

## **Executive Summary**

Month of December started with firm tone on the back of better export price, revised OMSS prices for different states and delayed decision on domestic release. However, firm tone did not continue with higher release for domestic market, lower export demand from private trades owing to depressed global wheat prices. Prices of wheat in cash market decreased slightly in the second half during the month under review. We expect market to decrease further as off take at previously fixed prices has not been up to the mark and the government may revise the OMSS price down by Rs 100 per quintal in the weeks ahead. This may boost supply in the domestic market and help to contain prices further. Market participants too are expecting a cut in the price for smooth trading and steady market.

On sowing front India is lagging behind marginally in comparison to the corresponding period last year and we expect higher area coverage this year as sowing in Bihar, Uttar Pradesh and Rajasthan continue. This year wheat sowing delayed at least by two weeks due to delayed paddy harvesting. However, situation improved considerably in the second half of this month. Coverage area under wheat has been reported at 272.79 lakh hectares as on 28.12.2012 against 276.81 lakh hectares last year till date. Normal area under wheat is 282.62 lakh ha. As per latest update 96.5 percent of normal area has been covered so far and total area coverage is expected to exceed from normal area with ongoing sowing, increased MSP of Rs 650 per T for next marketing season (2013-14) and higher realization by farmers in the lean season.

As per preliminary estimate based on farmer's feedback and favourable weather so far wheat production is expected to remain around 95 MMT (last year 93.9 million Tonne) if weather remains congenial in the months of February and March. Punjab, Haryana, M.P, Uttar Pradesh and Rajasthan will remain major contributing states in the central pool kitty this year too. Rajasthan, U.P. and M.P. may contribute more this year as area has improved and farmers have applied better agricultural practices. However, temperature in March will remain crucial for the final size of the crop.

Export from India will continue but with slower pace as prices in the global wheat market has been continuously on decline from last one month. Total export in the remaining three months in current financial year is expected to be in the range of 12 to 15 lakh Tonnes and price realization on FOB basis might be in the range of \$305 to \$320 per T. Situation may improve if global wheat market improves. Government has allowed 2.5 million T more wheat export through PSUs and thus total quantity allocated comes to 4.5 million T. India has exported 32.48 million Tonnes wheat during April-2012 to Dec-2012 and we expect maximum 15 lakh T more export in the remaining 3 months of MY 2012-13, totalling 47-48 lakh T.

Weather remains favourable throughout the wheat growing regions and one light shower of rains in the first half of January will boost growth and sprouting of wheat crop. Current cold wave is beneficial to the wheat crop.

The global wheat sector is facing a tight world supply situation and, as it gets tighter, prices could go upwards. It's too dry in the U.S., Britain, Eastern Europe and Australia. And, it's too wet in Argentina. The global wheat production estimate is likely to be revised down once again.

## Domestic Market Dynamics:

Domestic cash wheat market is likely to trade steady to weak on continuous supply from central pool stock. Supply from Rajasthan has decreased due to higher base prices set for auction. Traders /millers in south India have shifted to M.P, U.P. as wheat is cheaper in these states as compared to Rajasthan and Gujarat. Improved area coverage and favourable weather may also pressurise the prices. Govt.'s intention to augment supply and export through central pool will remain a price limiting factor.

Private exports have declined as private traders are not having much quantity with them and they have to depend on government stocks but the increase in release price for bulk users too has kept them away from exporting. Sluggish demand for wheat in international market too has been keeping them away from exports.

## India's Wheat Balance Sheet:

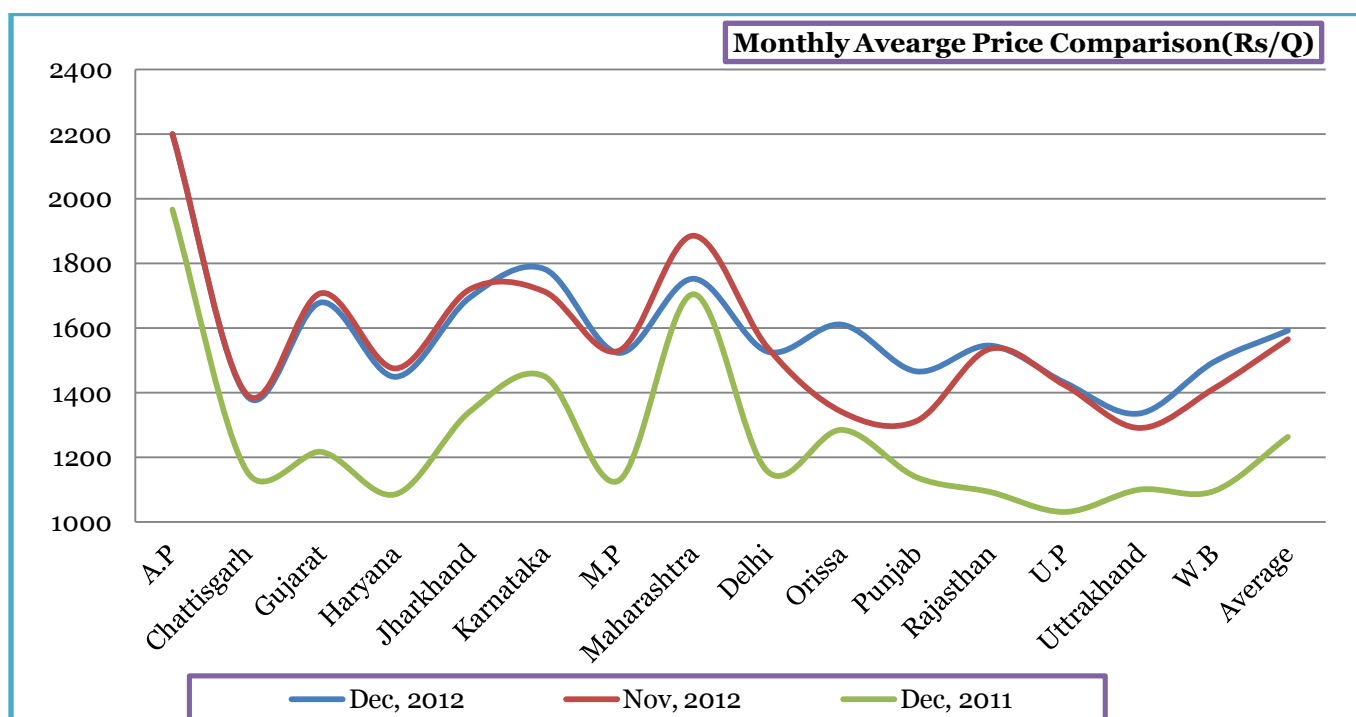
	2009-10	2010-11	2011-12	2012-13
<b>Carry in</b>	13.42	16.12	21.43	29.83
<b>Production</b>	<b>80.80</b>	<b>86.81</b>	<b>93.90</b>	<b>95.00</b>
<b>Imports</b>	0.15	0.00	0.00	0.00
<b>Total Availability</b>	<b>94.37</b>	<b>102.93</b>	<b>115.33</b>	<b>123.83</b>
<b>Consumption</b>	78.15	80.50	81.50	83.00
<b>Exports</b>	0.10	1.00	5.00	6.00
<b>Total Usage</b>	78.25	81.50	86.50	89.00
<b>Carry out</b>	<b>16.12</b>	<b>21.43</b>	<b>28.83</b>	<b>34.83</b>
<b>Av Monthly Consumption</b>	6.51	6.71	6.79	6.92
<b>Stock to Month Use</b>	2.48	3.19	4.24	5.04
<b>Stock to Consumption Ratio</b>	0.21	0.27	0.35	0.42

## Balance sheet highlights:

- Higher area coverage in major wheat growing states like Uttar Pradesh, M.P., Rajasthan and Bihar indicates higher production this year too despite lower area coverage in Gujarat and Maharashtra. We expect wheat production to touch 95 million T given the normal weather condition so far. With continued sowing in U.P. and Bihar area may cross last year's level of 292 lakh ha. Due to higher production last year carryout stock is bound to increase from 21.43 lakh T to around 29 million T despite better export (around 5 million T) in current marketing year.
- India is likely to enter with hefty carryout stock of around 29 million T in the crop year 2012-13 and higher production around 95 million T will aggravate problem further and carry out may touch almost 35 million T, around five times higher than required stock on 1st April 2014. Hence, higher volume of export more than 10 million T should be targeted to maintain carryout stock at 2010-11 level.

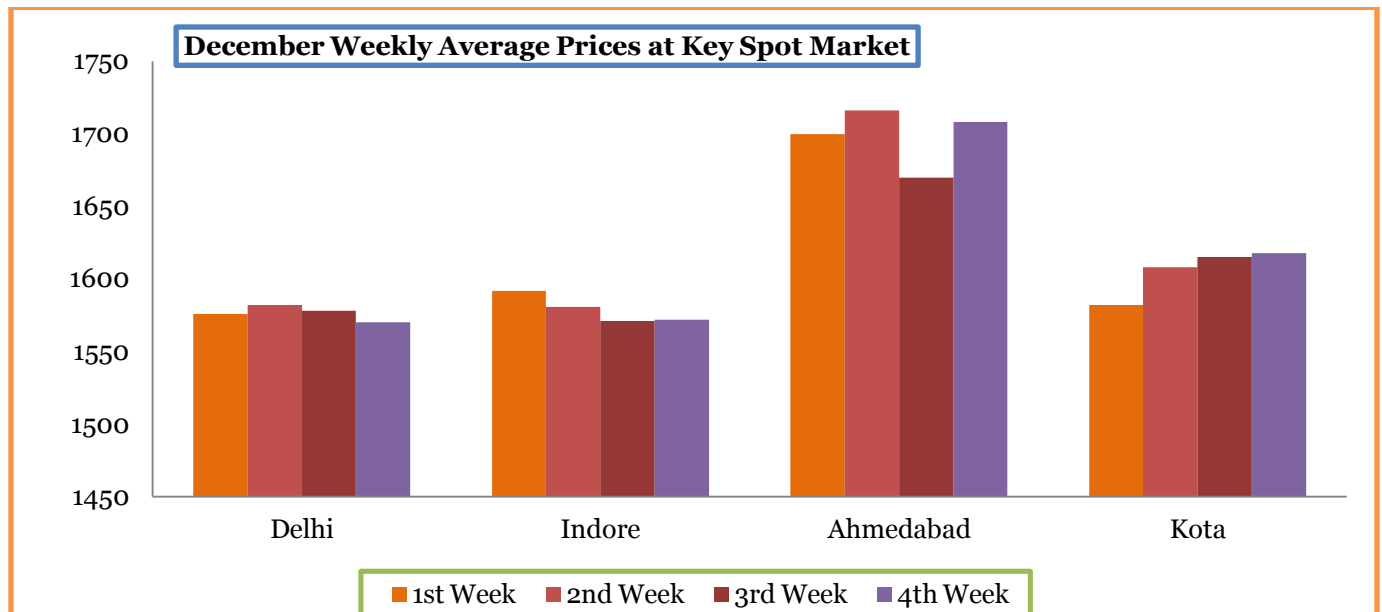
- Total availability of wheat will go up from 115.33 million tons to 123.83 million tones. Despite higher domestic usage (1.5 MMT) and 1 million tonne more export carryout will increase almost 5 million T to 34.83 million T in April 2014.
- Even Average monthly consumption, stock to month use and stock to consumption ratio have been continuously increasing as depicts the above given balance sheet. Higher export in the range of 10-11 million T will not hamper domestic availability if release from govt.'s stock remains systematic and based on requirements in various regions. Regular release will ensure stability in the market. Price for OMSS should be fixed to contain the domestic market, not according to the market force.

### Monthly Average Price Comparison:

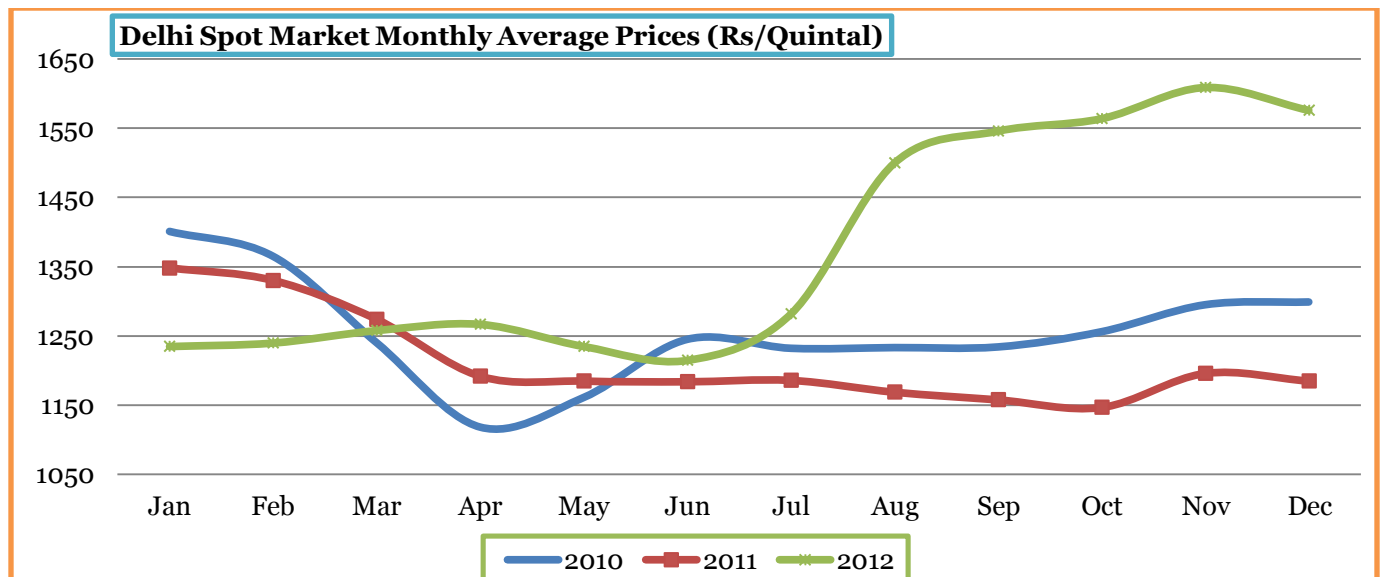


Wheat monthly Average prices have fallen in the month of December as compared to November due to increased supply from government stocks; lower export demand from private trade too has dragged prices down and the rumours are there that government may reduce prices by Rs 100/Q for OMSS release hence bulk buyers are in wait and watch mode which has dragged prices down. We expect that government might reduce the prices as there are 3 months to go for new crop and government has almost three times more wheat than the norms.

### Wheat Weekly Average Price Movement at key Spot Market:



### Wheat Average Monthly Prices movement during last three years



Due to higher prices, average prices in Delhi too were ruling high prices have fallen in month of December due to ample supply and sluggish demand in last half of December month. Prices are expected to fall in months ahead as it is expected that government may reduce Rs 100/Q on release price to increase off take and to make way for new crop in warehouses.

### Wheat Technical NCDEX Monthly:



- Prices have fallen in this month has fallen owing to increased sowing area as compared to previous year along with favourable weather, sluggish export demand for private trade and possibility of reduction in release price by government has pressurized market.
- Market participants are advised to go short with target of 1512 and 1502 with a stop loss of 1540.

Support and Resistance				
<i>S2</i>	<i>S1</i>	<i>PCP</i>	<i>R1</i>	<i>R2</i>
1416	1496	1527	1576	1625

### Sowing Status Rabi Crop 2012-2013

Weather remains favourable for wheat sowing and growth, post monsoon rainfall has been deficient but ample water is available in reservoirs. According to Central water Commission 84 major reservoirs in the country have a total live capacity of 154.42 BCM at Full Reservoir Level (FRL). Current live storage in these reservoirs as on 27th December, 2012 was 91.43 BCM as against 98.85 BCM on 27.12.2011(last year) and 85.78 BCM of normal storage (average storage of the last 10 years). Current year's storage is 92% of the last year's and 107% of the normal storage. Major States reporting lower than normal storage are Jharkhand, West Bengal, Tripura, Maharashtra, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Cumulative Post-Monsoon Rainfall for the country as a whole during the period 1st October to 26th December, 2012 is 21% less than LPA. Rainfall in the four broad geographical divisions of the country during the above period was (-) 59% in North West India, (-) 29% in Central India, (-) 6% in South Peninsula and (-) 17% in East & North East India.

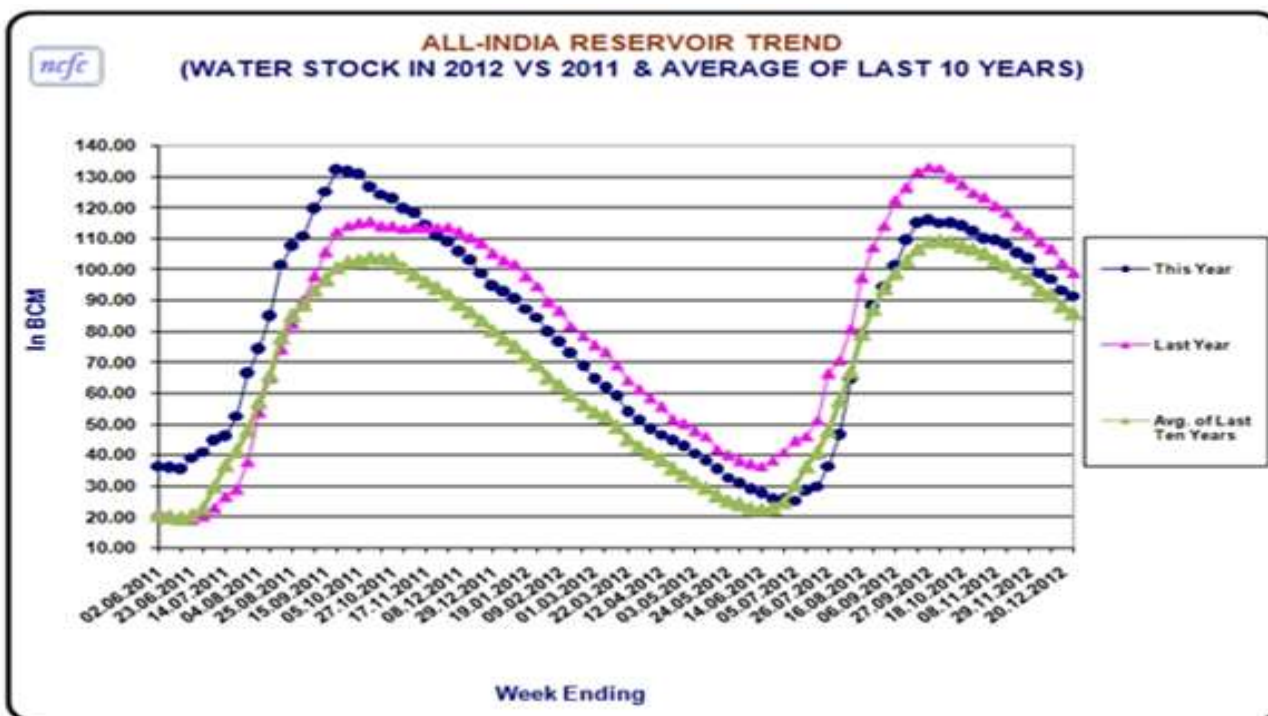
State wise Rabi Crop Situation 2012-13 (Area in Lakh Hectare)				
State	As on 14.12.2012	As on 21.12.2012	As on 28.12.2012	As on 4.01.2013
<b>U.P</b>	71.01	82.62	92.03	95.30
<b>Haryana</b>	22.74	23.56	24.10	24.95
<b>Punjab</b>	33.18	33.88	34.52	35.00
<b>Rajasthan</b>	22.81	25.72	25.72	28.20
<b>M.P</b>	43.34	45.68	47.88	49.64
<b>Gujarat</b>	5.76	7.37	8.73	9.28
<b>Bihar</b>	11.98	15.36	18.50	21.56
<b>Maharashtra</b>	3.56	4.23	4.73	5.20
<b>Others</b>	13.07	14.75	16.58	17.25
<b>All India</b>	<b>227.45</b>	<b>253.17</b>	<b>272.79</b>	<b>286.38</b>

## Reservoir Status:

- The Central Water Commission monitors the live storage of 84 important/major reservoirs, having capacity at Full Reservoir Level (FRL) of 154.42 billion cubic meters (BCM), which is about 73% of total reservoir capacity in the country.
- Water stock in 84 major reservoirs decreased to 91.43 BCM from the previous week's level of 93.28 BCM. Current storage is less than the last year's position of 98.85 BCM and lower than the average of last 10 year's storage of 85.78 BCM.
- There were 51 reservoirs having storage more than 80%, 12 reservoirs having storage between 50% to 80% of Normal Storage, 8 reservoir having storage between 30% to 50% of Normal storage, 13 reservoir having storage 30% or below of Normal Storage and one reservoir namely Kabini (Kar) having no live storage, .

## Table for 84 reservoirs of the Country in the month of December

Period	Current Year's storage as % of FRL*	Current Year's storage as % of last year	Current year as a % of 10 years average level.
Current Week (4 <sup>th</sup> Week)	<b>59</b>	<b>92</b>	<b>107</b>
Last Week(3 <sup>rd</sup> Week)	<b>60</b>	<b>92</b>	<b>106</b>
The percentage to live capacity at FRL was 64% on 27/12/2011, 71% on 27/12/2010, 54% on 23/12/2009 and 56% on 24/12 /2008.			
* Live storage as % to Full Reservoir Level (FRL) of 154.42 Billion Cub. Mts.(BCM)			



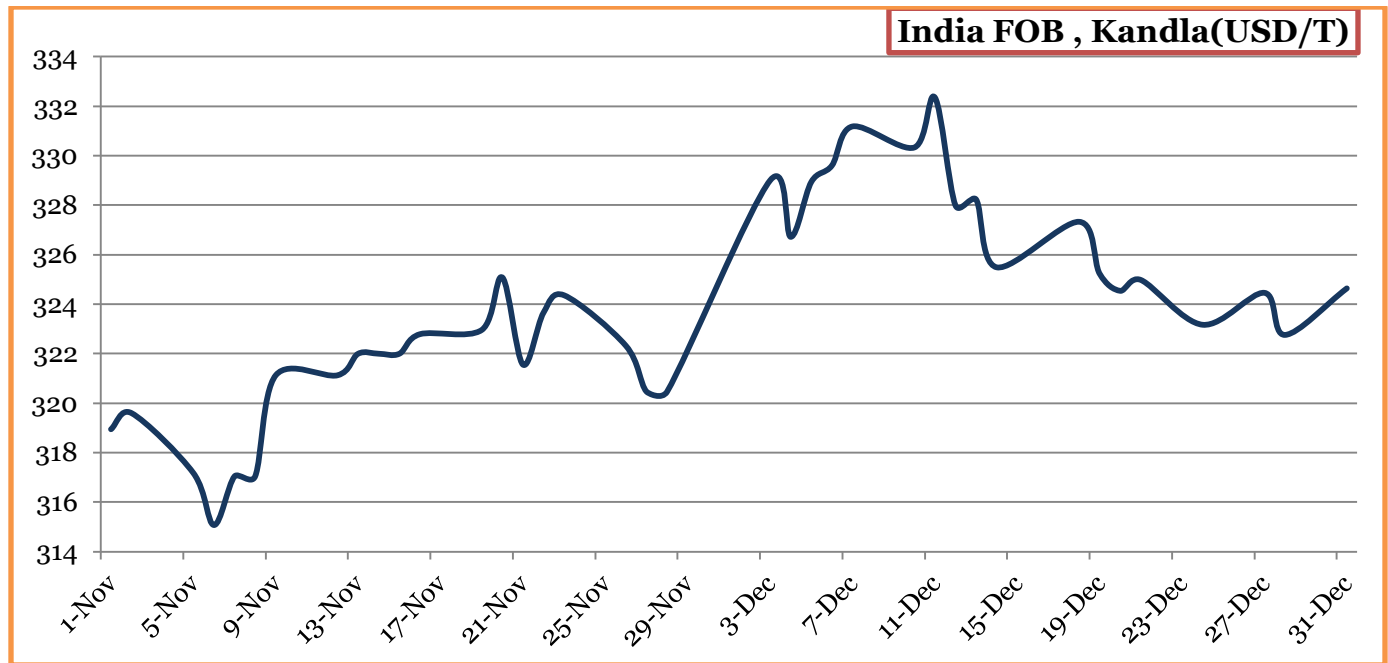
Source: CWC

Looking at the current wheat sowing pace, weather condition, Availability of water with reservoirs , domestic prices and increased MSP for wheat by Rs 65/Q, it is very much anticipated that this year also India might have a bumper crop of around 95 million tonnes. However temperature in the month of February and March will be decisive in determining the yield.

### Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
<b>Sept 11- Mar 12</b>	<b>7.68</b>	<b>232.12</b>	<b>237.46</b>
<b>Apr-12</b>	1.18	236.89	235.13
<b>May-12</b>	2.57	252.15	236.73
<b>Jun-12</b>	3.45	256.64	245.82
<b>Jul-12</b>	3.35	296.12	318.27
<b>Aug-12</b>	3.95	310.07	328.89
<b>Sep-12</b>	3.55	314.48	326.52
<b>Oct-12</b>	3.75	312.11	317.84
<b>Nov-12</b>	4.26	320.19	317.04
<b>Dec-12</b>	6.42	326.70	299.60
<b>Total for 2012-13</b>	<b>32.48</b>		

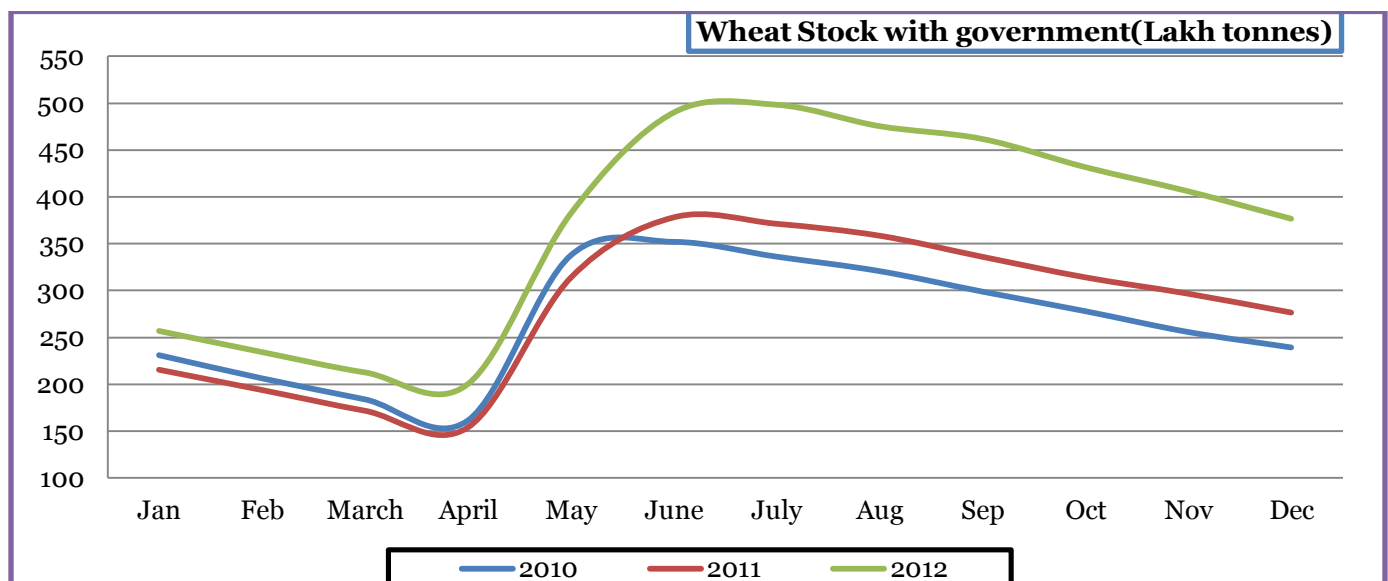




India's export has been buoyant in past couple of months owing to Poor production in major producing and Exporting countries like U.S., Australia, Ukraine and Russia. From April to December India had exported 3.24 million tonnes of wheat but in month of December major exports has been done by public Sector units and Private exports has been low. India can export around 4.5 million tonnes of wheat this year (2012-13).

India's FOB has been falling since second week of December as international demand for Indian has been weak and it is expected that FOB may further go down sluggish international demand.

### Wheat Stocks with the Government as on 1st of Every Month

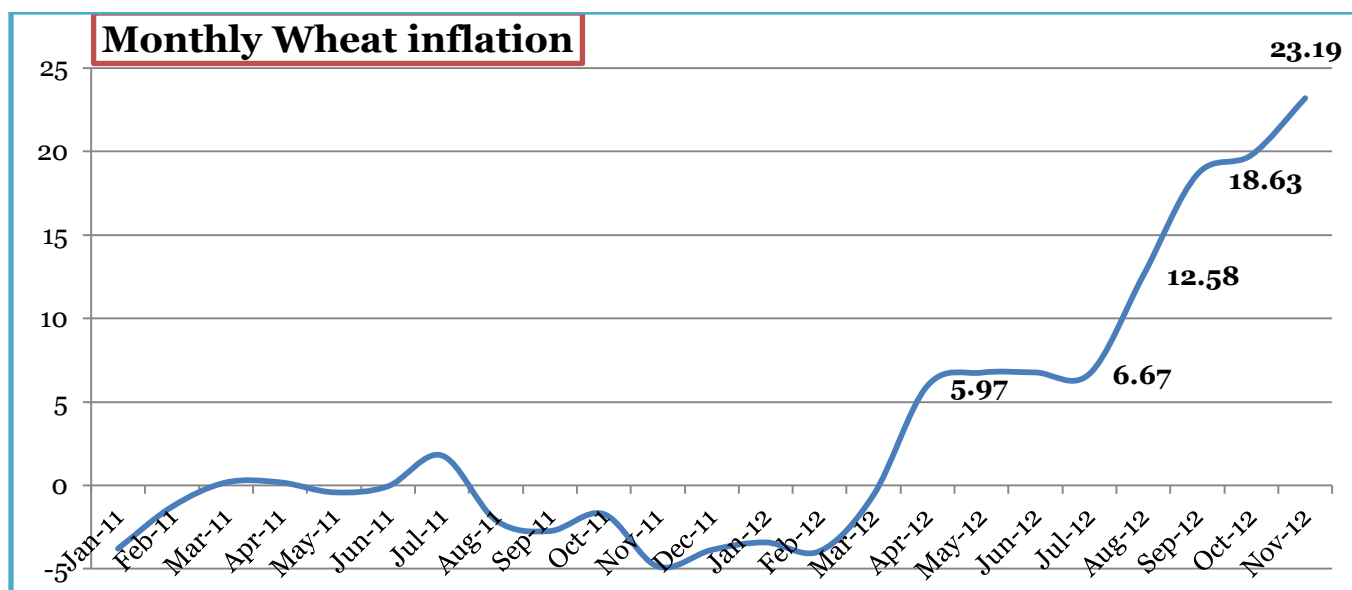




As on 1st of every Month Wheat Stocks with Government(Lakh Tonnes)						
	2007	2008	2009	2010	2011	2012
Jan	57.29	77.12	182.12	230.92	215.4	256.76
Feb	53.85	71.62	167.74	206.23	193.73	234.25
March	51	65.06	152.76	183.88	171.57	212.55
April	45.63	58.03	134.29	161.25	153.64	200.00
May	116	176.92	298.26	337.13	313.75	381.94
June	133.08	241.23	331.22	351.62	378.32	489.70
July	129.26	249.12	329.22	335.84	371.49	498.08
Aug	120.19	243.8	316.23	320.47	358.75	475.26
Sep	110.08	232.59	300.73	298.62	336.2	461.60
Oct	101.21	220.25	284.57	277.77	314.2	431.53
Nov	90.25	209.61	268.88	255.58	296.71	405.75
Dec	83.58	195.98	251.61	239.14	276.56	376.52

	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

## Wheat Inflation



	FCI Weighted Average release Price of India (Rs/Q)	All India Average Wholesale wheat prices(Rs/Q)
<b>April</b>	1270	1369.91
<b>May</b>	1266	1342.33
<b>June</b>	1244	1351.91
<b>July</b>	1187	1396.12
<b>August</b>	1460	1534.2
<b>September</b>	1489	1579.21
<b>October</b>	1477	1577.39
<b>November</b>	1579	1565.41
<b>December</b>	1601	1592.22

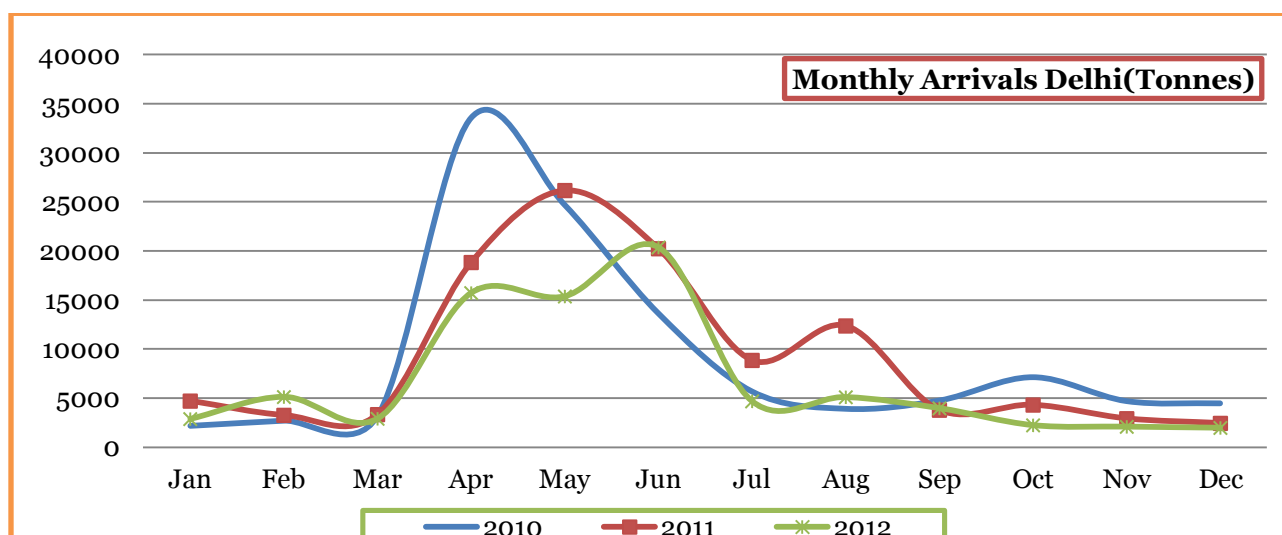
Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
<b>July</b>	1584.4	1366.2	1433.9	1431.9	1435.3
<b>August</b>	1508.8	1561.7	1578.1	1620.8	1532.5
<b>September</b>	1545.8	1573.3	1559	1596.5	1781.3
<b>October</b>	1563.8	1558	1574.6	1552.6	1807.2
<b>November</b>	1607	1605.5	1589.9	1654.7	1928.9
<b>December</b>	1576	1581	1606	1680	1928.3

Even after record production (93.9 million tonnes) in 2012, wheat prices soared to all time high as government has procured around 40% of the crop and firstly with every release under OMSS the release price was increased, which in turn resulted in increased Wholesale and retail price. Even the quantity released initially was far less than required in market and fast pace of private exports resulted in lower availability of wheat in Open market.

### Monthly Price Comparison of Spot Markets

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			31.12.2012	30.11.2012	
Delhi					
	Lawrence Road	Mill Quality	1565	1575	-10
	Nazafgarh	Mill Delivery Loose	1550	1545	5
	Narella	Mill Delivery Loose	1530	1535	-5
Gujarat	Rajkot	Mill Delivery	1675	1700	-25
	Ahmedabad	Mill Delivery	1710	1720	-10
	Surat	Mill Delivery	1725	1740	-15
M.P.	Bhopal	Lokwan	1600	1600	Unch
	Indore	Mill Delivery	1590	1700	-110
Rajasthan	Kota	Mill Delivery	1615	1580	35
	Kota	Mill Quality	1540	1485	55
U.P.	Kanpur	Mill Delivery	1545	1525	20
	Mathura	Loose Wheat	1475	1500	-25
	Kosi	Mill Delivery	1650	1650	Unch
Punjab	Khanna	Mill Quality Loose	1480	1460	20
	Ludhniana	Mill Delivery	1560	1600	-40
Haryana	Sirsa	Mill Delivery loose	1530	1535	-5
Tamil Nadu	Madurai	Mll Quality	1900	2030	-130
	Chennai	Mill Quality	1850	1980	-130

### Monthly Arrivals at Delhi (Narela and Najafgrah)



## International Market Dynamics:

IGC Wheat Balance Sheet

(Quantity in MMT)

	2007-08	2008-09	2009-10	2010-11	2011-12 estimated	Projection for 2012-13	
						25.10.2012	29.11.2012
<b>Production</b>	607	685	679	653	694	655	654
<b>Trade</b>	110	137	128	126	145	132	134
<b>Consumptions</b>	603	645	652	659	692	679	678
<b>Carryover stocks</b>	132	173	200	194	196	172	173
<b>Y-O-Y change</b>	5	41	27	-6	-6	-24	-23
<b>Major Exporters</b>	47	69	79	73	73	50	50

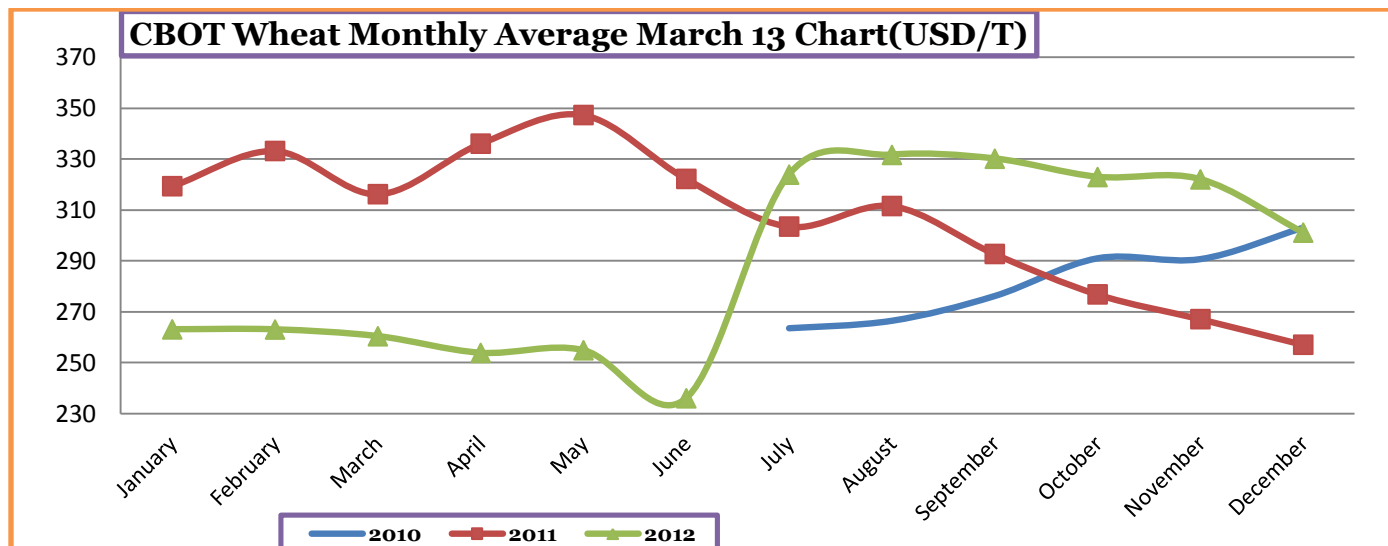
## IGC Balance Sheet Highlight

- Wheat production estimate for the year 2012-13 has been slashed from 655 million tons to 654 million tonnes as lower harvesting is expected in Australia and EU.
- Wheat trade has been raised from 132 million tons to 134 million tonnes as fresh demand had been noticed from China and Iran.
- Carry out stock too has been increased from 172 million tons to 173 million tonnes but stock shows 23 million tonnes fall year on year basis.
- Global consumption has been lowered to 678 million tons from 679 million tonnes as higher prices and lower supplies have contained demand for feed and industrial demand.
- International Grain Council (IGC) has raised the estimate for expected Wheat harvest area for 2013-14 at 223.3 million hectares as compared to 218.3 million hectares in 2012-13.

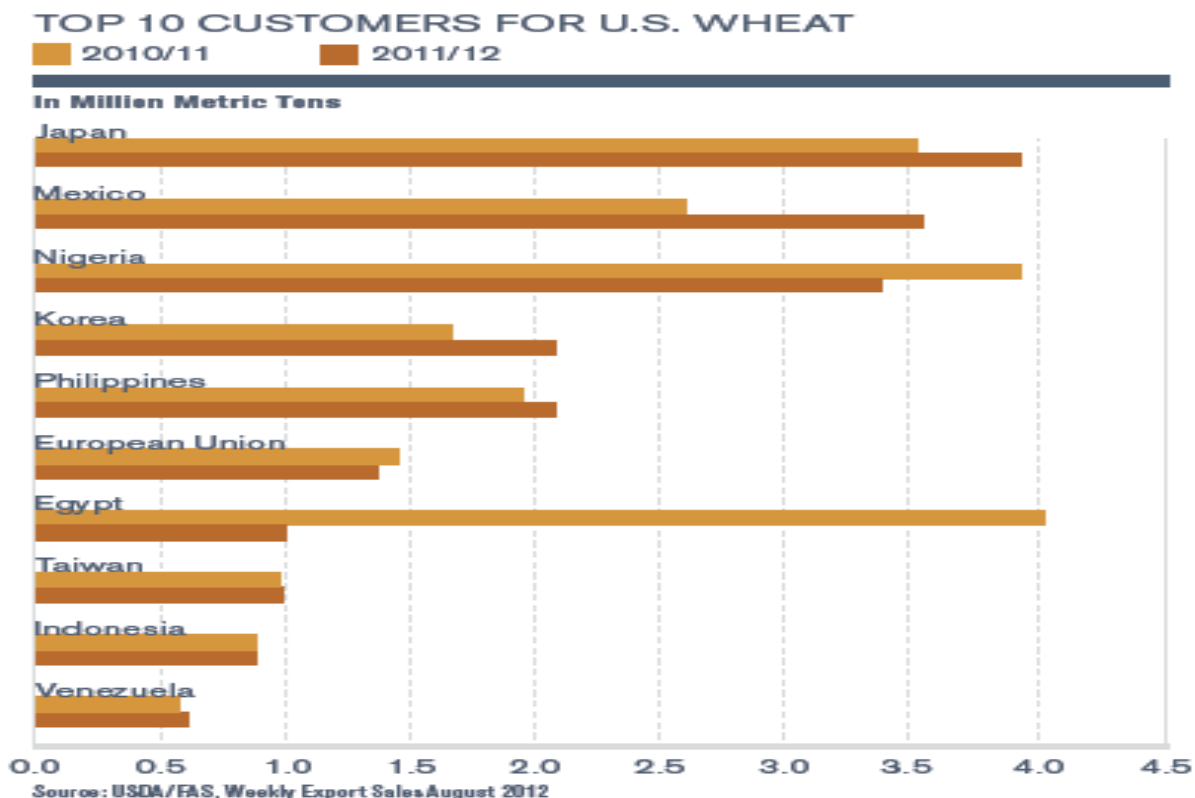
USDA Global Wheat Balance Sheet Fig.in MMT							
Country	Opening stock 2012-13	Production projected 12-13	Domestic consumption (2011-12)	Import 12-13	Export 12-13	Ending stock 11-12	Production last year
USA	20.21	61.75	36.41	3.53	28.57	20.51	54.41
Canada	5.88	27.2	8.85	0.40	19	5.62	25.28
Australia	6.97	22	6.34	0.12	17	5.75	29.92
Argentina	.762	11.50	6	.005	5.5	.76	15.5
Russia	10.89	38	34.5	1.5	10	5.89	56.23
China	55.94	120	123	3	1	55.54	117.40
EU	12.27	131.72	122	6	18	9.99	137.22
Ukraine	5.16	15.5	11.8	0.1	6	2.96	22.12
Pakistan	4.25	23.3	23.2	0.2	1	3.56	25.00
India	19.95	93.9	85.41	.01	6.5	21.95	86.87
Others	53.46	109.62	222.80	124.28	20.19	44.37	126.51
World total	195.76	655.11	680.31	139.15	132.76	176.94	696.43

CBOT March 13 Future Chart





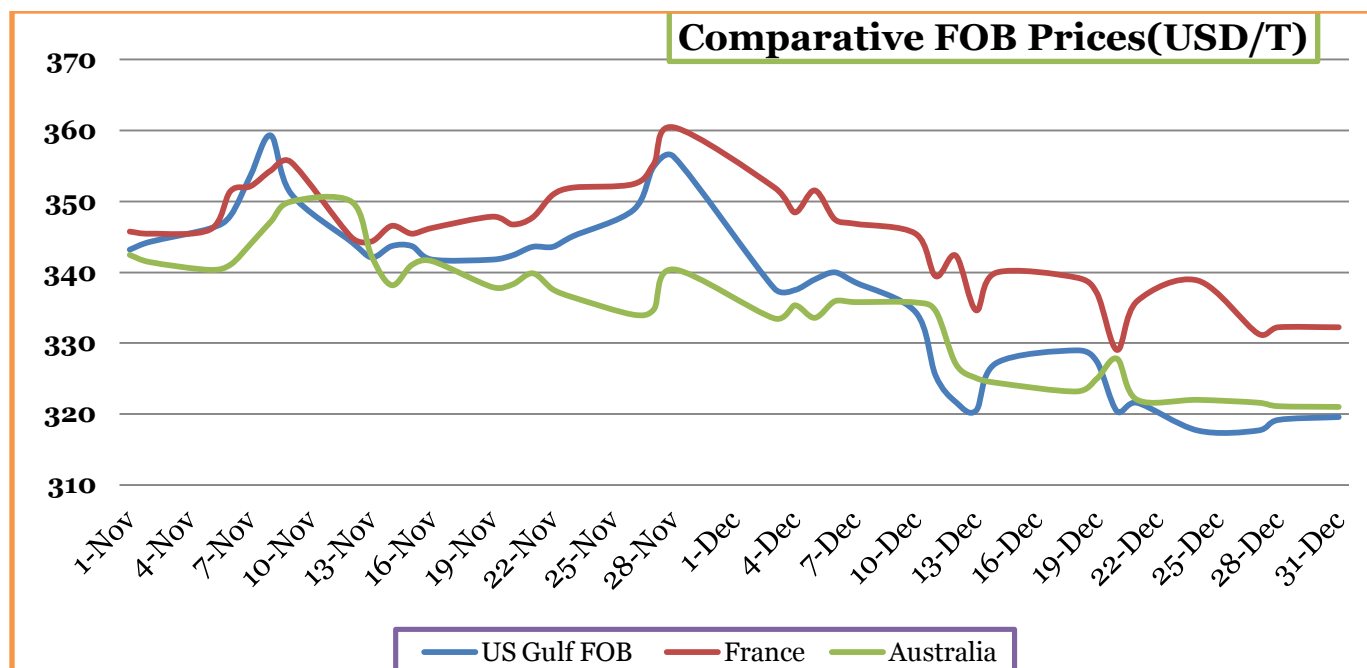
Top 5 Wheat Export Destination of Australian Wheat (Thousand Tonnes)					
	Indonesia	Vietnam	Thailand	Philippines	China
Mar-11	257.8	178.83	31.38	116.961	68.03
Apr-11	228.75	192.81	119.77	40.25	31.93
May-11	292.58	285.62	63.32	122.68	118.86
Jun-11	458.7	191.68	77.83	77.82	3.93
Jul-11	402.57	98.01	14.87	65.03	77.14
Aug-11	320.56	104.45	12.36	28.94	55.58
Sep-11	265.161	179.25	55.18	38.04	30
Oct-11	244.57	196.75	10.59	57.47	1.2
Nov-11	181.6	221.45	78.22	210.1	2.53
Dec-11	318.86	347.53	119.88	252.93	223.5
Jan-12	400.69	176.57	202.23	184.58	171.28
Feb-12	436.39	363.04	216.81	293.37	354.61



### Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1st Sept 12	1st Oct 12	1st Nov 12	1st Dec 2012
USA	338.60	351.20	343.20	337.70
France	335.60	339.10	345.70	351.90
United Kingdom	323.30	324.20	341.10	360.90
Australia	344.42	346.02	342.44	333.48
Russia	312.50	335.00	340.00	332.50
India	314.97	307.46	318.95	327.40





	Oct		Nov		Dec	
Country	Export 12-13	Ending stock 11-12	Export 12-13	Ending stock 11-12	Export 12-13	Ending stock 11-12
USA	<b>31.29</b>	17.8	<b>29.93</b>	19.15	<b>28.57</b>	20.51
Canada	<b>19</b>	5.62	<b>19</b>	5.62	<b>19</b>	5.62
Australia	<b>18</b>	4.48	<b>16.5</b>	4.64	<b>17</b>	5.75
Argentina	<b>5.5</b>	0.97	<b>5.5</b>	0.97	<b>5.5</b>	0.76
Russia	<b>9</b>	5.43	<b>10</b>	4.93	<b>10</b>	5.89
China	<b>1</b>	54.94	<b>1</b>	55.44	<b>1</b>	55.54
EU	<b>16.5</b>	9.21	<b>17.5</b>	9.22	<b>18</b>	9.99
Ukraine	<b>4</b>	4.46	<b>6</b>	2.96	<b>6</b>	2.96
Pakistan	<b>0.8</b>	2.65	<b>1</b>	3.56	<b>1</b>	3.56
India	<b>5.5</b>	22.45	<b>6</b>	22.45	<b>6.5</b>	21.95
Others	<b>20.27</b>	44.58	<b>20.25</b>	45.21	<b>20.19</b>	44.37
World total	<b>130.9</b>	173	<b>130.9</b>	174.18	<b>132.8</b>	176.94

**International Weather update: (Source-USDA)**

**Argentina-** Drier conditions prevailed throughout central Argentina, although unseasonably heavy rain lingered over southern production areas. Rainfall totaled 25 to 90 mm over central and southern Buenos Aires and nearby locations in La Pampa; in contrast, little to no rain fell from Cordoba to southern Entre Rios and northern Buenos Aires. Winter wheat was 70 percent harvested an increase of 13 points from last week but still 9 points behind last year.

**Russia and Ukraine** - Snow and somewhat milder weather eased the winterkill threat in Russia, although some additional burnback was likely early in the week. After several weeks of bitter cold, temperatures moderated to more seasonable levels. Snow depths averaged less than 5 cm in the aforementioned areas, while depths of 10 to 25 cm protected winter grains and oilseeds from northern Ukraine and southern Belarus into northern Russia.

**Australia-** Hot, mostly dry weather persisted in western and southern Australia, favoring uninterrupted winter grain harvesting. Temperatures averaged near to above normal (up to 4°C above normal), with maximum temperatures approaching 40°C in some areas. Temperatures in major summer crop producing areas were generally seasonable, with maximum temperatures in the 30s (degrees C).

**North West Africa-** Light showers moistened topsoil for vegetative winter grains. A weak cold front generated light to moderate showers (2-12 mm) from northern Morocco into northeastern Algeria, maintaining favorable moisture for wheat and barley. Showers diminished across northern Tunisia (less than 2 mm), although subsoil moisture remained adequate for winter wheat.

**DISCLAIMER**

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