

**Domestic market Update:**

Wheat cash and future markets traded under pressure on account of uncertainty over export through private channels during the week under review. Prices in cash and future market have decreased almost by Rs 50 to Rs 80 per qtl. Trading activities remained almost halted due to lower buying interest and continuous holiday during the week ended on Saturday. The govt. is unwilling to place a ban through private channel as stock is much higher and export is the need of the hour as some stocks are still lying in the open and is vulnerable to rains.

Export through govt.'s agencies will continue and fresh tenders indicate the same. India is in a position to receive higher quotes as global market is ruling higher and there is a remote possibility of any major decline due to weather vagaries throughout the major wheat growing countries. MMTC is likely to invite tender once again. We expect fresh quotes in the range of \$295 to \$310 per MT for Sept-Oct delivery.

India's wheat stocks at government warehouses on August 1 were 47.5 million tonnes, more than three times the official target of 17.1 million tonnes for the quarter ending September. Rice inventory for the same period was 28.5 million tonnes against a target of 9.8 million tonnes. To get rid of some of the surplus stocks, the government has allowed private traders to export wheat and non-basmati rice. The government has also permitted 2 million tonnes of wheat exports from its own warehouses.

India is going to ask Iran to buy Indian wheat in bulk quantity. Purchases of wheat by Iran would help India cut its huge stockpiles of grain and would save hard currency for Tehran. Iran also wants to boost non-oil exports to India through the rupee mechanism. Both sides aim to discuss other options for payments, using banks in third countries. The Iranian side would suggest the banks with which negotiations could be held. It will also ask to open an office in Mumbai for its National Iranian Oil Company (NIOC) and for Bank Parsian, which is involved in operating the rupee payments for Indian exporters.

Algeria's state grains agency OAIC has bought 225,000 tonnes of optional-origin milling wheat at \$348 a tonne, cost and freight included, for shipment in September. The wheat was likely to be French. The purchase was the second in two weeks by OAIC. Exporters were reluctant to commit large volumes of French wheat as initial harvest results in northern France had shown disappointing readings for specific weight and Hagberg falling numbers, two key quality criteria for Algeria. Algeria is expected to return to the market soon to buy more wheat, they said, putting their monthly import needs at 450,000 tonnes.

Egypt, the biggest buyer, has bought 120,000 tonnes of Russian wheat for Sept. 10-20 shipment on a free on board basis. Nomani Nomani, Vice Chairman of the General Authority for Supply Commodities (GASC), gave the following breakdown of the purchases: 60,000 tonnes of Russian wheat from Glencore at \$316.47/tonne with freight costs of \$10.90 per tonne-- 60,000 tonnes of Russian wheat from Soyuz at \$316.47/tonne with freight costs of \$10.73 per tonne.

We expect wheat prices in domestic market to stay steady as supply for flour millers, OMSS and small traders will go up. Private trades may ask govt. to provide wheat from govt.'s stock for export. They can offer better prices in improved global markets. It may help to stabilize domestic market too. International quotes are likely to hover in the range of \$300 to \$350 per T, depending on the sourcing nations.

### Cash Market Dynamics:

Amid uncertainty over export through private channel, continuous holidays and lackluster demand from domestic market wheat continued to trade lower during the week under review. Prices in major markets decreased by Rs 75/ 90 per qtl to Rs1530 in Rajasthan in last one week. Prices in M.P., Delhi, Uttar Pradesh and Gujarat too decreased to some extent. However, major fall from current level is unlikely as we expect buyers to return in the market from next week. Buyers from international market are expected to be active by the end of this month and bulk buying/deals are expected in Sept.

Multinational company like Cargil has started procuring wheat from Rajasthan in small quantity at Rs 1540 per qtl. on Kandla delivered basis Prices of wheat increased by Rs 10 per qtl.to Rs1540 per qtl. in Rajasthan with buying support from Cargil. We expect prices to stay steady at current level as supply is expected to increase through govt.'s stock. Better export parity is likely to encourage private traders to source more wheat from open market and it will continue to support prices in the weeks ahead.

We expect higher quotes in fresh tender as firmness in global market continues. Export opportunity for Indian wheat is better and higher realization seems very much on the card. Global wheat quotes may hover in the range of \$300 to \$360 per MT in Sep. More firmness is unlikely as harvesting in France is on the way despite slower pace due to rains. Australia, US quotes have increased in last week. However, we expect a slight correction at this level as bulk buyers are out of the market.

Higher supply through OMSS is likely to ensure stability in the domestic market. Export will continue on back of hefty stock, better export prices and demand for Indian wheat on increasing fear of global supply shortage due to weather aberration.

### FOB Value as on 13.08.12

|  |                               |                       |               |                 |
|--|-------------------------------|-----------------------|---------------|-----------------|
| INR Value;55.41as on 13.08.12                  | <b>Rajkot (Guj) to Kandla</b> | <b>Kota to Kandla</b> | <b>MSP</b>    | <b>ECO.Cost</b> |
| <b>FOR (Rs/perT)</b>                           | <b>15300.00</b>               | <b>15500.00</b>       | 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          |
| <b>FOB (at Chittagong) Rs/T</b>                | <b>16250.00</b>               | <b>16450.00</b>       | 14650         | 20020           |
| <b>FOB value in \$ for SRW</b>                 | <b>293.27</b>                 | <b>296.88</b>         | <b>264</b>    | <b>361</b>      |
| Freight Charges (US \$/ton) to Chittagong      | 18.00                         | 18.00                 | 18.00         | 18.00           |
| Insurance @ 0.1% (\$/MT)                       | 0.29                          | 0.30                  | 0.26          | 0.36            |
| <b>CIF to Chittagong (value in \$ for SRW)</b> | <b>311.56</b>                 | <b>315.17</b>         | <b>282.66</b> | <b>379.67</b>   |

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

Exporters are not willing to buy wheat under uncertainty over export through private channel and demand from exporters has decreased considerably in last 1 week and resultantly prices too are ruling Rs.70-Rs.80 per qntl lower in comparison to previous week. Sluggish trading activity occurred due to continuous holidays and pressurize wheat market to trade lower. Exporters and traders are

in wait and watch mode and may resume buying once again from next week. Export ban through private channel is unlikely as government has enough stock to handle any short supply in medium and long term. At current price FOR Rajkot and Kota is Rs. 15300 per tonne and Rs15500 respectively, which translates the Indian FOB quotes at almost \$.296 per MT. It was quoted \$298.36 last week. International wheat quotes are likely to hover in the range of \$300 to \$360 per MT in current week. However, a correction is due as new crop in France will hit market soon.

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

| Comparative FOB of Different Nations |            |            |          |
|--------------------------------------|------------|------------|----------|
| Countries                            | 13.08.2012 | 13.07.2012 | % Change |
| Russian                              | 309        | 300        | 3.00%    |
| Ukraine                              | 307        | 298        | 3.02%    |
| Australia                            | 354        | 333        | 6.31%    |
| Argentina                            | 318        | 305        | 4.26%    |
| US                                   | 348        | 330        | 5.45%    |
| France                               | 325        | 320        | 1.56%    |

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 <sup>st</sup> Aug-12 | 08 <sup>th</sup> Aug-12 |
|---|--------------|------------|-------------|-------------|------------------------|-------------------------|
| USA   | 266          | 248        | 242         | 293         | 327.50                 | 348.00                  |
| France  | 286          | 286        | 279         | 295         | 314.20                 | 324.70                  |
| UK  | 279          | 281        | 256.2       | 285         | 291.40                 | 305.20                  |
| Australia   | 239          | 267        | 272         | 305.33      | 350.42                 | 353.62                  |
| Russia  | 227          | 245        | 271         | 301         | 298.20                 | 309.00                  |
| India   | 224          | 249        | 258         | 272         | 298.00                 | 293.64                  |

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 09-15 Aug 2012 | Prices 01-08 Aug 2012 | Prices 24-31 Jul 2012 | Prices 09-15 Aug 2011 | % Change(Over Previous Week) | % Change(Over Previous to Previous Week) | % Change(Over Previous Year) |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|--|------------------------------|
| Andhra Pradesh | 1950                  | 1950                  | 1291.73               | 1397.73               | 0                            | 50.96                                    | 39.51                        |
| Assam          | 1125                  | 1125                  |                       | 1075                  | 0                            | —  | 4.65                         |
| Chhattisgarh   | 1206.77               | 1322.98               | 1258.73               | 1116.28               | -8.78                        | -4.13                                    | 8.11                         |
| Gujarat        | 1679.67               | 1664.01               | 1661.71               | 1132.9                | 0.94                         | 1.08                                     | 48.26                        |
| Haryana        | 1287                  | 1798.88               | 1276.56               | 1064.81               | -28.46                       | 0.82                                     | 20.87                        |
| Jharkhand      | 1425.65               | 1394.66               | 1483.17               | 1358.34               | 2.22                         | -3.88                                    | 4.96                         |
| Karnataka      | 1951.63               | 1630.99               | 1577.9                | 1581.2                | 19.66                        | 23.69                                    | 23.43                        |
| Kerala         | 2375                  | 2404.17               | 2328.57               | 2275                  | -1.21                        | 1.99                                     | 4.4                          |
| M.P            | 1413.74               | 1431.37               | 1372.8                | 1091.2                | -1.23                        | 2.98                                     | 29.56                        |
| Maharashtra    | 1830.28               | 1926.9                | 1777.67               | 1615.82               | -5.01                        | 2.96                                     | 13.27                        |

|                    |         |         |         |         |       |       |       |
|--------------------|---------|---------|---------|---------|-------|-------|-------|
| <b>Nagaland</b>    | 1418    | 1416.21 | 1394.57 |         | 0.13  | 1.68  | —     |
| <b>Delhi</b>       | 1281.38 | 1311.45 | 1292.49 | 1140.79 | -2.29 | -0.86 | 12.32 |
| <b>Orissa</b>      | 1500    | 1323.4  | 1580.3  | 1516.05 | 13.34 | -5.08 | -1.06 |
| <b>Punjab</b>      | 1215    | 1283.79 | 1198.65 | 1180    | -5.36 | 1.36  | 2.97  |
| <b>Rajasthan</b>   | 1484.87 | 1467.08 | 1430.12 | 1090.2  | 1.21  | 3.83  | 36.2  |
| <b>U.P</b>         | 1297.03 | 1272.78 | 1235.11 | 1083.23 | 1.91  | 5.01  | 19.74 |
| <b>West Bengal</b> | 1234.76 | 1203.54 | 1175.21 | 1090.18 | 2.59  | 5.07  | 13.26 |
| <b>Average</b>     | 1510.34 | 1506.7  | 1448.25 | 1290.68 |       |       |       |

As per the data reported by APMCs

Wheat average prices have been continuously increasing and we expect prices to stay steady in current week. Buyers/exporters are expected to return from next week and it may support prices at current level. There is a short supply of wheat in cash market and we expect higher supply from govt. stock soon which may help containing prices..

### Expected Price Range for Current Week:-

| Market :Delhi Spot (mill delivery) | Rs/per qtl.  |
|------------------------------------|--------------|
| Cash market                        | Rs 1400-1425 |
| Future market (September Contract) | Rs 1360-1415 |

Wheat market traded sluggish on back of lower demand from traders and exporters. The government's intention to augment supply through various channels is expected to restrict market to go up further.

### STOCKS OF FOODGRAINS & SUGAR IN CENTRAL POOL AS ON 01.08.2012:-

(Figs. in lakh MT)

|                        | IN STORAGE    | IN TRANSIT  | TOTAL         |
|------------------------|---------------|-------------|---------------|
| RICE                   | 282.89        | 2.14        | 285.03        |
| WHEAT                  | 472.23        | 3.03        | 475.26        |
| Wheat lying in mandies | 0.00          | 0.00        | 0.00          |
| <b>TOTAL</b>           | <b>755.12</b> | <b>5.17</b> | <b>760.29</b> |
| COARSE GRAINS          | 0.76          | 0.00        | 0.76          |
| SUGAR                  | 0.30          | 0.14        | 0.44          |
| <b>GRAND TOTAL</b>     | <b>756.18</b> | <b>5.31</b> | <b>761.49</b> |

The total quantity of rice in central pool kitty as on August 01- 2012, is registered 285.03 lakh MT where as wheat is pegged at 475.26 lakh MT. In transit the quantity of rice and wheat availability are 2.14 and 3.03 lakh MT respectively, where as in central pool the total quantity of food grain including sugar and coarse cereals are 761.49 lakh MT.

### 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 1341, breaking this level market may get support at 1300.6. The strong resistance is 1382 Stake holder may opt for selling at resistance level .Market is likely to trade in the range of 1340 to 1380 in this week.

### International market Updates:

**World's fourth largest wheat exporter, Australia is being** threatened by the cold weather in its two largest wheat producing states which are State of Western Australia and New South Wales. About 14% of New South Wales crop is being affected by the cold weather. The crop condition can be worse if dry weather returns in the later part of the year due to El Nino effect. The cold weather in Australia might affect the emergence and yield of the new wheat crop. The international grain market is already grim due to damage done by drought to USA's wheat producing areas. However this adverse situation can be an opportunity for India, since India has got sufficient wheat exports.

**According to IGC, due to dry weather conditions in** countries such as Russia and Ukraine, along with potential risk to Australia due to El Nino the world wheat production might be affected. IGC's 2012-13 forecast for world wheat consumption is 682 million tonnes, which is one million tone more from may projection but 7 million tonnes lesser year on year basis.

**South Korea's Daehan Flour Mills ,Samwha Flour Mills** and Daesun Flour Mills together bought a total of 26,500 tonnes of milling wheat from STX Corp via a tender on Tuesday. The companies bought soft white wheat at slightly above \$300 per tonne, hard red winter at around \$315 per tonne and dark northern spring at below \$370 per tonne, all on a free-on-board basis, the source said. The products will arrive to the port of Incheon between Sept. 15 and Oct. 15.

**The U.S. origin wheat products will arrive to the port of** Busan between Sept. 20 and Oct. 20, the source added. Details of the purchases are as follows: The quantity in question and FOB quotes are : Soft White :18,700 \$301 per T, Hard Red Winter 2,000 \$313.5 per T, Northern Spring 4,500 \$367.5 per T.

**The outlook for world wheat production in 2012/13** continued to be affected by unfavourable conditions in some countries, including a further deterioration in crop expectations in Russia. However, results from the US harvest were generally better than expected, while recent rains helped crops in parts of the EU to show some recovery from the less than ideal conditions earlier in the season. The production forecast is reduced by 6m. tons from last month, to 665m., down by 4% from the 2011/12 record-IGC

**Global wheat market firmed up unexpectedly during last** fifteen days on weather generated concern in US, higher yield loss in Russia due to dryness and lower carry in stock in Australia. Prospects for next crop too are not very encouraging amid lower corn production estimates in major exporting countries including US. Corn prices are higher and feed millers are shifting from corn to wheat. If weather remains unfavorable in July international experts see at least 15 percent gains from current FOB prices in global wheat market. US, Russian, Australian FOB quotes will soon cross \$325 per MT.

**Prices for Russian fourth-grade milling wheat firmed up** due to the drought in the US and Latin America. Prices rose to a historic 9500 roubles (\$305) from 8075 (\$239) a metric ton a week ago in the Black sea ports according to the Institute for Agricultural Market Studies (IKAR). Better milling grade prices are hovering near \$290-291 per T. This is the first price hike for fourth grade feed wheat since the 2010 drought in Russia when the government was forced to impose an export embargo to prevent home market prices from rising. The embargo was lifted in 2011.

#### **Egypt Buys Wheat From Russia at \$316.47 On CIF Basis:**

Egypt, the world's biggest wheat importer, has bought 120,000 tonnes of Russian wheat for Sept. 10-20 shipment on a free on board basis, the main government wheat buyer said on Saturday. Nomani Nomani, Vice Chairman of the General Authority for Supply Commodities (GASC), gave the following breakdown of the purchases:- 60,000 tonnes of Russian wheat from



Glencore at \$316.47/tonne with freight costs of \$10.90 per tonne-- 60,000 tonnes of Russian wheat from Soyuz at \$316.47/tonne with freight costs of \$10.73 per tone

### **Latest CIF Quotes For Russian and Ukrainian Wheat**

\* Alexgrain 55,000 soft red winter \$310.99 fob East Coast \* Aston 60,000 Russian \$323.94 + \$12.98 frt. \* Soyuz 60,000 Russian \$319.89 fob novo \* Ameropa 60,000 Romanian \$324.24 fob constanza \* Solaris 60,000 Russian \$337.33 fob novo \* Bunge 60,000 Russian \$320.00 and 55,000 Ukrainian \$318.00 Nikolaev. \* Glencore 60,000 Russian \$316.47 \* Nidera 60,000 Russian \$326.95 and 60,000 Romanian \$331.95 \* Louis Dreyfus 60,000 Russian \$329.74 and 60,000 soft red winter \$355.00 fob \* Venus 60,000 Russian \$321.00. \* Alegrow 60,000 Russian \$333.00 novo \* Cargill 60,000 Russian \$325.90 novo and 60,000 French \$334.38 and 60,000 soft red winter \$355.58 fob Miss. river. \* Toepfer 60,000 Russian \$339.92 fob novo. Source: Reuters

### **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.

### **IGC latest release:**

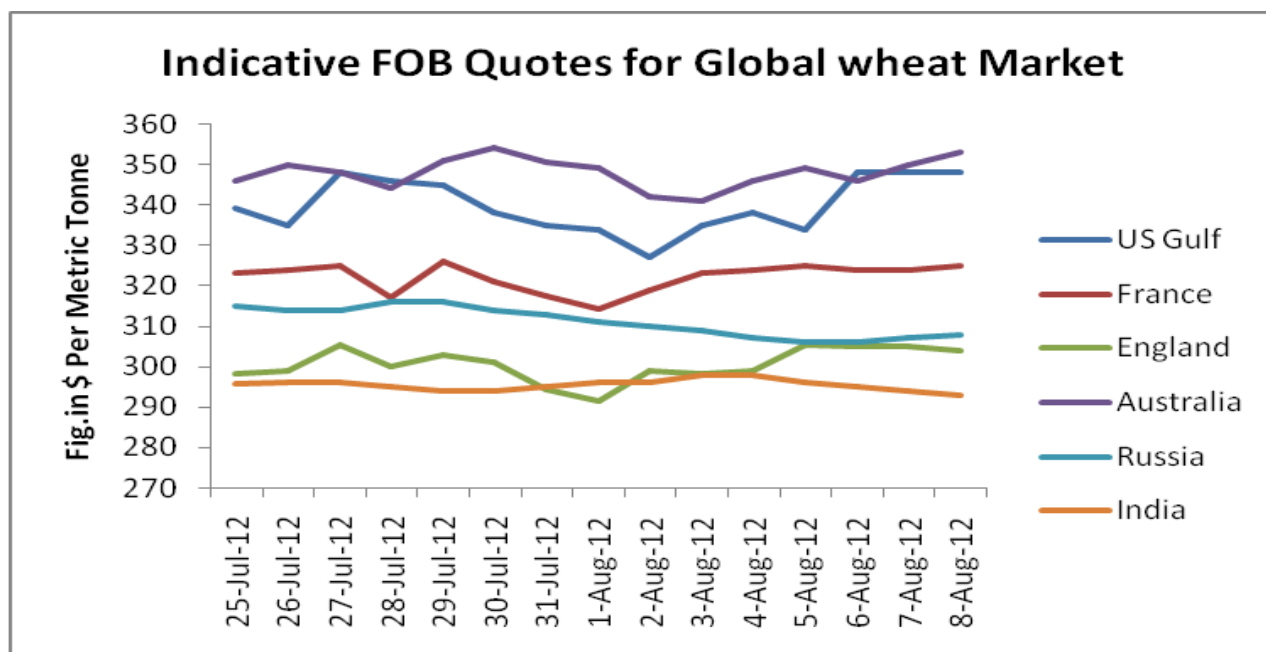
- The world wheat production forecast for 2012/13 is unchanged from the last GMR at 665m t, down 4.5% y/y.
- China and India output is revised higher; but the combined forecast for the eight major exporters is again lower, as prospects in the Black Sea region have deteriorated .
- Export potential is 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 balance sheet:

| IGC/26.07.12     | 2007-2008 | 2008-09 | 2009-10 | 2010-11 | 2011-12 estimate | 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 shows uneven global wheat prices during recent week due to weather aberration in major wheat growing areas like USA, Australia, Russia and France .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:**



The nearest by support is \$8.80 per bushel while nearest by resistance is \$9.6 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 9.2 per bushel in September. In \$ term we can say the CBOT market may move in the range of \$308 per T (the lower support) and \$ 338 per T.

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