

Executive Summary

Wheat production (crop year 2012-13) in India is bound to decline to 88.17 million Tonnes due to lower grain size and yield in comparison to last year's bumper crop (94.88 million T) in ideal condition. Farmer's and market feedback hints 8 to 9 percent decline in overall production. However, it is still higher than govt.'s set target of 86 million T for 2012-13. The impact of lower production is clearly visible on procurement drive. Government had set the procurement target at 44 million tonnes at the time of sowing having expectation of bumper crop once again. However, procurement target has been revised down twice during last seven-eight months from 44 to 38 and then 33 million T and now 30 million tonnes. Agriwatch considers the revised target still higher and is unlikely to be met based on the slow pace of procurement and difference between MSP and local market price. Prices of wheat in the local market are ruling in the range of Rs 1480-1580/Q against the MSP of Rs 1350/Q.

Situation for India at export front too is not favourable and it is very difficult to attract buyers for Indian wheat as black sea region and US are offering cheaper wheat with assured quality and delivery time. USA is offering wheat at \$280 per T (FOB basis) for July delivery, Russia offers \$275/280 per T for same month. Against it India is unable to offer below \$ 300 per T on FOB basis. The difference of \$25/30 per T will not allow India to continue smooth export business in the months ahead. Situation turns in favour of India in case prices in domestic market decline (unlikely) or global wheat market firms or Indian currency continues to decline. International outlook in the short and medium term looks bearish and it will continue to minimize export opportunity for Indian exporters during next two –three months.

Domestic Market Dynamics:

Domestic cash wheat market traded firm in May on buoyant demand from Millers and Traders. However weak buying was witnessed at the end of the month in Madhya Pradesh and Rajasthan. Prices will depend on government OMSS quantity and pricing policies. Prices are expected to consolidate at these levels and any major uptrend is unlikely. Government OMSS(D) policy will determine the price direction in the months ahead.

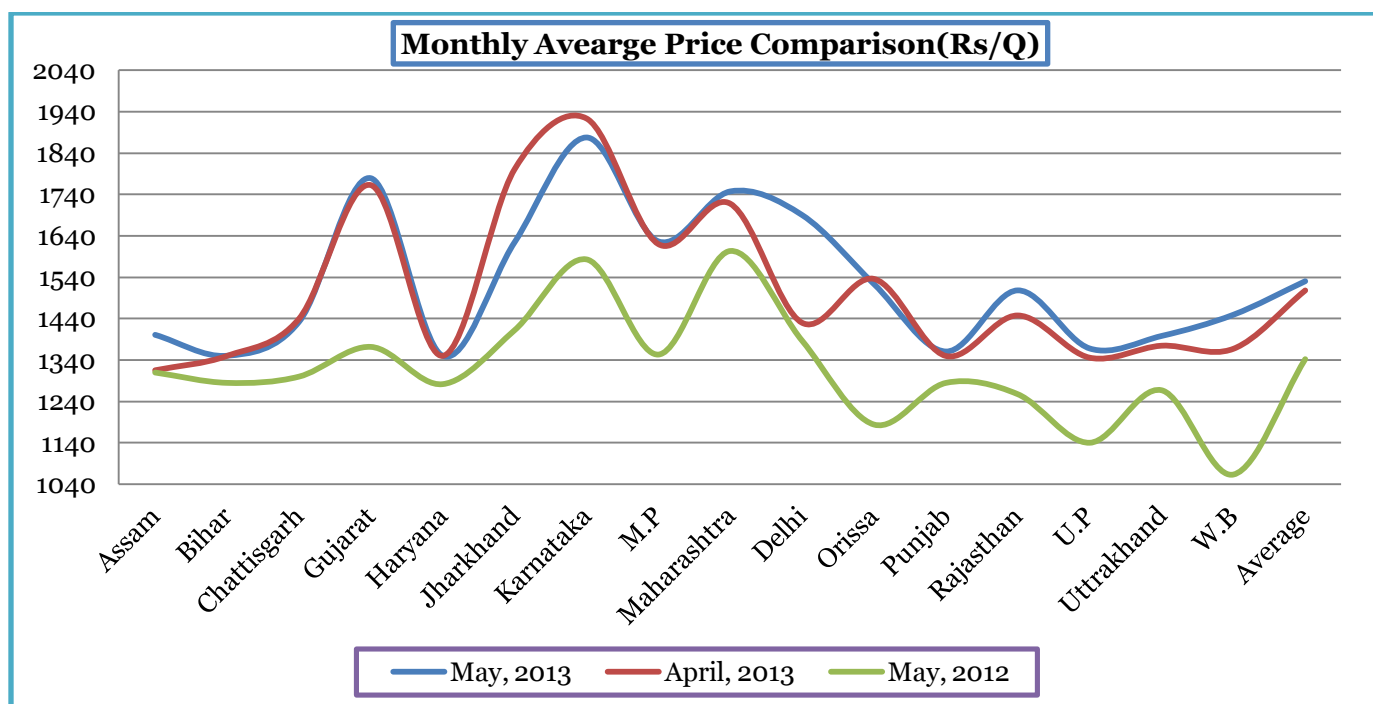
India's Wheat Balance Sheet:

	2010-11	2011-12	2012-13	2013-14*
Carry in	13.42	16.12	20.93	26.03
Production	80.8	86.81	94.8	88.17
Imports	0.15	0	0	0
Total Availability	94.37	102.93	115.73	114.20
Consumption	78.15	81	84	85.5
Exports	0.1	1	5.7	7
Total Usage	78.25	82	89.7	92.5
Carry out	16.12	20.93	26.03	21.70
Av Monthly Consumption	6.51	6.75	7.00	7.13
Stock to Month Use	2.48	3.10	3.72	3.05
Stock to Consumption Ratio	0.21	0.26	0.31	0.25

Balance sheet highlights:

- Agriwatch expects 88.17 MMT wheat productions this year which is lower than last year. Lower production estimate is based on slightly lower acreage and lower yield in major producing states like Punjab, Haryana, Rajasthan and U.P. The new season has started with hefty stock of 26.03 million T, including private stock of around 1 to 1.5 million T.
- Previous season ended up with around 5.7 million tonnes wheat export and we expect around 7 million T, which is lower than previous estimate of 9 million tonnes as improved crop situation in Black sea region and falling FOB globally are likely to reduce Indian export.
- Wheat consumption is likely to increase by 1.5 million T this year and the increasing trend will continue with population growth and fast growing bakery industries. Total usage including export is expected to increase from 89.7 million T to 92.5 million T in this season.
- Higher consumption including export and lower production may drag carry out to 21.70 million T. Due to higher carry in supply side will remain comfortable throughout the year. However, on price front in domestic market govt's strategy to sell and allocate will remain crucial to direct price.

Monthly Average Price Comparison:



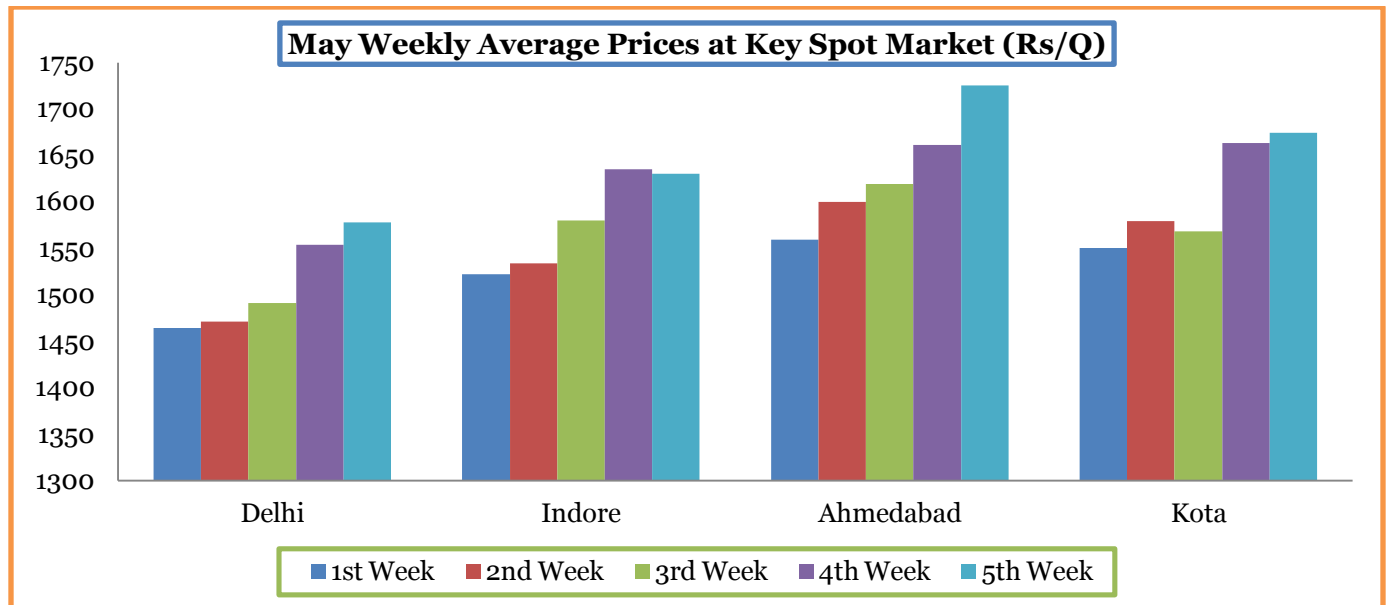
Wheat Production estimate 2012-13 crop:

	2011-12			2012-13*Expected crop based on previous year yield as on 04.03.2013			Revised Yield & Production 02.05.2013		2012-13 Estimate based on 5 year avg. yield as on 29.05.2013	
	Area	Production	Yield	Area	Production	Yield	Yield	Production	5 yr Avg. yield	Prod on 5 yr avg. yield
Uttar Pradesh	95.31	302.93	3.18	97.53	309.99	3.18	3.02	294.49	2.97	289.66
Madhya Pradesh	49.75	115.38	2.32	53.00	122.92	2.32	2.18	115.54	1.84	97.52
Punjab	35.2	172.8	4.91	35.15	172.55	4.91	4.42	155.30	4.57	160.64
Rajasthan	29.35	93.19	3.18	28.20	89.54	3.18	3.02	85.06	3.02	85.16
Haryana	25.22	126.85	5.03	25.12	126.35	5.03	4.28	107.39	4.48	112.54
Bihar	22.91	47.25	2.06	23.18	47.81	2.06	2.04	47.33	2.06	47.75
Gujarat	13.06	40.72	3.12	10.48	32.68	3.12	2.93	30.72	2.85	29.87
Other States	8.92	14.36	1.61	6.36	10.24	1.61	1.59	10.14	0.44	2.80
Uttarakhand	3.69	8.78	2.38	3.69	8.78	2.38	2.36	8.69	2.17	8.01
Himachal Pradesh	3.58	5.95	1.66	3.59	5.97	1.66	1.65	5.91	1.40	5.03
West Bengal	3.55	8.72	2.46	3.60	8.84	2.46	2.43	8.75	2.66	9.58
J&K	2.2	5	2.27	2.45	5.57	2.27	2.25	5.51	1.49	3.65
Karnataka	2.04	1.93	0.95	2.27	2.15	0.95	0.94	2.13	0.94	2.13
Jharkhand	1.71	3.02	1.77	1.64	2.90	1.77	1.75	2.87	1.68	2.76
Chhattisgarh	1.63	1.33	0.82	1.70	1.39	0.82	0.81	1.37	1.10	1.87
Assam	0.49	0.603	1.23	0.42	0.52	1.23	1.22	0.51	1.15	0.48
	298.61	948.813	3.18	298.38	948.17	3.18	3.019	881.71	2.18	859.43

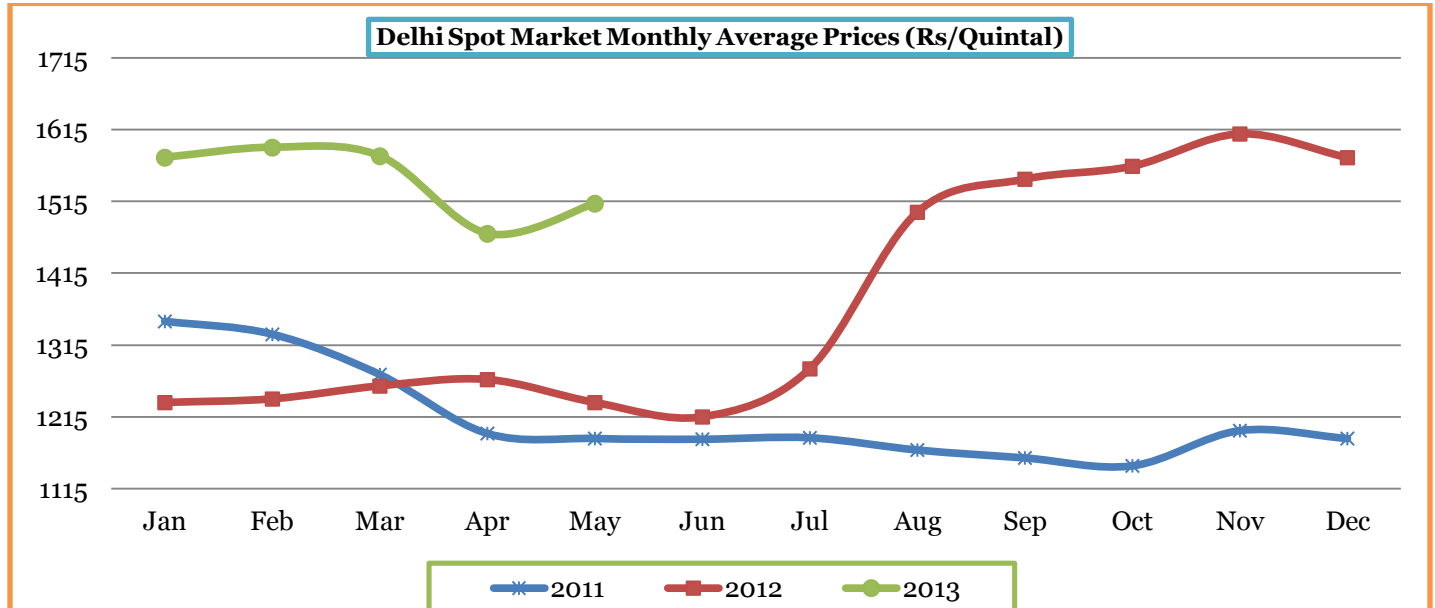
Note: Area in Lakh Hectares, Production in lakh tonnes, Yield in Tonnes/Hectares. Area is as per Ministry data and previous year production figures as per IndiaagriStat

Area sown has declined marginally overall this year however major fall is witnessed in Gujarat and Maharashtra. AgriWatch estimates wheat production for this year at 88.17 million tonnes as compared to last year's 94.88 million tonnes due to fall in yield in key producing region. Production for this year based on last five year average yield is expected at 85.94 million tonnes. Hence market rumors of 80-82 million tonnes production seems very unlikely.

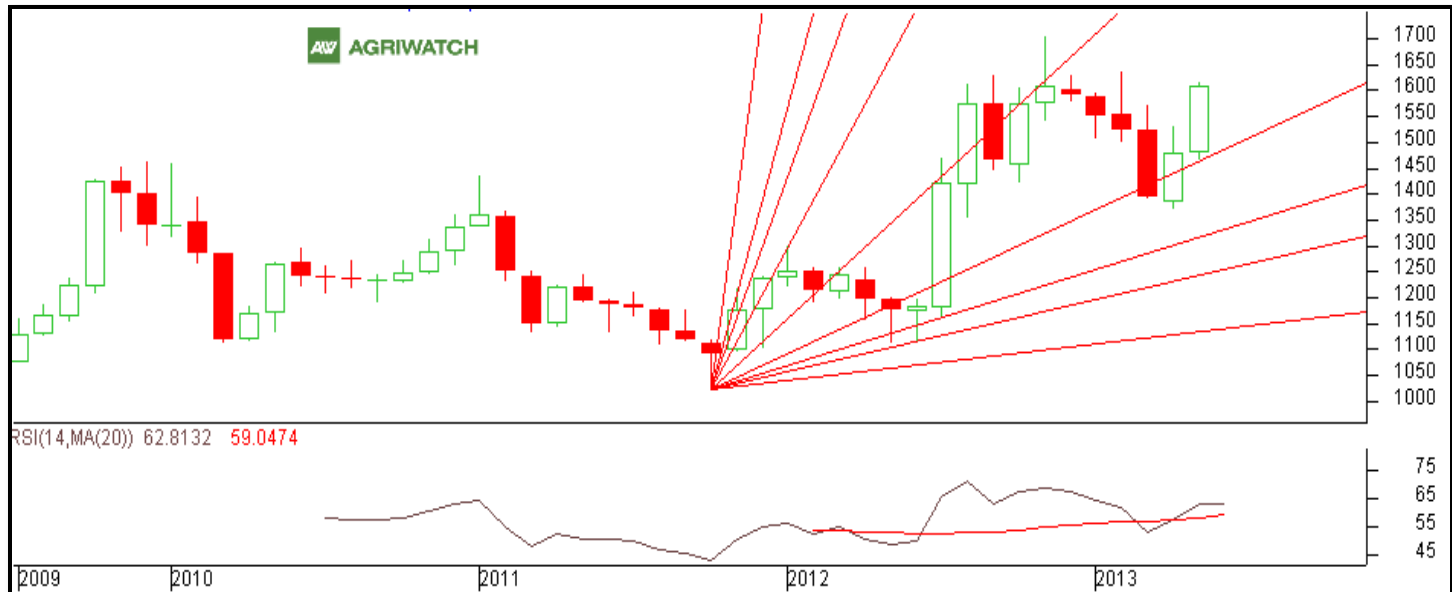
Wheat Weekly Average Price Movement at key Spot Market:



Wheat Average Monthly Prices movement during last three years



Wheat Technical NCDEX Monthly:



- Future prices traded firm owing to supportive demand and lower production.

Support and Resistance				
<i>S2</i>	<i>S1</i>	<i>PCP</i>	<i>R1</i>	<i>R2</i>
1571	1583	1608	1640	1667

Reservoir Status:

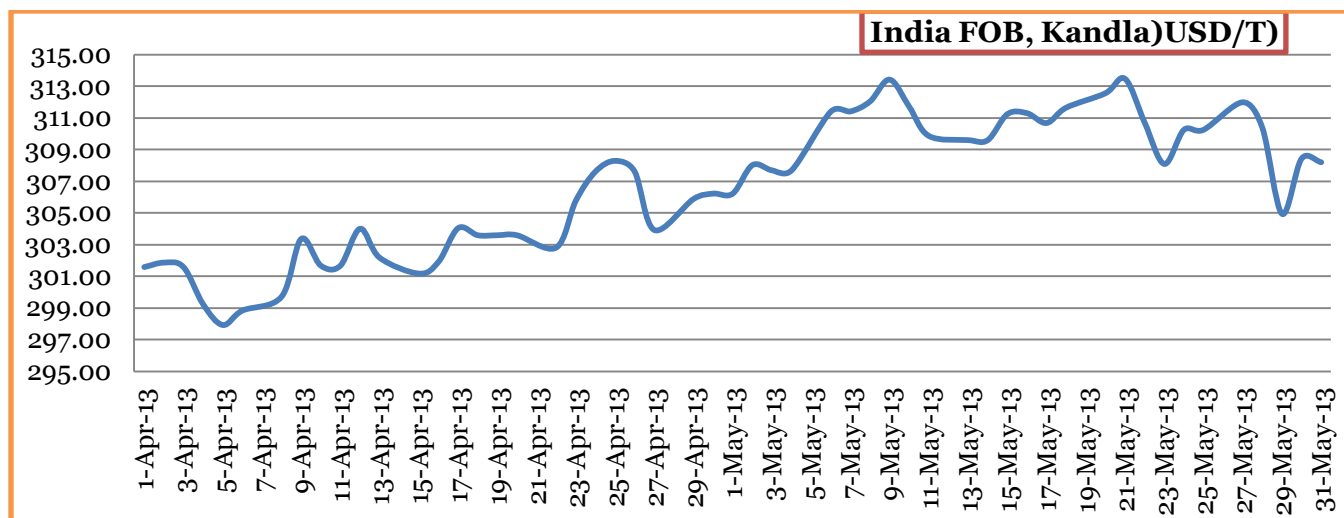
- The Central Water Commission monitors the live storage of 85 important/major reservoirs, having capacity at Full Reservoir Level (FRL) of 154.88 billion cubic meters (BCM), which is about 73% of total reservoir capacity in the country.
- Water stock in 85 major reservoirs decreased to 33.36 BCM from the previous week's level of 36.05 BCM. Current storage is less than the last year's position of 33.57 BCM and higher than the average of last 10 year's storage of 27.85 BCM.
- There were 50 reservoirs having storage more than 80%, 10 reservoirs having storage between 50% to 80% of Normal Storage, 9 reservoir having storage between 30% to 50% of Normal storage, 16 reservoir having storage 30% or below of Normal Storage and 8 reservoir have no live storage.

Table for 84 reservoirs of the Country in the month of February

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 th Week)	22	99	120
Last Week(2 nd Week)	23	101	123
The percentage to live capacity at FRL was 22% on 22/05/2012, 42% on 21/03/2011, 26% on 22/5/2010 and 16% on 20/05 /2009.			
* Live storage as % to Full Reservoir Level (FRL) of 154.88 Billion Cub. Mts.(BCM)			

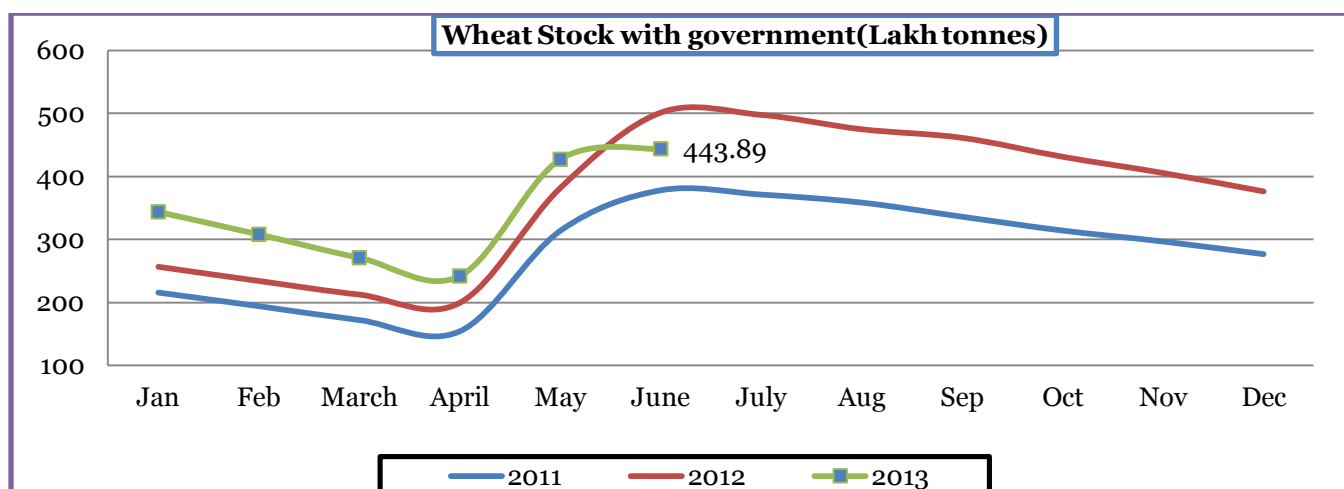
Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Kandla Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Sept 11- Mar 12	7.68	232.12	237.46
Apr-12	1.18	236.89	235.13
May-12	2.57	252.15	236.73
Jun-12	3.45	256.64	245.82
Jul-12	3.35	296.12	318.27
Aug-12	3.95	310.07	328.89
Sep-12	3.55	314.48	326.52
Oct-12	3.75	312.11	317.84
Nov-12	4.26	320.19	317.04
Dec-12	6.42	326.70	299.60
Jan-13	5.12	325.04	282.26
Feb-13	5.88	324.11	270.06
Mar-13	6.09	303.64	262.31
Apr 12 - Mar 13	56.98	298.18	286.71
Apr-13	6.27	303.06	256.85
May-13	6.88	309.11	258.13
Total for 2013-14	13.15	306.09	257.49



Indian FOB was steady first two weeks then downtrend can be seen in the second half of the month due to weak Indian currency and falling domestic prices. Indian FOB can fall further on weak currency.

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

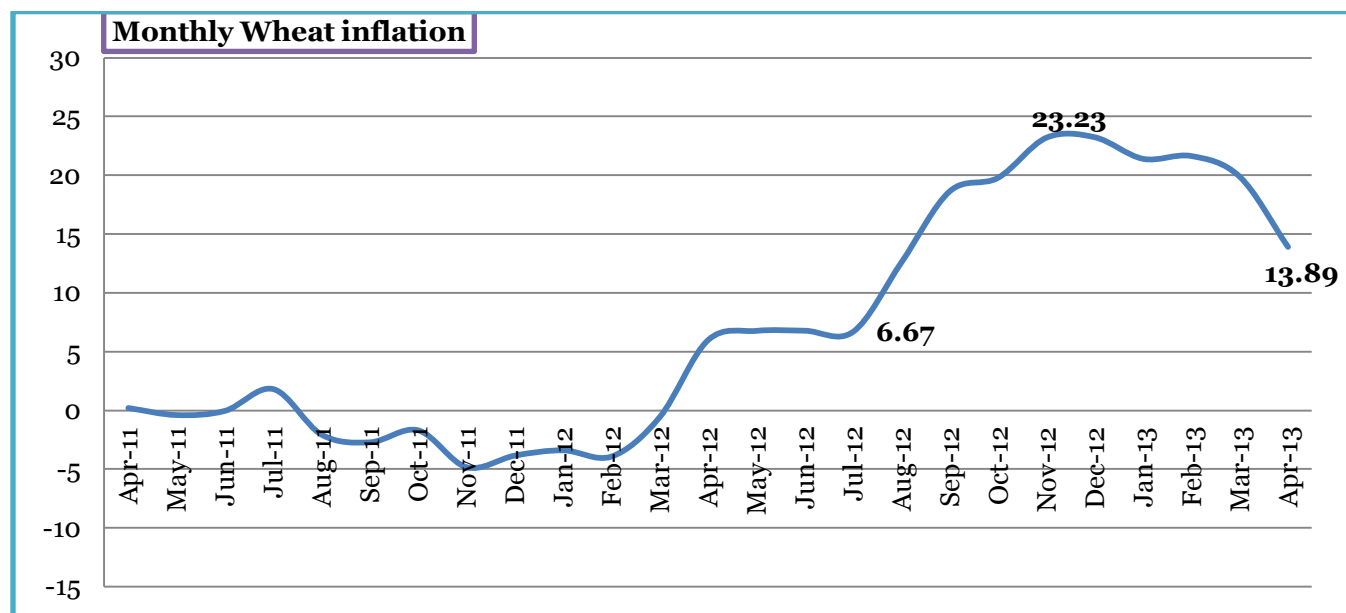


All figures in Lakh Tonnes		As on 06.06		Change from last year at the same time
State	Total procurement in 2012-13 Season	In Marketing season 2013-14	In Marketing season 2012-13	
Punjab	128.34	108.85	128.08	-15.01
Haryana	86.65	58.73	86.52	-32.12
U.P	50.63	6.78	34.53	-80.36
M.P	84.93	63.55	85.06	-25.29
Rajasthan	19.64	12.47	16.72	-25.42
Other	11.29	0.15	5.97	-97.49
All India	381.48	250.53	356.88	-29.80

Wheat stock at central pool on 1st June was 443.89 lakh tonnes which is lower than last year's 501.69 lakh tonnes due to lower procurement. Procurement by government agencies has fallen to around 25 million tonnes this season due to lower production and higher procurement from private traders and millers.

It seems this year government procurement may fall to 25.2-25.7 million tonnes from 38.1 million tonnes last year.

Wheat Inflation



Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
July	1584.40	1366.20	1433.90	1431.90	1435.30
August	1508.80	1561.70	1578.10	1620.80	1532.50
September	1545.80	1573.30	1559.00	1596.50	1781.30
October	1563.80	1558.00	1574.60	1552.60	1807.20
November	1607.00	1605.50	1589.90	1654.70	1928.90
December	1576.00	1581.00	1606.00	1680.00	1928.30
January 2013	1577.00	1593.15	1615.66	1655.20	1896.45
February 2013	1589.58	1607.61	1614.47	1646.81	1865.78
March 2013	1578.12	1525.80	1504.47	1571.66	1816.05
April 2013	1469.80	1503.33	1515.62	1549.58	1776.25
May 2013	1512.77	1584.60	1611.91	1630.92	1866.95

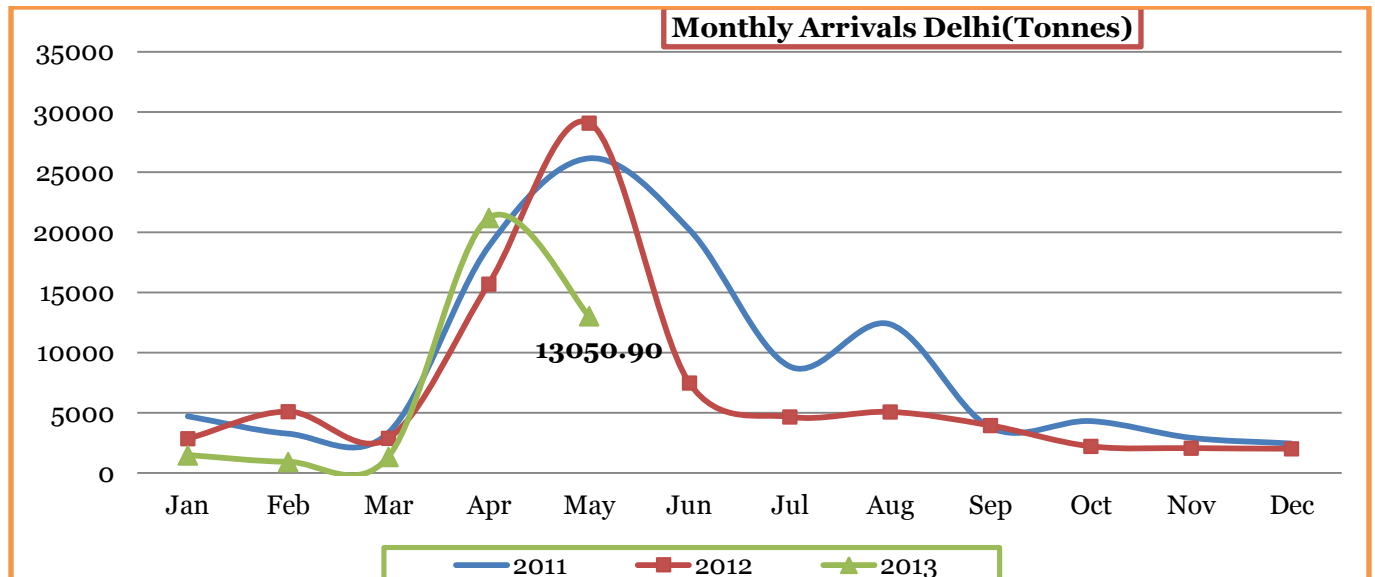
Inflation decreased to 13.89 % in April 2013 from 19.87 % in March and WPI for April 2013 was 204.2 as compared to previous month's 206.3

Monthly Average prices have increased in at all major trading centres like Delhi, Kota, Rajkot and Chennai due to better demand from traders and millers. Lower production from last year too has weighed on prices.

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			1/5/2013	1/6/2013	
Delhi					
	Lawrence Road	Mill Delivery	1460	1590	130
	Nazafgarh	Mill Quality Loose	1435	1525	90
	Narella	Mill Quality Loose	1425	1530	105
Gujarat	Rajkot	Mill Delivery	1565	1700	135
	Ahmadabad	Mill Delivery	1615	1725	110
	Surat	Mill Delivery	1625	1745	120
M.P.	Bhopal	Lokwan	1600	1800	200
	Indore	Mill Delivery	1520	1605	85
Rajasthan	Kota	Mill Quality	1440	1575	135
	Kota	Mill Delivery	1550	1670	120
U.P.	Kanpur	Mill Delivery	1450	1550	100
	Mathura	Mill Quality Loose	1350	1500	150
	Kosi	Mill Delivery	1520	1650	130
Punjab	Khanna	Mill Quality Loose	1370	1390	20
	Jagraon	Mill Delivery	1480	1500	20
Haryana	Sirsa	Mill Delivery loose	1350	1415	65
	Hodal	Mill Delivery	1480	1550	70
Tamil Nadu	Chennai	Mill Quality	1835	1900	65
	Madurai	Mill Quality	1885	1950	65
	Coimbatore	Mill Quality	1885	1950	65
Chhattisgarh	Raipur	Mill Quality	1525	1550	25
Bihar	Begusarai	Mill Quality	1365	1380	15

Monthly Arrivals at Delhi (Narela and Najafgrah)



Domestic Outlook: Spot and Future markets are expected to trade steady to slightly firm due to good domestic demand, Lower production estimates and holding of crop in U.P and Haryana.

International Market Dynamics:

International Future and Spot market traded weak in May due to better crop production outlook in major wheat producing countries like US, Ukraine, Canada, Argentina and Russia. Australian Eastern wheat belt is dry however Western Australia which produces almost half of Australia's production is expected to produce 16 million tonnes as per reports. Ukraine is expecting wheat production around 22 million tonnes and Russia's wheat crop is anticipated around 50 million tonnes as weather has improved considerably.

Wheat planting is under progress in Canada and spring wheat is also been sown in Black Sea region. Argentina is expected to plant more this year and produce around 13 million tonnes wheat.

Genetically modified wheat discovery in US and continued probe over GM wheat may have serious implication on US export sales. Japan, the biggest buyer of US wheat had suspended some US import. GMO wheat is not approved for commercial sale anywhere in the world. However, one thing is very clear now that export sales from US is bound to decrease and buyers will remain hesitant till the final result, expected in two to three weeks from now. Situation may benefit India's export and we should have a close eye on emerging scenario.

As per latest International Grain Council (IGC) report 2013-14 production is estimated at 682 million tonnes. Trade has been increased by 2 million tonne to 137 million tonnes from previous estimate. Carryover stocks have been decreased to 180 million tonnes by 1 million tonnes but it is still 2 million tonnes higher year on year basis.

IGC Wheat Balance Sheet

(Quantity in MMT)

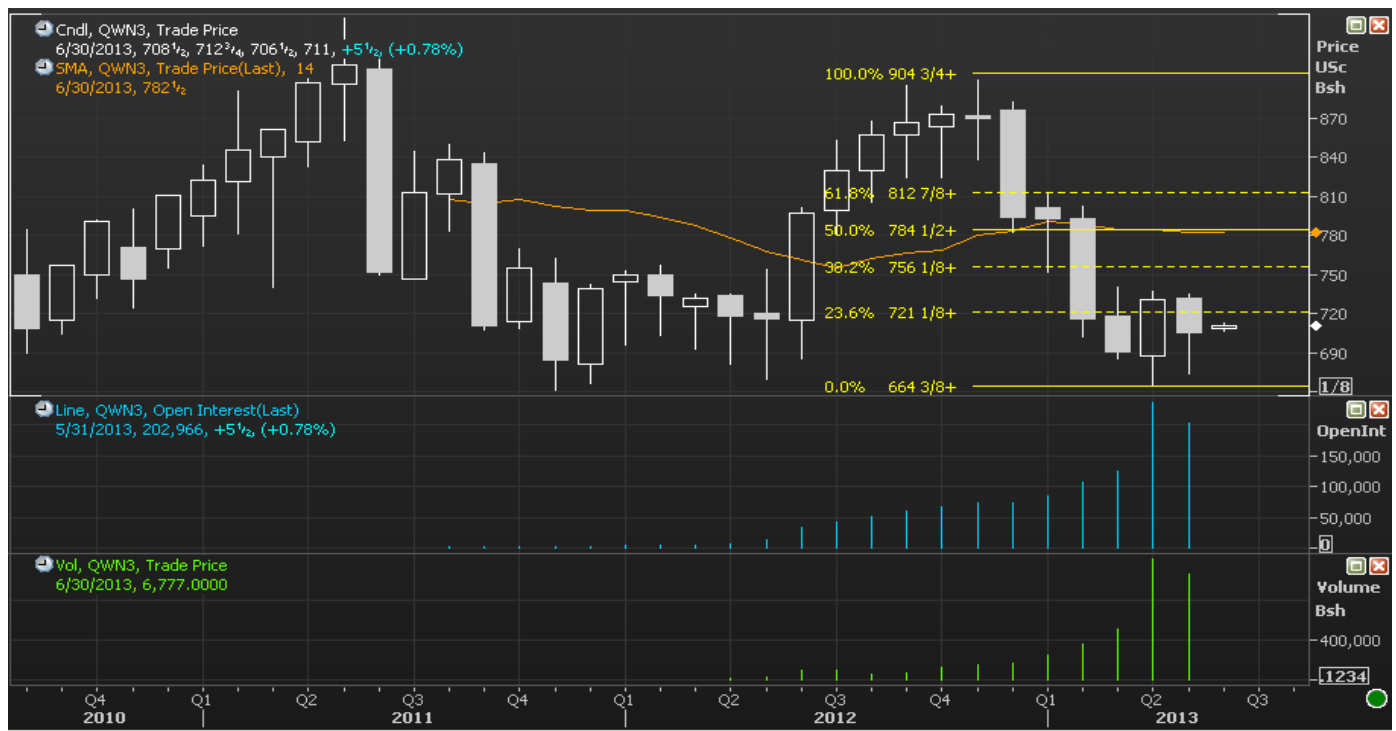
	2008-09	2009-10	2010-11	2011-12 est.	2012-13 forecast	Projection for 2012-13	
						25.04.2013	31.05.2013
Production	685	679	653	696	655	680	682
Trade	137	128	126	145	139	135	137
Consumptions	645	652	659	693	674	678	680
Carryover stocks	173	199	193	197	178	181	180
Y-O-Y change	41	27	-6	3	-19	2	2
Major Exporters	69	79	74	70	51	58	56

IGC Balance Sheet Highlight

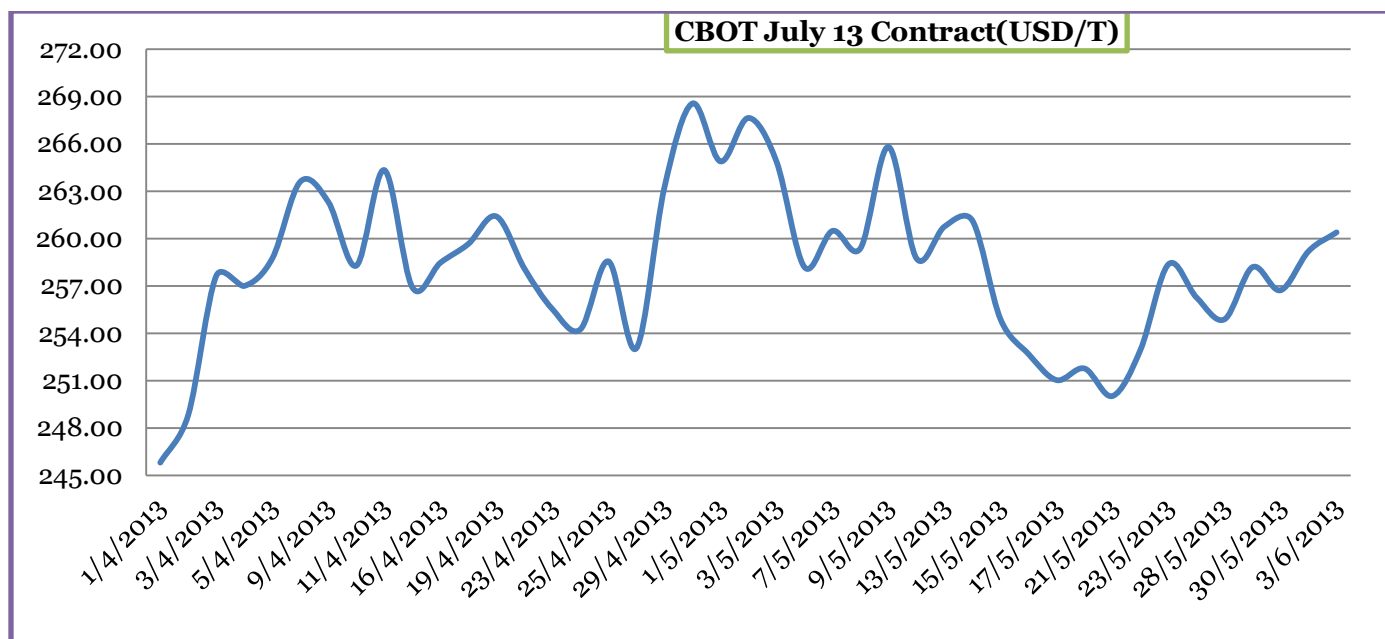
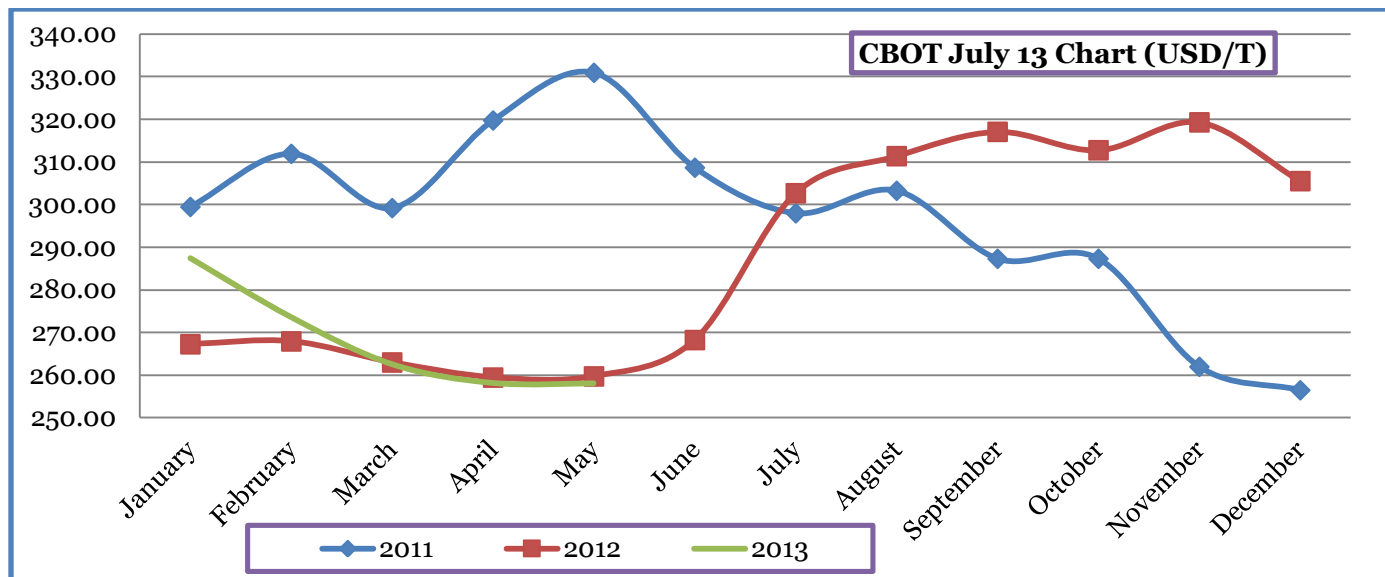
- While concerns remain over harvest prospects in some major producers, wheat prices have softened over the last month, as supplies are still expected to be ample in the year ahead; the IGC GOI wheat sub-Index is down by 4% month on month.
- 2013-14 production is forecast up 4% year on year basis at 682 million tonnes, on higher area and yields.
- Given low opening stocks only a small gain in total supplies is expected and is likely to be mostly absorbed by higher use; consumption is expected to rise by 1% to 680 million tonnes.
- A small fall in world trade to 137 million tonnes is forecast; trade in feed is expected to be capped by higher maize supplies.

Country	Opening stock 2013-14	Production projected 13-14	Domestic consumption (2013-14)	Import 13-14	Export 13-14	Ending stock 13-14	Production last year
USA	19.88	55.97	37.72	3.53	25.17	18.24	61.75
Canada	5.20	29	9.70	0.49	18.5	6.49	27.20
Australia	4.22	24.5	7.05	0.12	17	4.79	22.07
Argentina	.767	13	6.05	.005	7	.72	11
Russia	5.41	56	33.5	.50	18	6.41	37.72
China	58.76	121	120.5	3.5	1	61.74	120.6
EU	9.82	138.77	123.75	6.5	17	14.34	132.06
Ukraine	2.22	22	12	0.1	9.5	2.82	15.76
Pakistan	3.55	24	23.5	0.2	0.8	3.45	23.30
India	24.20	92	87.01	.01	8	21.20	94.88
Others	46.12	124.85	228.95	125.47	21.35	46.13	109.28
World total	180.17	701.10	691.95	140.43	143.32	186.38	655.63

CBOT July 13 Future Chart:



CBOT Wheat July chart reveals sideways movement and prices will test the lowest level of USD 6.65/Bushel (USD 244.32/T) and prices are likely to resist firstly at USD 7.2/Bushel (USD 264.53/T) and if prices breaches 1st resistance then second resistance is at USD 7.7/Bushel (USD 282.90/T).



CBOT July 2013 contract traded downtrend during the month of May as crop condition improved in key producing countries and better sown area is expected in Canada and Argentina. Australia is expected to produce around 4-4.5 million tonnes more this year.

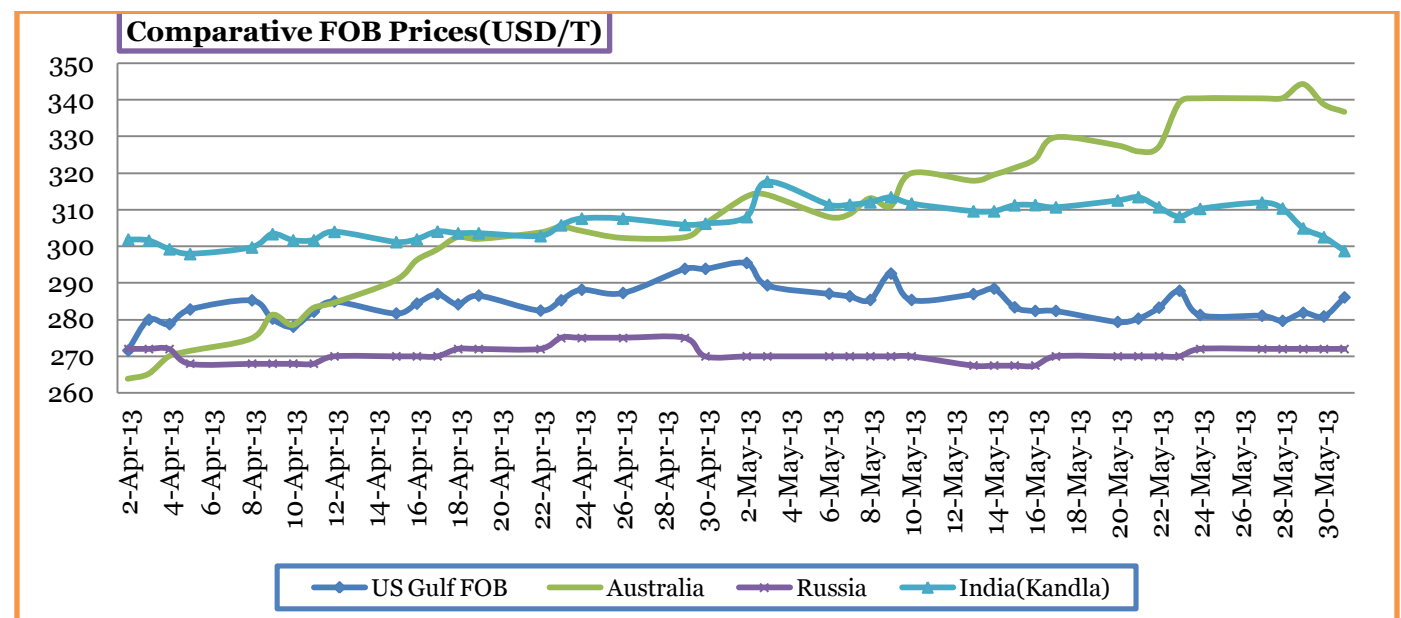
CBOT wheat contracts may trade steady to weak ahead on better global crop estimate this year. Any uptrend seems unlikely.

CBOT comparison over period of time:

CBOT Futures Prices: Date: 03.06.13 (USD/T)							
CONTRACT MONTH	3 June 13	Week ago (28 May 2013)	1 Month ago(3 May 13)	3 Month ago(4 Mar 13)	6 Month ago(3 Dec 12)	1 Year ago(4 June 12)	% Change over previous year
Mar-13	260.39	254.88	264.90	258.83	319.18	262.97	-0.98
May-13	263.98	257.82	268.39	261.59	322.03	266.55	-0.96
July-13	269.21	263.70	273.80	266.46	324.87	271.60	-0.88
Sept-13	274.72	269.40	278.67	270.96	326.34	272.89	0.67
Dec-13	278.67	272.24	279.96	271.14	322.49	275.00	1.34
Mar-14	280.97	273.25	279.96	269.21	309.35	268.39	4.69

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

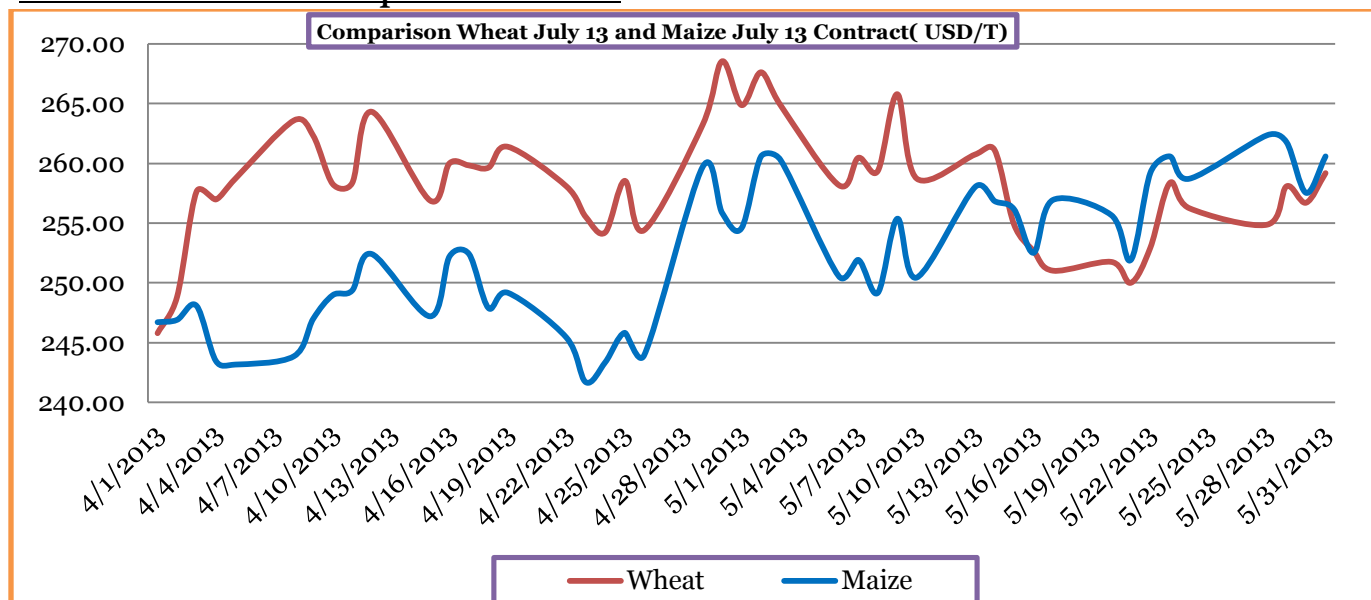
All prices are for SRW /milling grade, comparable to Indian quality	1st Mar 13	1st Apr 13	1st May	1st June
USA	293.00	271.16	295.50	283.20
France	320.60	310.40	322.60	275.10
United Kingdom	309.60	299.90	300.20	275.20
Australia	294.08	263.91	313.58	340.07
Russia	NA	270.00	270.00	273.00
India	317.55	301.58	308.02	303.51



Indian FOB has been falling due to weak rupee and is expected to fall further. International FOB are expected to fall as production is expected to rise in Black sea region by 41-43% this season owing to better area coverage and yield. Exports from Black sea region is likely to rise by 30%.

Indian export may become uncompetitive in month ahead due to higher domestic prices and falling international FOB.

Wheat and Maize Comparison CBOT:



International Outlook: International Spot and Futures Market is expected to trade weak in month ahead as harvesting is round the corner in US, Ukraine and Russia. Better production is expected in Black sea region, US and MENA region nation may too pressurize the market.

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