

## Executive Summary

In January month domestic markets remained firm due to increase in wheat release price in U.P and strong domestic demand. On sowing front India is lagging behind marginally in comparison to the corresponding period last year and we expect area coverage to be around last year , Madhya Pradesh government has announced bonus of Rs 150/Q over central government MSP which may entice farmers to sow late variety wheat. This year wheat sowing was delayed at least by two weeks due to delayed paddy harvesting.

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 sown area has improved.

Export from India will continue but with slower pace as prices in the global wheat market has been continuously declining for the last one month. Total export in the last two months of current financial year is expected to be around 8-10 Lakh tonnes and price realization on FOB basis might be in the range of \$310 to \$325 per T due strengthening of Rupee. In current fiscal year so far from government stocks 16, 90,911 tonnes of wheat has been exported and it is likely that government might end up exporting 20-21 lakh tonnes of wheat.

International Markets may trade steady to slightly up on US Winter Wheat condition and lower yields in Argentina but India and Canada can restrict any major uptrend.

## Domestic Market Dynamics:

Domestic cash wheat market is likely to trade steady to weak on continuous supply from central pool stock. Supply from U.P has decreased due to higher base price of Rs 170/Q .Traders /millers in south India have shifted to M.P, Rajasthan as wheat at delivered basis cost cheaper from these states as compared to UP and Gujarat. Improved area coverage and favourable weather may also pressurise the prices. New crop arrivals are expected by late February in Gujarat and traders are expecting 100-125 Q of arrivals by February end.

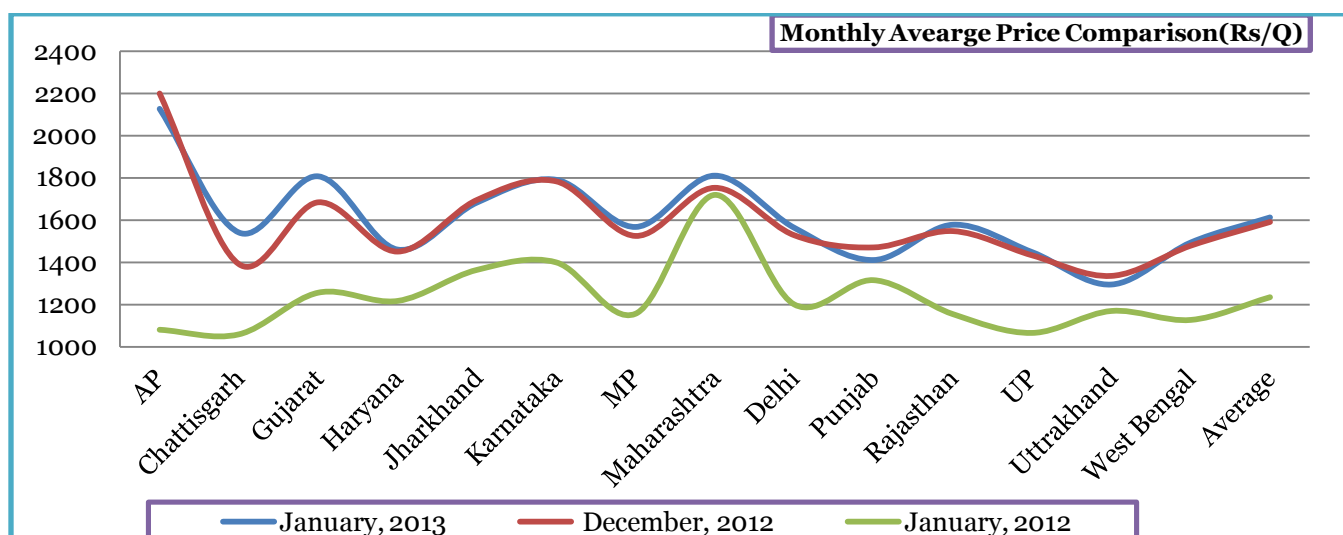
## India's Wheat Balance Sheet:

	2009-10	2010-11	2011-12	2012-13
<b>Carry in</b>	<b>13.42</b>	<b>16.12</b>	<b>21.43</b>	<b>28.83</b>
<b>Production</b>	<b>80.8</b>	<b>86.81</b>	<b>93.9</b>	<b>92.6</b>
<b>Imports</b>	0.15	0	0	0
<b>Total Availability</b>	94.37	102.93	115.33	121.03
<b>Consumption</b>	<b>78.15</b>	<b>80.5</b>	<b>82</b>	<b>83.5</b>
<b>Exports</b>	<b>0.1</b>	<b>1</b>	<b>5</b>	<b>9</b>
<b>Total Usage</b>	78.25	81.5	86.5	92.5
<b>Carry out</b>	<b>16.12</b>	<b>21.43</b>	<b>28.33</b>	<b>28.53</b>
<b>Av Monthly Consumption</b>	6.51	6.71	6.79	6.96
<b>Stock to Month Use</b>	2.48	3.19	4.24	4.10
<b>Stock to Consumption Ratio</b>	0.21	0.27	0.35	0.34

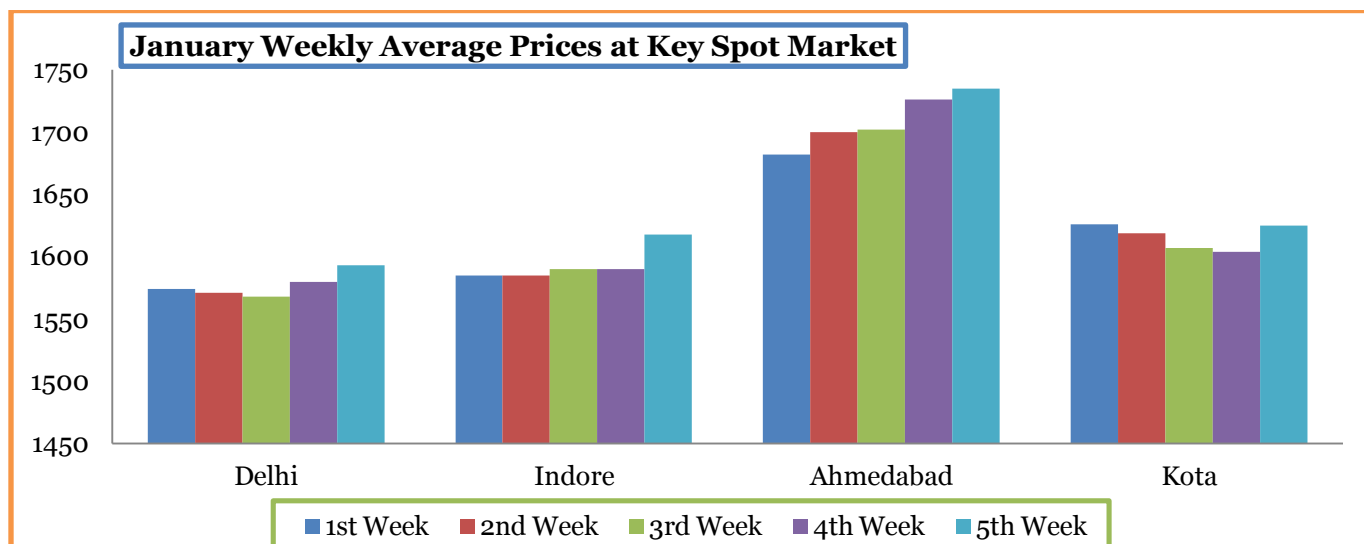
### Balance sheet highlights:

- Higher area coverage in major wheat growing states like Uttar Pradesh, M.P and Bihar indicates and lower area coverage in Gujarat, Maharashtra and Rajasthan. We expect wheat production to touch 92.6 million Tonnes given the expected fall in yield.
- India is likely to enter with hefty carryout stock of around 28.33 million Tonnes in the crop year 2012-13 and production around 92.6 million T will aggravate problem further and carry out may touch almost 28.53 million T, around five times higher than required stock on 1st April 2014. Hence, higher volume of export more than 9 million T should be targeted to maintain carryout stock at 2012-13 level.

### Monthly Average Price Comparison:

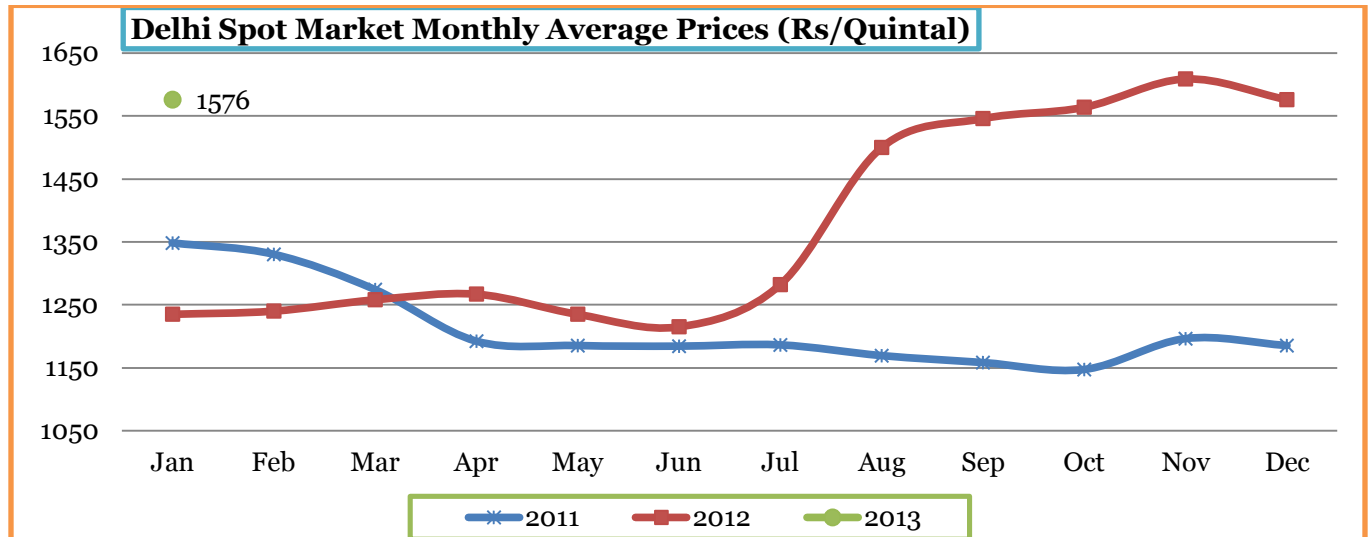


### Wheat Weekly Average Price Movement at key Spot Market:



Wheat prices in January were firm due to good demand and increase in release price by Government for U.P by Rs 170/Q to Rs 1573/Q. Prices were almost steady for first three weeks but prices rose at Kota and Indore mainly due to increased demand from U.P.

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



### Wheat Technical NCDEX Monthly:



- Future prices have fallen in this month 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 long with target of 1540 and stop loss of 1500.

Support and Resistance				
<i>S2</i>	<i>S1</i>	<i>PCP</i>	<i>R1</i>	<i>R2</i>
1450	1496	1522	1560	1580

### Sowing Status Rabi Crop 2012-2013

Weather remains favourable for wheat 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 17th January, 2013 was 80.94 BCM as against 89.08 BCM on 17.1.2012(last year) and 75.48 BCM of normal storage (average storage of the last 10 years). 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 4.01.2013	As on 18.01.2013	As on 01.02.2013
<b>U.P</b>	71.01	95.30	96.88	97.44
<b>Haryana</b>	22.74	24.95	25.10	25.12
<b>Punjab</b>	33.18	35.00	35.15	35.15
<b>Rajasthan</b>	22.81	28.20	28.27	28.27
<b>M.P</b>	43.34	49.64	51.80	52.92
<b>Gujarat</b>	5.76	9.28	10.37	10.48
<b>Bihar</b>	11.98	21.56	22.71	22.74
<b>Maharashtra</b>	3.56	5.20	5.61	5.85
<b>Others</b>	13.07	17.25	19.09	19.64
<b>All India</b>	<b>227.45</b>	<b>286.38</b>	<b>294.98</b>	<b>297.61</b>

Increased area coverage is reported in Madhya Pradesh, Uttar Pradesh and West Bengal and major fall in area coverage has been reported in Gujarat, Maharashtra and Rajasthan as compared to previous year. Late variety seed has been sown in recent times owing to increased MSP by central government and announcement of Bonus by M.P. government. Abnormal weather in January and February might affect the yield and final crop size.

### Production estimate for 2013-14 Wheat Crop:

According to feedback from Traders/farmers/analyst as of now, wheat crops seems to be around 92.6 million tonnes as compared to 93.9 million tonnes last year.

Production is expected to fall as area sown has fallen owing to decrease in sown area in Maharashtra and Gujarat. However production is expected to fall due stressed weather Condition before 10 Jan 2013 and Abnormal Weather (Extreme cold in first week of Jan) hampered tillering of Wheat in Northern MP and Western Rajasthan. Production may fall further if temperature in Feb end rises above 15 degree C, when Wheat crop is flowering and filling stage. Delay in Sowing of Wheat is likely to affect normal yield at least by 1% despite normal weather ahead.

	<b>2011-12</b>			<b>2012-13*E</b>		
	<b>Area</b>	<b>Production</b>	<b>Yield</b>	<b>Area</b>	<b>Production</b>	<b>Yield</b>
Assam	0.49	0.59	1.20	0.42	0.50	1.19
Bihar	22.83	47.87	2.10	22.74	47.20	2.08
Chattisgarh	1.62	1.28	0.79	1.62	1.27	0.78
Gujarat	13.06	41	3.14	10.48	32.57	3.11
Haryana	25.22	126.84	5.03	25.12	125.07	4.98
Himachal Pradesh	3.58	5.95	1.66	3.59	5.91	1.64
Jammu and Kashmir	2.2	4.06	1.85	2.45	4.48	1.83
Jharkhand	1.71	3.35	1.96	1.6	3.10	1.94
Karnataka	2.04	1.94	0.95	2.27	2.14	0.94
Madhya Pradesh	49.75	105.8	2.13	52.92	111.42	2.10
Maharashtra	8.37	13.13	1.57	5.85	9.09	1.55
Punjab	35.2	172.06	4.89	35.15	170.10	4.84
Rajasthan	29.35	93.19	3.18	28.27	88.86	3.14
Uttar Pradesh	95.31	302.92	3.18	97.44	306.59	3.14
Uttarakhand	3.82	8.74	2.29	3.66	8.29	2.26
West Bengal	3.55	8.84	2.49	3.6	8.87	2.46
others	0.48	1.44	3.00	0.44	1.31	2.97
	<b>298.58</b>	<b>939</b>	<b>3.14</b>	<b>297.62</b>	<b>926.77</b>	<b>3.18</b>

**\*Estimate**

## Reservoir Status:

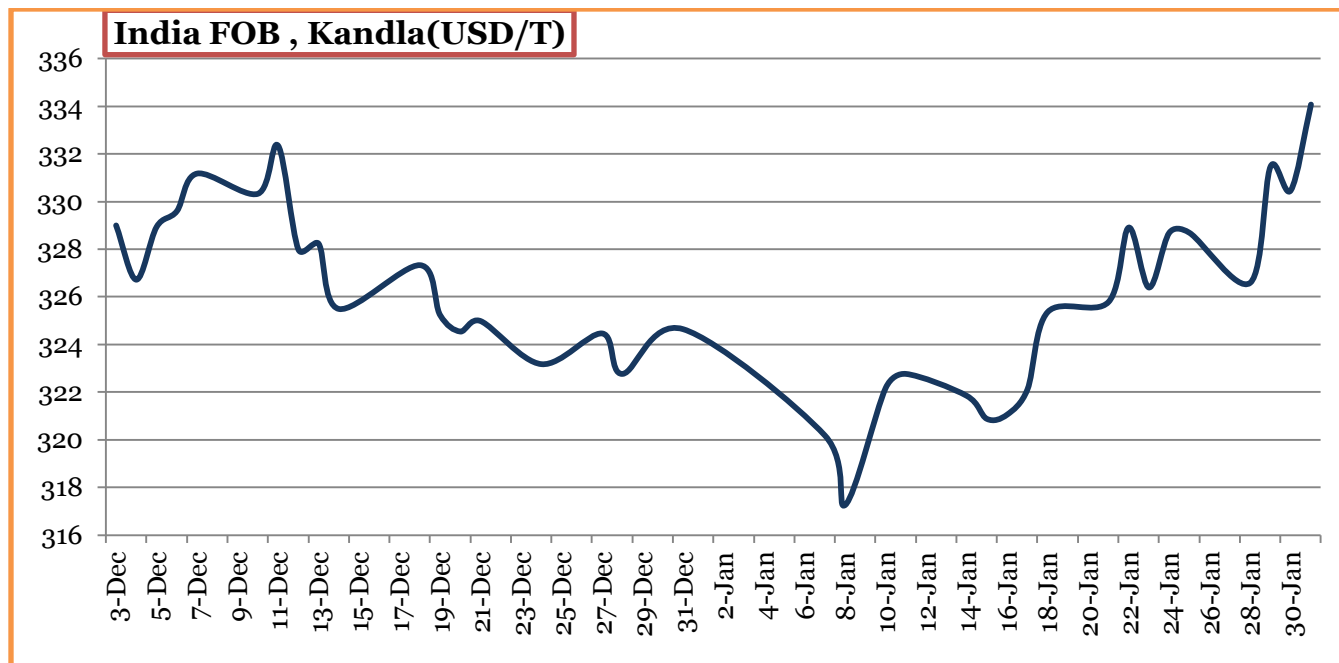
- The Central Water Commission monitors the live storage of 84 important/major reservoirs, having capacity at Full Reservoir Level (FRL) of 154.42 billion cubic meters (BCM), which is about 73% of total reservoir capacity in the country.
- Water stock in 84 major reservoirs decreased to 80.94 BCM from the previous week's level of 85.04 BCM. Current storage is less than the last year's position of 89.08 BCM and lower than the average of last 10 year's storage of 75.48 BCM.
- There were 48 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, 14 reservoir having storage 30% or below of Normal Storage and 4 reservoir namely Kabini (Karnatka), Badar (Gujarat), Harangi( Karnatka)and Bhima(Maharashtra) having no live storage, .

*Table for 84 reservoirs of the Country in the month of January*

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 (3 <sup>th</sup> Week)	<b>52</b>	<b>91</b>	<b>107</b>
Last Week(2 <sup>nd</sup> Week)	<b>55</b>	<b>92</b>	<b>108</b>
The percentage to live capacity at FRL was 58% on 17/01/2012, 66% on 17/01/2011, 48% on 14/1/2010 and 49% on 14/01 /2009.			
* Live storage as % to Full Reservoir Level (FRL) of 154.42 Billion Cub. Mts.(BCM)			

## Wheat Exports from India

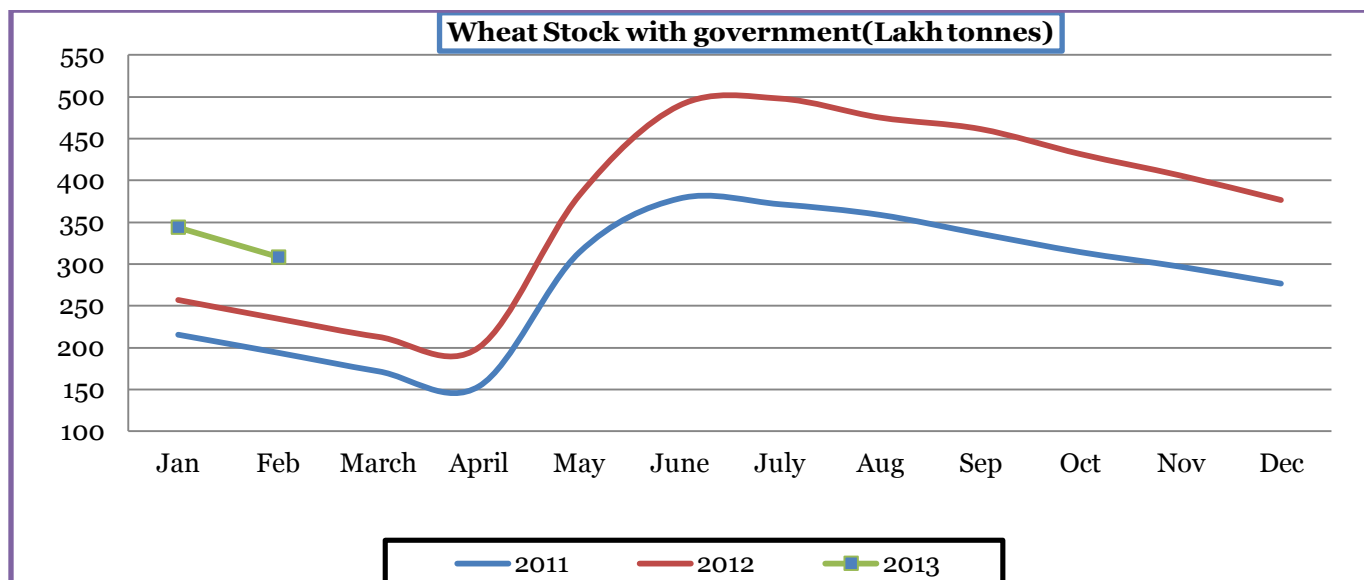
	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
<b>Sept 11- Mar 12</b>	<b>7.68</b>	<b>232.12</b>	<b>237.46</b>
<b>Apr-12</b>	1.18	236.89	235.13
<b>May-12</b>	2.57	252.15	236.73
<b>Jun-12</b>	3.45	256.64	245.82
<b>Jul-12</b>	3.35	296.12	318.27
<b>Aug-12</b>	3.95	310.07	328.89
<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>Jan-13</b>	3.59	325.04	282.26
<b>Total for 2012-13</b>	<b>36.07</b>		



IGC has increased the global exports to 137 million tonnes from 134 million tonnes as it is estimated that India and Canada are expected to make up for the lower exports by major exporters. It is likely that India can export around 5 million tonnes of Wheat this year. Bangladesh, Malaysia, Indonesia and Gulf Countries are major importer of Indian wheat.

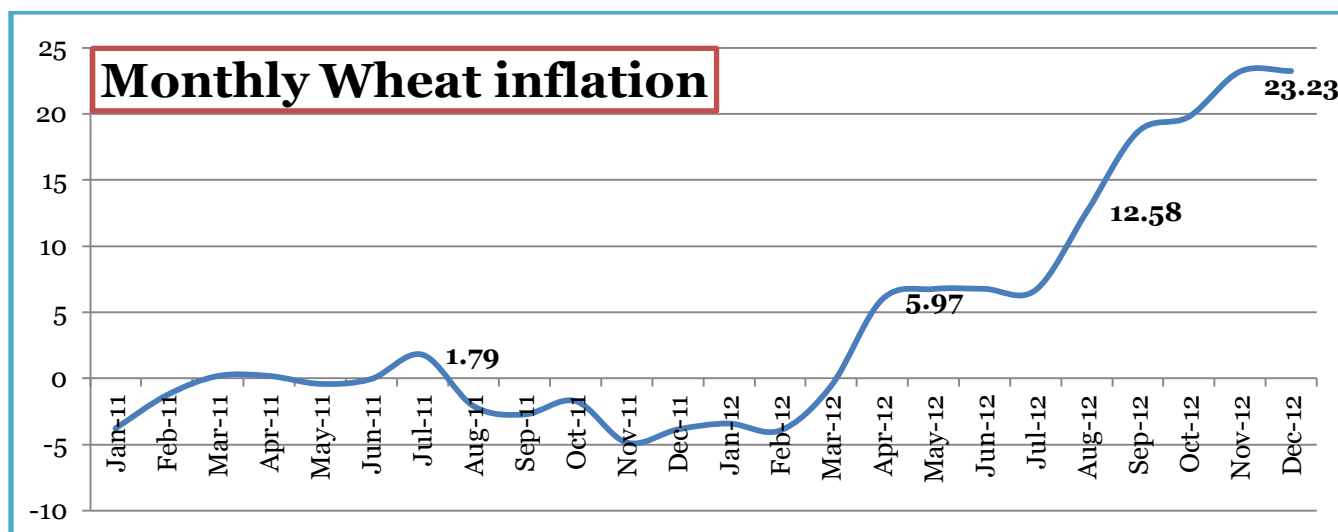
India's FOB has been rising since second week of January mainly due to export of wheat which is bought by traders through government tenders and Strengthening of Indian Rupee against the US Dollar.

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



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

## Wheat Inflation



Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
<b>July</b>	1584.40	1366.20	1433.90	1431.90	1435.30
<b>August</b>	1508.80	1561.70	1578.10	1620.80	1532.50
<b>September</b>	1545.80	1573.30	1559.00	1596.50	1781.30
<b>October</b>	1563.80	1558.00	1574.60	1552.60	1807.20
<b>November</b>	1607.00	1605.50	1589.90	1654.70	1928.90
<b>December</b>	1576.00	1581.00	1606.00	1680.00	1928.30
<b>January 2013</b>	1577.00	1593.15	1615.66	1655.20	1896.45

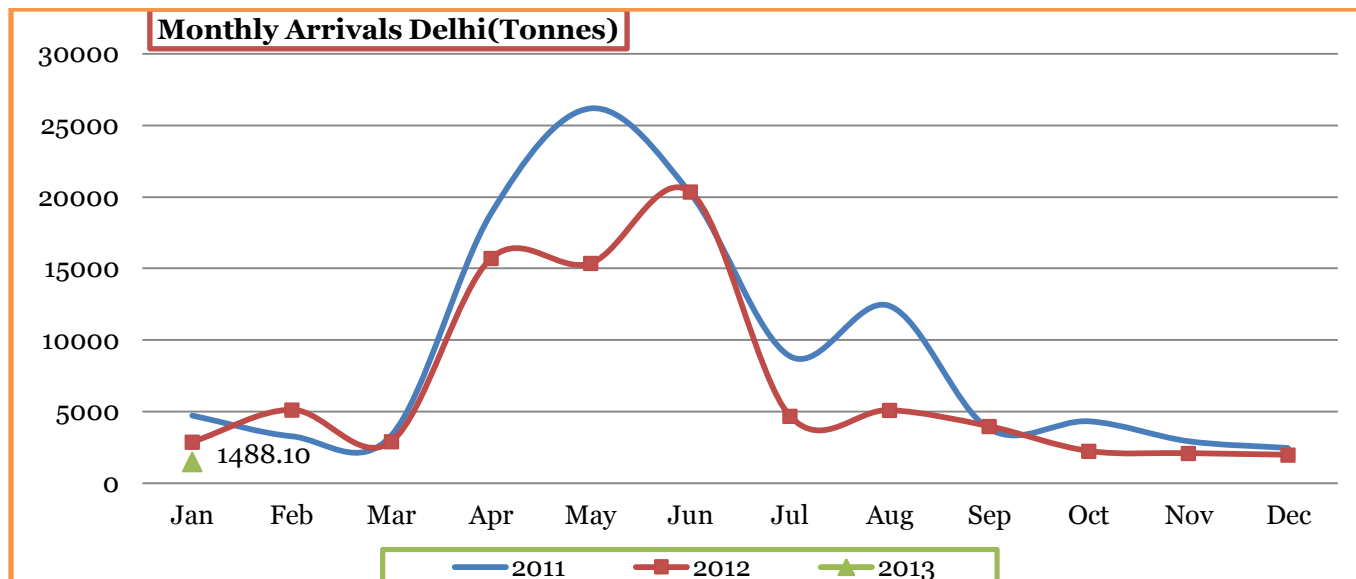
Inflation Increased marginally to 23.23% in January 2013 from 23.19% in December 2012, Even after record production (93.9 million tonnes) in 2012, wheat prices soared to all time high as government has procured around 40% of the crop and firstly with every release under OMSS the release price was increased, which in turn resulted in increased Wholesale and retail price.



### Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			1/1/2013	1/2/2013	
Delhi					
	Lawrence Road	Mill Delivery	1570	1595	25
	Nazafgarh	Mill Quality Loose	1550	1575	25
	Narella	Mill Quality Loose	1530	1550	20
Gujarat	Rajkot	Mill Delivery	1680	1700	20
	Ahmedabad	Mill Delivery	1710	1725	15
	Surat	Mill Delivery	1725	1770	45
M.P.	Bhopal	Lokwan	1600	1650	50
	Indore	Mill Delivery	1590	1625	35
Rajasthan	Kota	Mill Quality	1545	1560	15
	Kota	Mill Delivery	1630	1640	10
U.P.	Kanpur	Mill Delivery	1555	1560	5
	Mathura	Mill Quality Loose	1480	1525	45
	Kosi	Mill Delivery	1650	1700	50
Punjab	Khanna	Mill Quality Loose	1475	1500	25
	(Ludhiana)Jagraon	Mill Delivery	1560	1560	Unch
Haryana	Sirsa	Mill Delivery loose	1530	1520	-10
	Hodal	Mill Delivery	1580	1580	Unch
Tamil Nadu	Chennai	Mill Quality	1960	1850	-110
	Madurai	Mill Quality	2010	1900	-110
	Coimbatore	Mill Quality	2010	1900	-110
Chattisgarh	Raipur	Mill Quality	1540	1550	10
Bihar	Begusarai	Mill Quality	1430	1455	25

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



**Domestic Outlook:** Market is expected to remain Steady with weak basis as plenty of wheat is available with government and government may reduce prices to offload stocks to make way for new crop.

## International Market Dynamics:

International market remained firm in January due to revived demand and concern over current US winter wheat situation. The crop condition has deteriorated in January as weather condition failed to improve, which had been supporting market. Ukraine's 90% of Wheat crop is termed as good which might restrict an uptrend along with Indian and Canadian presence in international wheat market.

CBOT Wheat March 13 contract was firm in the month under review, March 13 contract traded USD 277.48/T in beginning of the month and touched USD 290.71/T but it couldn't sustain and closed at USD 286.39/T at the end of the month due to sporadic rains and technical selling.

According to the latest estimate by IGC, World production was increased by 2 million tonnes to 656 million tonnes from previous estimate of 654 million tonnes due to improved crop in Australia, Canada, China and EU but situation in US has not improved much. World production is still 40 million tonnes lower than previous year.

IGC Wheat Balance Sheet

(Quantity in MMT)

	2007-08	2008-09	2009-10	2010-11	2011-12 estimated	Projection for 2012-13	
						29.11.2012	17.01.2013
<b>Production</b>	607	685	679	653	696	654	656
<b>Trade</b>	110	137	128	126	145	134	137
<b>Consumptions</b>	603	645	652	659	693	678	678
<b>Carryover stocks</b>	132	173	200	194	196	173	174
<b>Y-O-Y change</b>	5	41	27	-6	-6	-23	-22
<b>Major Exporters</b>	47	69	79	73	70	50	51

## IGC Balance Sheet Highlight

- Wheat production estimate for the year 2012-13 has been increased from 654 million tons to 656 million tonnes as improved crop condition in Australia, Canada, China and EU
- Wheat trade has been raised from 134 million tons to 137 million tonnes as fresh demand had been noticed from China and Iran.
- Carry out stock too has been increased from 173 million tons to 172 million tonnes but stock shows 22 million tonnes fall year on year basis.
- Global consumption remains unchanged at 678 million tonnes but 15 million tonnes lower year on year basis due to increase in prices.
- 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.

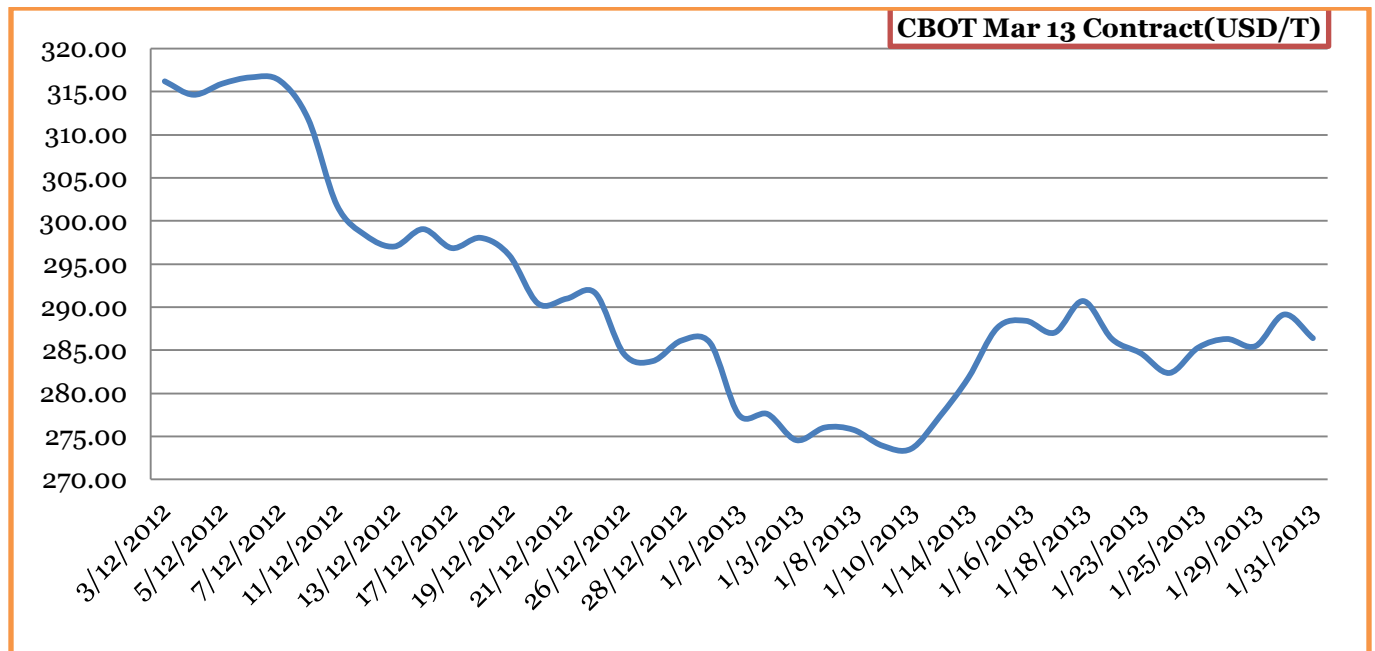
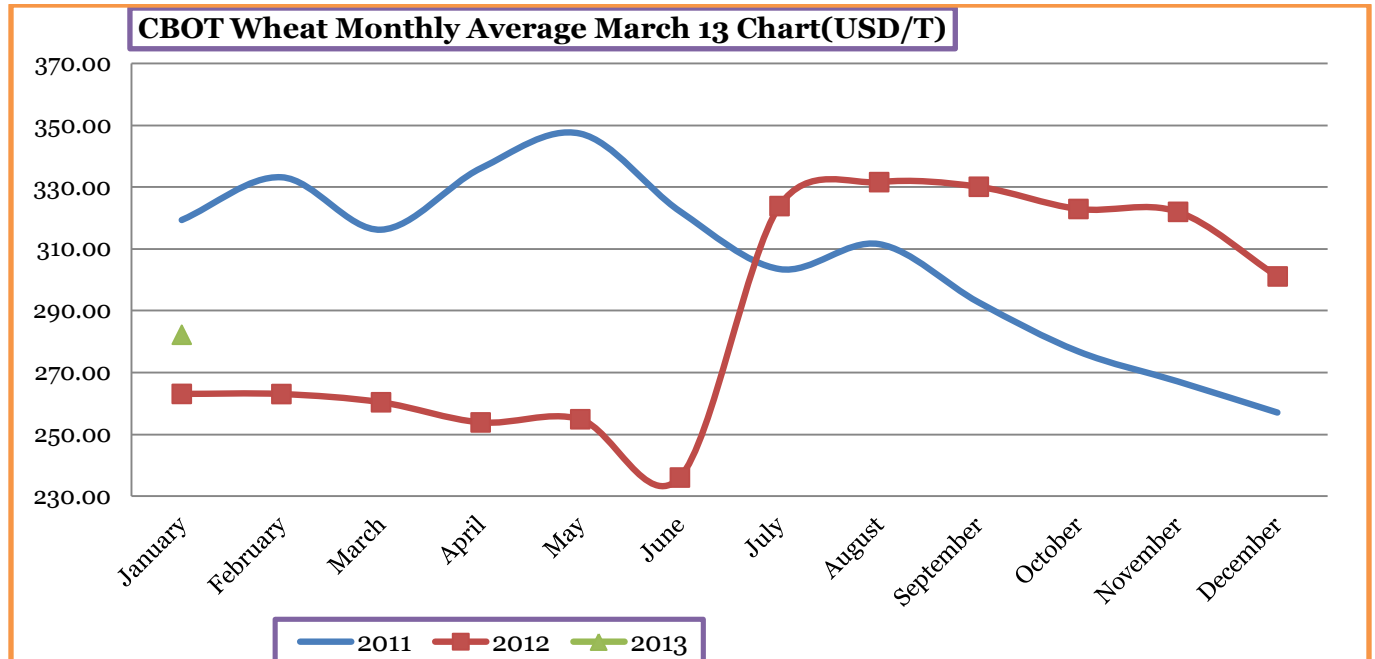
Country	Opening stock 2012-13	Production projected 12-13	Domestic consumption (2011-12)	Import 12-13	Export 12-13	Ending stock 11-12	Production last year
USA	20.11	61.75	37.42	3.53	28.57	19.49	54.41
Canada	5.88	27.2	8.85	0.40	18.5	6.12	25.28
Australia	6.97	22	6.34	0.12	16.5	6.25	29.92
Argentina	.762	11	6	.005	5	.76	15.5
Russia	10.89	37.70	34	1.5	10.5	5.59	56.23
China	55.94	120.6	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	2.76	22.12
Pakistan	4.25	23.3	23.2	0.2	1	3.55	25.00
India	19.95	93.9	85.41	.01	6.5	21.95	86.87
Others	53.46	109.62	222.80	124.48	20.19	44.57	126.51
<b>World total</b>	<b>197.76</b>	<b>654.31</b>	<b>680.83</b>	<b>139.35</b>	<b>131.96</b>	<b>176.64</b>	<b>696.42</b>

- USDA has decreased the world export to 131.96 million tonnes from previous estimate of 132.76 million tonnes as Argentina is expected to export less due to poor yield.
- World Production has been reduced to 654.31 million tonnes from 655.11 million tonnes.

### CBOT March 13 Future Chart



- USD 7.60/Bushel is 1<sup>st</sup> Support and if price breaches this level 2<sup>nd</sup> level will be USD 7.4/Bushel Support and USD 8.00/Bushel is Resistance.



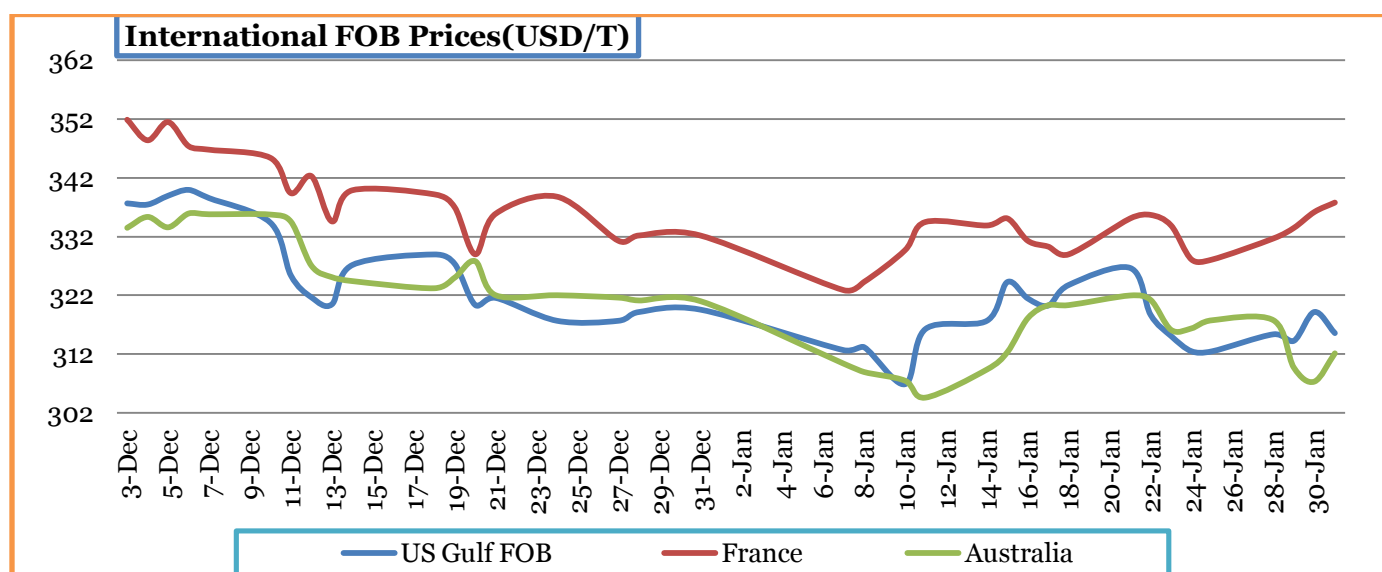
CBOT March 13 contract traded firm due to Egypt's purchase of 60,000 MT of US Soft Wheat and persistent drought in US plains. If weather condition improves in US plains it may pressurize the market.

### CBOT comparison over period of time:

CBOT Futures Prices: Date: 01.02.12(USD/T)							
CONTRACT MONTH	01 Feb 2013	Week ago (25 Jan 13)	1 Month ago(2 Jan 13)	3 Month ago(1 Nov 12)	6 Month ago(1 Aug )	1 Year ago(1 Feb 12)	% Change over previous year
Mar-13	281.06	285.36	277.48	324.51	330.20	271.78	3.41
May-13	284.09	288.32	281.43	327.08	323.59	276.01	2.93
July-13	285.93	286.02	284.00	322.30	309.81	277.20	3.15
Sept-13	289.97	292.91	289.24	325.33	309.53	278.95	3.95
Dec-13	295.39	297.96	294.38	327.63	312.29	282.35	4.62
Mar-14	299.89	302.37	298.79	329.47	314.04	284.74	5.32

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

All prices are for SRW /milling grade, comparable to Indian quality	1st Oct 12	1st Nov 12	1st Dec 2012	1st Jan 2013
USA	351.20	343.20	337.70	312.70
France	339.10	345.70	351.90	322.90
United Kingdom	324.20	341.10	360.90	329.70
Australia	346.02	342.44	333.48	318.32
Russia	335.00	340.00	332.50	NA
India	307.46	318.95	327.40	327.33



USA and Australian FOB has fallen as demand for their wheat has fallen however French wheat has been bought by North African countries.

**International Outlook:** International Spot and Futures Market is expected to trade Steady to slightly up in month ahead as fresh purchases are expected and lower than expected crop in Australia, Argentina and USA.

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