

Domestic market Update:

Wheat cash and future markets firm up during the weekend after sluggish start on back of higher demand for Indian wheat in the international market. Big buyers like Morocco, Algeria and Egypt have returned to the market for bulk buying as there is a fear in the market that Russian supply will dry up at the end of this year on lower production. Besides, outlook for other major producers too are not very encouraging and world carryout is bound to decline next year.

World market is well aware of the fact that India is the only substitute for Black sea region wheat price wise and quantity wise. Prices in domestic market are expected to rule firm as exporters buying spree has increased on better export and domestic demands. Private trades are sourcing wheat from Rajasthan, Uttar Pradesh and M.P. in the range of Rs 1550 to 1575 on delivered basis at Kandla, Mundra and Gandhidham.

The PEC Ltd has received 12 bids for its global wheat export tender, with Australia's J.K. International emerging as the highest bidder at \$308 per tonne in recent bid. The J.K. International offered 40,000 tonnes, while the second-highest bidder - Emmsons International Ltd based in New Delhi -- offered 30,000 tonnes at \$304.77 per tonne. Bidders included the Indian arms of global trading companies such as Glencore, Cargill and Toepfer. Last month, PEC issued an international tender to export 60,000 tonnes of milling wheat in September.

South Korea has contracted six cargoes totalling 325,000 tonnes of Indian wheat for October-November deliveries between \$322 and \$326/tonne (c&f) from Singapore traders, which included sales made by Indian private exporters and 190,000 tonnes by PEC/STC last week at f.o.b \$296.68 and \$302.50/tonne. More Asian countries will turn to India for feed wheat. We expect wheat prices in domestic market to go up further. Thailand too has brought wheat from India at around \$324 per T CIF basis.

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.

Wheat demand in domestic market is likely to increase as wheat products demand is continuously increasing ahead of festival season. South Indian millers are buying wheat at Rs 1950 from Rajasthan on delivered basis. Lower availability in cash market pushes prices up and higher offtake from govt.'s godown is expected. The govt. may fix higher prices for OMSS and lower end users.

Better rainfall throughout India helps improving total area coverage under kharif crop and IMD latest update hints better rainfall in the weeks ahead. Major area of concern is Pulses, coarse cereals and oilseeds. Lower production estimate for coarse cereal may support wheat and maize prices in the domestic market.

Cash Market Dynamics:

Wheat cash and future market gets support from global and domestic market. Flour millers are buying wheat from cash market comparatively at higher prices. Wheat is not available in bulk quantity in cash market. Release from govt.'s stock is not enough to contain spiraling prices. Besides, private exporters are buying wheat at higher prices as demand from global market has

increased under fear of Russian restriction over export at the end of this year. Big buyers like Egypt, Morocco, Algeria returns for bulk buying and it may boost wheat prices further in the global market and resultantly demand for Indian wheat is bound to increase.

In domestic market prices are likely to be driven by govt's release mechanism for OMSS, PDS and export. Higher allocation for millers, traders may ease prices as supply is dwindling in cash market. Private trade will continue to source wheat from cash market as long as export parity remains favourable. The govt. has to ensure stability in the market without hampering export even through private channel.

Prices for OMSS may be hiked from Rs 1285 per qtl as cash market prices are ruling much higher than MSP. Market too expects revision soon. At current scenario private trade may buy wheat even at Rs 1350-1400 per qtl. from FCI. Wheat from Kota to Kandla is being supplied at 1580 per qtl. It is being loaded for Chennai at Rs 1950 per qtl..

FOB Value as on 18.08.12

Parity Calculation Sheet	Rajkot (Kandla)	Baran/Bundi	Khagaria	Indore	Koshi	MSP(Punjab)	ECO.Cost
Basic cost of wheat (Rs/ton)	15800	15200	14400	15300	15300	12850	18220
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500	500	500	500	500
Local transport, port warehousing, labour charges, shortage	500	1300	1650	1350	1300	1450	1450
Indian FOB (Rs/MT)	16800	17000	16550	17150	17100	14800	20170
Indian FOB (USD/MT)	302	305	297	308	307	266	362
Insurance @ 0.1%	0.30	0.31	0.30	0.31	0.31	0.27	0.36
Freight Charges (US \$/ton) to Chittagong	18	18	18	18	18	18	18
CIF (Kandla to Chittagong)	320	323	315	326	325	284	380
INR	55.71	55.71	55.71	55.71	55.71	55.71	55.71
Russian Wheat FOB (USD/MT)	306	306	306	306	306	306	306
Parity on FOB Basis (USD/MT)	4	1	9	-2	-1	40	-56

Exporters are buying wheat as parity remains favourable and uptren in global market likely continue. Above given parity sheet shows parity at different centers. FOB quotes for Kandla come in the range of \$297 to \$308 per MT from various centers. If we compare it from Russian current quote, Indian wheat seems equally competitive. It is lower than \$36 from Australia, \$21 from US, \$20 from France per MT. The gap is likely to widen further on grim global wheat production estimate.

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

Fig in\$/per MT	Variety	% Change over Prev. Year	Today(17.08.12)	Week Ago 09.08.12	Month Ago (July)	3 Months Ago (May)	Year Ago (Aug)
USA (Chicago)	RTRS 2srw	22.57	328.5	338.7	301.3	247	268
France	FCW3	12.77	328.6	326.9	305.7	276	284.3
U.k	Feed wheat	11.40	304.8	301	282	266	273.6
Canada	Q2cw	4.84	303	299	285	279	289
Russia	SRW	22.40	306	308	287	245	250
Ukraine	SRW	24.49	305	306	284	247	245
Argentina	SRW	11.62	317	308	288	267	284
Australia	CWRS	36.24	344	346.42	318	268	252.5
India	Milling Gr.	29.04	308	298.23	278.07	232.5	238.68

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	18 th Aug-12
USA	266	248	242	293	327.50	327.00
France	286	286	279	295	314.20	328.70
UK	279	281	256.2	285	291.40	303.20
Australia	239	267	272	305.33	350.42	344.62
Russia	227	245	271	301	298.20	306.00
India	224	249	258	272	298.00	308

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 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.

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Average wheat prices continue to move up from last week average at major trading centers except Kerala, Nagaland, Rajasthan and Utrakhand. We expect prices to stay steady to slightly firm in current week.

Expected Price Range for Current Week:-

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market	Rs 1450-1500
Future market (September Contract)	Rs 1425-1460

Wheat market is likely to trade firm on increased demand from millers and exporters. Supply from govt.'s stock is lower in comparison to current domestic demand. Lower availability in cash market and buyers increased interest even at higher level support cash market.

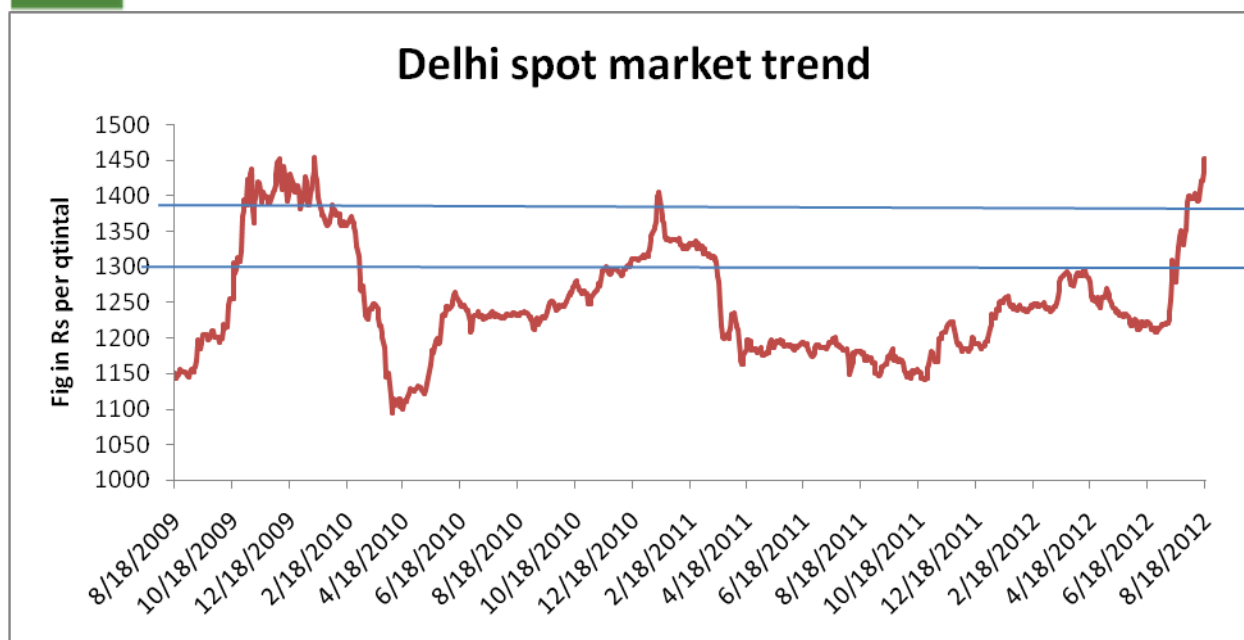
STOCKS OF FOODGRAINS & SUGAR IN CENTRAL POOL AS ON 01.08.2012:-

(Figs. in lakh MT)

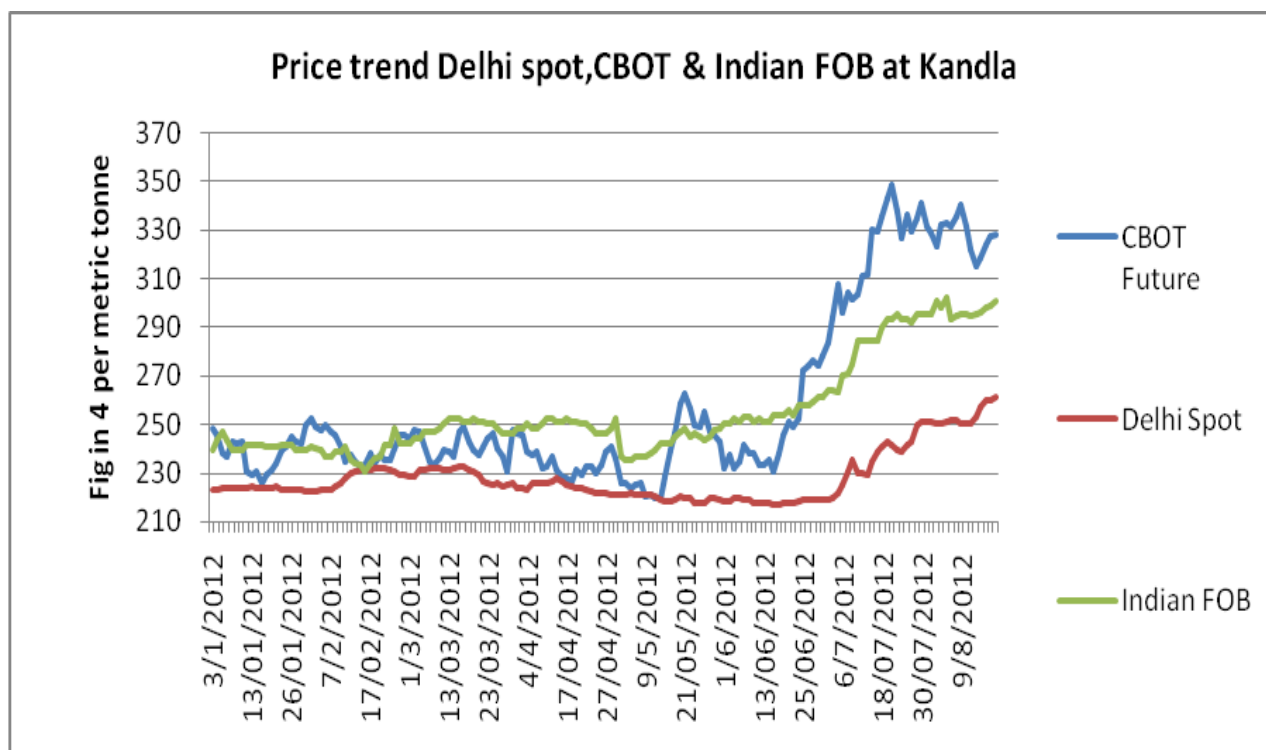
	IN STORAGE	IN TRANSIT	TOTAL
RICE	282.89	2.14	285.03
WHEAT	472.23	3.03	475.26
Wheat lying in mandies	0.00	0.00	0.00
TOTAL	755.12	5.17	760.29
COARSE GRAINS	0.76	0.00	0.76
SUGAR	0.30	0.14	0.44
GRAND TOTAL	756.18	5.31	761.49

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.

Cash market price trend Delhi spot:



Price trend in Delhi spot, CBOT future and Indian FOB started firming up from mid June on various factors related to in and outside India. better export opportunity for export and lower estimation of global wheat crop supported wheat prices continuously mid June onward as the below given chart shows:



International market Updates:

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. While increased global maize supplies are still expected to curtail demand, the forecast for world feed wheat use is revised higher due to likely narrower than previously envisaged price differentials.

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.

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.

Latest Purchases:

According to Nomani, vice Chairman of the General Authority for Supply Commodities (GASC) Egypt, the world's biggest wheat importer, has bought 120,000 tonnes of Russian wheat for September 10-20 shipment on FOB basis, Purchases has been made from two companies, 60,000 tonnes of Russian wheat from Glencore at US \$316.47/tonne and 60,000 tonnes of Russian wheat from Soyuz at US \$316.47/tonne.

South Korea's Daehan Flour Mills, Daesun Flour Mills and Samhwa Flour Mills together have bought combined total of 23,000 tonnes of milling wheat from Columbia Grain via a tender on Friday. The companies bought soft white wheat at around USD \$335 per tonne, hard red winter wheat at around USD \$365 per tonne and dark northern spring at about USD \$385 per tonne, all on FOB basis. The Shipment is expected to arrive at the port of Incheon between Nov. 10 and Dec. 10

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.

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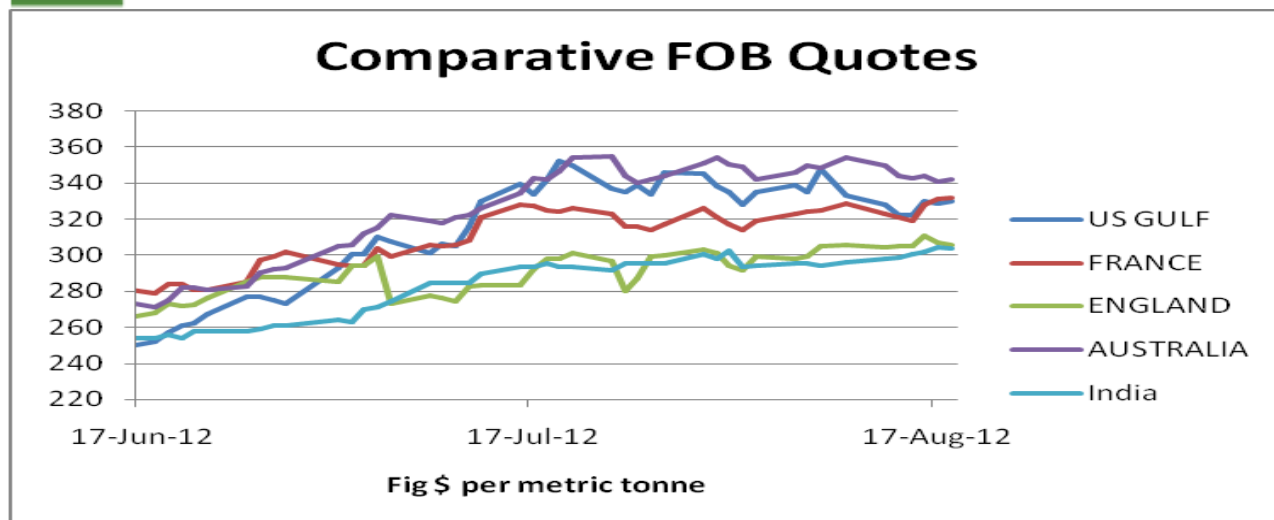
IGC latest release:

- 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 (17th June to 17th Aug) 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. Russian FOB during these months increased from \$285 to \$306 per MT. We expect prices to move further up.

CBOT Wheat Sep Contract:



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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