madhya Pradesh and Rajasthan, leaving only Uttar Pradesh for the trade to source grain from. Till about June-end, the Government was virtually the lone buyer in the market, with private traders unable to match the minimum support price of Rs 1,285 a quintal offered by the Food Corporation of India and the state agencies. Nor did the trade see any point in buying, especially in the context of a record 91.0 million tonne harvest that provided little reason for stocking up in anticipation of prices firming up in the months ahead.

But the market has, indeed, turned around — and for completely unanticipated reasons. The trigger has come from drought in the US' Midwest grain bowl that has sent global wheat futures prices at the CBOT amid with the weak rupee, Indian wheat has all of a sudden become competitive in the international market. Exports from the western ports of Kandla and Mundra are being contracted at around \$285 a tonne free-on-board.

Prices have improved by Rs 200-225 a quintal across various *mandis* in Uttar Pradesh, Bihar and Punjab. As a result, buying has slowed down a bit. The Government agencies have so far procured 38.08 million tonnes of the 40.39 million tonnes that arrived in the markets. There is no physical wheat in the system. Only exporters are buying at the moment from UP "Nobody has stocked this year," said Mr Raj Sud, a trader from Khanna in Punjab. Such a trend reflects in numbers, as Government agencies have procured 12.83 mt of the 12.93 mt that arrived in Punjab markets. The sudden export demand that has cropped up in recent weeks has come as a surprise. Exporters such as ITC and Emmsons International L.D are active in the market, procuring from Uttar Pradesh, where the arrivals are still trickling in markets such as Shajahanpur and Hardoi. But some exporters, such the Adani Group, said they would prefer to wait and watch, anticipating a further rise in global prices.

Parity/Disparity Table on Current Domestic Price:

INR Value:55..78	Rajkot (Guj) to Kandla	Kota to Kandla	MSP	ECO.Cost
FOR (Rs/perT)	15800.00	15800.00	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	16850.00	16850.00	14650	20020
FOB value in \$ for SRW	302.19	302.19	263	359
Freight Charges (US \$/ton) to Chittagong	18.00	18.00	18.00	18.00
Insurance @ 0.1% (\$/MT)	0.30	0.30	0.26	0.36
CIF to Chittagong (value in \$ for SRW)	320.49	320.49	281.00	377.40

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 \$302 per T on Kandla port while other source quotes have crossed \$305 per T. The difference of above \$45 per T makes Indian wheat the cheapest one and the gap is likely to widen further as we expect Overseas FOB quotes to touch \$375 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 \$280 to \$305 per T in the weeks ahead. It come to Rs 17012 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.

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

Comparative FOB of Different Nations			
Countries	23.07.2012	23.06.2012	% Change
Russian	321	285	12.63%
Ukraine	318	284	11.97%
Australia	352	301	16.94%
Argentina	315	295	6.78%
US	347	281	23.49%
France	324	298	8.72%

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	23-Jul-12
USA	266	248	242	293	352
France	286	286	279	295	324
Uk	279	281	256.2	285	306
Australia	239	267	272	305.33	352
Russia	227	245	271	301	321
India	224	249	258	272	302
Fig in \$ /MT					

Revised Wheat Procurement Status: Fig:in lakh T, as on 13.07.2012

State	Total procurement in My 2011-12 (April-March)	Progressive procurement as on 13.07.12&13.06.11		% increase over last year
		MY 2012-13	MY 2011-12	
Punjab	109.58	128.34	109.57	14.60
Haryana	69.28	86.65	68.82	21.06
U.P.	34.61	50.63	34.61	30.53
M.P.	49.65	84.93	49.05	41.54
Rajasthan	13.03	19.64	13.03	31.74
Others	7.08	8.82	7.01	19.73
All India	283.35	380.30	280.25	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 16-23 Jul 2012	Prices 09-15 Jul 2012	Prices 01-08 Jul 2012	Prices 16-23 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1950	1950	1950	1750	0	0	11.43
Assam	1258.27	1328.27	1417.86	1059.38	-5.27	-11.26	18.77
Chattisgarh	1237.05	1223.29	1173.71	1164.65	1.12	5.4	6.22
Gujarat	1603.51	1597.08	1505.31	1160.57	0.4	6.52	38.17
Haryana	1219.25	1150	897.14	1054.76	6.02	35.9	15.6
Jharkhand	1452.47	1527.07	1425.54	1504.35	-4.89	1.89	-3.45
Karnataka	1616.27	1689.28	1613.35	1620.94	-4.32	0.18	-0.29
Kerala	2370.83	2375	2375	2467.31	-0.18	-0.18	-3.91

Madhya Pradesh	1362.68	1302.86	1204.72	1144.33	4.59	13.11	19.08
Maharashtra	1790.87	1736.39	1687.74	1670.44	3.14	6.11	7.21
Nagaland	1341.88	1345	1141.56		-0.23	17.55	—
NCT of Delhi	1268.88	1240.71	1162.72	1157.75	2.27	9.13	9.6
Orissa	1504.9	1456.25	1422.22	1280.23	3.34	5.81	17.55
Punjab	1200	1285	1284.87	1171.95	-6.61	-6.61	2.39
Rajasthan	1387.96	1314.87	1256.82	1151.04	5.56	10.43	20.58
Uttar Pradesh	1170.76	1129.91	1116.84	1105.63	3.62	4.83	5.89
Uttarakhand			1226.4	1133.39	—	—	—
West Bengal	1116.98	1103.56	1092.82	1086.22	1.22	2.21	2.83
Average	1461.92	1456.15	1386.37	1334.29			

As per the data reported by APMCs

Wheat average prices have been continuously increasing and we expect prices to stay firm in the weeks ahead on back of exporters demand. There is a short supply of wheat in cash market and supply through govt allocation is not sufficient. Allocation should be increased immediately to contain price and inflation/

Expected Price Range For Current Week:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1250-1300
Future market (July Contract)	Rs 1275-1325

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. Stockists have slowed down release of stock in anticipation of better export prospects. Besides, higher demand from miller's side are supporting market at present.

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

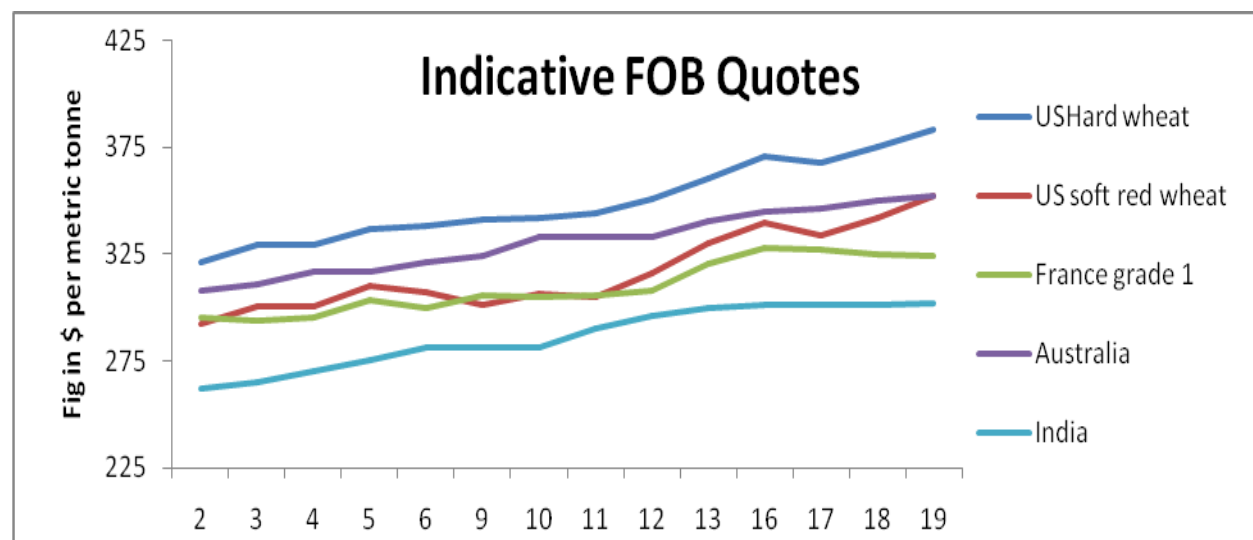
International market Updates:

As per FAO latest release, dry and hot weather conditions in the US and Russian Federation has fuelled global wheat prices by 21 per cent to \$347 per tonne during the first 3 weeks of July. The rising international wheat prices would benefit India, which is exporting the grain since September last year. International prices of wheat rose by some 21 per cent in the first three weeks of July. The benchmark US wheat price (No 2 hard Red Winter, FOB) averaged \$347 per tonne, 13 per cent higher than in July 2011. But it was still well below the record level of March 2008,” the FAO said in its latest report.

Dry and hot weather conditions in the Black Sea region, particularly in the Russian Federation, reduced planting of the spring wheat for 2012 in the US and strong maize prices are exerting upward pressure on wheat prices. According to market analysts, the US is facing one of the worst droughts in the last many years, which is leading to a spike in prices of wheat, soyabean and maize as sowing has been affected due to lack of rains. US is one of the biggest exporter of these food commodities. Export prices of maize have increased by 20 per cent in the first three weeks of July, compared to their June level. The benchmark US maize price (Yellow, No 2, FOB) averaged \$322 per tonne, reaching a new record high,” FAO mentioned in its report.

The prices were underpinned by continuous concerns about the impact of hot and dry weather conditions on yield potential of the 2012 maize crop in parts of the US, it added. At the Chicago Board Of Trade, wheat for delivery in September rose by 4 per cent to a 4 year high of \$9.35 per bushel (21.22 kg), while maize for delivery in the same month rose to a record high of about \$8.16 per bushel. Market is likely to remain bullish in the weeks ahead.

Comparative FOB price (first three weeks) trend chart:



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

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