

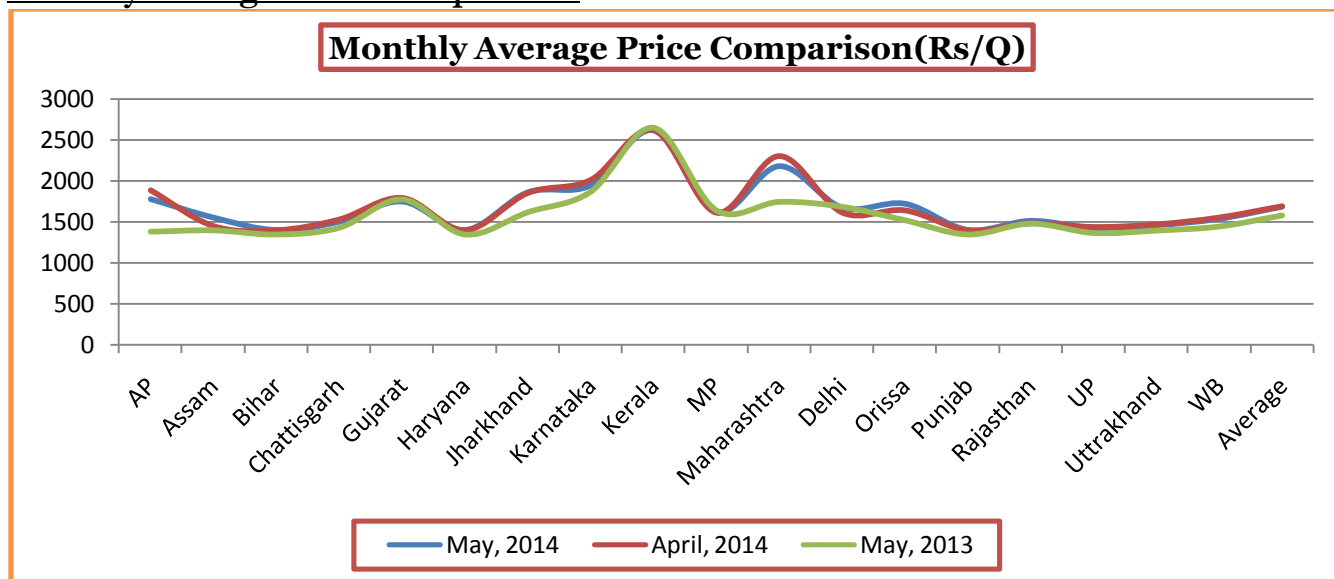
**Executive Summary**

Wheat cash market continued to trade steady in the first half of the month due to export demand, active buying from private trade and decreasing arrivals in major markets. However, bearish tone in the global market and CBOT futures acted as price limiting factors in domestic market. Importers turned to Black Sea Region as Russia/Ukraine offered wheat at \$275 per tonne for August /Sept delivery against Indian Quotes of \$282 to \$284 per tonne. In the Second half wheat cash market decreased around Rs 50 to Rs 60 per quintal as buyers/importers remained sidelined on bearish inner tone. The domestic market have been also pressurized by private exports now liquidating there's stock in Gujarat, A.P. in the local market. Demand from south Indian millers too have decreased and with changed fundamentals supply increased in comparison to current demand.

Wheat stock in central pool is registered 34.40 million tonne as on 1st May, 2014. The govt. agencies including FCI procured 26.67 million tonne wheat till the last week of May against the set target of 31 million tonne. It is higher by 7.63 percent (24.77 million tonne) procured last year till date. The govt. agencies had procured 25.09 million tonne wheat last year throughout the season. Total procurement may end up at around 27 to 27.5 million tonne this year given the fast depleting arrivals in markets.

Wheat export from India increased considerably from April (4.27 lakh tonne) to 7.7 lakh tonne in May. However, it is lower than May, 2013 by 0.96 thousand tonne. The export volume is expected to decline considerably in June-July as importers have opted to turn to Black SEA Region. Average FOB quote has increased month on month basis from \$278.33 to \$283.85 in May. As per local source private trade has struck 20,000 tonne wheat deal at \$302 per tonne for Bangladesh, to be delivered in Mid June. Currently, buyers are out of the market as Russia, Ukraine offer wheat at attractive price (\$275 per tonne on FOB basis) for August –Sept. delivery. CBOT average quote too has decreased from \$250.82 (April) to \$230.45 per tonne in May, 2014.

Supply side in domestic market is expected to be in comfort zone. Market may continue to trade steady to slightly firm in the month of June. We expect market to recover slightly from current level as market has already observed the negative impact of lower export demand.

**Monthly Average Price Comparison:**


State wise average monthly wheat price almost moved in tandem with April price. Average price in May has decreased slightly in the second half of May. However, average price in Bihar and Odisha has been ruling higher. The reason behind it is fresh demand from local and inter-state traders in local markets. However, prices in these markets too are likely to decrease to some extent as bulk buyers may stop buying in June due to decreased demand.

### India's Wheat Balance Sheet:

in Thousand MT								Estimates		Estimates		Forecast		Forecast
			2010-11	2011-12	2012-13	2013-14		Apr -June		July -Sept		Oct -Dec		Jan -Mar
<b>Opening Stock</b>			16125	18935	24185	31100		31100		99318.699		78491.397		47745.796
<i>FCI opening stock</i>			16125	15364	19952	24207								
<b>Production</b>			80800	86810	94800	92460		92460		0		0		0
<b>Stock Position</b>														
<i>Procurement</i>								25092						
<i>Govt.</i>		<i>FCI figures</i>	22513	28334	38148	25092		49299		43677.417		38055.833		32434.25
<i>Private trade</i>		<i>Plug in figure</i>	30007	28092.5	23472	35007		41900		32274		24356		16332
<i>Farm</i>	35%		28280	30383.5	33180	32361	35%	32361		25888.8		19416.6		3236
Imports			218	272	17	0		0						
<b>Total Supply</b>			<b>97143</b>	<b>106017</b>	<b>119002</b>	<b>123560</b>		<b>123560</b>		<b>99318.699</b>		<b>78491.397</b>		<b>47745.796</b>
<b>Consumption</b>														
Exports			58	72	6496	6257		2522		815		920		2000
Domestic consumption														
<i>Govt releases</i>		from fci website	23067	24168	20224	22486		5622		5622		5622		5622
<i>Private trade</i>	5%		28506.65	26687.875	22298.4	28414		7104		7104		7104		7104
<i>Farm (seed plus releases)</i>	0%		28280	30383.5	33180	32361	20%	6472.2	20%	6472.2	50%	16180.5	10%	3236.1
<b>Total Consumption</b>			78150	81760	81406	89518		21719.301		20012.301		29825.601		17961.201
<b>Closing Stock</b>			<b>18935</b>	<b>24185</b>	<b>31100</b>	<b>27784.59</b>		<b>99318.70</b>		<b>78491.40</b>		<b>47745.80</b>		<b>27784.59</b>
								<b>30-Jun-12</b>		<b>30-Sep-12</b>		<b>31-Dec-12</b>		<b>31-Mar-13</b>
								As on		As on		As on		As on

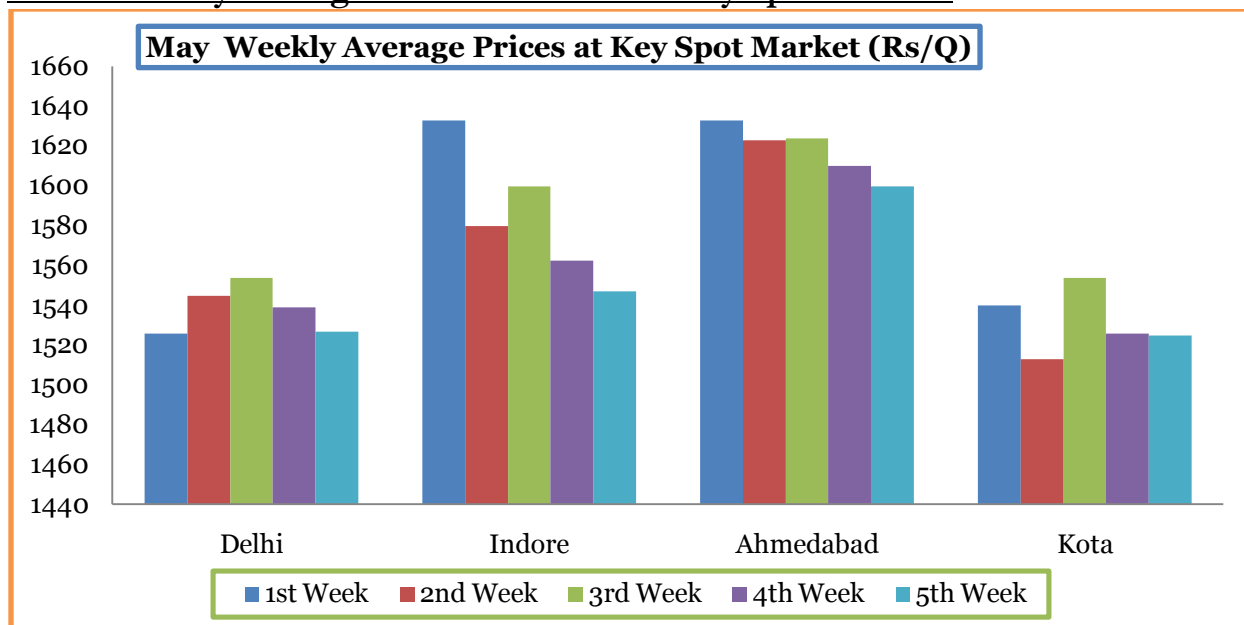
## Balance sheet highlights:

- Despite slightly lower production than expectation in 2012-13 the supply side is expected to remain comfortable and export will continue further provided parity remains favourable. We expect carry out to remain at 27.78 million tonnes including private trade stock and farmers combined stock of 5-6 million tonnes.
- Exports are expected at 6.2 million tonnes as compared to previous estimate of 5.5 million tonnes owing to reduction in export floor price by \$40/T to \$260/T and good response to recent tenders issued by PSU's.
- Consumption is expected to increase substantially owing to implementation of Food Security Bill and fast growing feed and confectionary industry.

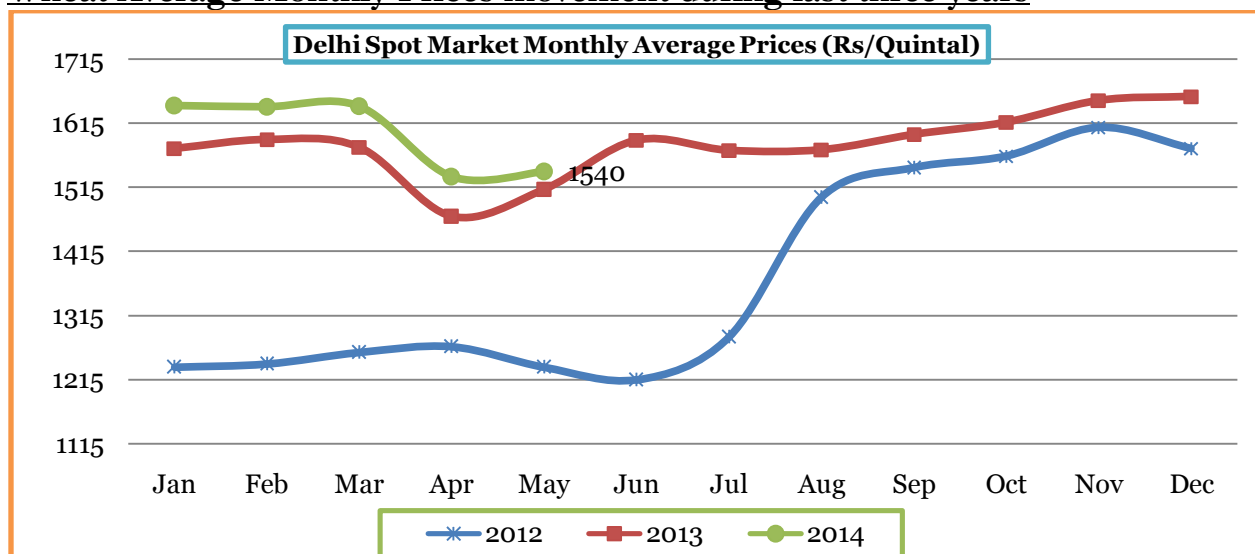
## Wheat Production estimate 2012-13 crop:

State	Production('000 Tonnes)		Area('000 Hectares)		Yield('Kg/Hectare)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
	4th Advance Estimate	Final Estimate	4th Advance Estimate	Final Estimate	4th Advance Estimate	Final Estimate
Andhra Pradesh	7	11	8	8	875	1375
Assam	57	60.3	48	52.6	1188	1147
Bihar	5375.1	4725	2215.1	2141.9	2427	2206
Chhattisgarh	141.3	133.1	101.2	108.5	1396	1227
Gujarat	3135	4072	1050	1351	2986	3014
Haryana	11117	12685.7	2497	2522	4452	5030
Himachal Pradesh	543.5	595.8	325.9	356.6	1514	1671
Jammu & Kashmir	415.8	500.3	296.2	296.2	1404	1689
Jharkhand	267.4	302.6	155.8	158.6	1716	1908
Karnataka	172	193	234	225	735	858
Madhya Pradesh	13133.4	11538.5	5300	4889.2	2478	2360
Maharashtra	875	1313	594	843	1473	1558
Orissa	2.1	2.4	1.3	1.5	1672	1644
Punjab	16106.1	17280.1	3522	3528	4573	4898
Rajasthan	8953.5	9319.6	2820	2935.3	3175	3175
Uttar Pradesh	30301.9	30292.6	9734	9731	3113	3113
Uttarakhand	838	878	358	369	2341	2379
West Bengal	907	872.9	322	315.7	2817	2765
Others	110	106.1	31.3	31.8	3514	3337
All India	<b>92458.2</b>	<b>94882.1</b>	<b>29646.7</b>	<b>29864.8</b>	<b>3119.0</b>	<b>3177.0</b>

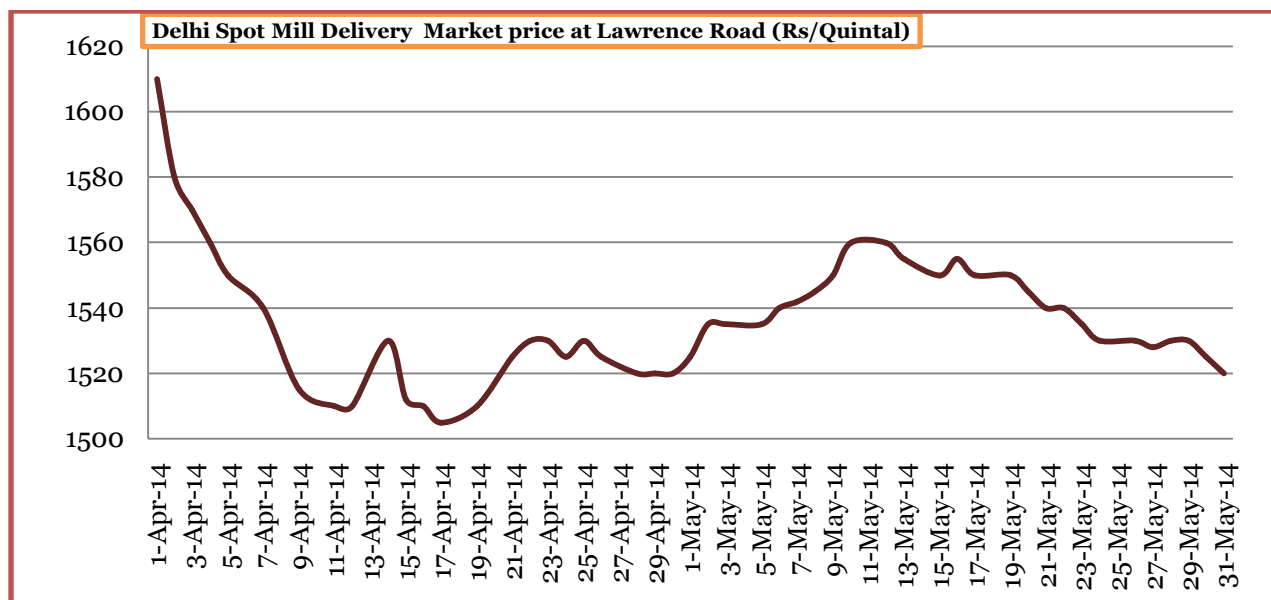
**Note:** All figures are as per Ministry data.

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


The above given chart shows that wheat prices ruled higher in the first half of May and decreased thereafter in major bench mark markets. As market has absorbed the impact of lower export demand, prices are expected to stay steady and slight recovery might be seen at this point of time. However, any bounce at this point of time is unlikely.

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


Wheat cash market (Delhi) in the month of May moved in tandem with the trend of 2013 above given chart shows. However, a gap in 2013 and 2014 price is mainly attributed to higher MSP. The gap has narrowed by the end of May as demand (export) from bulk buyers decreased sharply. Agriwatch expects minor decline in monthly average price in June.

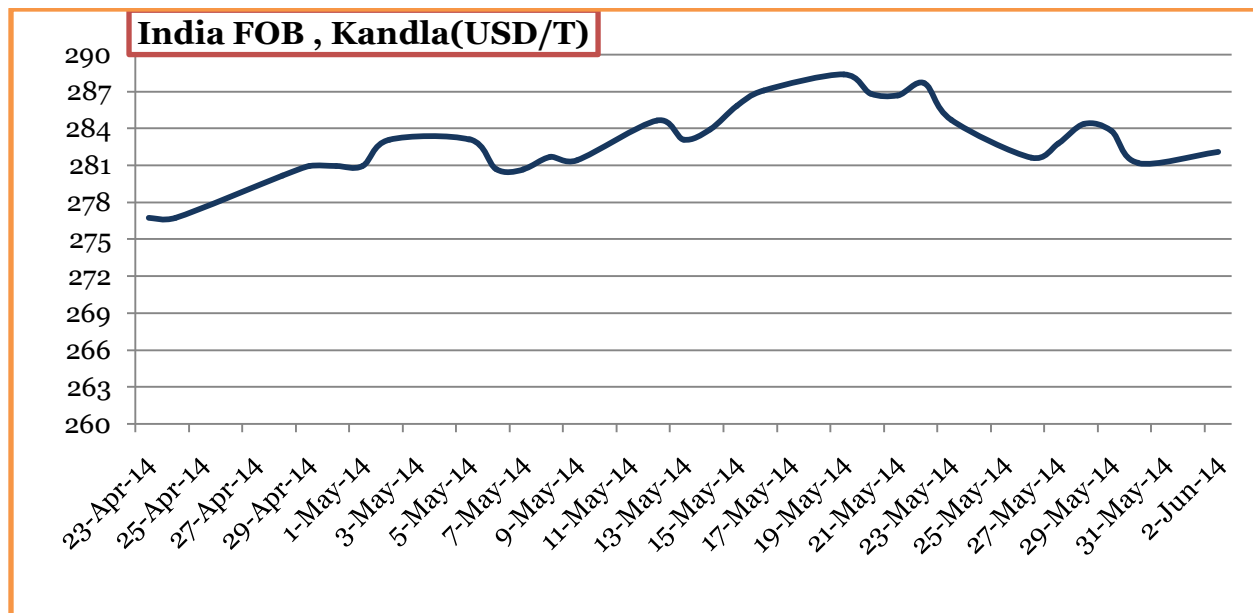


### Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
<b>Sept 11- Mar 12</b>	<b>7.38</b>	<b>232.12</b>	<b>237.46</b>
<b>Apr 12 - Mar 13</b>	<b>64.96</b>	<b>298.18</b>	<b>286.71</b>
<b>Apr 13 - Mar 14</b>	<b>55.54</b>	<b>282.82</b>	<b>241.6</b>
4/1/2014*	4.27	278.33	250.82
May-14	7.7	283.85	230.45
<b>Total 14-15</b>	<b>11.97</b>	<b>281.09</b>	<b>240.63</b>

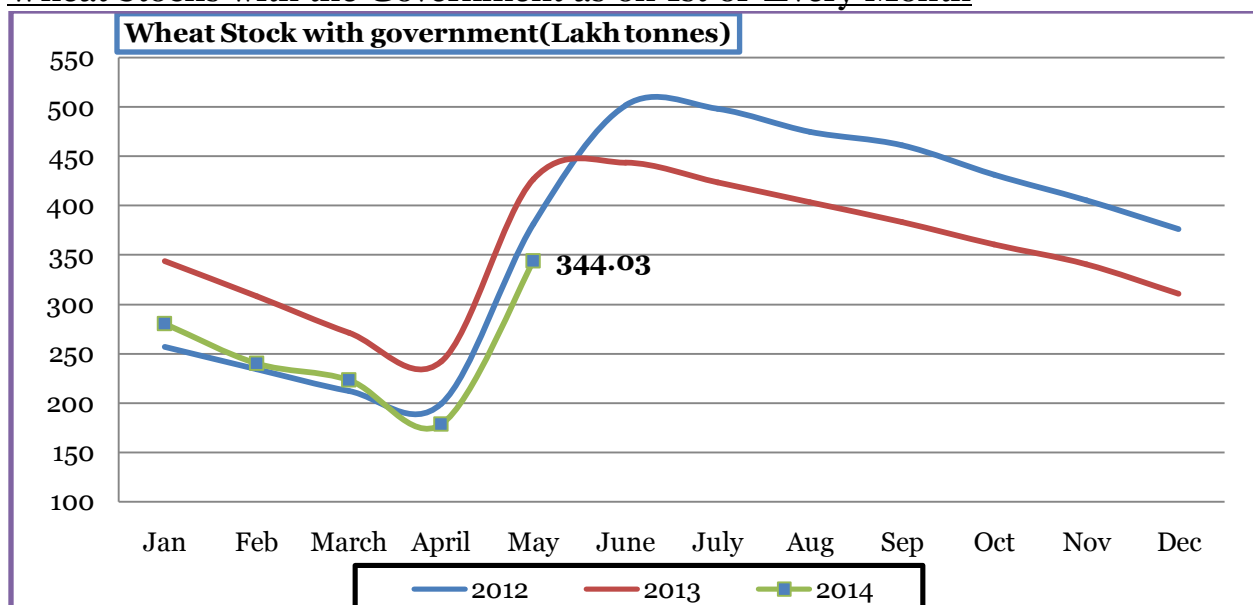
(Source: DGCIS, \*Provisional data from IBIS)

Wheat export from India increased from 4.27 to 7.7 lakh tonne in May. Average Fob quote increased from \$278.33 in April to \$283.85 per tonne in May. However, during the review period CBOT average quote decreased from \$250.82 to \$230.45 per tonne. Export from India is bound to dip due to current disparity. US and Black Sea Region crops are cheaper and it would continue to hamper Indian export opportunity in the months ahead.



Indian Fob quote rules higher in comparison to April despite considerable decline in cash market price mid May onward. Export demand throughout April remained supportive to wheat market fundamentals and prices in domestic market continued to rule above MSP in central India. At the beginning of procurement season quote hovered at \$276/77 and reached at \$288 per tonne on 19<sup>th</sup> May. However, in lack of export demand FOB quote decreased to \$282/83 per tonne.

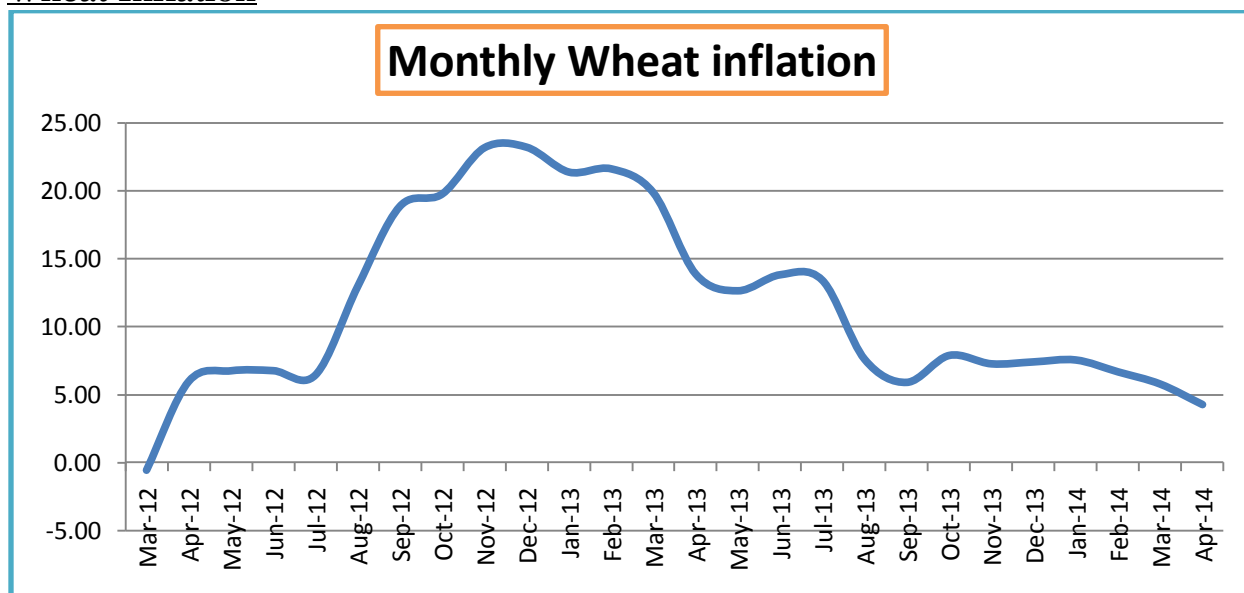
### Wheat Stocks with the Government as on 1st of Every Month



Wheat stock in government's ware houses in the beginning of May was registered at 344.03 lakh tonne. Stock is lower than 2012, 2013 due to lower procurement. Cash market prices ruled higher and private traders offered higher prices than MSP to the farmers, so procurement quantity decreased. Procurement target of 31 million tonne for

2014-15 is unlikely to materialized However, stock in govt.'s ware houses is considered to be enough to take care of the requirements under PDS, OMSS and export too..

## Wheat Inflation

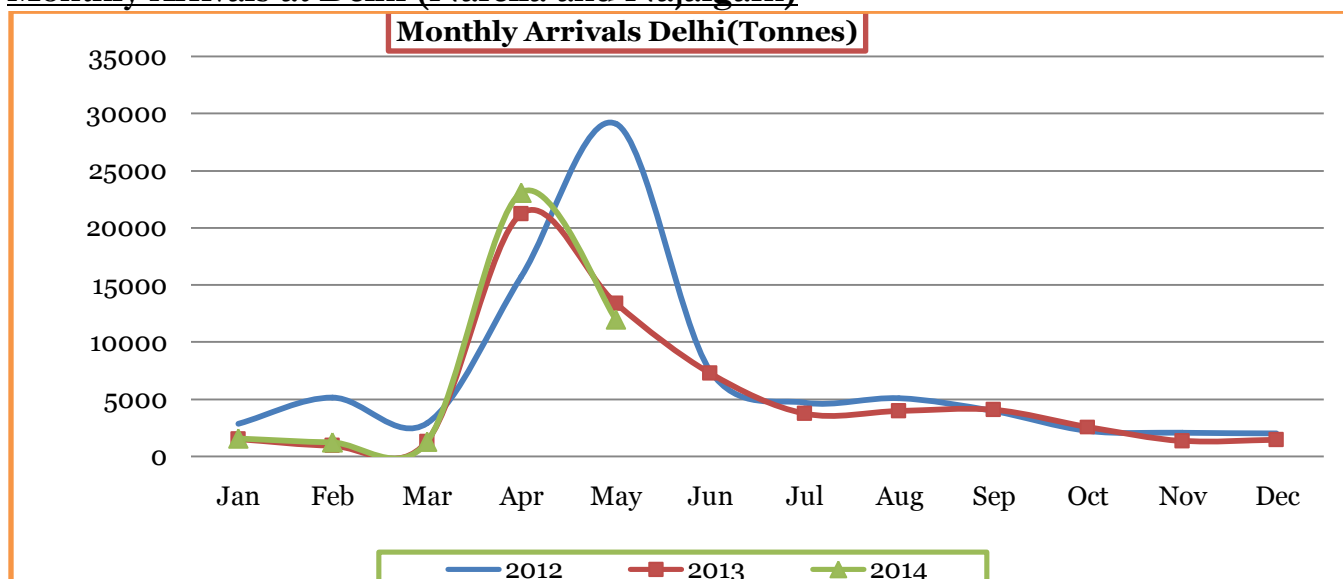


Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
May 2013	1512.77	1584.60	1611.91	1521.11	1866.95
June 2013	1589.20	1606.66	1606.73	1565.20	1896.30
July 2013	1572.96	1603.84	1597.96	1549.03	1843.34
August 2013	1573.78	1619.72	1584.35	1550.62	1855.29
September 2013	1597.60	1645.71	1588.88	1566.73	1846.66
October 2013	1616.79	1698.00	1620.04	1572.94	1883.09
November 2013	1651.04	1698.75	1634.16	1631.17	2008.05
December 2013	1657.47	1674.56	1610.73	1609.31	2035.00
January 2014	1642.56	1693.26	1617.61	1650.40	1957.61
February 2014	1640.60	1692.82	1673.08	1584.47	1980.00
March 2014	1642.08	1593.33	1655.00	1530.30	1987.14
April 2014	1532.00	1527.50	1521.70	1511.20	1866.10
May 2014	1540.00	1575.65	1531.42	1518.40	1845.47



**Monthly Price Comparison of Spot Markets:**

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			31/05/2014	30/04/2014	
Delhi					
	Lawrence Road	Mill Delivery	1520	1520	0
	Nazafgarh	Mill Quality Loose	1475	1470	5
	Narella	Mill Quality Loose	1485	1480	5
Gujarat	Rajkot	Mill Delivery	1600	1625	-25
	Ahmedabad	Mill Delivery	1650	1650	0
	Surat	Mill Delivery	1665	1670	-5
M.P.	Bhopal	Lokwan	1600	1760	-160
	Indore	Mill Delivery	1525	1650	-125
Rajasthan	Kota	Mill Quality	1435	1500	-65
	Kota	Mill Delivery	1525	1535	-10
U.P.	Kanpur	Mill Delivery	1515	1510	5
	Mathura	Mill Quality Loose	1450	1400	50
	Kosi	Mill Delivery	1450	1400	50
Punjab	Khanna	Mill Quality Loose	1410	1405	5
	Jagraon	Mill Delivery	1500	1460	40
Haryana	Sirsa	Mill Quality loose	1405	1400	5
	Hodal	Mill Delivery	1520	1535	-15
Tamil Nadu	Chennai	Mill Quality	1825	1875	-50
	Madurai	Mill Quality	1882	1932	-50
	Coimbatore	Mill Quality	1882	1932	-50

**Monthly Arrivals at Delhi (Narella and Najafgarh)**


**Domestic Outlook:**

Wheat cash market may trade steady to slightly firm in the rest of the June despite diminished export demand. Cash market has absorbed the negative impact of decreased demand from global markets for Indian wheat. However, any major spike in local market is unlikely at this point of time. Importers for Indian wheat have now turned to Black Sea Region as Russia/Ukraine offer cheaper wheat. Black Sea Region crop is due in July and wheat from these regions are being offered at \$275 per tonne for long months (August-Sept). Lower price at CBOT too remains unsupportive for Indian wheat export.

Wheat price in domestic market starts firming up July onward as usual on seasonal factors like end of procurement, stock holding and higher demand for wheat products as festive season starts. All these factors would impact wheat export from India. Overall outlook remains steady to slightly firm for the month of June.

**SWOT Analysis of Wheat**  
**Strength**

- Comfortable stock position despite lower procurement.
- Record production.
- Higher availability of quality wheat in Rajasthan, Gujarat and MP .

**Weakness**

- Strong INR.
- Disparity at current level
- Weak Infrastructure.
- Lack of branded wheat quality wise.

**Opportunity**

- Tension between Russia and Ukraine continues.
- Improving political relationship from neighbouring countries
- Higher demand for premium grade like Lokwan, sharbati and tukda.

**Threat**

- Harvesting of Russian and USA crop.
- Growing disparity.
- Stronger INR.
- Aggressive selling strategy by major exporter like Russia & Ukraine .
- Higher marketable surplus in major exporting countries.

**International Market Dynamics:**

Global wheat markets traded steady to weak in May owing to plenty wheat supply in market. Lower wheat import demand in global market too has pushed prices down. Increased production estimate for Russia and Australia too has put bearish pressure on international market.

IGC sees global wheat production at 694million tonnes as compared to 697 million tonnes in previous month estimate as crop yield is decreased in U.S. .Trade is expected to increase by 5 million tonneover year and Consumptions is expected to increaseto 698 million tonnes over previous forecast. Carryover stocks are expected to increase to 187 million tonnes from 172 million tonnes over previous year owing to rise in production.

**IGC Wheat Balance Sheet(Quantity in MMT)**

	2009-10	2010-11	2011-12	2012-13 Est.	2013-14 Forecast	Projection for 2013-14	
						25.04.2014	29.05.2014
<b>Production</b>	679	653	695	655	709	697	694
<b>Trade</b>	128	126	145	140	151	144	145
<b>Consumptions</b>	652	657	698	675	690	701	698
<b>Carryover stocks</b>	199	194	192	172	191	187	187
<b>Y-O-Y change</b>	27	-4	-3	-21	19		-4
<b>Major Export</b>	79	73	68	48	55	53	52

**IGC Balance Sheet Highlight**

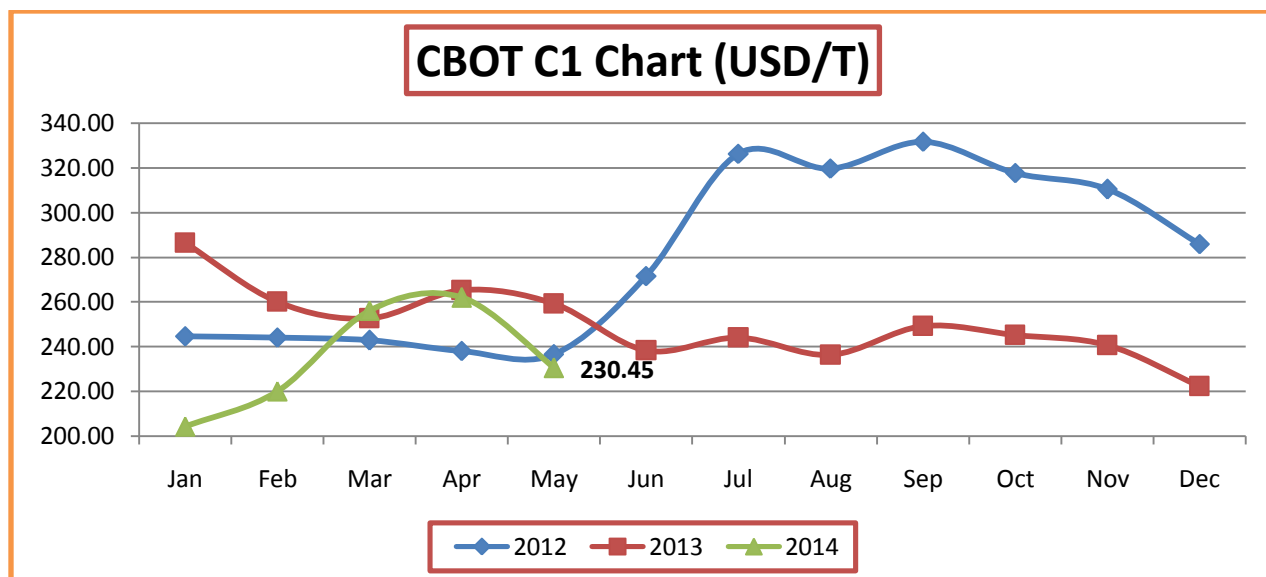
- The IGC GOI wheat sub-Index fell by 4% m/m, pressured by prospects for ample global supplies in 2014/15.
- World production is projected to fall by 2% to 694m t in 2014/15 with average yields retreating from last season's unusually high levels.
- Gains in food and feed use are forecast to lift consumption by 1% and the world carryover is likely to decline slightly, led by the major exporters.
- Trade is seen lower y/y, at 145m t as, assuming a better quality domestic harvest, China's purchases are expected to fall.

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	19.53	57.96	34.14	4.7	31.5	15.87	61.67
Canada	5.05	37.50	10.4	0.465	22	10.11	27.2
Australia	4.24	27.00	6.95	0.13	18	5.42	22.46
Argentina	0.29	10.50	6.05	0.005	2	1.74	9.3
Russia	4.95	50.09	34.5	1.2	17.5	6.24	37.72
China	53.96	121.72	123.5	7	1	58.18	121.02
EU	10.57	142.88	117	3.8	29	11.26	133.87
Ukraine	2.57	22.27	11.5	0.1	9.5	3.95	15.76
Pakistan	2.62	24.00	24.1	0.5	0.7	2.32	23.3
India	24.2	93.51	92.73	0.02	5	19	94.88
Others	48.61	124.37	233.99	136.09	20.55	52.58	109.31
<b>World total</b>	<b>176.59</b>	<b>712.52</b>	<b>694.9</b>	<b>154</b>	<b>156.8</b>	<b>186.7</b>	<b>656.5</b>

### CBOT July 14Monthly Future Chart:



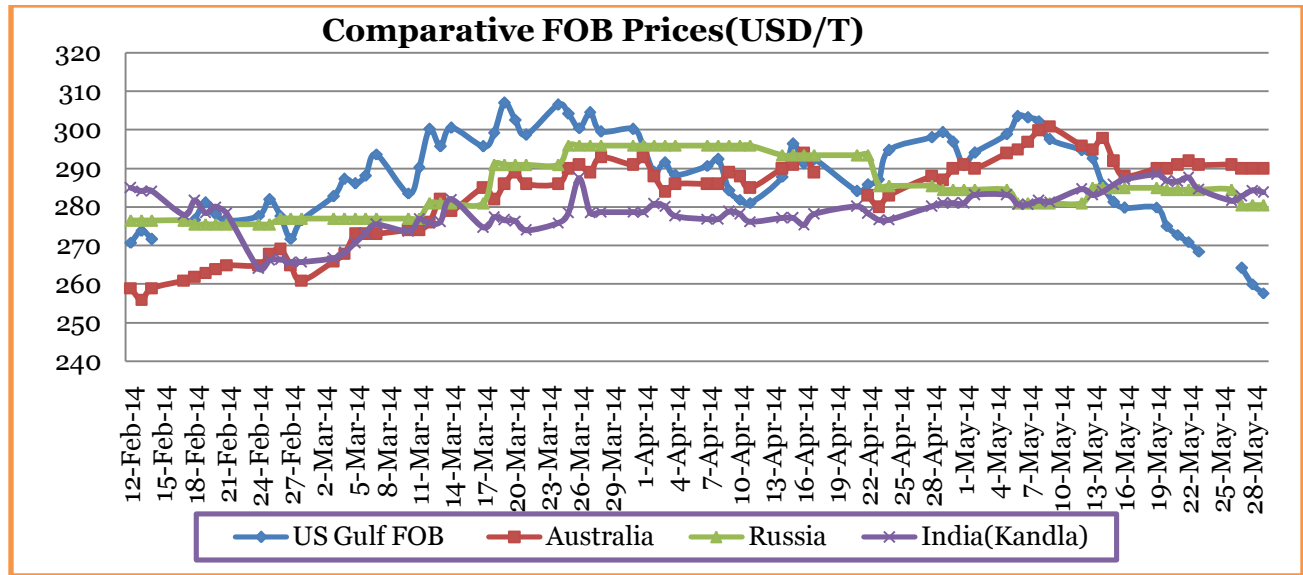
CBOT May 14monthly chart shows the downtrend due to expectation of good crop production globally. We expect prices to trade slightly steady to weak in the month of June, within the range of USD 220-250/MT.


**CBOT comparison over period of time:**

CBOT Futures Prices: Date: 30.05.14 (USD/T)							
CONTRACT MONTH	30May 14	Week ago (23May 2014)	1 Month ago(01 May 14)	3 Month ago(03 Mar 14)	6 Month ago(02 Dec 13)	1 Year ago(03 June 13)	% Change over previous year
<b>14-Jul</b>	230.45	239.73	259.84	233.57	243.77	280.97	<b>-17.98</b>
<b>14-Sept</b>	235.04	243.86	263.06	236.33	246.53	283.54	<b>-17.10</b>
<b>14-Dec</b>	242.67	250.66	268.11	240.74	250.20	286.02	<b>-15.16</b>
<b>15-Mar</b>	248.82	256.90	2844.32	243.40	252.40	288.32	<b>-13.70</b>
<b>15-May</b>	252.04	259.94	274.54	244.23	252.13	289.24	<b>-12.86</b>
<b>15-July</b>	253.87	261.04	270.13	241.29	256.17	279.32	<b>-9.11</b>

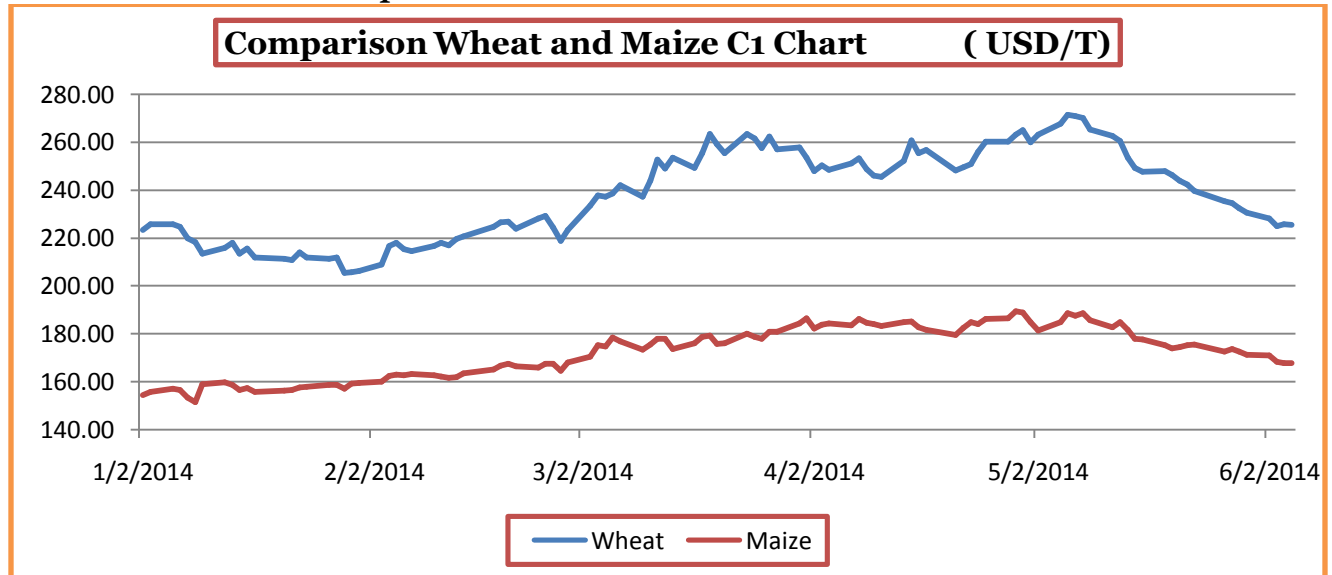
**Comparative Month on Month FOB quotes: (Fig in \$ /MT)**

All prices are for SRW /milling grade, comparable to Indian quality	1 <sup>st</sup> Feb 14	1 <sup>st</sup> Mar 14	1 <sup>st</sup> Apr 14	5 <sup>th</sup> May 14
<b>USA</b>	261.72	282.86	295.80	298.90
<b>France</b>	256.54	279.02	280.57	281.11
<b>United Kingdom</b>	NA	NA	NA	NA
<b>Australia</b>	246.00	266.00	293.00	294.00
<b>Russia</b>	278.00	277.00	296.00	284.50
<b>India</b>	280.13	266.73	278.75	283.14



International FOB has been trading steady to slightly weak due to expectation of bumper production globally.

#### 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; this means more corn is available at cheaper price to substitute it with feed wheat. This may decrease feed wheat demand globally.

***International Outlook:***

Global wheat market is likely trade steady to slightly weak in the month of June. Major importers like Egypt, Japan, Algeria and Indonesia may wait before starting any bulk buying as global market continues to move down on higher crop prospects in Black Sea Region, higher marketable surplus in US. However, weather condition in next two months would be crucial and might decide the future course of price trend. Overall, outlook remains bearish given the normal weather condition.

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