

Domestic market Update:

Wheat cash and future market continued to rule higher until first half of last week on higher demand from south Indian millers and lower availability in cash market. However, the announcement of 13 lakh T allocation for bulk users for the month of Sept and Oct. restricted uptrend in cash and future market and prices decreased By almost Rs 30 to Rs 40 per qtl. in various bench mark market. Out of 13 lakh T allocation 3 lakh T wheat is for non producing states. Millers term these quantity insufficient and demand more allocation so that prices could be contained.

Millers will get wheat at Rs 1285 per qtl. instead of Rs1175 per qtl. They will have to pay freight charges also.If south Indian millers (Tamil Nadu) source it from Punjab (Ludhiyana) wheat will cost Rs 1425 to 1450 per qtl. based on location and destinations. However, it would be cheaper than current cash market prices. Millers were expecting even higher allocation

Out of 13 lakh tonnes,the share of U.P is 2.10 lakh T, West Bengal gets 1.33 lakh T and Rajasthan 1.12 lakh T. The allocation for southern States has been made based on their offtake of wheat through the public distribution system. However, mills are betting on the three lt that has been set aside for non-wheat procuring States. Lower allocation for southern millers may be problematic as prices in southern India is ruling higher than expectation at this point of time. More allocation for these regions is required .

On export front wheat loading for various destinations continues. Exporters are fulfilling previous export obligations. At present they are not buying aggressively due to instability in the domestic market and slowed down demand in the international market. Major buyers like China, Egypt have turned to US and Russia. Small buyers are in wait and watch mood. We expect demand for Indian wheat in mid Sep. when direction for the global market would be clear.

India should target big buyers like Iran, Kenya, Malaysia, Philippines and other West African countries. All these countries have potential to import 5 millionT wheat per year. As India has not been a regular exporter, exporters are facing problems to build up a smooth network on wheat export front. Price fluctuations in the domestic market amid unstable INR also pose a problem for the wheat exporters. The global export quotes are hovering in the range of \$300 to \$350 per T and India will have to compete with Russia whose current quotes are hovering in the range of \$305 to \$315 per MT on FOB basis.

Wheat export is expected to continue given the hefty stock position in central pool. India need to fix minimum export quantity per year and to set up better infrastructure for foodgrains export especially wheat and rice. Australia and Russia will remain the main contenders in case of wheat export. Luckily Russia will not be able to export more than 9 million T wheat this year and India should try to avail the benefit of emerging scenario. Australia is getting better price than India due to assure quality, ready stock at port to be delivered and timely shipments. Rajasthan and M.P. wheat matches Australian quality. So India need to convince the perspective buyers.

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.

Planting intension of wheat farmers seems almost same as last year so far. However, rains in sep and price will be decisive factors for wheat acreage. However, slight decrease in yield is feared due to lower rainfall in some eastern and western states.

Cash Market Dynamics:

Wheat market seems to be under temporary pressure due to latest allocations of 13 lakh tones for bulk users. These allocations are for the months of Sep and Oct. Flour millers will be able to receive wheat at Rs 1285 per qtl. instead of Rs 1175 per qtl.. Besides, they will have to bear the freight charges from godown to their destined destinations. Out of 13 lakh tones of wheat 3 lakh tonnes has been reserved for non producing state.If south Indian millers(Tamil Nadu)sources it from Punjab (Ludhiyana) wheat will cost at Rs 1425 to 1450 per qtl. including freight. However, it would be cheaper than prevailing market prices. Allocations are not enough to stabilize market. More allocation is required to contain the prices in the domestic market.

Out of total allocation the share of U.P is 2.10 lakh T, West Bengal is 1.33 lakh T and Rajasthan is 1.12 lakh T. The allocation for southern States has been made based on their offtake of wheat through the public distribution system. However, mills are betting on the three It that has been set aside for non-wheat procuring States. Lower allocation for southern millers may be problematic as prices in southern India is ruling higher than expectation.

Exporters are not buying wheat actively due to unstable market.Higher domestic prices have narrowed down the margin. Besides, unstable INR, logistics problems are posing greater challenge.We expect exporters to return to the market once again in mid Sep. when direction for cash market and global market would be more clear. Exporters bid in fresh tender are expected in the range of \$300 to \$315 per T at current global market scenario. Fresh tender is due and may be invited soon.We expect cash wheat market to trade range bound as fresh allocation is not up to the expectation of current demand.It will not be able to pressurize the market for whole of the current month.Market has already adjusted with the impact of recent allocation. More dip is unlikely given the higher demand from south Indian millers.

FOB Value as on 01.09.12 from various destinations to kandla:

Parity Sheet	Calculation	Rajkot (Kandla)	Baran/Bundi	Khagaria	Indore	Koshi	MSP(Punjab)	ECO. Cost
Freight on road(FOR)at Kandla		16500	16550	16200	16600	16400	12850	18220
Port and Handling Charges /Loading /Unloading /Clearing (Rs/ton		400	400	400	400	400	400	0
Freight from source,port warehousing,other chargesb& shortage		250	250	250	250	250	1450	0

Indian FOB (Rs/MT)	17150	17200	16850	17250	17050	14700	18220
Indian FOB (USD/MT)	309	310	303	311	307	265	328
Insurance @ 0.1%	0.31	0.31	0.30	0.31	0.31	0.26	0.33
Freight Charges (US \$/ton) to Chittagong	18	18	18	18	18	18	18
CIF (kandla to Chittagong)	327	328	321	329	325	283	346
INR	55.54	55.54	55.54	55.54	55.54	55.54	55.54
Russian Wheat FOB (USD/MT)	310	310	310	310	310	310	310
Parity on FOB Basis (USD/MT)	1	0	7	-1	3	45	-18
CIF (kandla to Chittagong)							

Slight downward correction has been seen in the domestic market due to 13 lakh tonnes allocation for bulk buyers. Russian and Indian FOB quotes are ruling almost the same and so competition still exists between the two countries. However, Russia will not be able to supply continuously due the lesser crop this year. India can take advantage of this emerging scenario with heavy stockpiles of wheat. However, long term strategy is needed on foodgrains export front.

Percentage change in FOB value in global markets :

	Variety	% Change over Prev. Year	Today(30.08.12)	Week Ago 24.08.12	Month Ago (July)	3 Months Ago (May)	Year Ago (Aug.)
USA (Chicago)	RTRS 2srw	21.41	341.00	340.00	338.00	253.30	268.00
France	FCW3	14.62	333.00	339.50	321.00	279.00	284.30
U.k	Feed wheat	14.50	320.00	324.00	301.00	270.00	273.60
Canada	Q2cw	19.84	303.40	303.50	295.10	253.50	243.20
Russia	SRW	18.10	313.50	305.00	319.75	250.00	248.00
Ukraine	SRW	21.10	310.50	304.00	317.50	247.00	245.00
Argentina	SRW	12.50	340.00	345.00	325.00	261.50	297.50
Australia	CWRS	29.99	348.00	352.00	354.12	273.20	243.62

FOB quotes in the global market has been unstable due to weather related concern, lower Russian production and conflicting reports on production fronts in major wheat growing countries. Global wheat FOB quotes may hover in the range of \$300 to 4350 per MT in the near and medium term.

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	30-Aug-12
USA	266	248	242	293	341
France	286	286	279	295	333
United Kingdom	279	281	256.2	285	320
Australia	239	267	272	305.33	348
Russia	227	245	271	301	313.5
India	224	249	258	272	314.97

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.

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.	2281.25	1950	1950	1631.25	16.99	16.99	39.85
Assam	1467.91	1419.28	1125	1100	3.43	30.48	33.45
Chattisgarh	1420.41	1320.97	1316	1117.96	7.53	7.93	27.05
Gujarat	1729.61	1689.24	1637.88	1111.19	2.39	5.6	55.65
Haryana	1394.27	1306.42	1308.7	1132.51	6.72	6.54	23.11
Jharkhand	1515.27	1416.52	1418.1	1477.23	6.97	6.85	2.58
Karnataka	1885.98	1767.83	1740.13	1515.66	6.68	8.38	24.43
Kerala	2525	2358.33	2425	2216.67	7.07	4.12	13.91
M.P	1573.48	1487.92	1423.81	1083.88	5.75	10.51	45.17
Maharashtra	1844.66	1812.37	1831.6	1449.7	1.78	0.71	27.24
Nagaland	1524	1437.34	1418		6.03	7.48	—
NCT of Delhi	1521.16	1440.87	1311.6	1132.47	5.57	15.98	34.32
Orissa	1285.03	1503.98	1463.13	1423.48	-14.56	-12.17	-9.73
Punjab	1353.8	1300.5	1296.03	1069.76	4.1	4.46	26.55
Rajasthan	1559.91	1483.91	1467.65	1079.4	5.12	6.29	44.52
Uttar Pradesh	1378.4	1303.51	1296.45	1094.08	5.75	6.32	25.99
Uttrakhand	1297.78	1293.8	1300.72	1142.26	0.31	-0.23	13.62
West Bengal	1251.01	1242.73	1233.6	1088.21	0.67	1.41	14.96
Average	1600.5	1529.75	1497.97	1286.22			

As per the data reported by APMCs

Average price of wheat has been on the rise throughout August. Wheat price has declined only in Orissa. We expect prices to hover in the same range during the week.

Expected Price Range for Current Week:-

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market (steady to firm)	Rs 1585-1620
Future market (Oct Contract)	Rs 1530-1560

We expect market to trade steady with weak bias during the week.

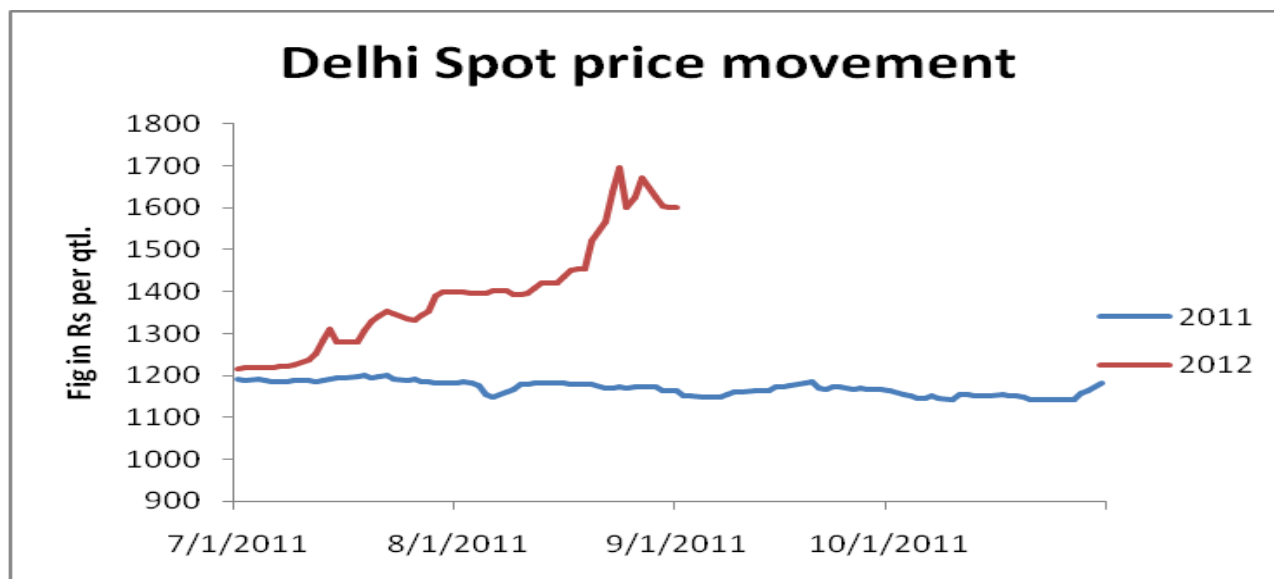
STOCKS OF FOODGRAINS & SUGAR IN CENTRAL POOL AS ON 01.08.2012:-

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

NCDEX Spot Prices at delivery center:

NCDEX SPOT	31st Aug, 2012 (Today)	week ago 24th Aug 12	Month ago 31st July 12	Year ago 31st Aug 2011	change over previous month %
Delhi	1610	1678.35	1400	1168	15
Indore	1650	1615	1500	1135	10
Khanna	1618	1491.05	1411	1298.4	14.67
Kota	1650	1706.25	1620	1165	1.85
Kanpur	1575	1610	1425	1098	10.53
Karnal	1664	1490	1343	1278.35	23.9
Bareilly	1650	1650	1450	1175	13.79
Rajkot	1627	1631	1540	1087	5.65

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

International market:

The International Grains Council 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.

The outlook for world wheat production in 2012/13 continued to be affected by unfavorable 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.

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

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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	2007-2008	2008-09	2009-10	2010-11	2011-12 estimate	Million T	Projection for 2012-13
Wheat						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: 30.08.12						
	Today (30 th August-2012)	Week ago(23 th Aug 2012)	1 Month ago(30 th July)	3 Month ago(30 th May)	6 Month ago(29 th Feb)	1 Year ago	% Change over previous year
Sept-12(USD/MT)	324.60	321.29	335.99	245.88	255.89	311.74	3.96
Dec-12(USD/MT)	331.76	326.43	340.67	254.15	262.14	317.43	4.32
Mar-12(USD/MT)	334.70	332.22	340.40	261.04	267.10	321.20	4.03
May-13(USD/MT)	332.50	328.64	331.67	264.16	270.22	318.90	4.09
July-13(USD/MT)	315.14	313.12	305.58	265.35	269.58	307.51	2.42
Sept-13(USD/MT)	314.59	313.12	304.48	268.57	272.06	291.62	7.30

CBOT Sept. chart:



CBOT sept contract is likely to trade in the range of \$8.4 to 8.8 per bushel during this week.

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