

Executive Summary

Key cash wheat markets traded slightly firm during the month (August) under review. Lower demand from exporters amid easy supply –demand side and likely release through open market sale scheme (OMSS) in domestic market .

The lower House of Parliament approved a plan worth almost \$20 billion on 21.08.2013 and Rajya Sabha on 2nd September to provide cheap grains to the poor. Under this populist plan govt. will distribute subsidized wheat and rice to 67 percent of its population. The Karnataka government would distribute wheat, ragi and jowar at Re.1 per kg to the poor families across the state from Oct 2 under its flagship scheme 'Anna Bhagya.

Despite bearish outlook in global wheat market and higher price in domestic market the Indian govt. has allowed an extra 2 million tonnes of wheat exports via state-run trading firms like PEC, STC and MMTC with a floor price of USD 300 per T.

As export opportunity for India is diminishing fast due to widening price gap, we expect easy supply side to continue in the local market. There seems no wheat export opportunity from India as of now due to higher prices despite of weak INR. Ukraine and Russia is exporting wheat at around USD 240-244/MT, FOB Black sea region, US is selling wheat at USD 260-270/MT.

As on 1st August 2013 wheat total stock at central pool registered at 403.78 lakh T against 475.26 lakh T on 1st August 2012. It is lower by 71.48 lakh T from previous year's August level. On 15th August, 2013 central pool stock dip further to 394.3 lakh T. However, it is higher than 14 million T required on first Oct. 2013, including reserved stock of 3 million T.

Wheat export from India has dip considerably in the month of August due to non-parity and cheaper availability in Black Sea Region. We expect export to remain sluggish in the months ahead from India. Govt. too seems in no hurry to offload wheat in the international market at lower price amid obligation to provide highly subsidized wheat to the poor.

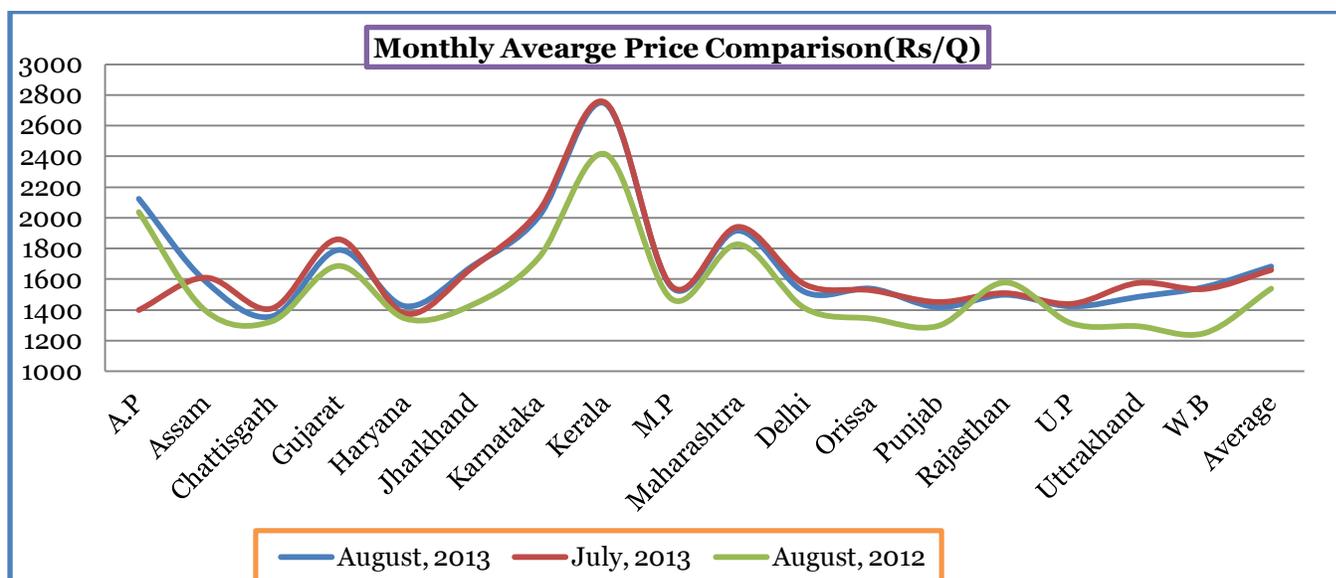
India's Wheat Balance Sheet:

	2010-11	2011-12	2012-13	2013-14*E
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	87
Exports	0.1	1	6.5	5
Total Usage	78.25	82	90.5	92
Carry out	16.12	20.93	25.23	21.40
Av Monthly Consumption	6.51	6.75	7.00	7.25
Stock to Month Use	2.48	3.10	3.60	2.95
Stock to Consumption Ratio	0.21	0.26	0.30	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 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 3 million T this year as government has passed the Food Security Bill and the increasing trend will continue with population growth and fast growing bakery industries. Total usage including export is expected to remain at 92 million T.
- Higher consumption and lower production may drag carry out to 21.40 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 August as compared to July. 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 steady to slightly firm in month of September due to expected fresh demand for festive season ahead.

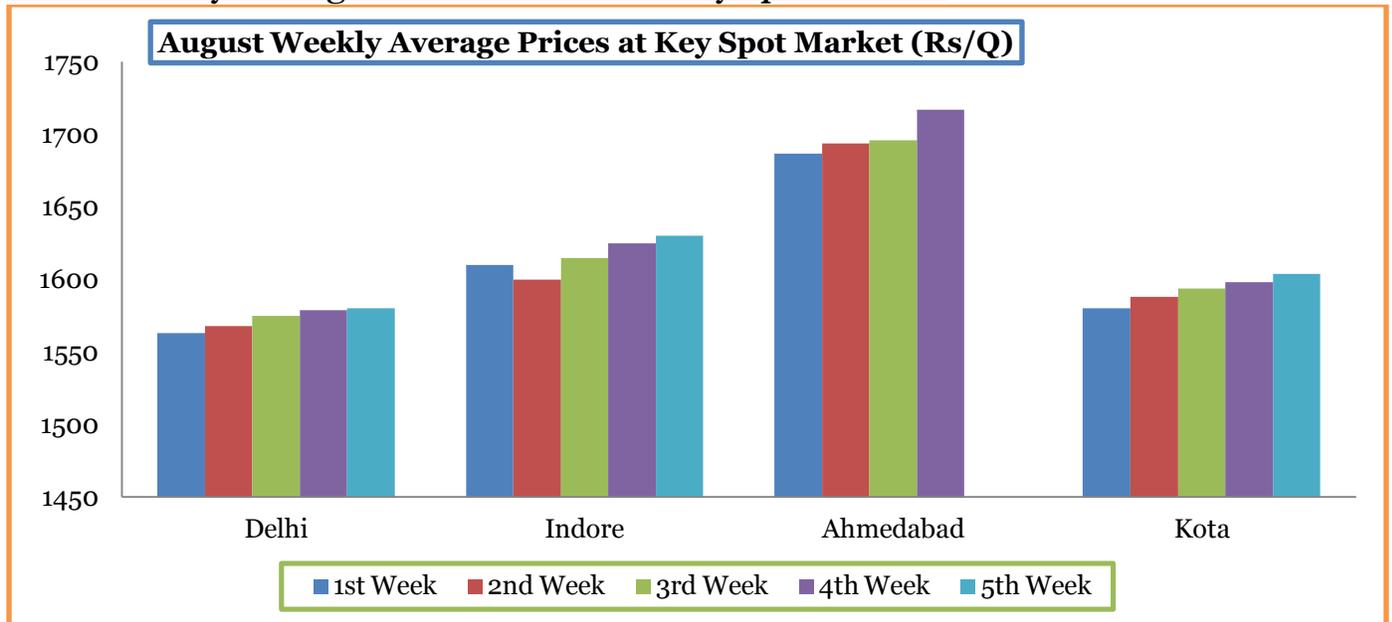
Wheat Production estimate 2012-13 crop:

	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

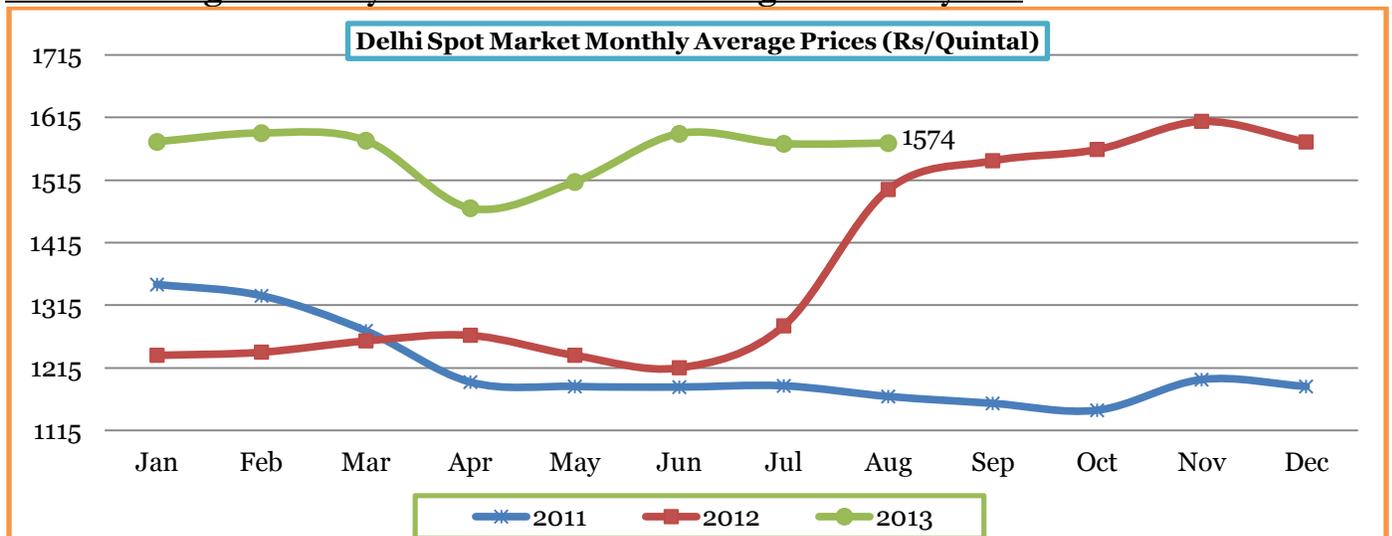
Note: Area in Lakh Hectares, Production in lakh tonnes, Yield in Tonnes/Hectares. Area is as per Ministry data and previous year production figures as per IndiaagriStat

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:



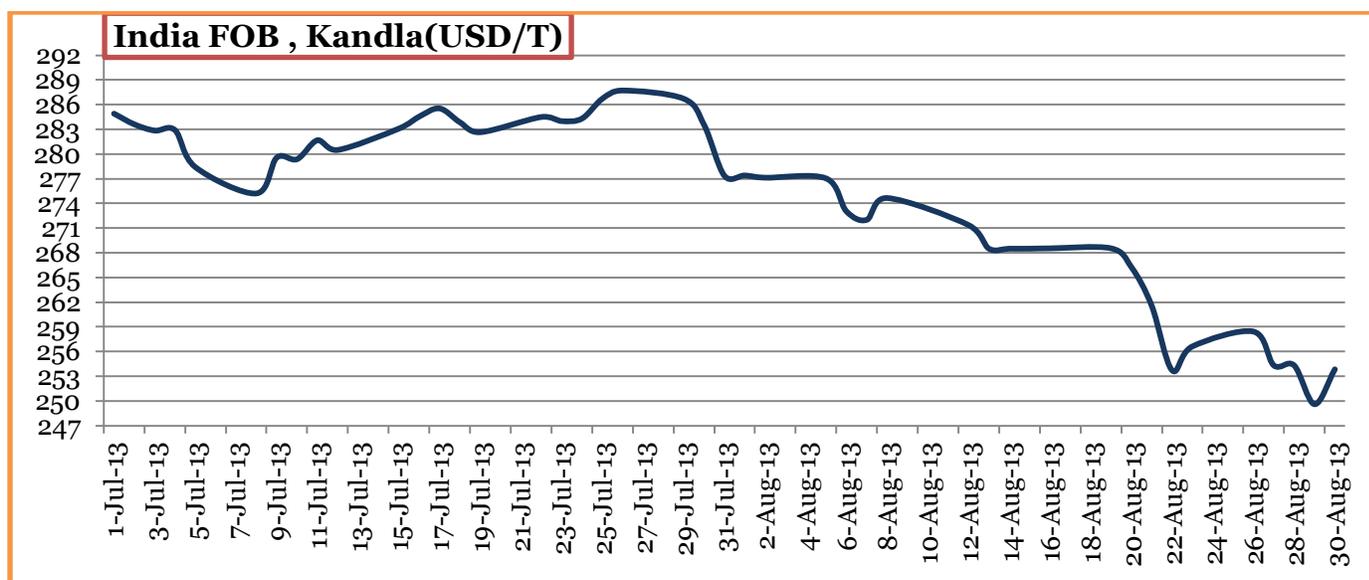
Wheat Average Monthly Prices movement during last three years



Wheat Exports from India

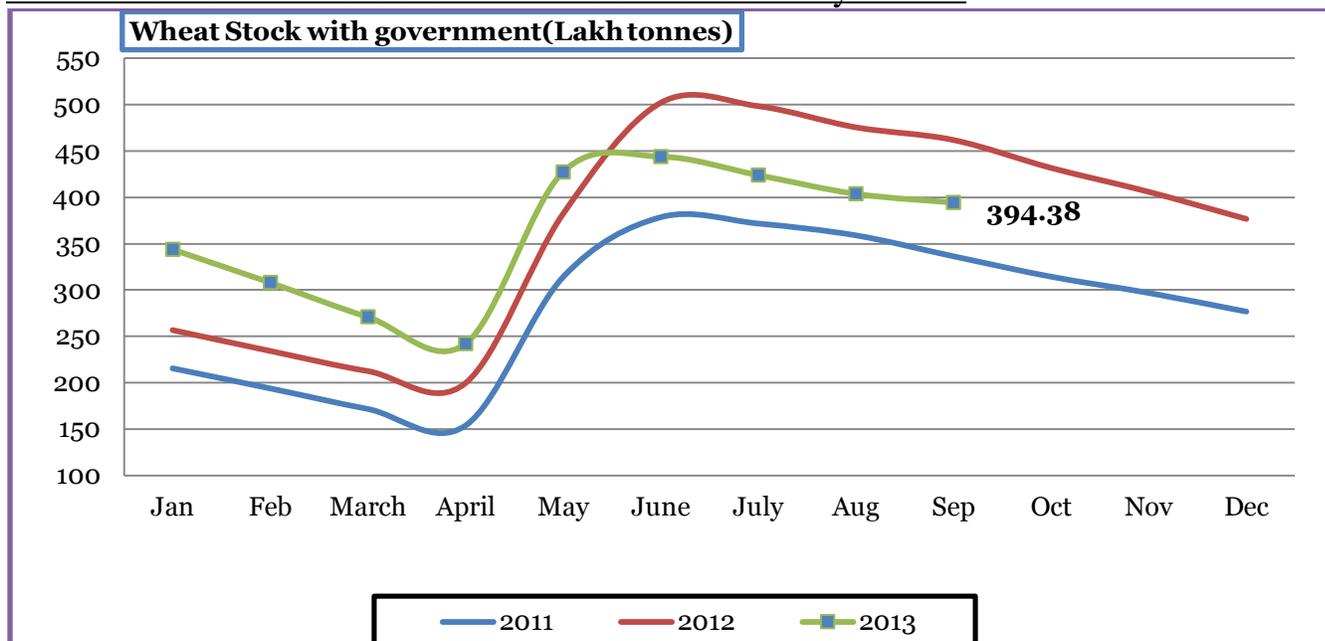
	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Sept 11- Mar 12	7.38	232.12	237.46
Apr-12	1.17	236.89	235.13
May-12	1.93	252.15	236.73
Jun-12	4.13	256.64	245.82
Jul-12	2.88	296.12	318.27
Aug-12	4.79	310.07	328.89
Sep-12	9.39	314.48	326.52
Oct-12	6.62	312.11	317.84
Nov-12	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	8.32	303.06	256.85
May-13	8.66	309.11	258.13
June-13*	5.91	291.51	252.70
July-13*	3.03	282.82	243.62
Total 13-14	25.92	296.63	252.83

(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 has been persistently falling due to weakening of Indian rupee during the month.

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



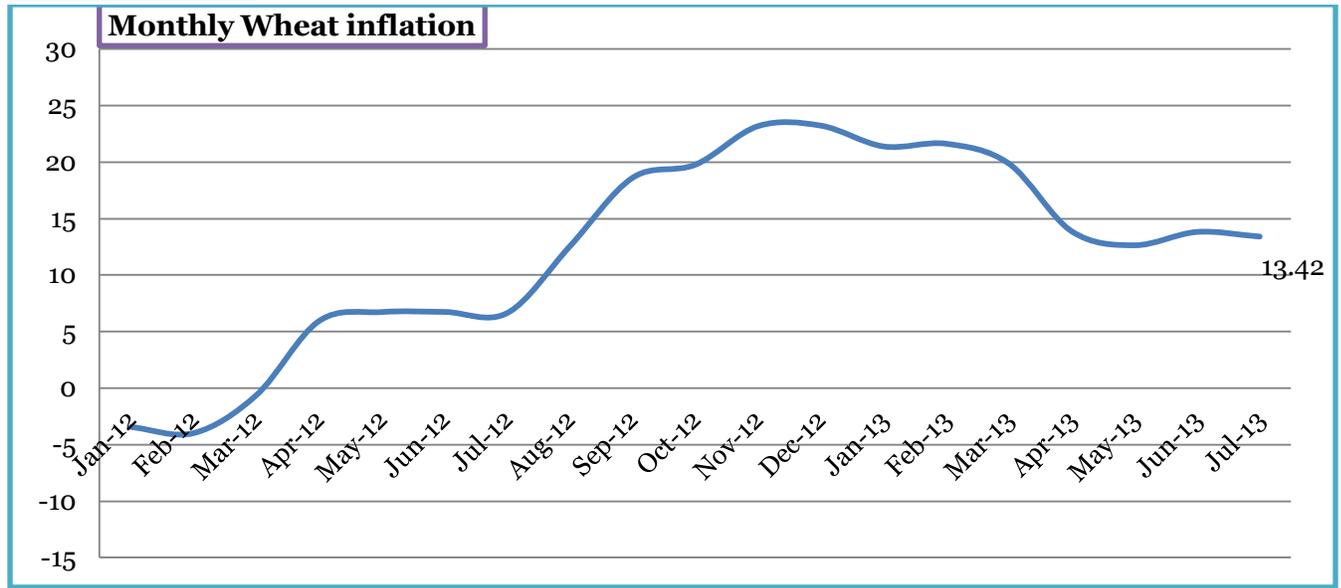
*Sept month 2013 figure is till 16th August 2013

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 16th August was 394.38 lakh tonnes which is lower than last year's 475.26 lakh tonnes on 1st August 2012, 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



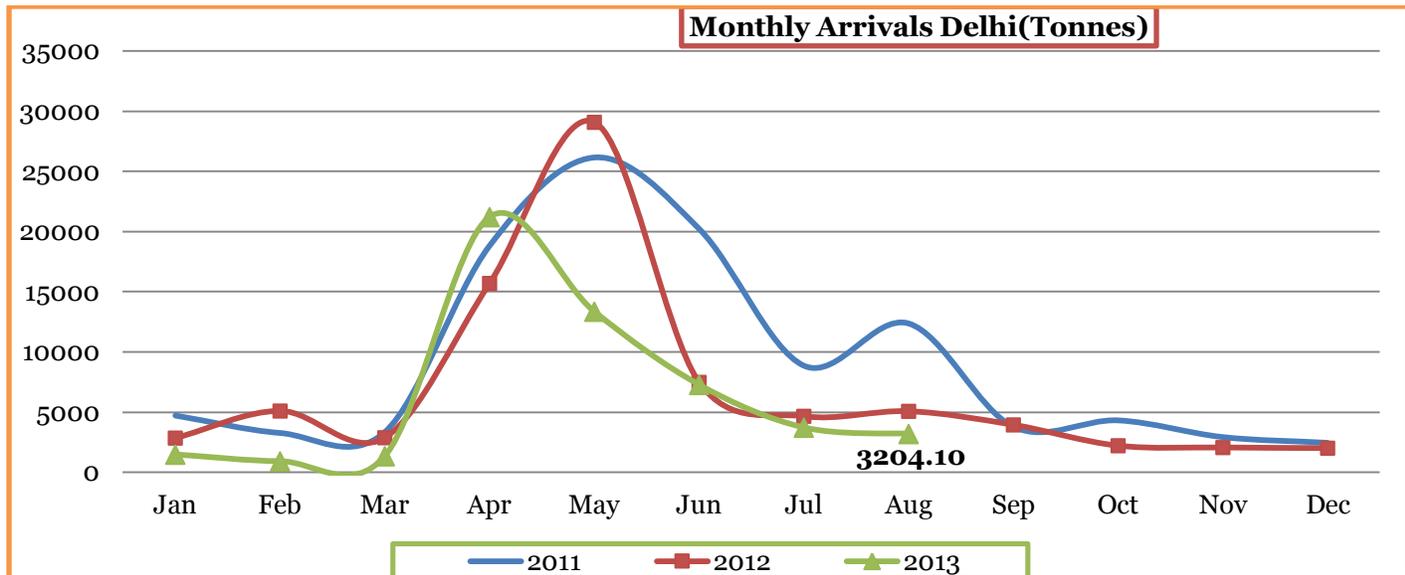
Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
August	1508.80	1561.70	1578.10	1620.80	1532.50
September	1545.80	1573.30	1559.00	1596.50	1781.30
October	1563.80	1558.00	1574.60	1552.60	1807.20
November	1607.00	1605.50	1589.90	1654.70	1928.90
December	1576.00	1581.00	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
August 2013	1573.78	1619.72	1584.35	1634.37	1855.29

Wheat inflation has marginally decreased in July to 13.42% year on year basis from 13.83% in May 2013. WPI has increased marginally to 206.2 in June from 205 in May 2013. Inflation has increased marginally by 0.58% month on month basis.

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			1/8/2013	2/9/2013	
Delhi					
	Lawrence Road	Mill Delivery	1560	1580	20
	Nazafgarh	Mill Quality Loose	1500	1525	25
	Narella	Mill Quality Loose	1480	1535	55
Gujarat	Rajkot	Mill Delivery	1640	1650	10
	Ahmadabad	Mill Delivery	1700	1730	30
	Surat	Mill Delivery	1725	1760	35
M.P.	Bhopal	Lokwan	1600	1650	50
	Indore	Mill Delivery	1610	1650	40
Rajasthan	Kota	Mill Quality	1500	1510	10
	Kota	Mill Delivery	1570	1611	41
U.P.	Kanpur	Mill Delivery	1550	1570	20
	Mathura	Mill Quality Loose	1440	1460	20
	Kosi	Mill Delivery	1575	1600	25
Punjab	Khanna	Mill Quality Loose	1460	1450	-10
	Jagraon	Mill Delivery	1480	1500	20
Haryana	Sirsa	Mill Delivery loose	1465	1480	15
	Hodal	Mill Delivery	1540	1590	50
Tamil Nadu	Chennai	Mill Quality	1800	1875	75
	Madurai	Mill Quality	1850	1925	75
	Coimbatore	Mill Quality	1850	1925	75

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 September due to harvesting pressure from Russia, US and EU and better crop forecast for Canada, Argentina and Australia. Better yields than last year and lower price of new wheat crop may keep prices down but demand from China, Egypt, Brazil and Iran may support prices.

Harvesting for spring wheat will commence in Sept-Oct in Australia, Argentina and Canada. Australian wheat crop is expected 25.5 million tonnes as compared to 22.07 million tonnes last year, Argentina harvested 9 million tonnes last year and it is expected to harvest 13 million tonnes and Canada harvested 27 million tonnes last year and this year it is expected to harvest near to 30 million tonnes. These three major producers are expected to harvest 10 million tonnes more than last year, which is expected to put bearish pressure in near future. 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 and its 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.

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 39.8 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 245-235/MT in August.

IGC Wheat Balance Sheet

(Quantity in MMT)

	2009-10	2010-11	2011-12	2012-13 est	Projection for 2013-14	
					01.08.2013	30.08.2013
Production	679	653	695	654	687	691
Trade	128	126	145	140	139	141
Consumptions	652	657	696	673	686	688
Carryover stocks	199	194	194	174	176	176
Y-O-Y change	27	-4	0	-20	1	2
Major Exporters	79	74	69	48	50	50

IGC Balance Sheet Highlight

- The IGC GOI wheat sub-index rose by 1% month on month basis, as initial declines on good output prospects were reversed with solid export demand and gains in maize and soybeans.
- The 2013-14 world wheat crop forecast is lifted by 4million tonnes to 691 million tonnes, with increases for Canada, the EU, Kazakhstan and Ukraine.
- Only a small increase in carryover stocks is expected in 2013-14, to 176 million tonnes, including a slight recovery in the major exporters; those in the US could shrink to a six-year low.
- Small upward revisions for a number of countries, including Brazil, China and Iran, help to boost the world trade forecast marginally year on year basis, to 141 million tonnes.

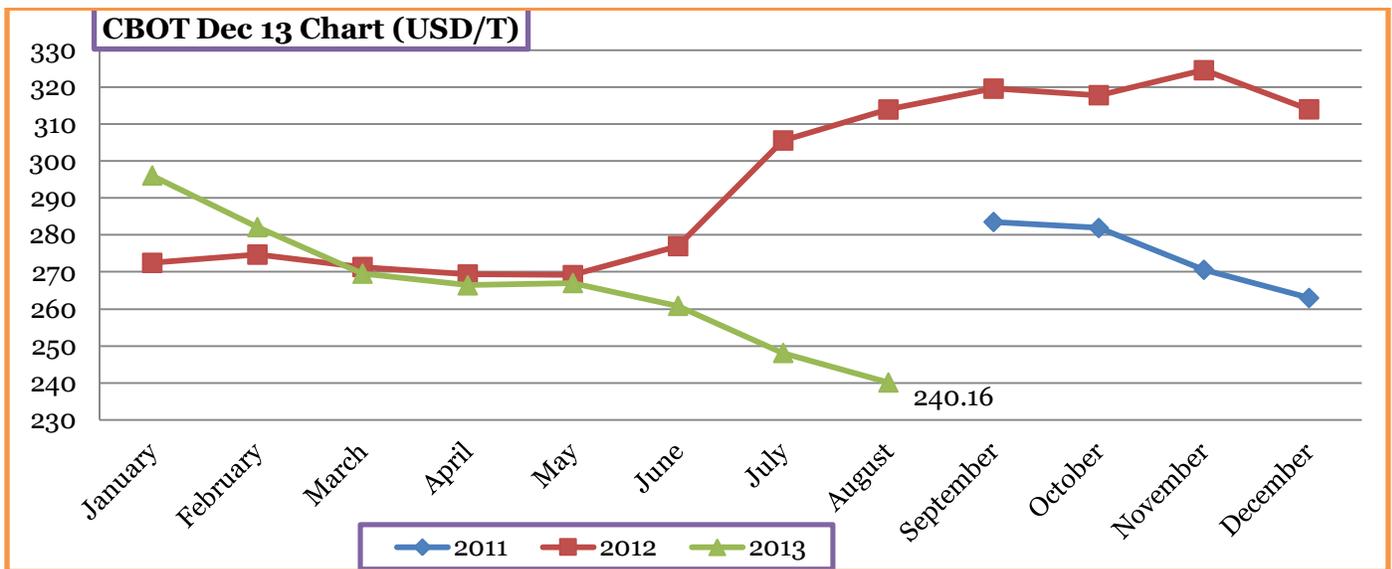
(Source – IGC)

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	57.53	35.68	3.58	29.93	15.07	61.75
Canada	4.90	29.5	9.70	.49	20	5.19	27.20
Australia	3.70	25.5	7.05	.12	19	3.27	22.08
Argentina	.74	12	6.05	.005	6	.69	10.00
Russia	5.18	54	36.50	.5	17	6.18	37.72
China	53.93	121	126.5	9.5	1	56.93	121.00
EU	9.36	141.73	122.7	5	22	11.03	133.20
Ukraine	2.22	21.5	11.50	.1	10	2.32	15.76
Pakistan	3.06	24	24	.4	.5	3.40	23.30
India	24.2	92.46	90.97	.01	5.5	20.20	94.88
Others	47.60	126.50	229.83	129.07	23.07	48.72	130.57
World total	174.43	705.38	702.04	149.23	154.07	172.98	655.27

CBOT Dec 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 245-235/MT.





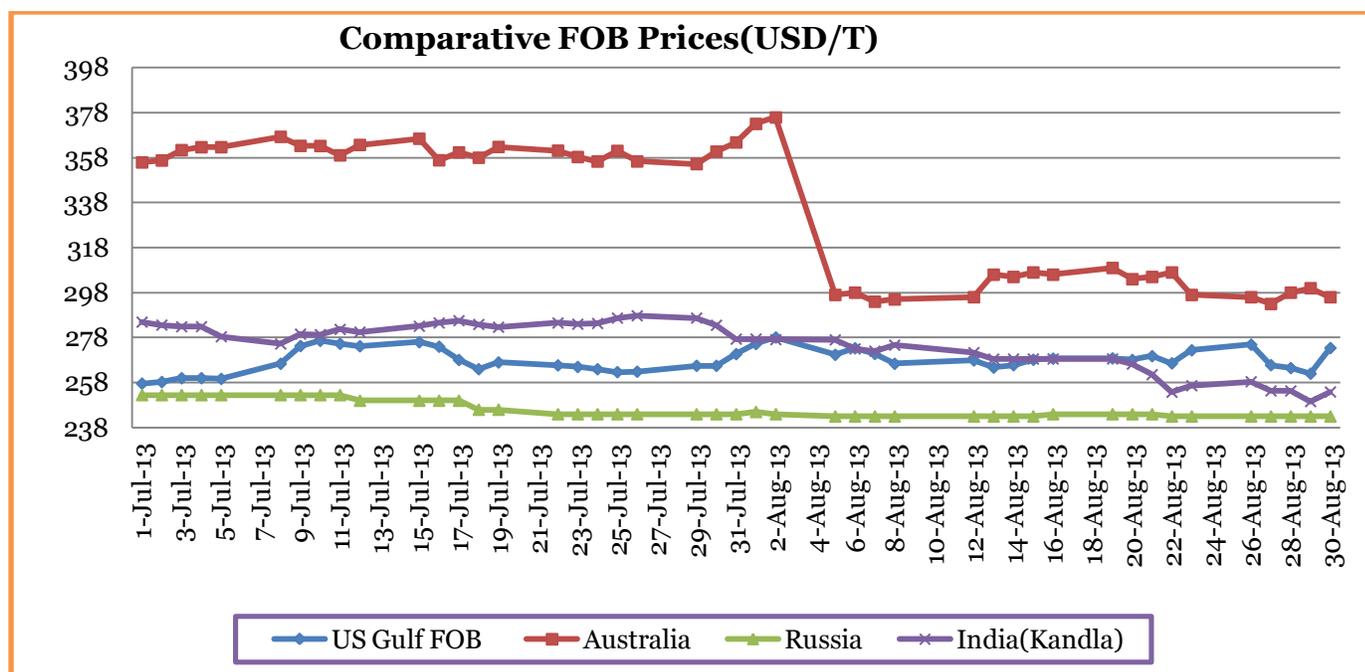
CBOT Dec 2013 contract traded in downtrend during the month of August as wheat harvesting pressure weighed on prices and better plantation of spring wheat in Canada and Argentina too pressurized the market. CBOT wheat contracts may trade steady to weak ahead on better global production estimate as per IGC forecast global production may reach 691 million tonnes from 687 million tonnes, any uptrend seems unlikely. Prices may trade in the range of USD 235/MT to USD 245/MT.

CBOT comparison over period of time:

CONTRACT MONTH	30 Aug 13	Week ago (23 Aug 2013)	1 Month ago(30 July 13)	3 Month ago(30 May 13)	6 Month ago(28 Feb 13)	1 Year ago(30 Aug 12)	% Change over previous year
13-Sep	236.33	233.12	240.74	260.12	266.46	314.59	-24.88
13-Dec	240.28	237.34	245.33	265.81	271.69	317.71	-24.37
14-Mar	244.50	241.75	249.10	271.42	276.47	320.01	-23.59
14-May	247.17	244.32	251.39	274.82	276.65	314.77	-21.48
14-Jul	244.87	242.67	250.20	276.38	274.17	297.04	-17.56
14-Sep	248.45	246.80	252.59	278.49	276.47	294.01	-15.50

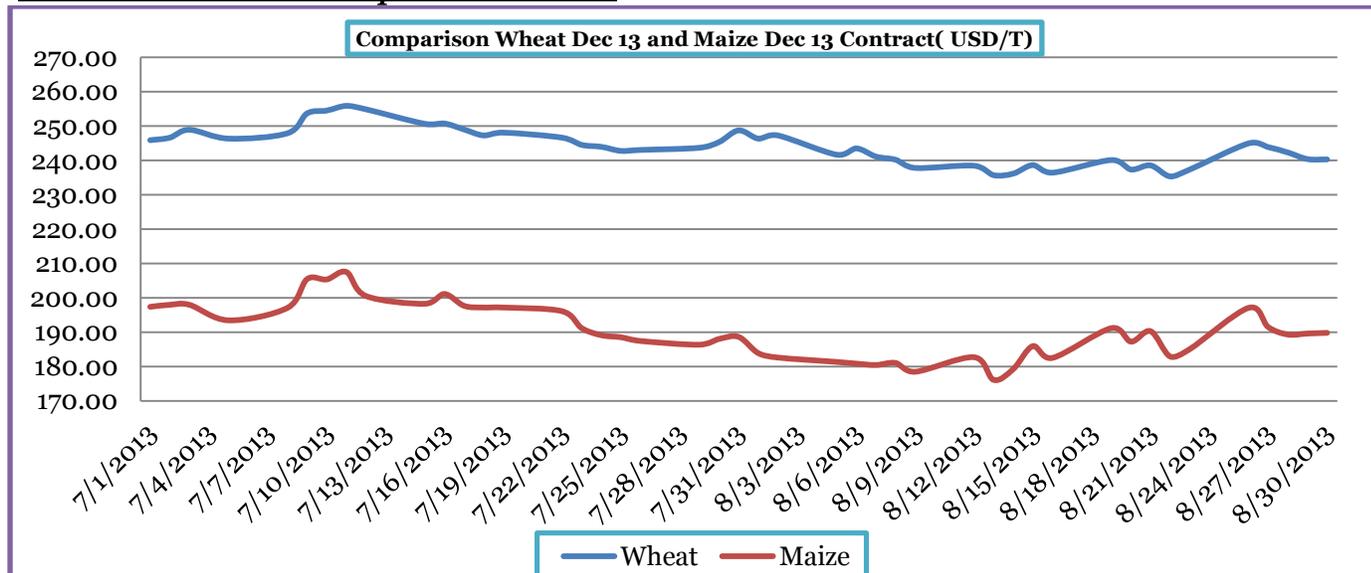
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1 st June	1 st July	1 st August	1 st September
USA	283.20	257.60	270.70	274.00
France	275.10	256.60	248.70	249.50
United Kingdom	275.20	242.10	247.10	245.40
Australia	340.07	355.90	364.77	300.00
Russia	273.00	252.50	242.00	243.00
India	303.51	284.92	277.41	258.12



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:



It can be seen from above chart that 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, However fresh demand from Brazil, China and Egypt might support markets at lower levels.

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