

Executive Summary

Indian domestic market traded steady to weak in July due to weak domestic demand and lower exports resulting in increased supply in open market. Prices are expected to trade steady to slightly firm in his month owing to festive demand.

According to government latest estimate Indian wheat production is expected to fall to 92.46 million tonnes from last estimate of 93.62 million tonnes owing to unfavourable weather condition in key wheat growing regions of Haryana and Madhya Pradesh. Agriwatch estimate is 88.17 million tonnes and USDA estimates Indian wheat production at 87 million tonnes as compared to its previous estimate of 92 million tonnes.

As on 1st August 250.8 lakh tonnes wheat has been procured by government agencies as compared to 381.07 lakh tones last year at the same time. Wheat procurement is lagging behind by 34.15% due to lower production and higher market price over MSP. 251 lakh tonnes might be final figure for wheat procurement for 2013-14 as procurement season is approaching its end.

As on 1st August 2013 wheat stock in govt.'s godowns registered at 403.78 lakh Tonnes. It is lower by around 72 lakh tones from the stock of 1st August, 2012. The main reason for lower stock is lower procurement this year, however stock still remains well above the minimum requirements of buffer norms.

At export front, global market situation for Indian wheat remains tough as domestic prices rule steady at higher level against the bearish global outlook and decreased price in the Black Sea Region. Major exporting countries like Russia, Ukraine and USA are offering cheaper wheat. Russia and Ukraine are offering milling wheat at USD 242-245/MT, FOB which is much lower than current Indian FOB of USD 285-290/MT.

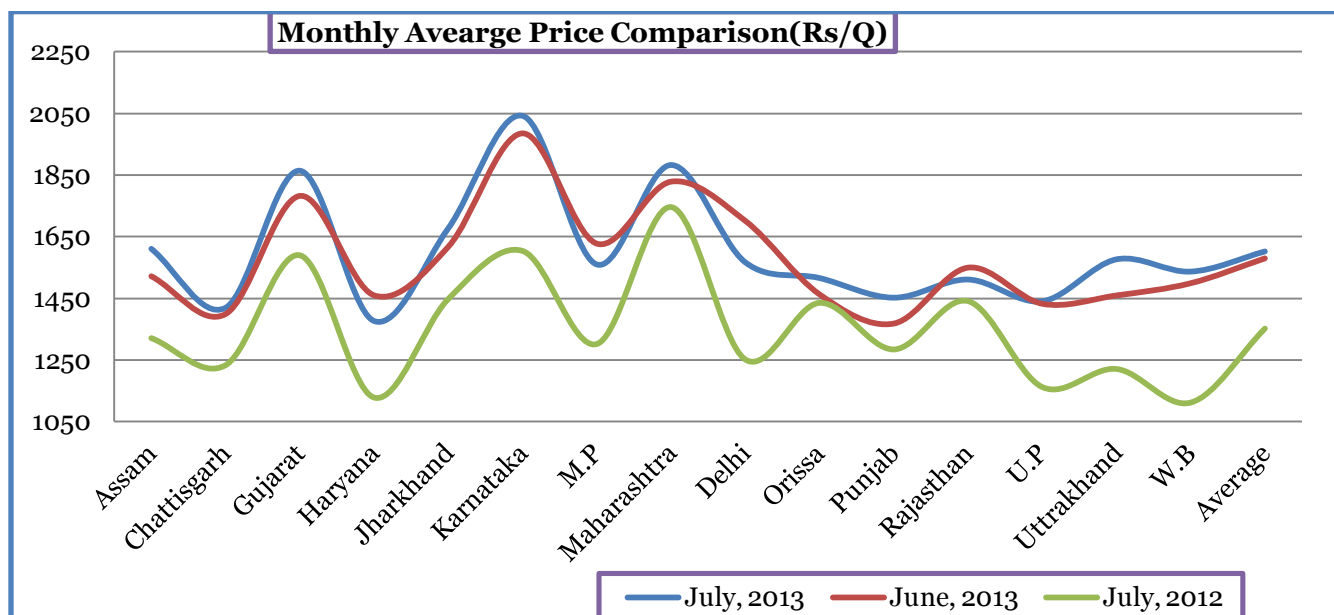
India's Wheat Balance Sheet:

	2010-11	2011-12	2012-13	2013-14*
Carry in	13.42	16.12	20.93	25.23
Production	80.8	86.81	94.8	88.17
Imports	0.15	0	0	0
Total Availability	94.37	102.93	115.73	113.40
Consumption	78.15	81	84	85.5
Exports	0.1	1	6.5	5
Total Usage	78.25	82	90.5	90.50
Carry out	16.12	20.93	25.23	22.90
Av Monthly Consumption	6.51	6.75	7.00	7.13
Stock to Month Use	2.48	3.10	3.60	3.21
Stock to Consumption Ratio	0.21	0.26	0.30	0.27

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 25.23 million T, including private stock of around 1 million T.
- Previous season ended up with 6.5 million tonnes wheat export and we expect around 5 million T, which is lower than previous estimate of 5.5 million tonnes as Indian wheat is not competitive against cheap wheat available from Russia and Ukraine.
- 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 remain at 90.5 million T due to fall in exports.
- Higher consumption and lower production may drag carry out to 22.40 million T. Due to higher carry in supply side will remain comfortable throughout the year.

Monthly Average Price Comparison:



Comparative price trend in various states shows that wheat traded marginally higher in July as compared to June. It ruled quite higher than previous year in same month. The huge gap between June 2012 and June 2013 is mainly attributed to higher MSP (Rs 1350 per qtl.) Prices are expected to trade slightly below in month of August due to lower exports which will increase availability in the market.

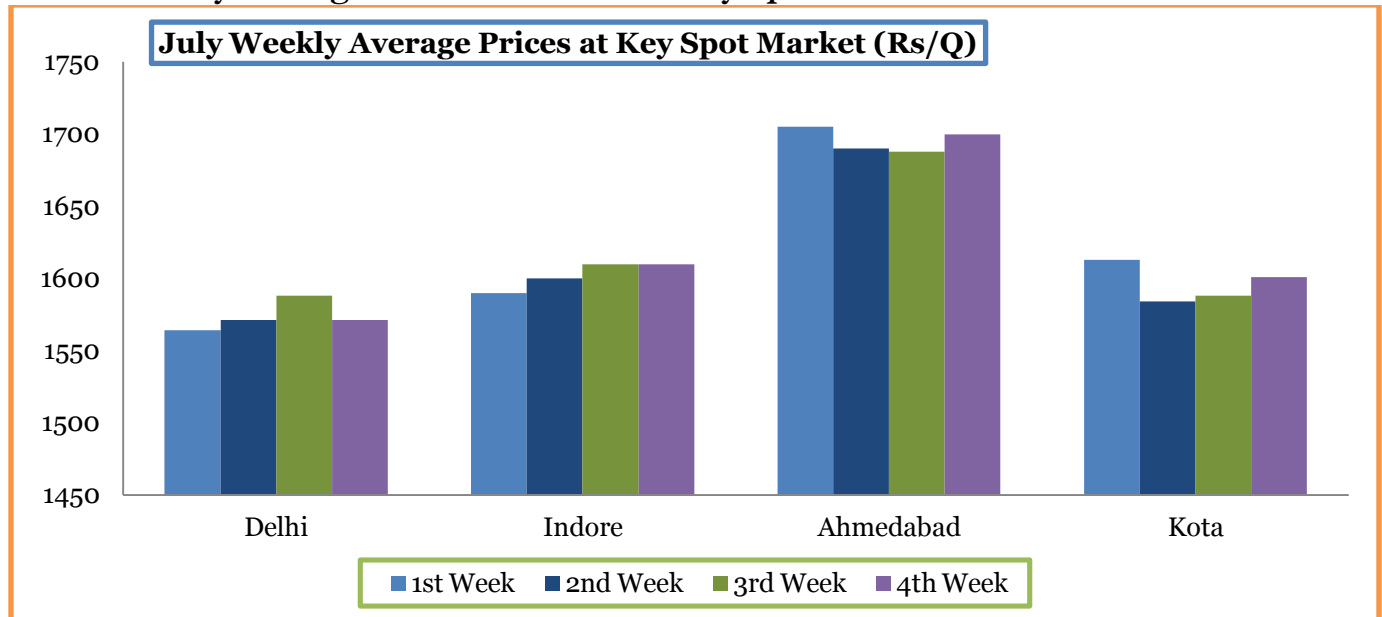
Wheat Production estimate 2012-13 crop:

	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
Uttrakhand	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

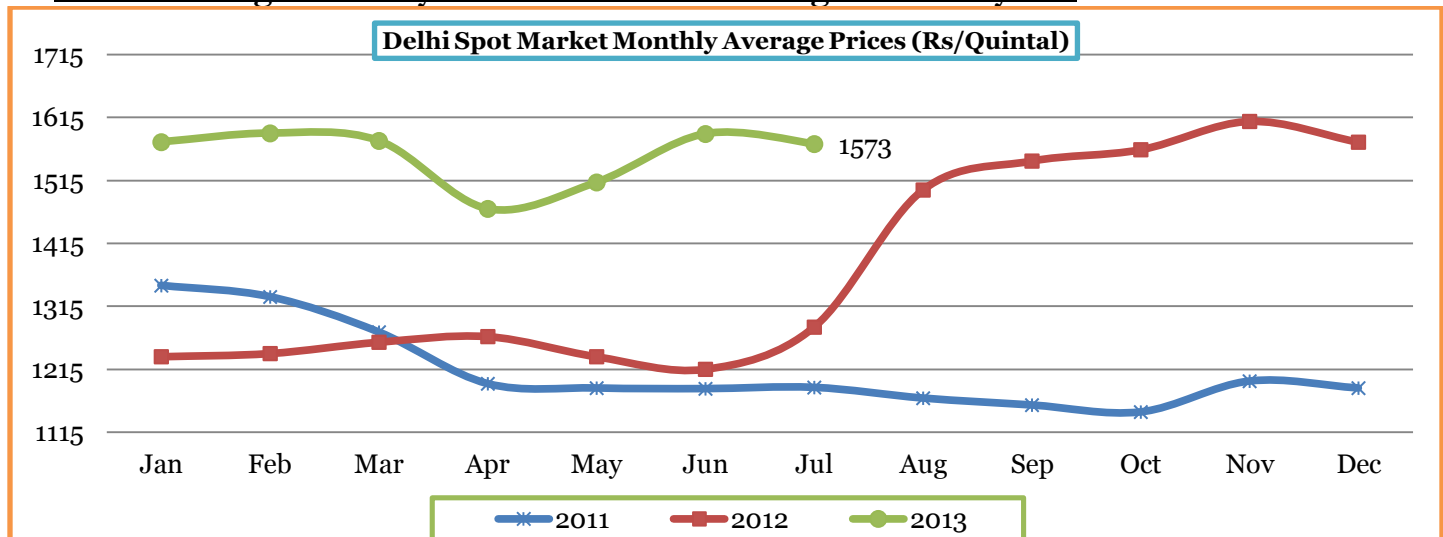
Note: Area in Lakh Hectares, Production in lakh tonnes, Yield in Tonnes/Hectares. Area is as per Ministry data and previous year production figures as per IndiaagriStat

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



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.

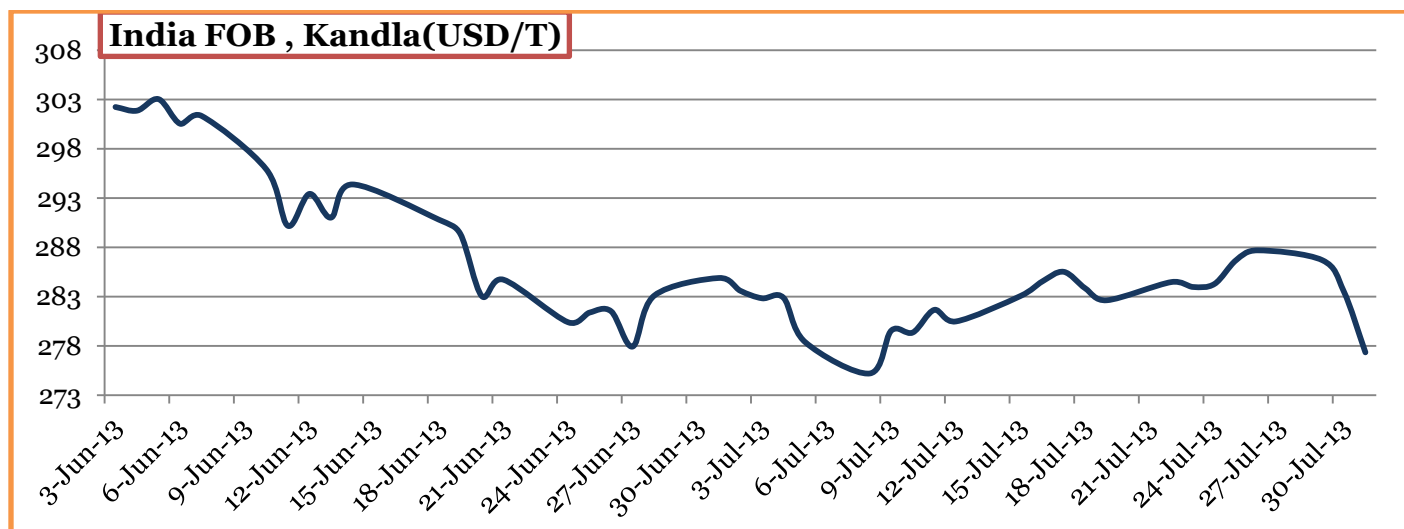
Table for 85 reservoirs of the Country in the month of July

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

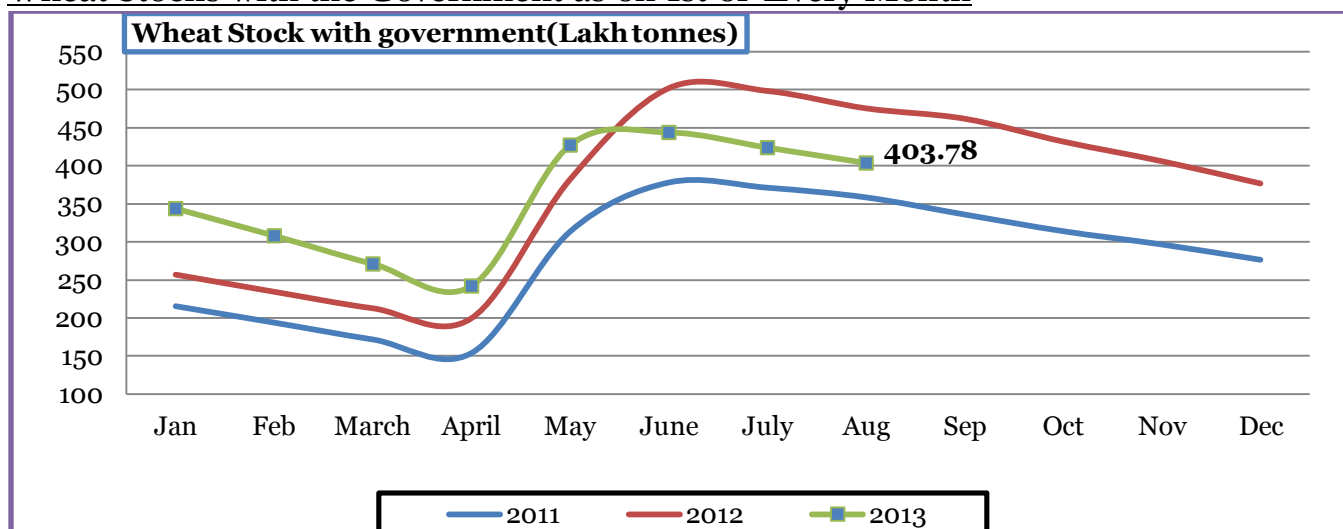
	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Sept 11- Mar 12	7.38	232.12	237.46
Apr-12	1.17	236.89	235.13
May-12	1.93	252.15	236.73
Jun-12	4.13	256.64	245.82
Jul-12	2.88	296.12	318.27
Aug-12	4.79	310.07	328.89
Sep-12	9.39	314.48	326.52
Oct-12	6.62	312.11	317.84
Nov-12	6.90	320.19	317.04
Dec-12	4.96	326.70	299.60
Jan-13	7.81	325.04	282.26
Feb-13	6.48	324.11	270.06
Mar-13	7.92	303.64	262.31
Total 12-13	64.96	298.18	286.71
Apr-13	6.73	303.06	256.85
May-13*	6.88	309.11	258.13
June-13*	5.91	291.51	252.7
Total 13-14	19.52	301.23	255.89

(Source: DGCIS, *Provisional data from IBIS)



Indian wheat is not much sought by international buyer as cheaper wheat is available from black sea region and US. Indian FOB rose during first three week due to strengthening rupee but FOB fell in the last week as wheat prices fell in local market and weak rupee.

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

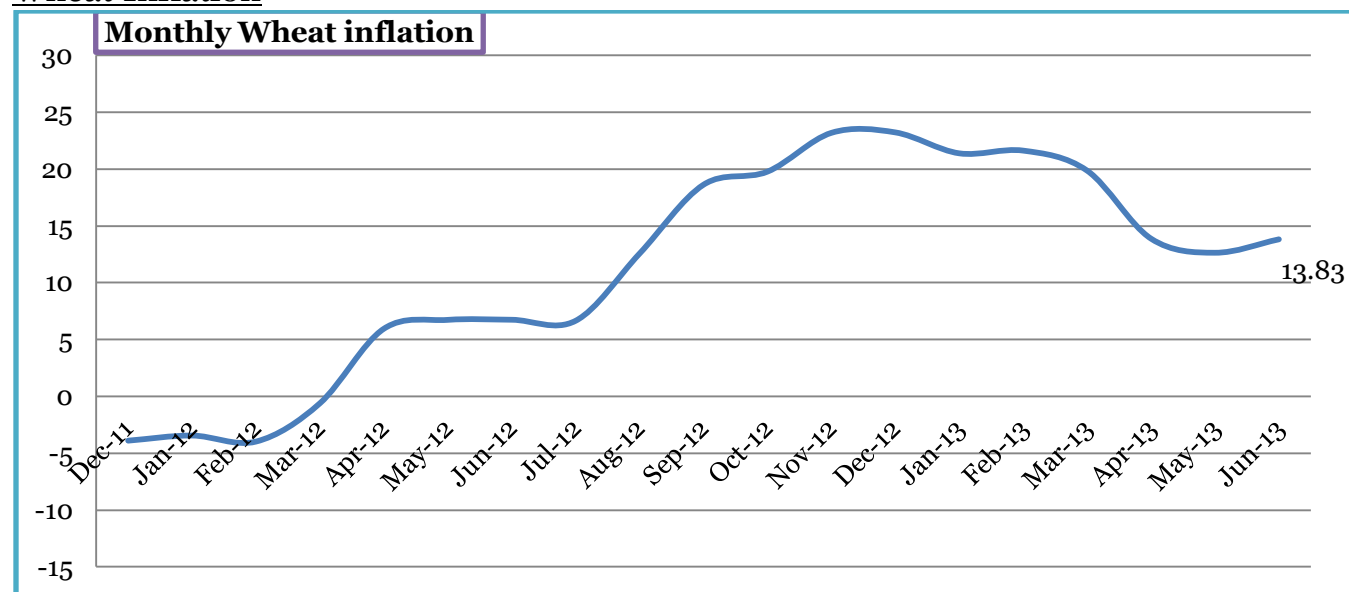


Wheat Progressive Procurement:

All figures in Lakh Tonnes		As on 01.08		
State	Total procurement in 2012-13 Season	In Marketing season 2013-14	In Marketing season 2012-13	Change from last year at the same time
Punjab	128.34	108.97	128.34	-15.09
Haryana	86.65	58.73	86.65	-32.22
U.P	50.63	6.83	50.63	-86.51
M.P	84.93	63.55	85.06	-25.29
Rajasthan	19.64	12.68	19.64	-35.44
Other	11.29	0.16	10.75	-98.51
All India	381.48	250.92	381.07	-34.15

Wheat stock at central pool on 1st August was 403.78 lakh tonnes which is lower than last year's 475.26 lakh tonnes due to lower procurement. Procurement by government agencies has fallen to 25.09 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 25.1 million tonnes from 38.1 million tonnes last year.

Wheat Inflation



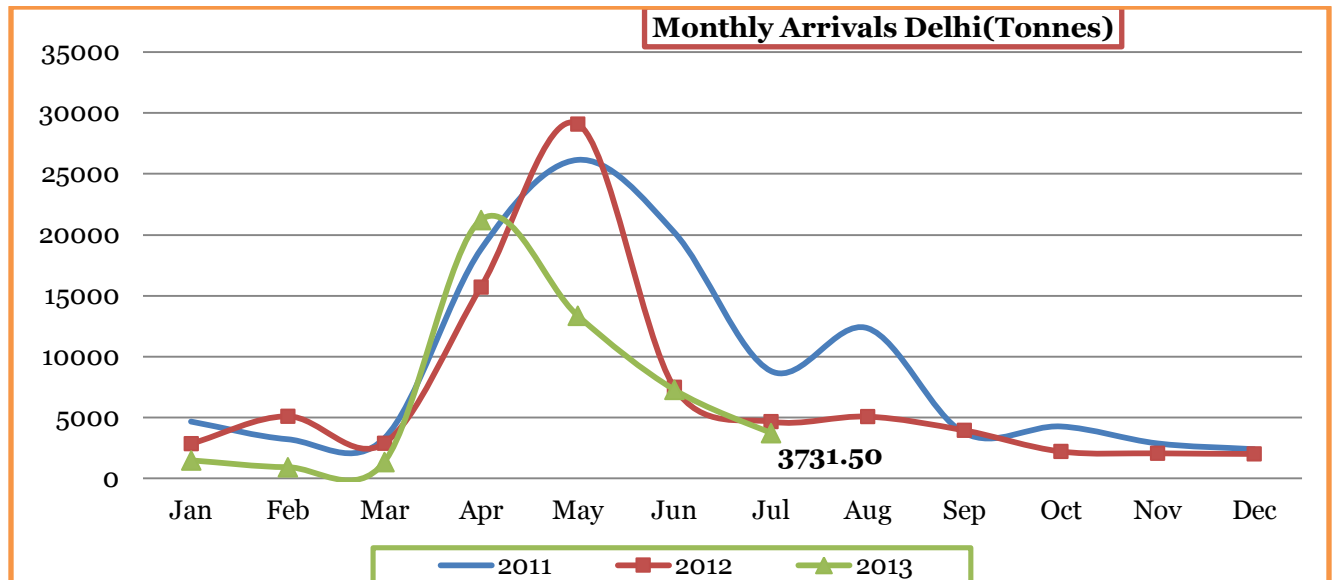
Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
July	1584.40	1366.20	1433.90	1431.90	1435.30
August	1508.80	1561.70	1578.10	1620.80	1532.50
September	1545.80	1573.30	1559.00	1596.50	1781.30
October	1563.80	1558.00	1574.60	1552.60	1807.20
November	1607.00	1605.50	1589.90	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
June 2013	1589.20	1606.66	1606.73	1660.80	1896.30
July 2013	1572.96	1603.84	1597.96	1617.30	1843.34

Inflation has increased to 13.83 % in June 2013 from 12.65 % in May, year on year basis and WPI for June 2013 was 204 as compared to previous month's 201.3. Inflation may fall for July month due to fall in price of wheat at key spot markets due to lower export and domestic demand.

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			1/7/2013	1/8/2013	
Delhi					
	Lawrence Road	Mill Delivery	1565	1560	-5
	Nazafgarh	Mill Quality Loose	1500	1500	-10
	Narella	Mill Quality Loose	1510	1480	-20
Gujarat	Rajkot	Mill Delivery	1625	1640	20
	Ahmadabad	Mill Delivery	1710	1700	-10
	Surat	Mill Delivery	1735	1725	Unch
M.P.	Bhopal	Lokwan	1600	1600	Unch
	Indore	Mill Delivery	1590	1610	20
Rajasthan	Kota	Mill Quality	1530	1500	-35
	Kota	Mill Delivery	1625	1570	-55
U.P.	Kanpur	Mill Delivery	1550	1550	Unch
	Mathura	Mill Quality Loose	1430	1440	10
	Kosi	Mill Delivery	1550	1575	25
Punjab	Khanna	Mill Quality Loose	1480	1460	-20
	Jagraon	Mill Delivery	1525	1480	-45
Haryana	Sirsa	Mill Delivery loose	1450	1465	15
	Hodal	Mill Delivery	1560	1540	-20
Tamil Nadu	Chennai	Mill Quality	1900	1800	-100
	Madurai	Mill Quality	1950	1850	-100
	Coimbatore	Mill Quality	1950	1850	-100

Monthly Arrivals at Delhi (Narela and Najafgrah)



Domestic Outlook: Spot and Future markets are expected to trade steady to slightly firm owing to upcoming festive demand and declining stock with farmers/Private traders will make open market depended on central pool stock resulting in slight price rise.

International Market Dynamics:

International Future and Spot market is expected to trade weak in August due to harvesting pressure from Ukraine, Russia, US and EU. Better yields than last year and lower price of new wheat crop may keep prices down but demand from China, Egypt, Indonesia and Iran may support prices.

Indonesia imposed 20% import tariff on wheat flour in December 2012 to protect domestic millers. This tariff has been extended for 2 years. This move has impacted Turkey and Sri Lanka which account for 90% of wheat flour imports. But this move is likely to benefit wheat exporting countries majorly Australia due to proximity and Australia is expected to produce 25.5 million tonnes of wheat this year it will be a huge opportunity for wheat export to Indonesia. Australia may export around 4-5 million tonnes of wheat to Indonesia. Indonesia which imported 6.3 million tonnes wheat last year is expected to import 7.2 million tonnes wheat this year.

China produces around 121 million tonnes of wheat every year but this year due to excessive rains and cold weather especially in Henan province, at least 20 million tonnes of Chinese wheat crop will be downgraded from human consumption to feed consumption and it is expected that China will import 8-8.5 million tonnes of high quality wheat this year primarily from Australia, US and Canada to mix with local wheat.

Australia produced 22.07 million tonnes wheat last year due to dry weather. This year Australia is expected to produce 25.5 million tonnes and China and Indonesia are trying to buy higher quantities of Australian wheat this year. Australian prime wheat is quoted around USD 320/MT, FOB for January and Australian standard wheat is being offered around USD 310/MT, FOB. Australia's export are expected to rise by at least 2 million tonnes to 20 million tonnes from 17-18 million tonnes previous year due to higher demand from China and Indonesia.

Ukraine last year produced 15.5 million tonnes and it is expected that it will produce more than 21 million tonnes wheat. So far 20 million tonnes has been harvest from ongoing harvest as a result it's export are likely to rise to 9 million tonnes from previous years 7.2 million tonnes. South East Asian nations, Korea and Egypt are likely to be the biggest buyer this year of Ukrainian wheat. Due to higher demand Ukrainian 12% protein milling wheat prices has risen to USD 251-252/MT from 247-248/MT, FOB and 11% protein milling wheat prices remain stable at USD 241-242/MT, FOB. Recently GASC has bought 120,000 MT of Ukrainian wheat at USD 252.50/MT.

Russian wheat production is expected to rise to 51 million tonnes from 37.8 million tonnes previous year. Increase in production will provide an opportunity for exporting 18 million tonnes wheat as compared to 11 million tonnes previous year. So far 30 million tonnes wheat has been harvested in Russia.

CBOT is expected consolidate at these lower levels, any uptrend is not visible from here. Prices are expected to trade in the range of USD 250-235/MT in August.

IGC Wheat Balance Sheet

(Quantity in MMT)

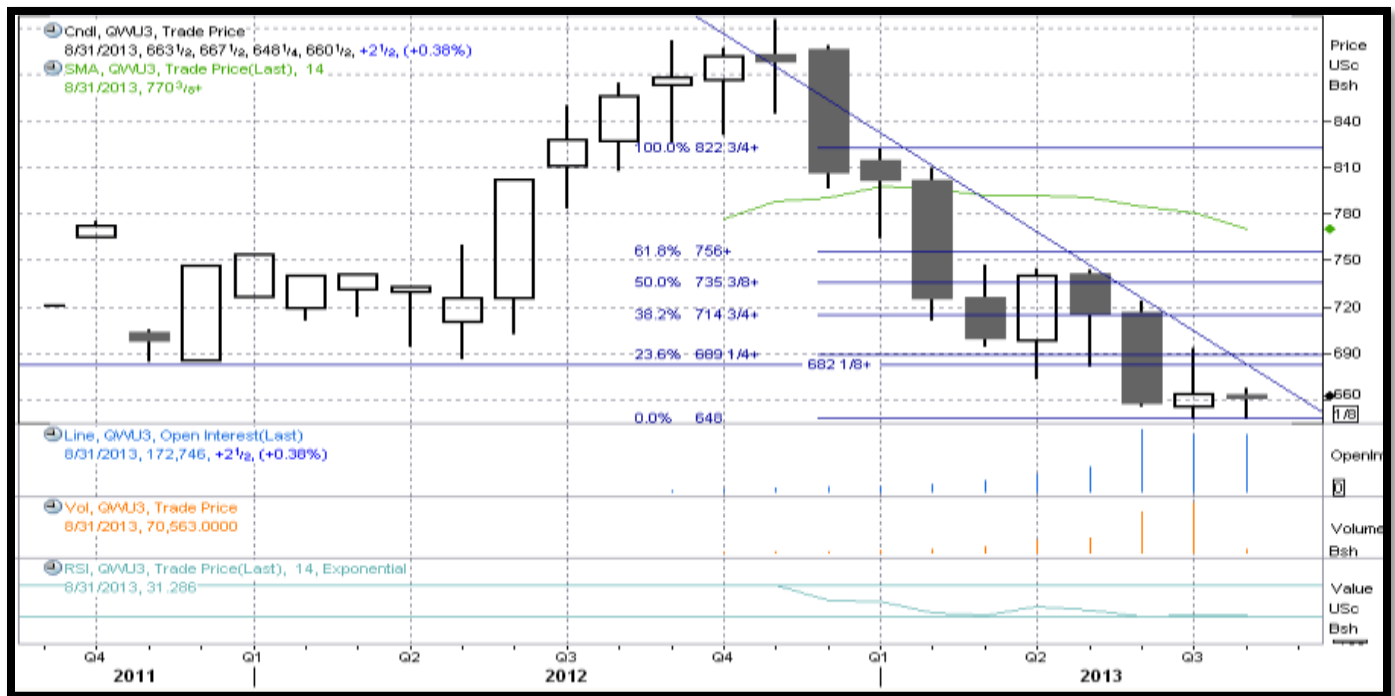
	2008-09	2009-10	2010-11	2011-12	2012-13 est	Projection for 2013-14	
						01.07.2013	01.08.2013
Production	685	679	653	695	654	683	687
Trade	137	128	126	145	140	138	139
Consumptions	645	652	657	692	673	682	686
Carryover stocks	173	199	194	198	175	181	176
Y-O-Y change	41	27	-4	3	-19	6	1
Major Exporters	69	79	74	70	49	53	50

IGC Balance Sheet Highlight

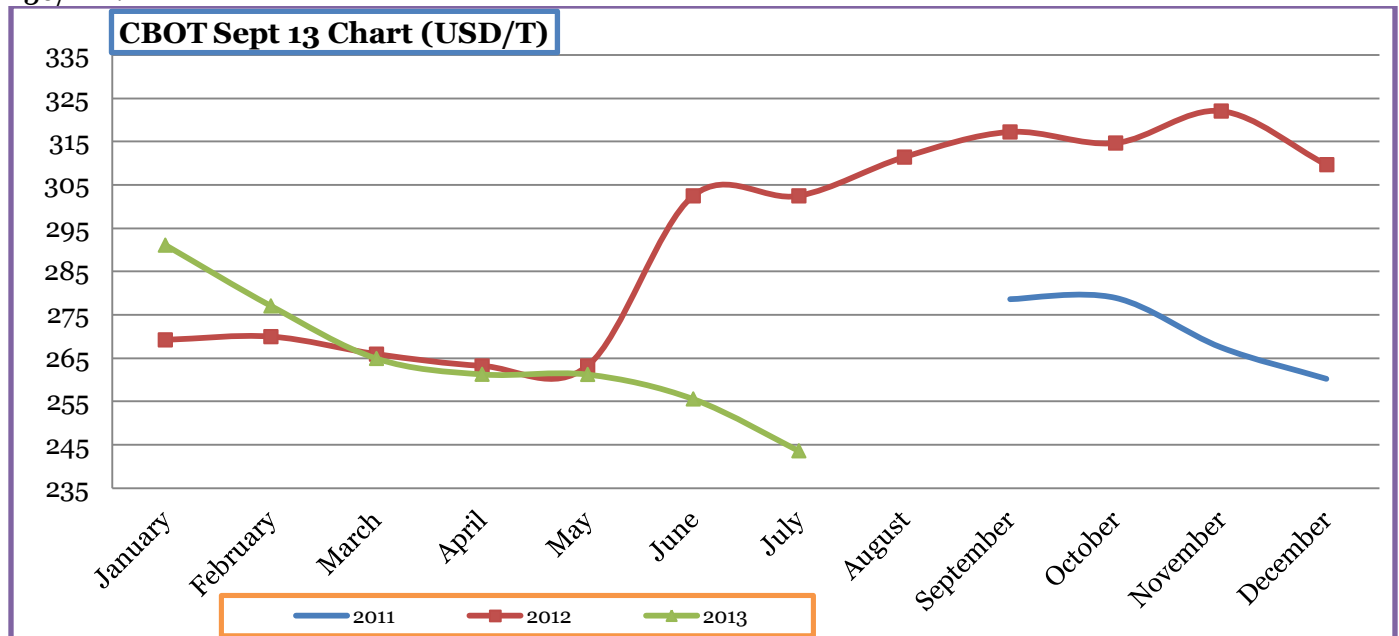
- The IGC GOI wheat sub-Index is down 1% month on month basis on seasonal pressure from favourable production prospects, but tempered by export demand, particularly from China.
- The forecast for world wheat production in 2013-14 has been increased by 4m t to 687m, up 4% year on year basis.
- Partly due to historical revisions, end 2013-14 stocks are placed 5m t lower than last month, but, at 176 m, are still expected to show a marginal recovery year on year basis.
- A revised estimate for China, given reported quality issues with the domestic crop, has boosted the forecast for world trade by 1 m t this month, to 139 m, now only slightly lower year on year basis.

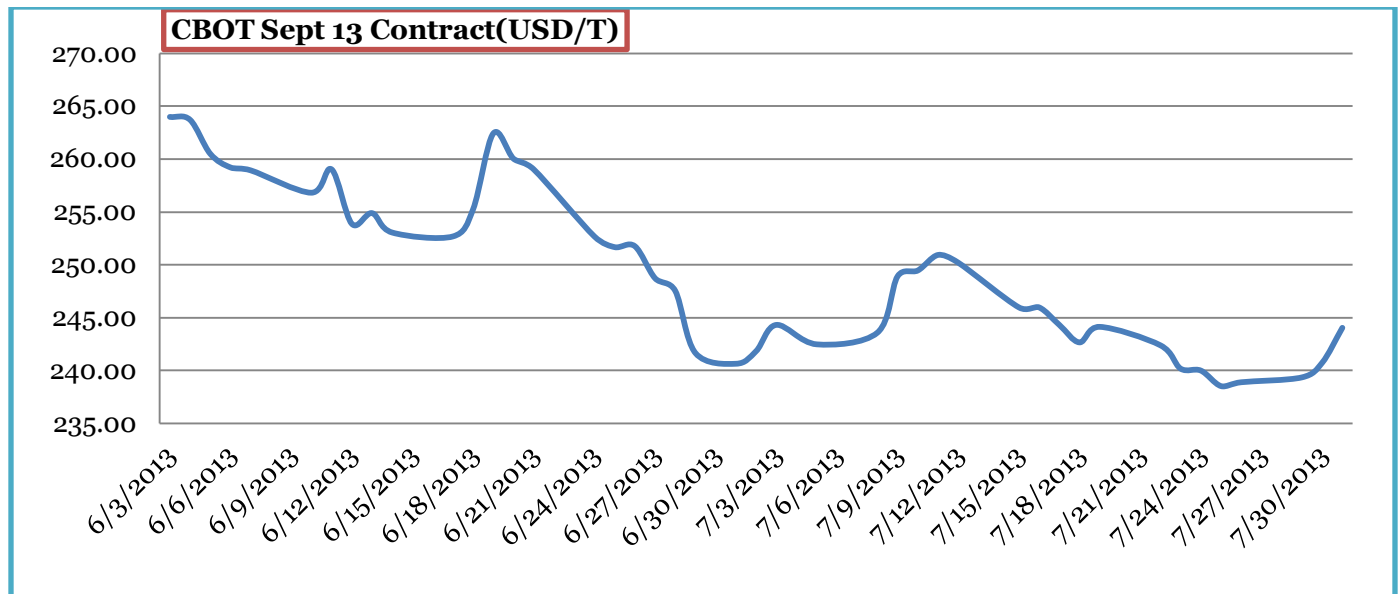
(Source – IGC)

USDA Global Wheat Balance Sheet Fig.in MMT							
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	19.55	57.52	35.67	3.53	29.25	15.67	61.75
Canada	4.90	29	9.70	.49	19	5.19	27.20
Australia	3.42	25.5	7.05	.12	17	2.99	22.07
Argentina	.81	13	6.05	.005	7	.76	10.00
Russia	5.26	54	36.50	.5	17	6.26	37.72
China	54.14	121	120.50	8.5	1	57.14	121.00
EU	9.63	138.6	122	5.5	20	11.74	133.20
Ukraine	2.22	19.5	11.50	.1	8	2.32	15.76
Pakistan	3.05	24	24	.4	.8	2.65	23.30
India	24.2	92	89.01	.01	7	20.20	94.88
Others	47.28	123.67	229.83	126.89	20.57	47.40	109.23
World total	174.43	697.79	696.82	146.05	149.12	172.37	655.25

CBOT Sept 13 Future Chart:


CBOT September 13 chart shows the downtrend due to cheaper wheat availability from Black sea region. We expect prices to remain under pressure and may mat trade steady to weak in the range of USD 250-236/MT.





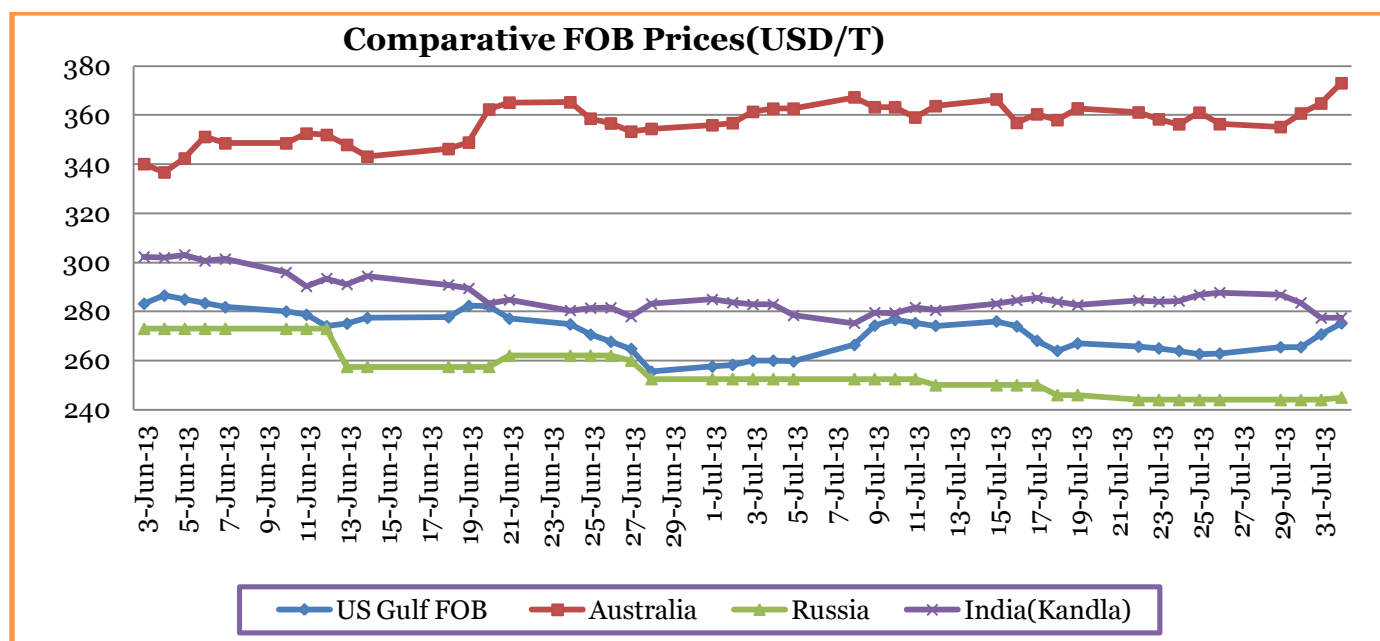
CBOT Sept 2013 contract traded in downtrend during the month of July as winter wheat harvesting pressure weighed on prices and better plantation of spring wheat in Canada and Argentina too pressurized million tonnes from the market. CBOT wheat contracts may trade steady to weak ahead on better global production estimate as per IGC forecast global production may reach 687 million tonnes from 683 million tonnes, any uptrend seems unlikely. Prices may trade in the range of USD 235/MT to USD 250/MT.

CBOT comparison over period of time:

CONTRACT MONTH	2 Aug 13	Week ago (29 July 2013)	1 Month ago(2 July 13)	3 Month ago(2 May 13)	6 Month ago(4 Feb 13)	1 Year ago(2 Aug 12)	% Change over previous year
13-Jul	242.67	239.36	241.84	271.14	289.33	304.12	-20.21
13-Sep	247.26	243.68	246.62	276.38	294.75	306.23	-19.26
13-Dec	250.75	247.35	251.67	281.24	299.34	308.06	-18.60
14-Mar	252.59	249.56	255.07	282.44	299.34	302.83	-16.59
14-May	250.57	248.27	257.46	282.81	294.01	290.89	-13.86
14-Jul	252.50	250.93	260.30	283.82	296.40	290.89	-13.20

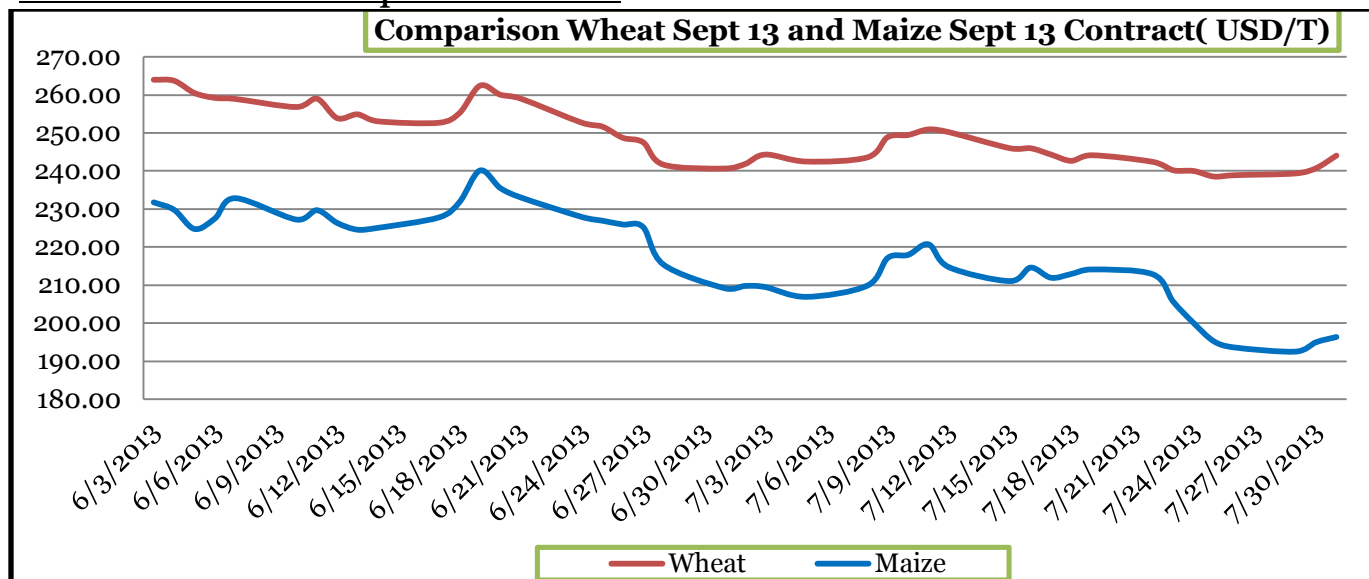
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1 st May	1 st June	1 st July	1 st August
USA	295.50	283.20	257.60	270.70
France	322.60	275.10	256.60	248.70
United Kingdom	300.20	275.20	242.10	247.10
Australia	313.58	340.07	355.90	364.77
Russia	270.00	273.00	252.50	242.00
India	308.02	303.51	284.92	277.41



International FOB has been trading weak due to seasonal factors like harvesting. FOB may fall further due to better plantation of spring wheat in US, Russia, Canada and Argentina. However, Indian exports will fall due to cheaper wheat available from Black sea region.

Wheat and Maize Comparison CBOT:



Wheat and Corn prices follow each other as both are the ingredients of feed. This year corn production is expected to rise by 11%, this means more corn is available at cheaper price to substitute it with feed wheat. This may further decrease feed wheat demand globally.

International Outlook: International Spot and Futures Market is expected to trade weak due harvesting pressure in Black sea region and Expectation of better crop in Australia, Canada and Argentina.

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