

## Executive Summary

Wheat cash market continues to trade lower despite lower arrivals in the mundi . However regular flows of wheat from private trade remain restricted for any uptrend. In the beginning of June wheat prices in major bench mark markets were ruling over Rs 1500 per quintal against set MSP of Rs 1400 per quintal for MY 2014-15.

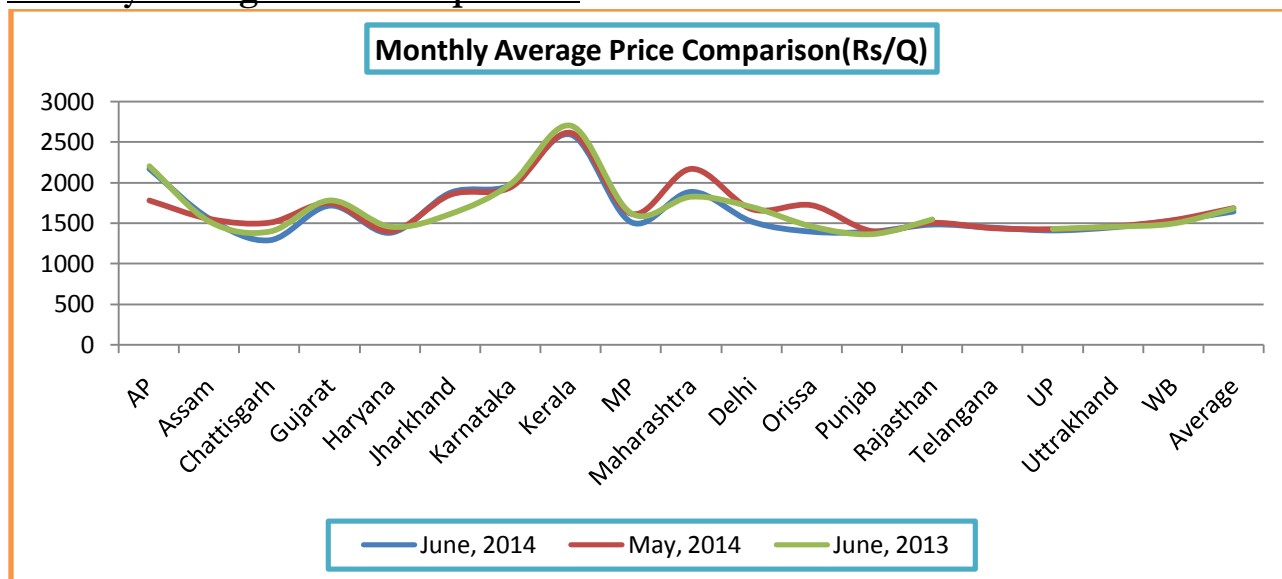
Private trades, who had procured 7 million tonne wheat [more than 100 percent from last year (3 million Tonne)] in anticipation of better export opportunity, could not do so in the falling global market. Besides, new govt. is very watchful and would not allow market to get firmer. Besides, new govt. is very watchful and would not allow market to get firmer.

Ample stock in central pool enables govt. to supply additional quantities in the market as and when situation demands. Govt. would start releasing wheat for open market sale July onward as usual to assist supply side. However, wheat is hovering now at lowest level and some improvement may be seen in July as demand for wheat products increases in festive season starting from August. It would make export more difficult. Stronger INR too would not be supportive for local exporters.

Wheat export from India decreased considerably from May (7.7 lakh tonne) to 4.0 lakh tonne in June. Export volume is likely to decline further in July as export parity has turned into negative. Average FOB quote has decreased month on month basis from \$ 282.14 in May to \$ 270.43 per tonne in June end. Average quote is expected to increase slightly in July as demand is likely improve. No fresh export deals have been reported in recent week. Exporters are engaged in fulfilling previous export obligation.

Russian and Ukraine are offering wheat at much lower price (FOB \$245 to \$248 per tonne) for July/August delivery. Besides, US also offers same FOB at around \$248/250 per tonne .France offers wheat at \$249/250 per tonne. Against these, Indian FOB is much higher at \$270.43(current quote) per tonne, from Kandla port. Right now only Australia (\$273 per Tonne) matches Indian quote. So, wheat stored out for export by private trades continues to flow in domestic market and helps markets to rule lower at this point of time.

Finally wheat procurement ended on 30th June with 28 million tonne , higher by 3 million tonne than last year. Despite slower start in the beginning of April, FCI and other govt's agencies manage to buy 28 million tonne wheat against the set target of 31 million tonne for MY 2014-15.Punjab and M.P. emerged the biggest contributors to the central pool kitty contributing 11.6 and 7.0 million tonne respectively. Both the states had contributed 10.8 and 6.3 million tonne last year. Haryana has contributed 6.4 million tonne this year against 5.8 million tonne last year. Rajasthan and Uttar Pradesh have brought 2.5 and 0.59 million wheat this year. Wheat stock in central pool increased from 34.40 million tonne on first May to 40.84 million tonne till 20th June, 2014.

**Monthly Average Price Comparison:**


State wise average monthly wheat prices almost moved in tandem with May price. Average price in June has decreased from the month of May. However, average prices in A.P. and Assam have been ruling higher. The reason behind decrease in average price is diminish export opportunity and continuous selling of wheat, meant for export in local market by the trades.

### 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

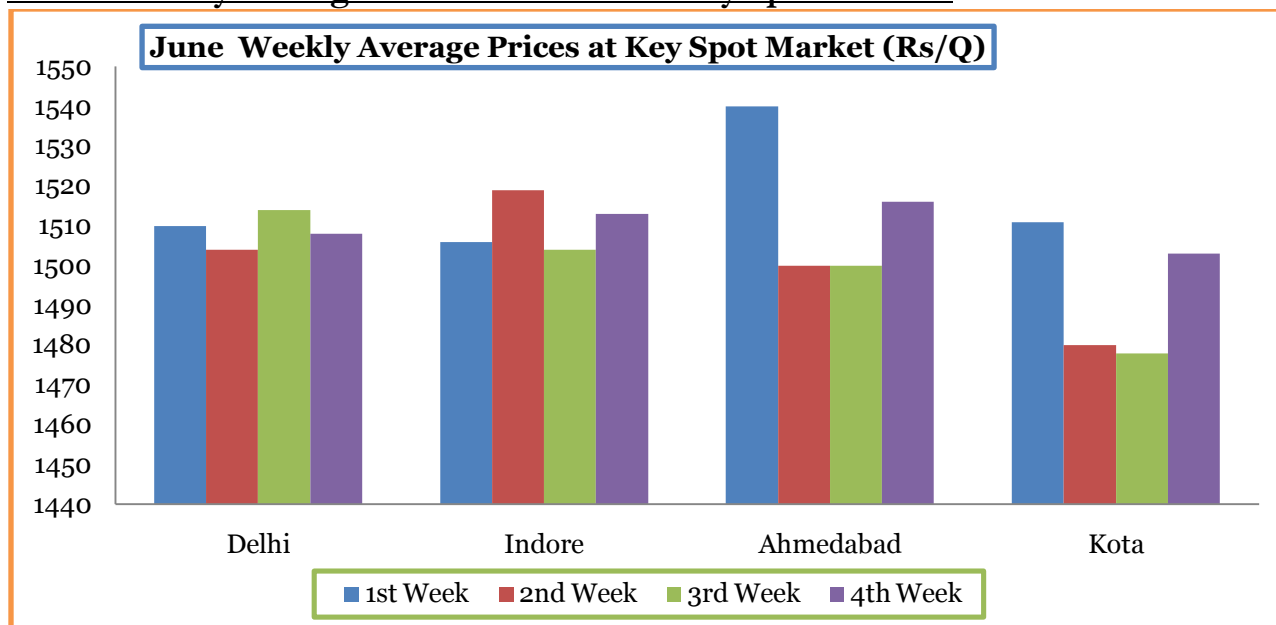
## Balance sheet highlights:

- 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.

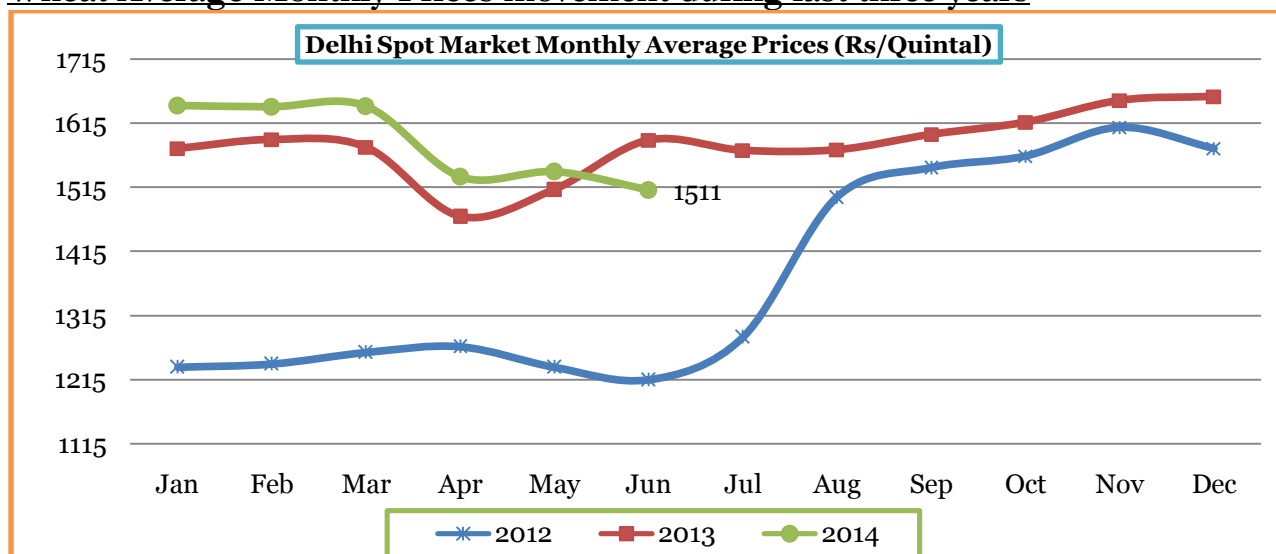
## Wheat Production estimate 2012-13 crop:

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>

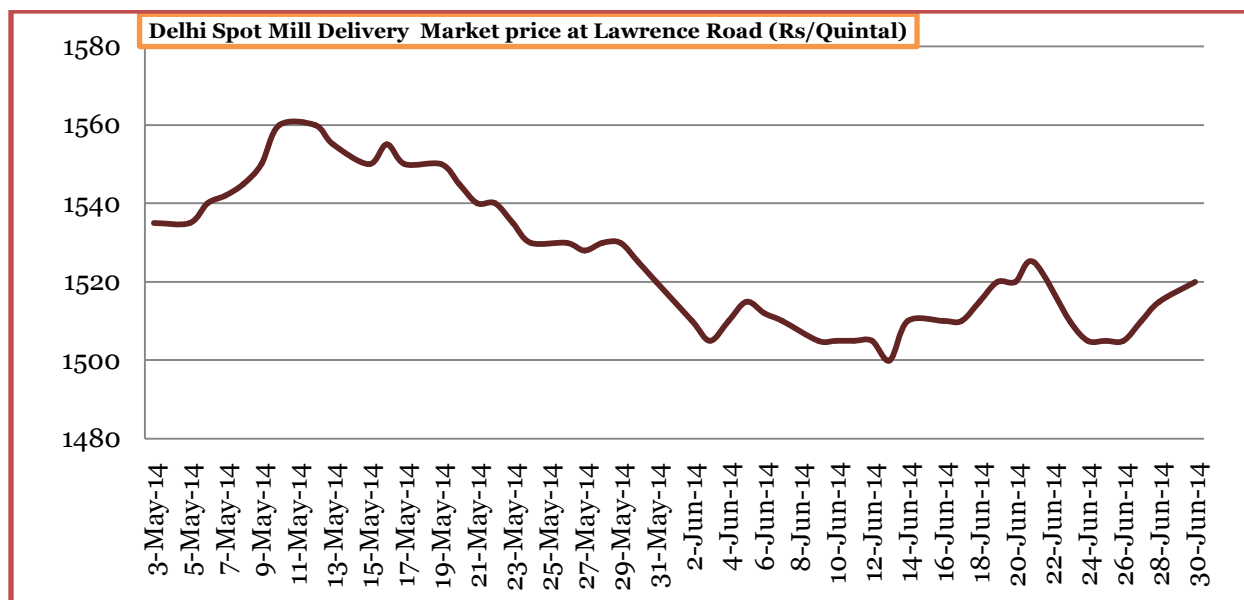
**Note:** All figures are as per Ministry data.

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


The above given market shows that wheat prices ruled higher in the first and last week of June in major bench mark markets. The decrease in price in 2nd and 3<sup>rd</sup> week is due to less export opportunity and selling of wheat on local market from the traders. However, in the fourth week slight recovery is seen.

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


Wheat cash market (Delhi) in the month of June moved slightly down as compare to May. It is opposite from 2013 trend as there is lower export opportunity and ample of stock in the market.

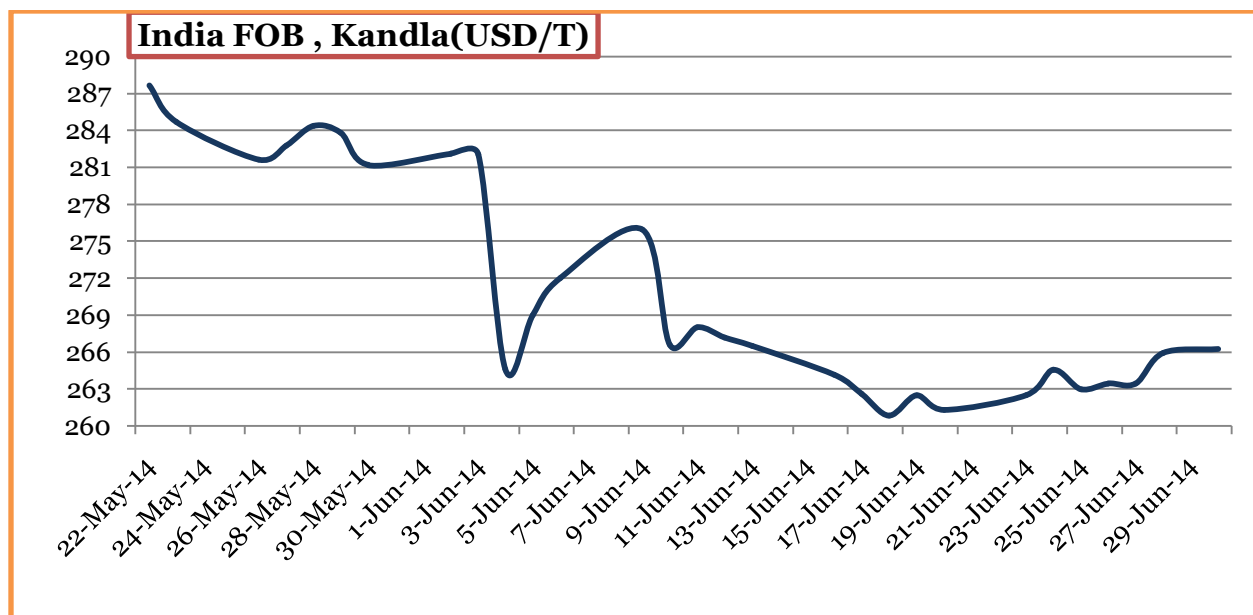


### Wheat Exports from India

	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>
Apr-14*	4.27	278.33	250.82
May-14 *	7.7	283.85	230.45
June-14 *	4	267.03	217.52
<b>Total 14-15</b>	<b>15.97</b>	<b>276.40</b>	<b>232.93</b>

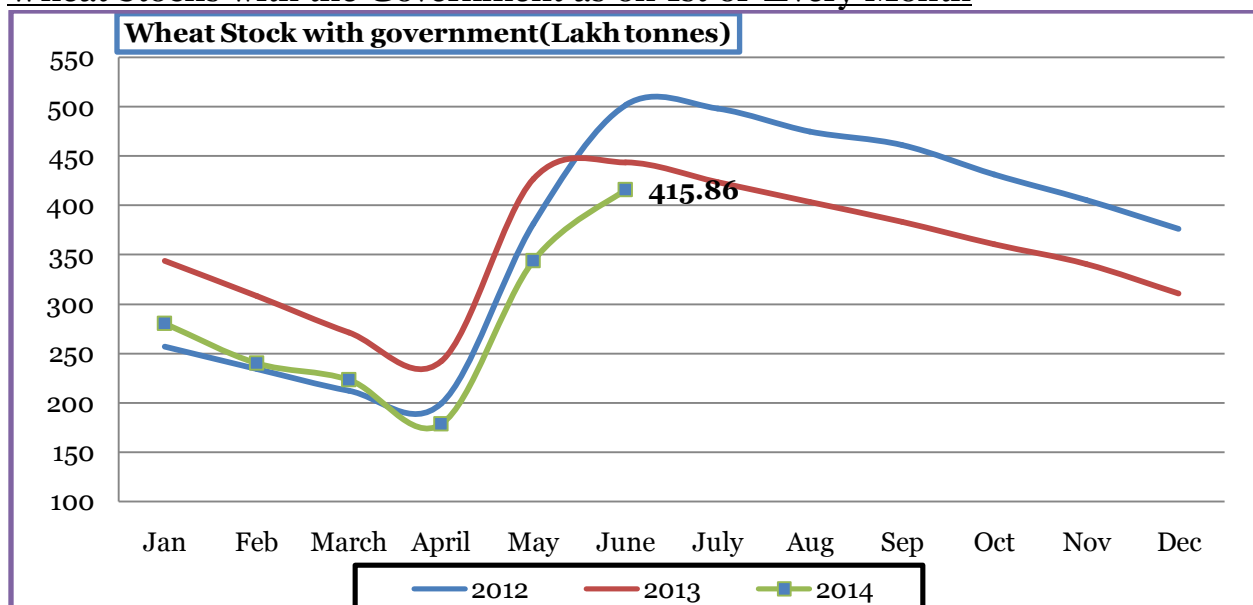
(Source: DGCIS, \*Provisional data from IBIS)

Wheat exports from India decreased from 7.7 to 4.0 Lakh tonne in June. Average Fob quote decreased from \$283.85 in May to \$267.03 per tonne in June. However, during the review period CBOT average quote also decreased from \$230.45 to \$217.52 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.



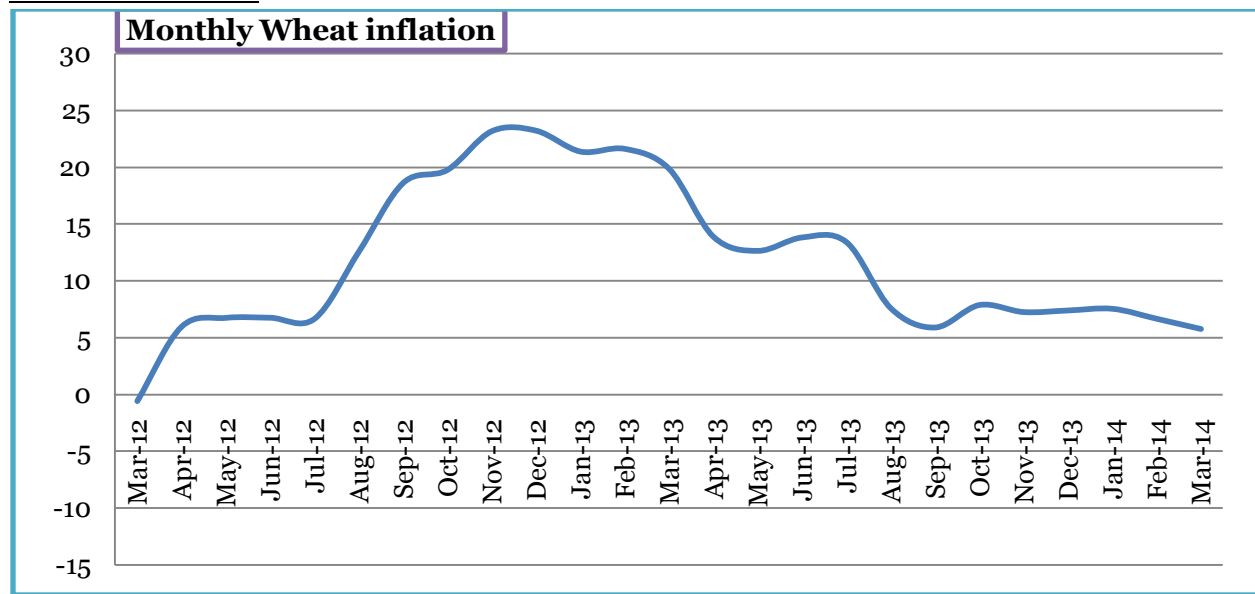
Indian Fob quotes rules lower in comparison to May due to lower export opportunity and ample of stock in the market. Private traders started selling their wheat in the local market as there is no export opportunity. However, wheat market is likely stay steady to slightly firm in the month of July as market has adjusted the impact of additional wheat supply.

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



Wheat stock in government's ware houses in the beginning of June was registered at 415.86 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.

## Wheat Inflation



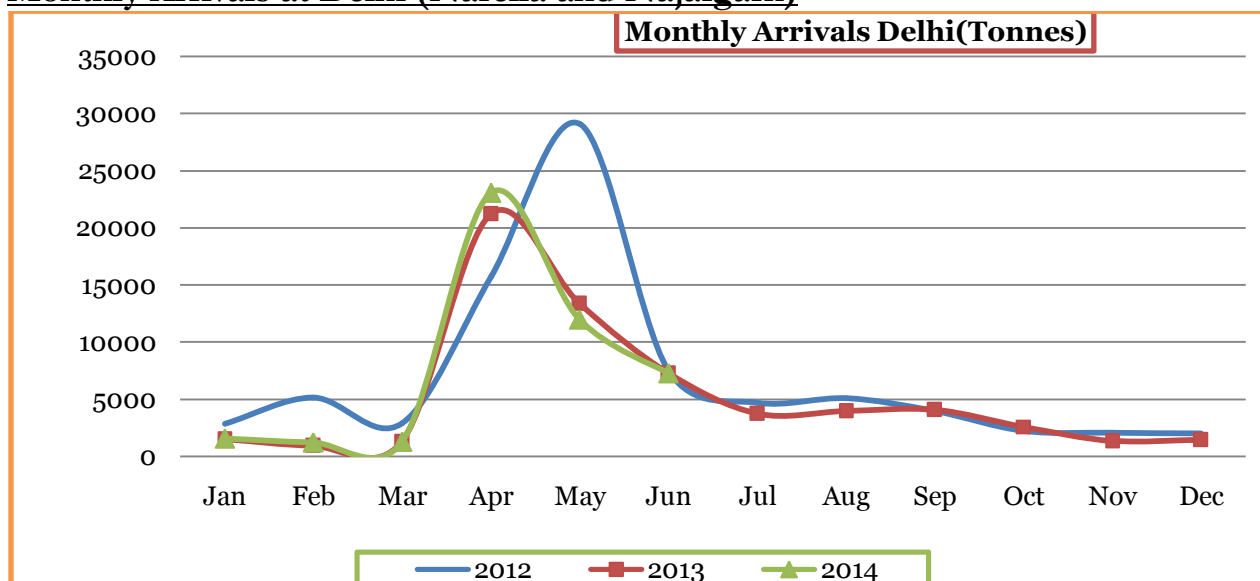
Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
June 2013	1589.20	1606.66	1606.73	1565.20	1896.30
July 2013	1572.96	1603.84	1597.96	1549.03	1843.34
August 2013	1573.78	1619.72	1584.35	1550.62	1855.29
September 2013	1597.60	1645.71	1588.88	1566.73	1846.66
October 2013	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
June 2014	1510.48	1509.58	1493.95	1438.04	1780.00



## Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			30/06/2014	31/05/2014	
Delhi					
	Lawrence Road	Mill Delivery	1520	1520	0
	Nazafgarh	Mill Quality Loose	1455	1475	-20
	Narella	Mill Quality Loose	1490	1485	5
Gujarat	Rajkot	Mill Delivery	1580	1600	-20
	Ahmedabad	Mill Delivery	1600	1650	-50
	Surat	Mill Delivery	1650	1665	-15
M.P.	Bhopal	Lokwan	1600	1600	0
	Indore	Mill Delivery	1540	1525	15
Rajasthan	Kota	Mill Quality	1435	1435	0
	Kota	Mill Delivery	1525	1525	0
U.P.	Kanpur	Mill Delivery	1485	1515	-30
	Mathura	Mill Quality Loose	1440	1450	-10
	Kosi	Mill Delivery	1410	1450	-40
Punjab	Khanna	Mill Quality Loose	1410	1410	0
	Jagraon	Mill Delivery	1500	1500	0
Haryana	Sirsa	Mill Quality loose	1415	1405	10
	Hodal	Mill Delivery	1500	1520	-20
Tamil Nadu	Chennai	Mill Quality	1750	1825	-75
	Madurai	Mill Quality	1807	1882	-75
	Coimbatore	Mill Quality	1807	1882	-75

## Monthly Arrivals at Delhi (Narella and Najafgarh)



**Domestic Outlook:**

Domestic wheat market is likely stay steady to slightly firm in the month of July as market has adjusted the impact of additional wheat supply(meant for export) from private trades. Domestic market is hovering in the range of Rs 1475 to Rs 1550 per qtl. in various bench mark markets currently.As festive season is round the corner, demand for wheat products would increase and remains supportive to the wheat market fundamentals. However, any unexpected spike in the cash market is unlikely as Govt. would start releasing wheat through OMSS from August. Demand for Indian wheat in the international market has decreased considerably in recent month as supply from Black Sea Region is more than enough to limit any uptrend in the global market.

Increasing gap between Black Sea Region and Indian FOB quotes has left Indian wheat exporters uncompetitive and they are now a silent spectator. Russia offers wheat at \$245 per tonne while India cannot offer below \$270 per tonne on Fob Basis. Besides, US offer wheat at \$243/244 per tonne with ample marketable surplus. Harvesting in Black Sea region has commenced and more pressure is expected on global wheat market. Next year crop prospect is good and overall stock of wheat would increase despite higher consumption world over.

Wheat export window for India might open up once again in November-December when pressure from Australian crop starts declining in Global market as Australian crop is likely to decrease and export quote for Australian wheat would continue hover in the range of \$260 to \$280 during November-December .By then U.S. fob quotes is likely to improve near Australian fob almost similar expected quotes in U.S. and Australia may provide opportunity for Indian wheat despite lean Indian season government could start selling through OMSS from August and it will help containing domestic market .Besides private stock would continue to flow into the market.

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

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

**Weakness**

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

## Opportunity

- Bangladesh current demand (3 MMT a year).
- 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 699million tonnes as compared to 694 million tonnes in its previous month estimate as crop yield has increased in U.S. .Trade is expected to increase by 4 million tonne over year and Consumptions is expected to increaseto 697 million tonnes over previous forecast. Carryover stocks are expected to increase to 194 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	
						29.05.2014	26.06.2014
<b>Production</b>	679	653	695	655	710	694	699
<b>Trade</b>	128	126	145	140	152	145	144
<b>Consumptions</b>	652	657	698	675	690	698	697
<b>Carryover stocks</b>	199	194	192	172	192	187	194
<b>Y-O-Y change</b>	27	-4	-3	-21	20		2
<b>Major Export</b>	79	73	68	48	55	52	57

## IGC Balance Sheet Highlight

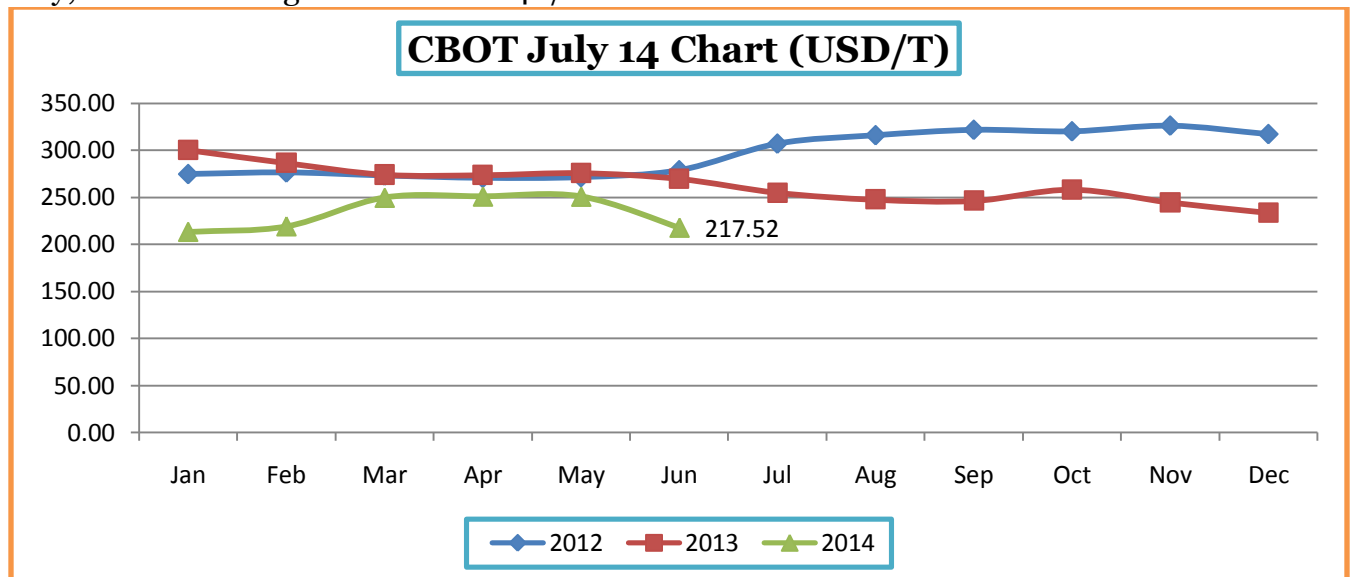
- With average yields projected to retreat from last year's record, 2014/15 wheat production is forecast to fall by 2% y/y. Due to increases for China, the EU and India, the forecast is raised by 5m t from before.
- Supply and demand are expected to be virtually balanced, with stocks seen rising only slightly. Despite an upward revision this month, exporter stocks are forecast to be tighter than average.
- A mostly comfortable supply outlook and some concerns about a slowdown in demand pressured world export prices during June, with the IGC GOI wheat sub-Index down by 5% m/m.

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 July, within the range of USD 210-240/MT.

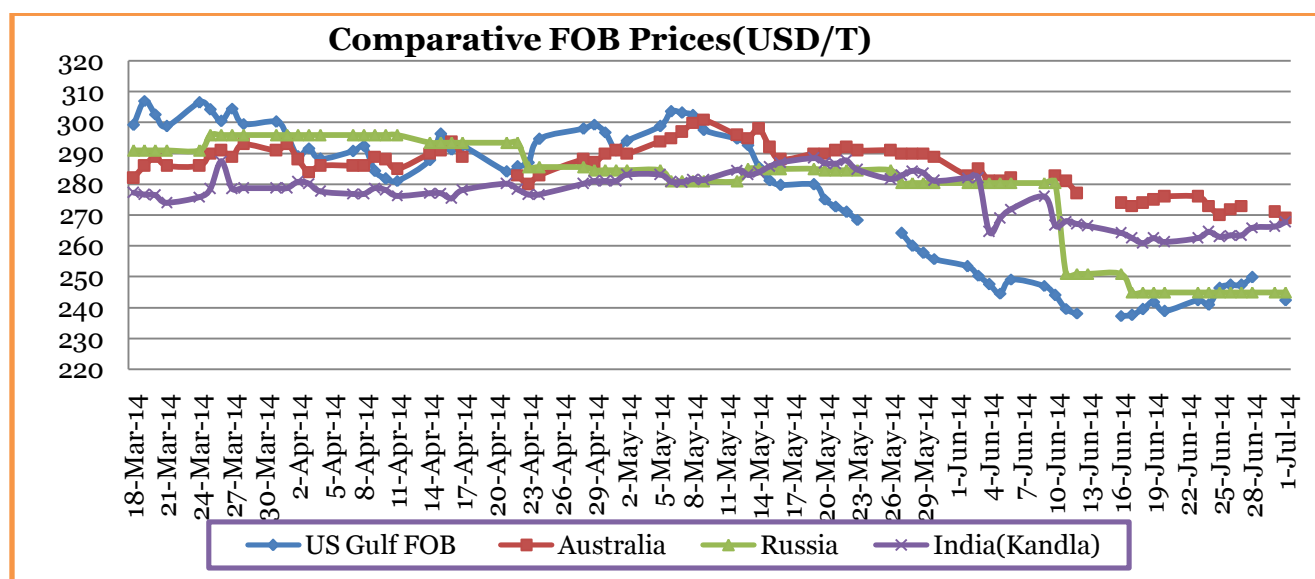


**CBOT comparison over period of time:**

<b>CBOT Futures Prices: Date: 30.06.14 (USD/T)</b>							
<b>CONTRACT MONTH</b>	<b>30 June 14</b>	<b>Week ago (24 June 2014)</b>	<b>1 Month ago (02 June 14)</b>	<b>3 Month ago (02 Apr 14)</b>	<b>6 Month ago (02 Jan 14)</b>	<b>1 Year ago (02 July 13)</b>	<b>% Change over previous year</b>
<b>14-Jul</b>	207.49	209.79	228.06	248.00	223.47	257.46	<b>-19.41</b>
<b>14-Sept</b>	212.17	213.37	232.10	251.03	227.15	260.30	<b>-18.49</b>
<b>14-Dec</b>	219.80	221.36	240.37	255.53	232.29	263.06	<b>-16.45</b>
<b>15-Mar</b>	227.51	229.72	246.89	259.02	235.41	264.34	<b>-13.93</b>
<b>15-May</b>	232.29	234.86	250.20	260.67	235.87	263.61	<b>-11.88</b>
<b>15-July</b>	235.87	238.63	251.85	258.93	233.85	262.97	<b>-10.30</b>

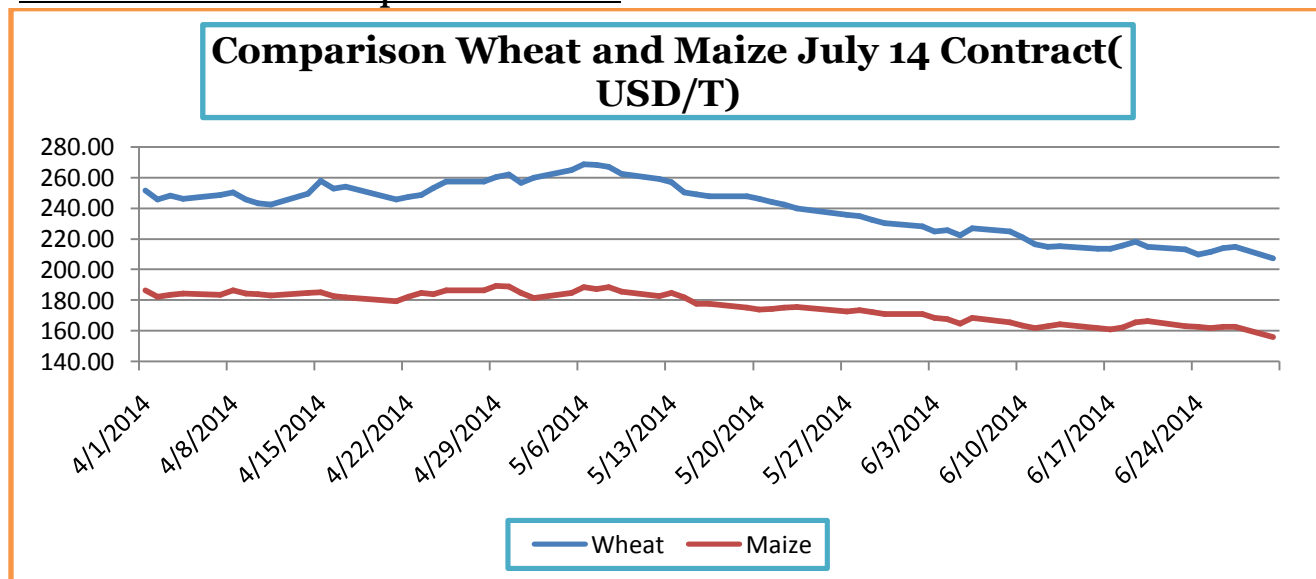
**Comparative Month on Month FOB quotes: (Fig in \$ /MT)**

All prices are for SRW /milling grade, comparable to Indian quality	<b>1<sup>st</sup> Mar 14</b>	<b>1<sup>st</sup> Apr 14</b>	<b>5<sup>th</sup> May 14</b>	<b>2<sup>nd</sup> June 14</b>
<b>USA</b>	282.86	295.80	298.90	253.40
<b>France</b>	279.02	280.57	281.11	249.99
<b>United Kingdom</b>	NA	NA	NA	NA
<b>Australia</b>	266.00	293.00	294.00	283.00
<b>Russia</b>	277.00	296.00	284.50	280.50
<b>India</b>	266.73	278.75	283.14	282.14



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:

With the commencement of harvesting in the black sea region pressure and global wheat market continues. Russia, Ukraine, Romania offer wheat at around \$245 per tonne for delivery in August-Sept. Besides, US have ample stock to offer with winter harvesting reaching half way now. Recent rains in growing areas have hampered harvesting activities. However, it is not going to impact supply side. Long month CBOT contract is hovering at lower level is indicative of bearish market in the month ahead. IGC has revised production estimate up from 694 to 699 million tonne in June, almost 5 million tonne up from May estimate. After Black Sea region crop Australian crop would hit market in October. So there would be plenty of supply.

Wheat may hover in the range of \$240 to \$255 per tonne in the month of July. Russia, Ukraine, US would remain the main suppliers to the global market. Any unexpected spike is unlikely in the month of July.

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