

**Domestic market Update:**

Wheat prices in physical markets continued to trade higher as availability in cash market is shrinking fast. Exporters are procuring wheat at higher prices wherever it is available. Higher international prices encourage exporters to continue their buyings. Besides, govt.'s release for PDS, OMSS and for other schemes is not enough to meet existing demand. Some well to do farmers/stockiests too have hold on stock on increasing possibility of better returns in the months ahead. However, the govt. intends to augment supply for containing rising prices in the domestic market.

The Food Corporation of India has increased the prices of wheat being sold to bulk consumers by 10 per cent to Rs 1,285 a quintal. Last month, the Empowered Group of Ministers had approved the sale of 3 million tonnes of wheat to bulk users (such as flour millers and biscuit makers) under the Open Market Sale Scheme (OMSS). Subsequently, FCI issued tenders for 13 lakh tonne wheat to be sold during July-September at a base price of Rs 1,170 a quintal.

India's state-run trading companies have floated yet another tender to export wheat, denying lower rainfall concerns. However, the government is keeping a close eye on domestic weather conditions. A ministerial panel may meet early next week to review the weather condition and possibility of drought in the country. State-run PEC Ltd. said on its website that it issued a tender to export 60,000 metric tons of wheat from government stocks. Earlier this month, PEC, along with two other state-run companies -- MMTC Ltd and State Trading Corp. -- issued separate tenders to export a total of 240,000 tons of wheat from state stocks.

Export opportunity for Indian exporters are very favourable at present. In the global market, Australian wheat is available at \$345 per tonne, while the Black sea or the Ukrainian variety is fetching around \$300 per tonne. In contrast, the Indian government decided to export wheat at a minimum price (floor price) of \$230 per tonne, which is currently fetching \$285-295 a tonne. The rupee depreciation has also helped the suppliers prefer exports over supply to the domestic market.

In June, an Empowered Group of Ministers had approved the open market sale of 8 million tonne (mt) of wheat, both for bulk sale and the public distribution system. The need to explore the opportunity to export wheat arose after grain stocks in state-run granaries bulged to 71 mt against the available storage space for 66 mt. The stocks are 150 per cent more than the required quantity. In July, the Cabinet Committee on Economic Affairs approved export of 2 mt wheat from the government stock at a floor price of \$228 (about Rs 12,400) a tonne.

The Centre would sell 1.3 million tonnes of wheat to bulk consumers like flour millers at subsidized 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 estimate in fourth adv. estimate has been revised up to 93.9 million T, almost 3.9 million T more than previous estimate 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 93.9 million tonnes in 2011-12.*

**Physical Market Dynamics:**

Wheat market is likely to trade steady as supply from govt 's godowns is expected to increase in the weeks ahead. As prices are higher in cash market FCI has revised prices up. It was previously expected. The government has started releasing wheat from its own warehouses to quell the price rise in the domestic market. Following price rises in the international market, Indian wheat is preferred. This has triggered more export from India in the past month. The Food Corporation of India has bought surplus wheat for exports from the major wheat producing states of Rajasthan, Punjab, Haryana and Uttar Pradesh. This is because Indian wheat is available in the global market at a competitive price, even after fetching a premium over the floor price of \$228 per tonne. In the international market, Australian wheat is available at \$350 per tonne, while the Black sea or the Ukrainian variety is fetching \$300 per tonne. In contrast, the Indian government decided to export wheat at a minimum price (floor price ) of \$230 per tonne, which is currently fetching \$280-290 a tonne.

The rupee depreciation has also helped the suppliers prefer exports over supply to the domestic market. In the past month, wheat prices rose to Rs 1,350-1,500 a quintal, as against \$1,170-1,250 a quintal in the domestic market. Official sources added export is not a worry since the government is laden with stocks in warehouses. Moreover it is a rabi crop and won't be much affected by the monsoon. We expect wheat prices to stay steady in August in spite of higher expected supply

#### **Parity/Disparity Table on Current Domestic Price:**

| INR Value; 55.01 as on 29.07.12                | Rajkot (Guj) to Kandla | Kota to Kandla  | MSP           | ECO.Cost      |
|--|------------------------|-----------------|---------------|---------------|
| <b>FOR (Rs/perT)</b>                           | <b>16000.00</b>        | <b>15900.00</b> | 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        |
| <b>FOB (at Chittagong) Rs/T</b>                | <b>17050.00</b>        | <b>16950.00</b> | 14650         | 20020         |
| <b>FOB value in \$ for SRW</b>                 | <b>308.15</b>          | <b>306.34</b>   | <b>265</b>    | <b>362</b>    |
| Freight Charges (US \$/ton) to Chittagong      | 18.00                  | 18.00           | 18.00         | 18.00         |
| Insurance @ 0.1% (\$/MT)                       | 0.31                   | 0.31            | 0.26          | 0.36          |
| <b>CIF to Chittagong (value in \$ for SRW)</b> | <b>326.46</b>          | <b>324.65</b>   | <b>283.04</b> | <b>380.19</b> |

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 \$300 to \$308 per T on Kandla port while other source quotes are hovering & \$310 to \$350 per T. The difference of above \$40 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:**

| <b>Comparative FOB of Different Nations</b> |                   |                   |                 |
|---|-------------------|-------------------|-----------------|
| <b>Countries</b>                            | <b>29.07.2012</b> | <b>29.06.2012</b> | <b>% Change</b> |
| <b>Russian</b>                              | 310               | 295               | 5.08%           |
| <b>Ukraine</b>                              | 308               | 293               | 5.12%           |
| <b>Australia</b>                            | 346               | 301               | 14.95%          |
| <b>Argentina</b>                            | 311               | 300               | 3.67%           |
| <b>US</b>                                   | 345               | 300               | 15.00%          |
| <b>France</b>                               | 317               | 301               | 5.32%           |

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:**

| <b>All prices are for SRW /milling grade, comparable to Indian quality</b> | <b>1st April-12</b> | <b>1st May-12</b> | <b>1st June-12</b> | <b>1st July-12</b> | <b>29-Jul-12</b> |
|--|---------------------|-------------------|--------------------|--------------------|------------------|
| <b>USA</b>   | 266                 | 248               | 242                | 293                | 342              |
| <b>France</b>  | 286                 | 286               | 279                | 295                | 317              |
| <b>Uk</b>  | 279                 | 281               | 256.2              | 285                | 296              |
| <b>Australia</b>   | 239                 | 267               | 272                | 305.33             | 345              |
| <b>Russia</b>  | 227                 | 245               | 271                | 301                | 310              |
| <b>India</b>   | 224                 | 249               | 258                | 272                | 308              |
| <b>Fig in \$ /MT</b>   |                     |                   |                    |                    |                  |

**Revised Wheat Procurement Status: Fig:in lakh T, as on 20.07.2012**

| <b>State</b>     | <b>Total procurement in My 2011-12 (April-March)</b> | <b>Progressive procurement as on 20.07.12&amp;20.07.11</b> |                   | <b>% increase over last year</b> |
|------------------|--|--|-------------------|----------------------------------|
|                  |  | <b>MY 2012-13</b>  | <b>MY 2011-12</b> |                                  |
| <b>Punjab</b>    | 109.58   | 128.35   | 109.57            | <b>14.62</b>                     |
| <b>Haryana</b>   | 69.28  | 86.65  | 68.82             | <b>20.05</b>                     |
| <b>U.P.</b>      | 34.61  | 50.63  | 34.61             | <b>31.64</b>                     |
| <b>M.P.</b>      | 49.65  | 84.93  | 49.05             | <b>41.54</b>                     |
| <b>Rajasthan</b> | 13.03  | 19.64  | 13.03             | <b>33.66</b>                     |
| <b>Others</b>    | 7.08   | 10.13  | 7.01              | <b>30.11</b>                     |
| <b>All India</b> | 283.35   | 380.83   | 280.53            | <b>25.60</b>                     |

All-India progressive procurement of Rice for the marketing season 2011-12 as on 20.07.2012 was 345.48 lakh tonnes which is higher than the procurement of 315.73 lakh tonnes upto the corresponding period of last year All-India progressive procurement of Wheat for the marketing season 2012-13 as on 20.07.2012 was 380.83 lakh tonnes which is higher than the procurement of 280.53 lakh tonnes upto the corresponding period of last year.

### Comparative monthly price trend:

Fig. in Rs per qtl.

| State        | Prices 24-31 Jul 2012 | Prices 16-23 Jul 2012 | Prices 09-15 Jul 2012 | Prices 24-31 Jul 2011 | % Change(Over Previous Week) | % Change(Over Previous to Previous Week) | % Change(Over Previous Year) |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|--|------------------------------|
| A P          | 1950                  | 1950                  | 1950                  | 1750                  | 0                            | 0  | 11.43                        |
| Assam        |                       | 1258.27               | 1328.27               | 1093.09               | —                            | —  | —                            |
| Chattisgarh  | 1286.18               | 1253.59               | 1223.67               | 1087.08               | 2.6                          | 5.11                                     | 18.32                        |
| Gujarat      | 1646.75               | 1596.11               | 1594.2                | 1135.92               | 3.17                         | 3.3                                      | 44.97                        |
| Haryana      | 1258.71               | 1214.43               | 1150                  | 1055.55               | 3.65                         | 9.45                                     | 19.25                        |
| Jharkhand    | 1531.08               | 1448.13               | 1515.63               | 1479.99               | 5.73                         | 1.02                                     | 3.45                         |
| Karnataka    | 1611.27               | 1615.36               | 1688.69               | 1457.59               | -0.25                        | -4.58                                    | 10.54                        |
| Kerala       | 2300                  | 2370.83               | 2375                  | 2386.84               | -2.99                        | -3.16                                    | -3.64                        |
| M. P.        | 1377.92               | 1333.77               | 1282.11               | 1134.22               | 3.31                         | 7.47                                     | 21.49                        |
| Maharashtra  | 1760.77               | 1775.33               | 1736.39               | 1552.82               | -0.82                        | 1.4                                      | 13.39                        |
| Nagaland     | 1390                  | 1341.88               | 1345                  |                       | 3.59                         | 3.35                                     | —                            |
| NCT of Delhi | 1280.57               | 1271.05               | 1240.71               | 1172.85               | 0.75                         | 3.21                                     | 9.18                         |
| Orissa       | 1450.6                | 1504.9                | 1456.25               | 1294.14               | -3.61                        | -0.39                                    | 12.09                        |
| Punjab       | 1245                  | 1254.84               | 1285                  | 1125                  | -0.78                        | -3.11                                    | 10.67                        |
| Rajasthan    | 1439.57               | 1367.62               | 1314.81               | 1131.13               | 5.26                         | 9.49                                     | 27.27                        |
| U.P.         | 1219.17               | 1181.5                | 1135.13               | 1103.59               | 3.19                         | 7.4                                      | 10.47                        |
| Uttarakhand  |                       |                       |                       | 1129.78               | —                            | —  | —                            |
| West Bengal  | 1153.9                | 1112.49               | 1103.56               | 1101.12               | 3.72                         | 4.56                                     | 4.79                         |
| Average      | 1493.84               | 1461.77               | 1454.38               | 1305.34               |                              |  |                              |

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 1350-1375 |
| Future market (August Contract)     | Rs 1375-1425 |

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 demands from miller's side are supporting market at present. The short supply in cash market amid better export demand support wheat market fundamentals.

| 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          |                    |  |
| <b>TOTAL</b>  | <b>799.80</b> | <b>5.36</b> | <b>805.16</b> |                    |  |
| COARSE GRAINS   | 0.53          | 0.00        | 0.53          |                    |  |
| SUGAR   | 0.20          | 0.10        | 0.30          |                    |  |
| <b>GRAND TOTAL</b>  | <b>800.52</b> | <b>5.46</b> | <b>805.98</b> |                    |  |

### Future Market: Weekly Chart



Wheat future market is likely to trade lower as supply pressure would compel stake holders to release their position in the short term. The nearestby support is 1393, breaking this level market may

get support at 1346.6. the strong resistance is 1470. Stake holder may opt for selling at resistance level. Market is likely to trade in the range of 1346 to 1470 in this week.

### **International market Updates:**

#### **IGC lowers Russia 2012-13 wheat output forecast**

The International Grains Council Friday lowered Russia's wheat output forecast for the 2012-13 aggregate marketing year by 8.2% to 45 million metric tons. Production is now expected to fall 20% but will still be higher than 41.5 million tons in 2010-11, when a fierce drought prompted a ban on exports, IGC said. IGC also slashed Russia's wheat export forecast to 9 million tons. This figure is 59% lower than the 2011-12 actual exports of 22 million tons.

Traders are worried that Russia may impose restrictions on exports again or ban them altogether. There aren't any firm price offers for September shipment due to policy uncertainties. The Russian government plans to review the situation Aug. 8.

World wheat production is seen at 664.6 million tons, 500,000 tons less than an earlier estimate and compared with a harvest of 695.9 million tons in 2011-12, the council said.

The outlook for Russia's wheat harvest was cut to 45 million tons from 49 million tons at the start of the month and down from 56.2 million tons in 2011-12. Kazakhstan will harvest 12 million tons this year compared with 22.7 million tons last year, according to the council, which cut its July 2 forecast by 3 million tons.

### **China, India**

Forecasts were raised for wheat production in China and India. The Chinese crop is estimated at 120 million tons, 3 million tons higher than previously expected, while the outlook for India was lifted 3.9 million tons to 93.9 million, according to the council. World wheat stocks at the end of June 2013 may be 183 million tons, up from 182 million tons forecast previously, the council said. Corn stocks may fall to 115 million tons from 129 million tons a year earlier. The council had previously forecast stocks would climb to 137 million tons.

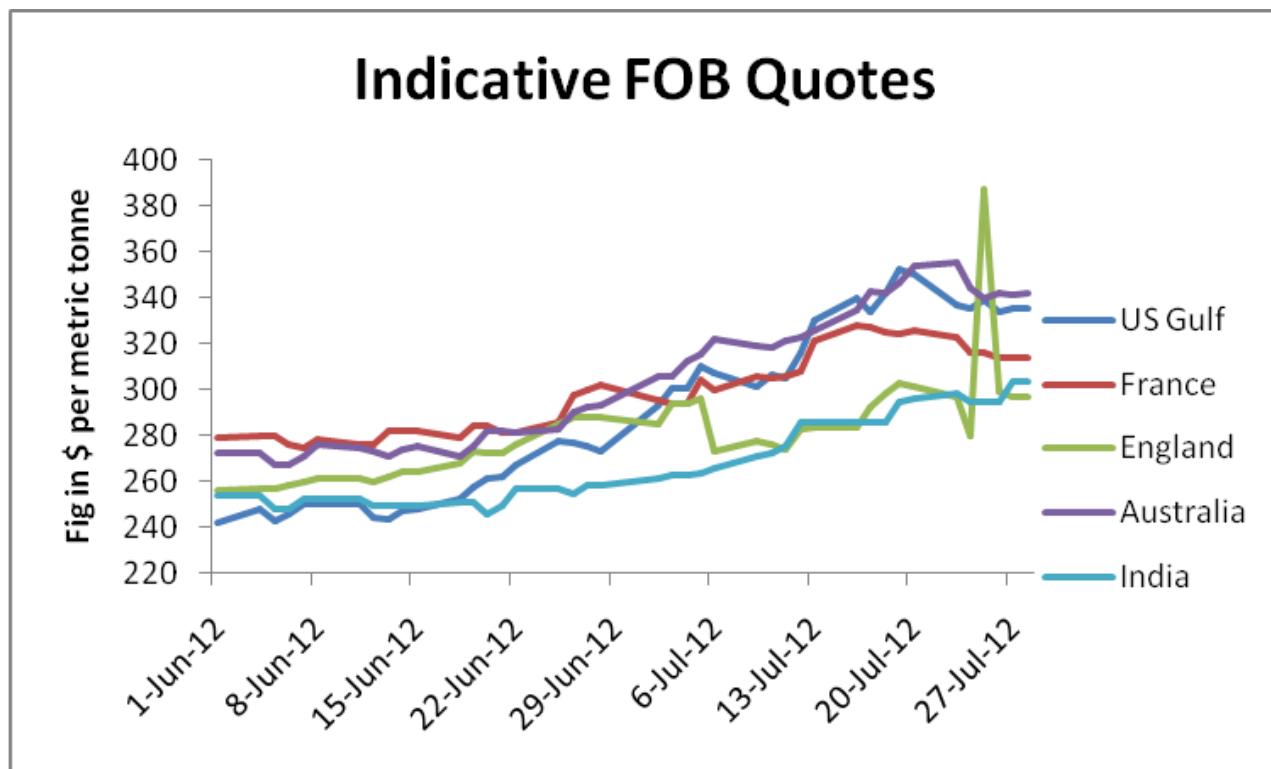
### **IGC latest release:**

- The world wheat production forecast for 2012/13 is unchanged from the last GMR at 665m t, down 4.5% y/y.
- China and India output is revised higher; but the combined forecast for the eight major exporters is again lower, as prospects in the Black Sea region have deteriorated.
- Export potential is shrinking in the CIS, suggesting a shift to other origins, especially the US and EU.
- World consumption is forecast to contract by about 2% y/y as lower feed use outweighs food and industrial growth
- Global stocks are forecast to fall by 15m t to a four-year low by the end of 2012/13.

IGC Lowers wheat production estimates:  
 IGC balance sheet:

| IGC/26.07.12            | 2007-2008 | 2008-09 | 2009-10 | 2010-11 | 2011-12 estimate | Million T         | Projection for 2012-13 |
|-------------------------|-----------|---------|---------|---------|------------------|-------------------|------------------------|
| <b>Wheat</b>            |           |         |         |         |                  | <b>02/07/2012</b> | <b>26.07.12</b>        |
| <b>Production</b>       | 607       | 685     | 679     | 653     | 696              | 665               | 665                    |
| <b>Trade</b>            | 110       | 137     | 128     | 126     | 143              | 135               | 133                    |
| <b>Consumptions</b>     | 603       | 645     | 652     | 657     | 688              | 682               | 679                    |
| <b>Carryover stocks</b> | 132       | 173     | 199     | 195     | 202              | 182               | 183                    |
| <b>YOY ch.</b>          |           | 41      | +26     | -6      | +5               | -                 | -15                    |
| <b>Major exporters</b>  |           | 69      | 78      | 72      | 68               | 58                | 55                     |

Comparative FOB price (first three weeks) trend chart:





**CBOT wheat futures chart:**

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