

Domestic market Update:

Wheat cash market is ruling high and we expect prices to stay steady after a slight correction in the weeks ahead. Higher demand from flour millers, exporter's active buying spree, lower than required release for OMSS and holding back stock by farmers in anticipation of higher realization amid increased festive demand for wheat products support wheat market continuous to trade higher. The FOR Kandla is quoted Rs 15800 per T. There is a short supply in cash market and bulk users are sourcing wheat from Rajasthan and Uttar Pradesh. Wheat prices in Uttar Pradesh are comparatively lower.

However, higher allocation for OMSS, PDS and other welfare schemes are expected to ease supply in the market and we expect prices to ease a little bit from current level. Despite expected higher allocation major decline is unlikely as demand at higher level on back of better export opportunity continues.

No major decline at global front is likely as fundamentals remains the same as it was one month before. However, we can't say the bullish trend to continue. Recent decline is only a corrective phase and any market cannot move continuously up. So we expect global FOB quotes to be in the range of \$300 to \$ 350 per T, depending on sourcing countries in the month of August and Sep.2012.

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.

Most probably Indian market is likely to be guided by govt's release mechanism, allocation policy and release methodology for export as maximum marketable surplus is with govt.'s custody.

Higher cash market prices not only encourage domestic prices but also limit export opportunity 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 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. 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 years (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.

Price movement in major domestic markets:

The below given chart shows the prices movement in major market from Jan to 2nd Aug, 2012. As chart depicts prices started moving up in the beginning of July and continued its uptrend move. However, it has touched its resistance level/psychological level of Rs 1600 (FOR Kandla) on back of bullish national and international trend. Now at this level one correction is expected we expect market to come down by Rs 25 to Rs 50 to Rs 1525 to 1550 per qtl FOR Kandla in the weeks ahead. It comes to \$282 to 285 per T FOB and export should be started at this level assuming the base FOB price in the range of \$280 to \$290 per T. International market is expected to trade in the range of \$310 to \$340 per T. At current trade scenario we cannot compete with Australia and US. Russia may trade in the range of \$300 to 305 for higher grade wheat while third grade wheat may be sold in the range of \$280 to \$290 per T as harvesting still on there with ample surplus from last year crop.

The rupee depreciation has also helped the suppliers prefer exports over supply to the domestic market. In the past month, wheat prices raised 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.

FOB Value on 04.08.12

| INR Value; 55.75 as on 04.08.12 | Rajkot (Guj) to Kandla | Kota to Kandla | MSP | ECO. Cost |
|--|------------------------|-----------------|---------------|---------------|
| FOR (Rs/perT) | 15700.00 | 15700.00 | 12850 | 18220 |
| Transportation Charges (Rs/ton) to Kandla | 400.00 | 400.00 | 1200 | 1200 |
| Misc. charges (port handling) | 400.00 | 400.00 | 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 | 16650.00 | 16650.00 | 14650 | 20020 |
| FOB value in \$ for SRW | 298.65 | 298.65 | 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) | 316.95 | 316.95 | 281.04 | 377.46 |

Note: If packed at sourcing centre, we can deduct Rs 150 per T more for FOB calculation.

FOB value has been higher in recent days. However, we expect correction and FOR is likely to come down by Rs 500 to Rs 700 per T as supply is expected to increase in domestic market. Higher prices for wheat products in domestic markets also need attention immediately. As per market feedback private traders will buy wheat from FCI at Rs 1300 per Qtl in Rajasthan. In \$ term it comes to 284 per T. This is the price export should take place smoothly. In global market \$10 to \$20 per T fluctuation is expected to continue due to weather problems. We need to maintain

continuity in export with assured price without following market trend. Unsteady global market is not a good sign for Indian wheat export.

The latest quotes received by STC, PEC also suggest the same thing. The quotes are in the range of \$275 to \$302 per T. So it is better to start export than to wait for higher prices.

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

| Comparative FOB of Different Nations | | | |
|--------------------------------------|------------|------------|----------|
| Countries | 03.08.2012 | 03.07.2012 | % Change |
| Russian | 308 | 289 | 6.17% |
| Ukraine | 306 | 287 | 6.21% |
| Australia | 342 | 306 | 10.53% |
| Argentina | 311 | 300 | 3.54% |
| US | 327 | 300 | 8.26% |
| France | 314 | 294 | 6.37% |

Latest global FOB quotes are favorable 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:

Fig in \$ /MT

| All prices are for SRW /milling grade, comparable to Indian quality | 1st April-12 | 1st May-12 | 1st June-12 | 1st July-12 | 1 st Aug-12 |
|---|--------------|------------|-------------|-------------|------------------------|
| USA | 266 | 248 | 242 | 293 | 327.50 |
| France | 286 | 286 | 279 | 295 | 314.20 |
| UK | 279 | 281 | 256.2 | 285 | 291.40 |
| Australia | 239 | 267 | 272 | 305.33 | 350.42 |
| Russia | 227 | 245 | 271 | 301 | 298.20 |
| India | 224 | 249 | 258 | 272 | |

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

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

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 up to 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 up to the corresponding period of last year.

Comparative monthly price trend:

Fig. in Rs per qtl.

| State | Prices August, 2012 | Prices July, 2012 | Prices August, 2011 | % Change(Over Previous Month) | % Change(Over Previous Year) |
|----------------|---------------------|-------------------|---------------------|-------------------------------|------------------------------|
| Andhra Pradesh | 1950 | 1192.79 | 1571.11 | 63.48 | 24.12 |
| Assam | 1125 | 1321.51 | 1070.36 | -14.87 | 5.1 |
| Chhattisgarh | 1200.72 | 1237.37 | 1143.27 | -2.96 | 5.03 |
| Gujarat | 1665.03 | 1591.24 | 1190.16 | 4.64 | 39.9 |
| Haryana | | 1215.26 | 1121.39 | — | — |
| Jharkhand | 1482.3 | 1451.91 | 1413.3 | 2.09 | 4.88 |
| Karnataka | 1548.22 | 1604.77 | 1618.03 | -3.52 | -4.31 |
| Kerala | 2350 | 2359.09 | 2250.26 | -0.39 | 4.43 |
| M.P | 1469.15 | 1301.64 | 1098.53 | 12.87 | 33.74 |
| Maharashtra | 1795.36 | 1742.64 | 1558.52 | 3.03 | 15.2 |
| Nagaland | 1414.63 | 1290.63 | | 9.61 | — |
| Delhi | 1339.75 | 1230.85 | 1140.35 | 8.85 | 17.49 |
| Orissa | 1280.82 | 1502.55 | 1487.47 | -14.76 | -13.89 |
| Punjab | 1240 | 1284.81 | 1121.96 | -3.49 | 10.52 |
| Rajasthan | 1450.52 | 1345.1 | 1086.34 | 7.84 | 33.52 |
| U.P | 1247.78 | 1159.85 | 1087.82 | 7.58 | 14.7 |
| Uttrakhand | 1217 | 1222.43 | 1131.16 | -0.44 | 7.59 |

| | | | | | |
|---|---------------|----------------|----------------|-------|-------|
| W.B | 1232.42 | 1109.76 | 1093.7 | 11.05 | 12.68 |
| Average | 1471.1 | 1398.01 | 1304.93 | | |
| *Report Generation: As per the data reported by APMCs | | | | | |

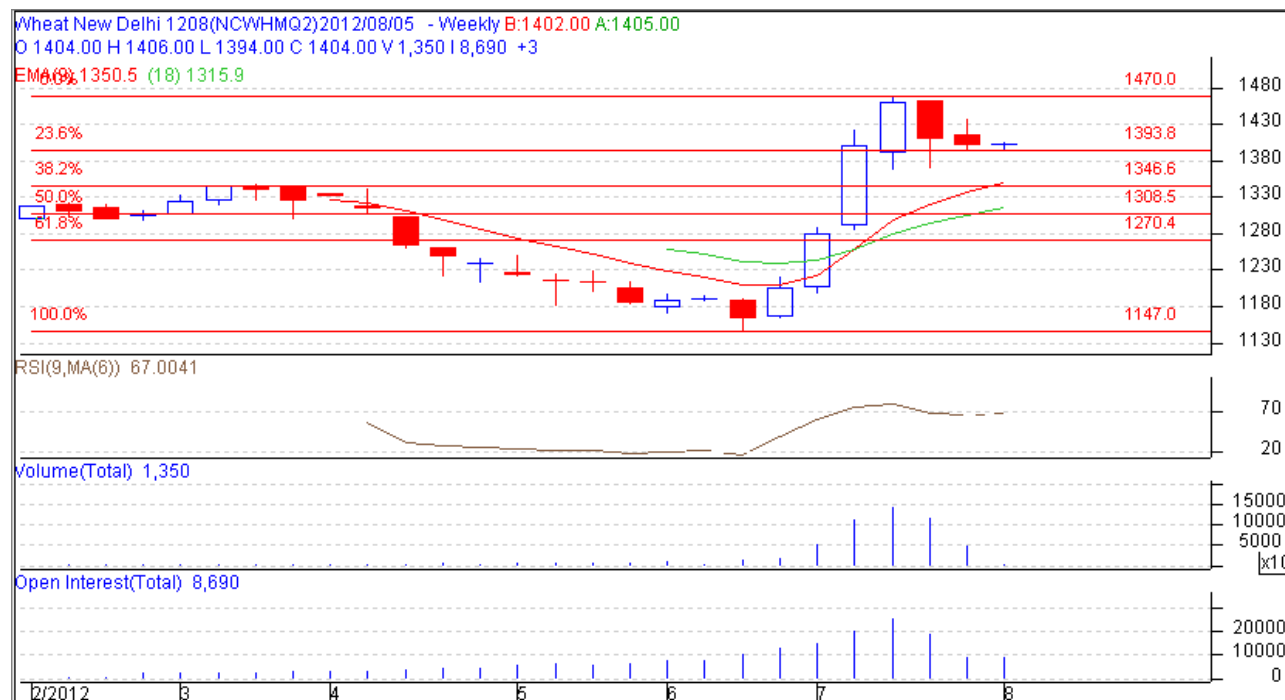
Wheat average prices have been continuously increasing and we expect prices to stay firm in the weeks ahead on back of exporters demand. There is a short supply of wheat in cash market and supply through govt allocation is not sufficient. Allocation should be increased immediately to contain price and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

Expected Price Range For Current Week:-

| Market :Delhi Spot (mill delivery) | Rs/per qtl. |
|------------------------------------|--------------|
| Cash market | Rs 1380-1430 |
| Future market (August Contract) | Rs 1400-1450 |

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 demands from miller's side are supporting market at present. The short supply in cash market amid better export demand supports the 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 |
| 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 |

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 nearest by support is 1346, breaking this level market may get support at 1306.5. The strong resistance is 1393.8. Stake holder may opt for selling at resistance level. Market is likely to trade in the range of 1346 to 1398 in this week.

International market Updates:

CBOT Sep wheat future traded lower in recent days. Even Kansas City and Minneapolis wheat are following Chicago lower. Comments made by Russian government officials recently regarding adequate domestic wheat supplies has triggered profit taking by funds in Chicago wheat. Outside markets traded weaker after Chinese and Euro zone PMI data disappointed investors.

Europe's manufacturing sector contracted for the 11th straight month. The US Dollar is trading slightly lower, crude oil is higher, and US stocks are set to open up marginally higher. Chicago wheat has come under considerable pressure recently following bearish news out of the Black Sea and profit taking from, near record, fund long positions. While the wheat balance sheet in the long term outlook looks friendly due to production disturbances around the world and higher than expected feed wheat demand, the short term outlook is contingent on corn and downside moves in wheat will likely be over-exaggerated due to fund positions.

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.

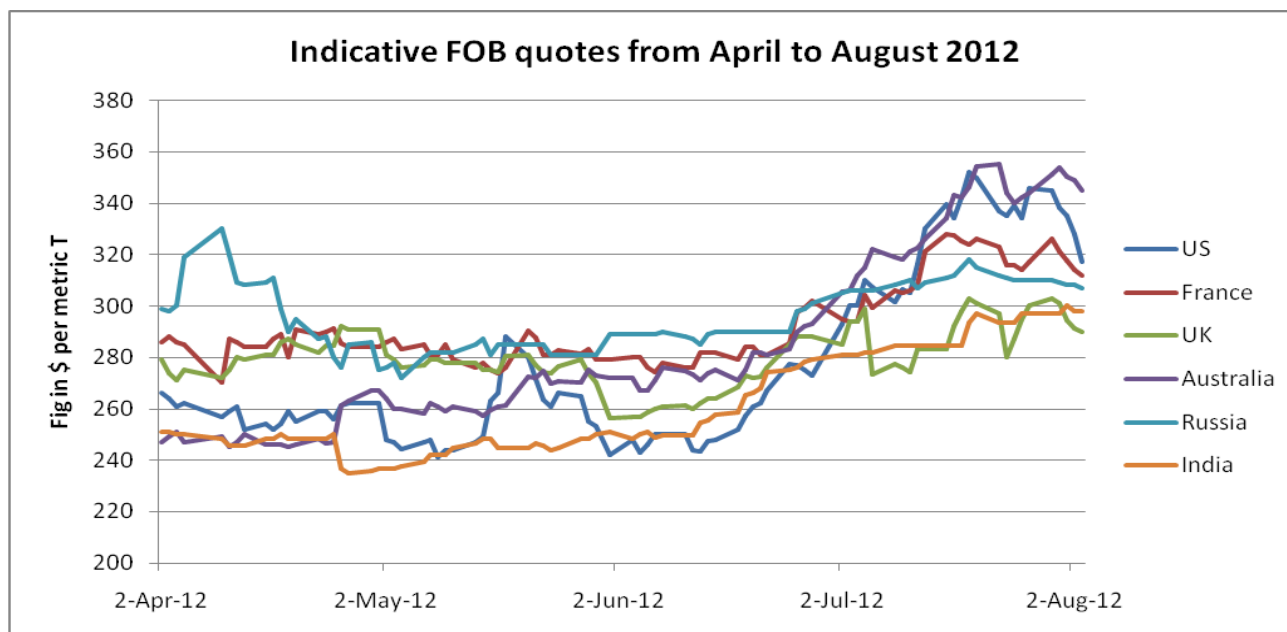
IGC latest release:

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

Comparative FOB price (first three weeks) trend chart:



As denotes the above given chart indicative FOB quotes have come down in recent days and market should stabilize after a little bit more downward correction. Buyers will like to wait for further correction at least for a couple of week. However major correction at current level is unlikely.

CBOT Sep wheat chart:

Daily Q/WU2



The nearest by support is \$8.4 per bushel while nearest by resistance is \$9.1 per bushel. Breaching either side may drive the market in the respective same direction. CBOT market is likely to trade in the range of \$8.4 to 8.8 per bushel in August. In \$ term we can say the CBOT market may move in the range of \$308 per T (the lower support) and \$ 331 per T.

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