

Domestic market Update:

Wheat cash and future market traded firm in the first half of last week and decreased at weekend on weak international clue and lower demand in domestic market at higher level. However, domestic market fundamentals remain strong as supply in the cash market is shrinking fast. Big buyers like flour millers, private exporters are unable to source wheat in bulk quantity from cash markets even at higher level. Release from govt.'s stock for OMSS is not enough to meet immediate requirements. Wheat prices in domestic market may continue to trade higher until allocation through OMSS is increased on regular basis.

Higher allocation is expected to contain increasing prices in domestic market as govt. is keen to control bullish trends in foodgrains market. In a latest development, the NCDEX has hiked deposit money to 23 percent for traders keen to buy the grain from the exchanges' platform. The deposit money (margin) has been increased to 23 percent from 13 percent for wheat traders. Following direction from the sector regulator FMC, the exchange has decided to charge 10 percent as special margin on buyers in all running and yet to be launched contracts of wheat to reign speculators.

The minimum support price (MSP) for wheat is unlikely to be raised for the next marketing season, which starts from April 1, 2013. For 2012-13, wheat MSP stands at Rs 1,285 a quintal. The Commission for Agriculture Costs and Prices has not recommended any increase in the MSP of wheat for 2013-2014 crop marketing season. Reasons given are that higher MSP would make exports uncompetitive and that the country already has huge stocks of wheat. Any further increase in MSP would only add to subsidy burden of the government for the next fiscal.

Even on export front India is trying to attract big client like Iran. About two lakh tonne wheat procured in Madhya Pradesh during rabi season 2012-13 will be exported to Iran. The Food Corporation of India has selected wheat stored in eight districts of state under the first phase, when 1,98,368 tonne of it would be exported to Iran. The selected districts are - Hoshangabad, Sehore, Vidisha, Harda, Gwalior, Bhopal, Jabalpur and Ujjain. Quantity may be even higher in the months ahead.

The productivity of key food staples wheat and rice improved in the 2011-12 crop year as per latest statement of agriculture ministry. While rice yields rose by 6 percent to 2,372 kg/hectare in the 2011-12 crop year from 2,239 kg per hectare in 2010-11 crop year, that of wheat rose by 5 percent to 3,140 kg a hectare from 2,989 kg per hectare in the same period. The country is estimated to have achieved a record output of rice and wheat in the last crop year at 104.32 million tonnes and 93.90 million tonnes, respectively.

With better rainfall throughout the country, the fear of lower foodgrains production, especially rice and wheat, has eased. Better production is expected once again except oilseeds, coarse grains and pulses. On back of higher rice and wheat stock supported by improved rainfalls in last two weeks, export of wheat and rice is likely to continue.

Better rainfall and improved water reserves status will ensure better rabi planting/sowing in October, when wheat sowing season starts. Higher prices of wheat this year may encourage farmers to maintain wheat area at previous level. However, it would be too early to say the size of the crop at this point of the time. If prices continue to rule at current level, govt's procurement may decrease considerably at current MSP as well to do farmers will prefer holding stock in the season and it may ease govt.' pressure to procure hefty stock.

Cash Market Dynamics:

Despite minor decline in future and cash markets at last weekend overall market sentiments remain firm as arrivals in various markets have declined considerably against increasing demands from domestic bulk users. Following domestic demand for flour, interest in milling wheat remained firm. The uptrend may continue until the FCI releases its stocks. Domestic consumers and flour mills are finding the going tough as they are not able to procure adequate stocks to meet their demand. The reason behind low arrivals from Uttar Pradesh is that the State's farmers are heading towards Delhi with their stocks as they are reaping better margins at the capital. Following an uptrend in wheat prices, flour too went up by Rs 200 and quoted at Rs 1,590 for a 90-kg bag. Other wheat products too traded higher. Market trend depends mainly now on release from govt.'s stock.

Exporters are sourcing wheat from U.P. and Rajasthan at Rs 1675-80 per qtl. on delivered basis Kandla. However, availability is lower and their continuous demand continues to support domestic market. Private exporters are exporting wheat in the range of \$315 to \$320 per T on FOB basis, sourcing it around \$300 to \$305 per T from domestic markets. However dwindling supply is causing tough time for them and they may demand stock from govt stock. Small traders in Gujarat are supplying wheat to exporters sourced from govt,s stock and this type of diversion from open market for export will continue especially when there is a supply shortage in the cash market.

We expect market to stabilize with higher release from govt's godowns in the weeks ahead. However, prices may be revised up for open market as prices are ruling quite higher. Likely revision in prices, quantity of allocation on regular intervals and govt.'s strategy for domestic and export markets will remain crucial for market direction and price trend. Private traders in Gujarat are ready to buy wheat through tender in the range of Rs 1650 to Rs 1700 per qtl.

FOB Value as on 27.08.12 from various destinations to kandla:

Parity Calculation Sheet	Rajkot (Kandla)	Baran/Bundi	Khagaria	Indore	Koshi	MSP(Punjab)	ECO.Cost
Basic cost of wheat (Rs/ton)	16700	15800	15200	15800	15500	12850	18220
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton)	500	500	500	500	500	500	
Local transport, port warehousing, labour charges, shortage	500	1350	1650	1350	1300	1450	
Indian FOB (Rs/MT)	17700	17650	17350	17650	17300	14800	18220
Indian FOB (USD/MT)	318	317	311	317	311	266	327
Insurance @ 0.1%	0.32	0.32	0.31	0.32	0.31	0.27	0.33
Freight Charges (US \$/ton) to Chittagong	18	18	18	18	18	18	18

CIF (kandla to Chittagong)	336	335	329	335	329	284	345
INR	55.71	55.71	55.71	55.71	55.71	55.71	55.71
Russian Wheat FOB (USD/MT)	310	310	310	310	310	310	310
Parity on FOB Basis (USD/MT)	-8	-7	-1	-7	-1	44	-17

As prices in domestic markets are ruling high export margin has come down in comparison to Russia. If prices continues to move up in domestic markets margin may contract further. We expect cash market to increase as buyers are willing to pay higher as the tender in Gujarat shows. Cash market prices are likely to hover above Rs 1700 per qtl. Price of tender in M.P. too will set a direction. Despite slight decrease prices of wheat are ruling higher from previous week.

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

	Variety	% Change over Prev. Year	Today(24.08.12)	Week Ago 20.08.12	Month Ago (July)	3 Months Ago (May)	Year Ago (Aug.)
USA (Chicago)	RTRS 2srw	21.98	339.5	334.8	334.9	247	268
France	FCW3	15.36	339	323.3	317.4	276	284.3
U.k	Feed wheat	18.55	328.6	311.1	294.3	266	273.6
Canada	Q2cw	3.15	298.4	299.3	291.5	255.3	235.7
Russia	SRW	18.3	306	305	314	245	242
Ukraine	SRW	19.41	304	307	317	247	245
Argentina	SRW	16.47	340	340	320	260	306
Australia	CWRS	31.42	351.52	342.68	354.12	258	243.62

FOB quotes are ruling higher despite some correction in the global market. We expect prices to stay steady at current level as rains in us wheat producing region may restrict uptrend in the weeks

ahead. Recent rains have increased moisture level in the field and it is a positive sign for next crop. However, overall sentiments in the short and medium term remain steady to slightly firm.

Comparative monthly average FOB 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	24-Aug-12
USA	266	248	242	293	339.50
France	286	286	279	295	339.00
United Kingdom	279	281	256.2	285	328.60
Australia	239	267	272	305.33	351.52
Russia	227	245	271	301	306.00
India	224	249	258	272	316.90

As the above given table shows, FOB quotes have been on rise continuously. However, we expect quotes to stay steady in the weeks ahead on back of improved weather conditions in major wheat growing countries.

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.

State	Prices 24-31 Aug 2012	Prices 16-23 Aug 2012	Prices 09-15 Aug 2012	Prices 24-31 Aug 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A. P.	2300	1950	1950	1631.25	17.95	17.95	41
Assam		1419.28	1125	1100	—	—	—
Chattisgarh	1323.62	1309.95	1316	1117.96	1.04	0.58	18.4
Gujarat	1674	1694.43	1661.09	1111.19	-1.21	0.78	50.65
Haryana	1324.25	1306.42	1308.7	1132.51	1.36	1.19	16.93
Jharkhand	1396.77	1427.97	1434.03	1477.23	-2.18	-2.6	-5.45
Karnataka	1837.12	1767.83	1740.13	1515.66	3.92	5.57	21.21
Kerala	2525	2358.33	2425	2216.67	7.07	4.12	13.91
M P	1580.73	1500.77	1424.28	1083.88	5.33	10.98	45.84
Maharashtra	1805.62	1817.92	1831.6	1449.7	-0.68	-1.42	24.55
Nagaland	1522.86	1437.34	1418		5.95	7.39	—
Delhi	1528.47	1440.87	1311.6	1132.47	6.08	16.53	34.97
Orissa	1208.33	1490.42	1463.13	1423.48	-18.93	-17.41	-15.11
Punjab	1348.52	1300.5	1296.03	1069.76	3.69	4.05	26.06
Rajasthan	1605.58	1487.78	1469.28	1079.4	7.92	9.28	48.75
Uttar Pradesh	1388.11	1304.29	1296.68	1094.08	6.43	7.05	26.87
Uttarakhand	1298.13	1293.8	1300.72	1142.26	0.33	-0.2	13.65
West Bengal	1247.51	1245.17	1233.6	1088.21	0.19	1.13	14.64
Average	1583.21	1530.73	1500.27	1286.22			

Average wheat prices continue to move up from last week average at major trading centers except Kerala, Nagaland, Rajasthan and Uttarakhand. 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 (steady to firm)	Rs 1500-1550
Future market (Oct Contract)	Rs 1540-1575

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.

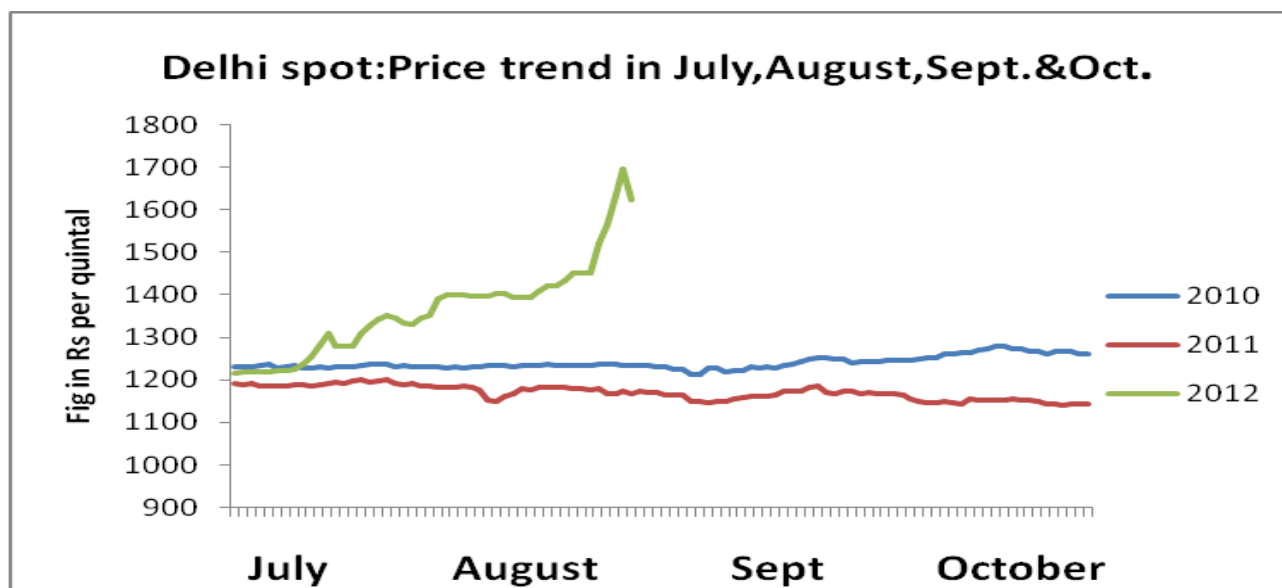
STOCKS OF FOODGRAINS & SUGAR IN CENTRAL POOL AS ON 01.08.2012:-

(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:



Wheat prices are ruling higher than expectation and higher level is likely to continue as supply in cash market has decreased considerably. Higher allocation for OMSS is immediately required to contain the spiralling prices. Above given chart shows the difference of prices in 2010, 2011 and 2012. Despite lower production in comparison to 2012 prices of wheat remained almost stable to

October. In 2012 the trend change changed. The mismatch between supply and demand has supported prices this year.

Spot prices of wheat at NCDEX Delivery centers					
NCDEX SPOT	25 th Aug, 2012 (Today)	week ago 18 th Aug 12	Month ago 25 th July 12	Year ago 25 th Aug 2011	change over previous month %
Delhi	1600	1453	1211.25	1169.25	24.30
Indore	1610	1505	1195	1145	25.78
Khanna	1491	1425	1463.25	1287	1.86
Kota	1663	1553	1253	1160	24.65
Kanpur	1575	1410	1130	1100	28.25
Karnal	1620	137	1353	1237	16.48
Bareilly	1650	-	1200	1183	27.27
Rajkot	1600	1540	1280	1093	20.00

Source: NCDEX; NCDEX delivery prices are inclusive of mandi tax and other applicable state taxes along with handling & packaging costs.

International market Updates:

As per the market source, Russia's wheat output is expected to be 39-41 million tonnes this year as compared to last year's 55 million tonnes. Although the area under wheat has not reduced from last year but the drought condition during tillering stage and extreme cold during harvesting stage has adversely affected the yield.

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 have 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.

France's soft wheat exports fell by 19% to 15.9 million tonnes in 2011-2012 till 30th June from 19.6 million tonnes in 2010-2011 as demand from outside Europe has fallen drastically. France soft wheat export outside EU in 2011-2012 is 8.4 million tonnes as compared to previous year's 12.9 million tonnes, which is down by 35%.

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.

Australia's wheat production is estimated to be less 18% less than last year's record production of 24.5 million tonnes. According to Australia's Weather bureau if Western Australia, the major wheat producing area in Australia does not get average rainfall in next two months then 40% of western Australia wheat crop might be lost due to drought.

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.

Russia's wheat export might fell to 10 million tonnes this year which is almost half of last year's 21 million tonnes export, the fall in export is due to spring drought in black sea region. Although wheat production is low this year but Russia might not ban the wheat export this year. According to the Russia's Deputy Prime Minister Arkady Dvorkovich, he sees no basis for limiting wheat's export.

Global Wheat Production Estimate Revised down by IGC to 665MMT:

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.

Nevertheless, reduced feed use is expected to outweigh continued growth in food and industrial uses and total world consumption is forecast to fall by 1%, to 682m. tons. Together with lower opening stocks and reduced production, higher than previously forecast demand cuts the projection for world carryover stocks by 9m. tons, to 182m., with most of the year-on-year decline of 17m. in the major exporters.

The forecast for world trade is only slightly lower than last month, at 134.6m. tons (143.5m.), as reduced milling wheat imports, particularly in North Africa, are nearly balanced by an increase in projected feed wheat trade. Smaller export surpluses in the Black Sea region will see demand switch to other origins in the year ahead, especially the US.

IGC Wheat Balance Sheet (As on 23.08.2012)

(Quantity in MMT)

IGC/23.07.12 Wheat	2007-2008	2008-09	2009-10	2010-11	2011-12 estimated	Million T	Projection for 2012-13
						26/07/2012	23.08.2012
Production	607	685	679	653	695	665	662
Trade	110	137	128	126	146	133	133
Consumptions	603	645	653	659	692	679	679
Carryover stocks	132	173	199	193	197	183	180
Y-O-Y change	5	41	26	-6	+4	-	-17
Major Exporters	47	69	78	72	70	55	54

CBOT FUTURES CONTRACT:

CONTRACT MONTH	CBOT Futures Prices: Date: 24.08.12						
	Today (24 th August-2012)	Week ago(16 th Aug 2012)	1 Month ago(22 nd July)	3 Month ago(22 nd May)	6 Month ago(22 nd Feb)	1 Year ago	% Change over previous year
Sept-12(USD/MT)	318.72	316.61	335.34	256.26	247.17	301.82	5.30
Dec-12(USD/MT)	326.43	323.95	337.64	263.24	256.08	309.08	5.32
Mar-12(USD/MT)	330.11	327.54	334.33	268.39	260.76	313.39	5.06
May-13(USD/MT)	326.43	321.29	327.35	270.31	263.98	313.58	3.94
July-13(USD/MT)	313.20	305.95	297.78	269.76	265.81	304.02	2.93
Sept-13(USD/MT)	313.12	306.32	297.50	272.34	268.02	291.62	6.87

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