

Executive Summary

Wheat cash markets in India traded up in the second half of July (around Rs 35 to Rs 40 per quintal) in the reviewing month. With the end of procurement season and farmers engagement in kharif paddy trans-planting slowed down arrivals in various markets and prices started firming up as usual. Higher demand for wheat products like maida, suji, and atta with the beginning of festive season resulted higher off take of wheat by flour mills. All these developments remain supportive to the wheat market in the second half.

However, announcement/allocation of 10 million tonne wheat for bulk consumers through OMSS (open market sale scheme) for next eight months beginning from August at reserve price of Rs 1500 per quintal (for old crop) and Rs 1575 per quintal (for new crop) restricted uptrend. As export demand is lower than expectation, private trade too have started offloading their stock in domestic market sensing the bearish outlook.

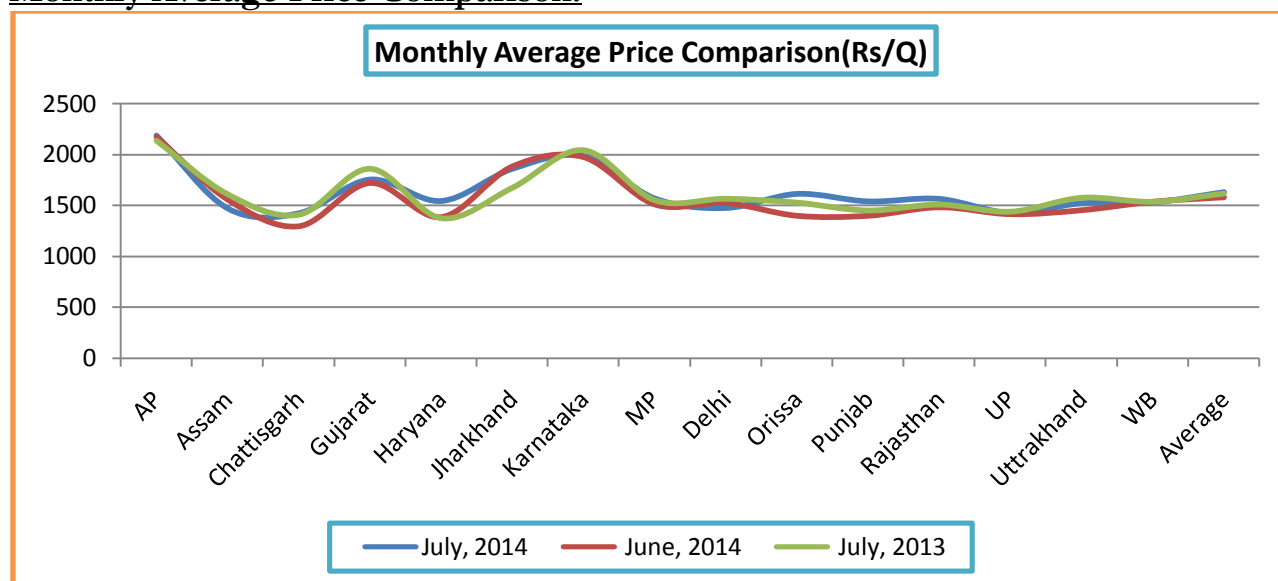
Off take from central pool stock would remain at lower level at least in the month of August and September as prices in the domestic market are hovering near the price fixed by the government for distribution through OMSS. Millers would prefer to buy private stock as long as availability continues. The reason of preference is available credit limit at least for 15 days and 1.5 percent cash discount when millers buy from private trades. These facilities are not available when millers buy wheat from govt.'s stock.

Private trades in the ongoing marketing year, beginning from April, 2014 have brought 7.7 million tonne wheat, more than double from last year (3.2 million tonne) at higher price than MSP in anticipation of better export opportunity. Unluckily, global market crashed beyond expectation and parity turned negative for Indian wheat exporters. Export volume too has decreased considerably in July and volume is expected to remain at lower level at least for third and fourth quarter. Major exporters like US, Russia, Ukraine and Australia offer wheat in the range of \$240 to \$252 per tonne on FoB basis which is lower by \$30 to \$35 per tonne against Indian offer at \$282/283 per tonne. The price difference is likely to continue as Australia, Russia and US would remain aggressive sellers in next four-five months.

Wheat stock in govt.'s granary on 1st July was recorded at 39.80 million tonne against 41.58 million tonne on 1st June, 2014. India needs 11.0 million tonne wheat as buffer stock and 3 million tonne as strategic reserve as on 1st Oct. 2014. Actual holding with govt. is at comfortable stage and supply side would be ample throughout the season.

Wheat sowing is expected to get delayed by 20 to 25 days due to late trans-planting of paddy in northern India. Farmers in Punjab, Haryana, and Uttar Pradesh sow wheat after paddy harvesting and delayed sowing may impact yield. India sees a wide variation of temperature from mid February to March and during this period wheat crop enters into maturity phase. So fears of lower yield are looming large at this point of time. However, it would be too early to quantify wheat crop size.

Monthly Average Price Comparison:



State wise average monthly wheat prices almost moved in tandem with June price. Average price in July has increased from the month of June. However, average prices in Delhi and Assam have been ruling lower. The reason behind increase in average price is lesser arrival in the market and increasing demand of wheat products in the festive season.

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
Opening Stock			16125	18935	24185	31100		31100		99318.699		78491.397		47745.796
<i>FCI opening stock</i>			16125	15364	19952	24207								
Production			80800	86810	94800	92460		92460		0		0		0
Stock Position														
<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						
Total Supply			97143	106017	119002	123560		123560		99318.699		78491.397		47745.796
Consumption														
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
Total Consumption			78150	81760	81406	89518		21719.301		20012.301		29825.601		17961.201
Closing Stock			18935	24185	31100	27784.59		99318.70		78491.40		47745.80		27784.59
								30-Jun-12		30-Sep-12		31-Dec-12		31-Mar-13
								As on		As on		As on		As on

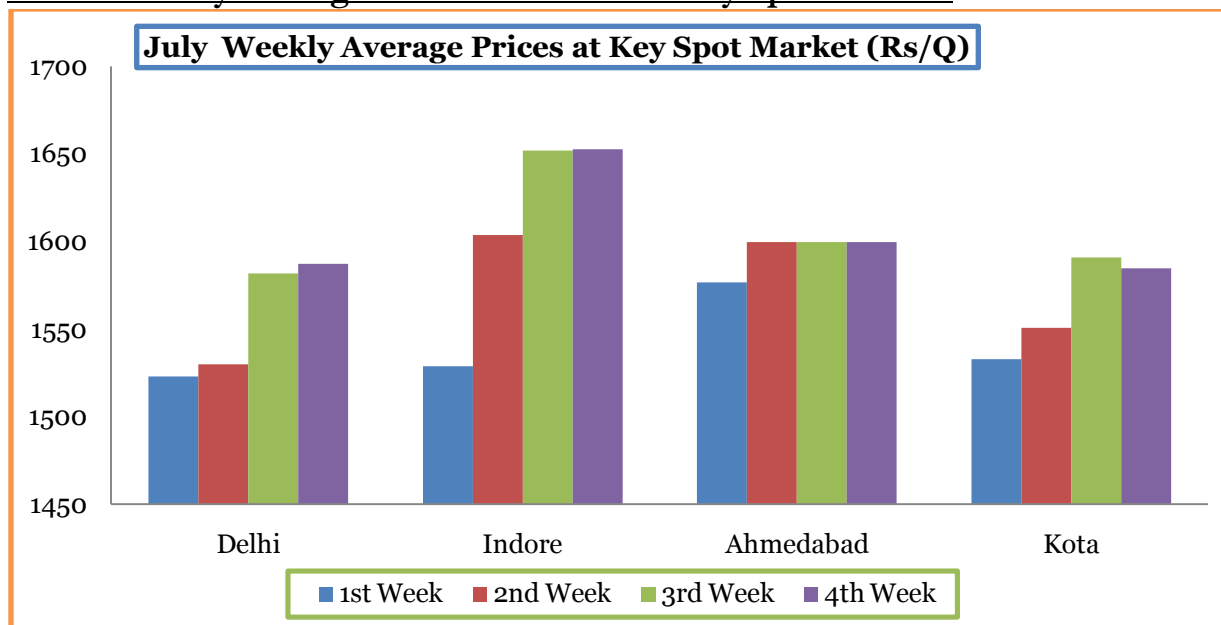
Balance sheet highlights:

- 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.

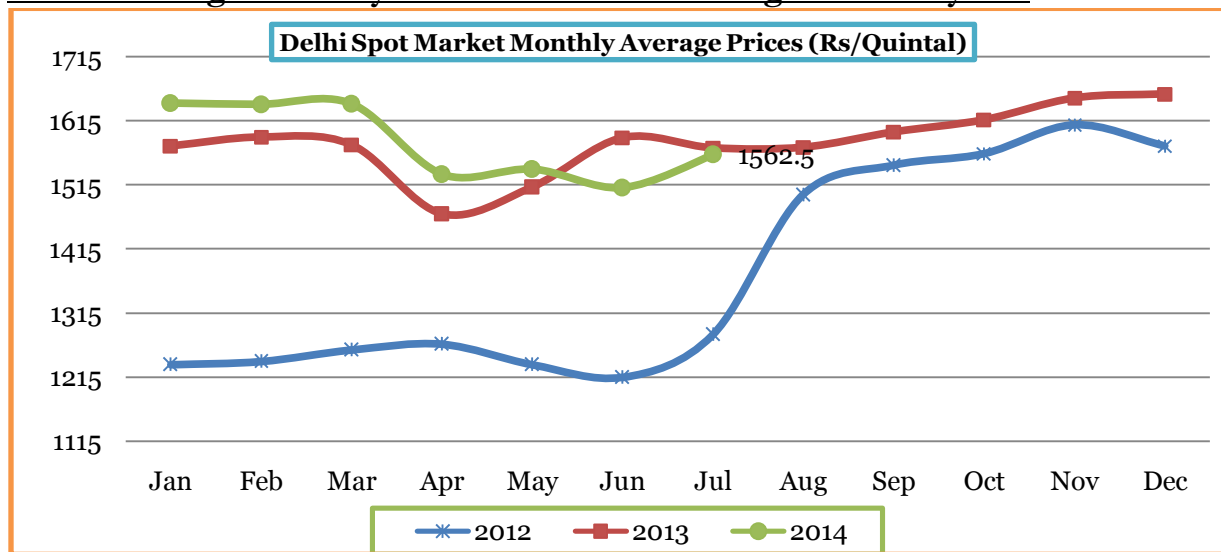
Wheat Production estimate 2012-13 crop:

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	92458.2	94882.1	29646.7	29864.8	3119.0	3177.0

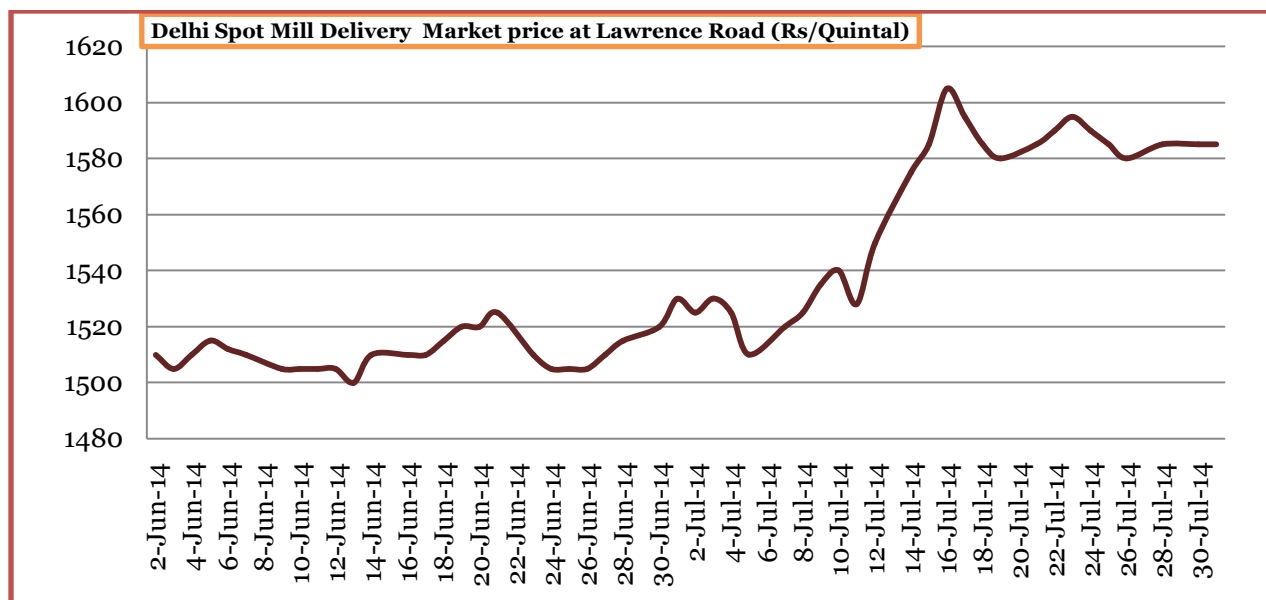
Note: All figures are as per Ministry data.

Wheat Weekly Average Price Movement at key Spot Market:


The above given market shows that wheat prices ruled lower in the first and second week of July in major bench mark markets. The increase in price in third and fourth week is due to increase demand of wheat products in the festive season.

Wheat Average Monthly Prices movement during last three years


Wheat cash market (Delhi) in the month of July moved slightly up as compare to June. It is due to the intended supply of wheat from central pool at the base price of Rs1575 per quintal for the new crop.

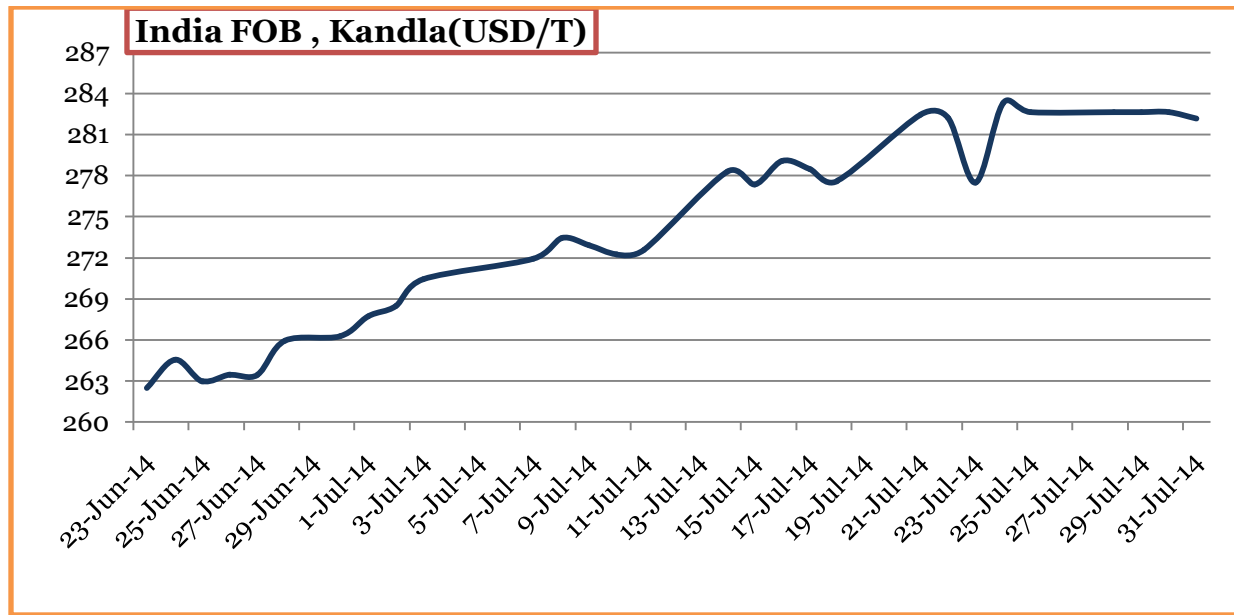


Wheat Exports from India

	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 - Mar 13	64.96	298.18	286.71
Apr 13 - Mar 14	55.54	282.82	241.6
Apr-14*	4.27	278.33	250.82
May-14 *	7.7	283.85	230.45
June-14 *	4	267.03	217.52
Total 14-15	15.97	276.40	232.93

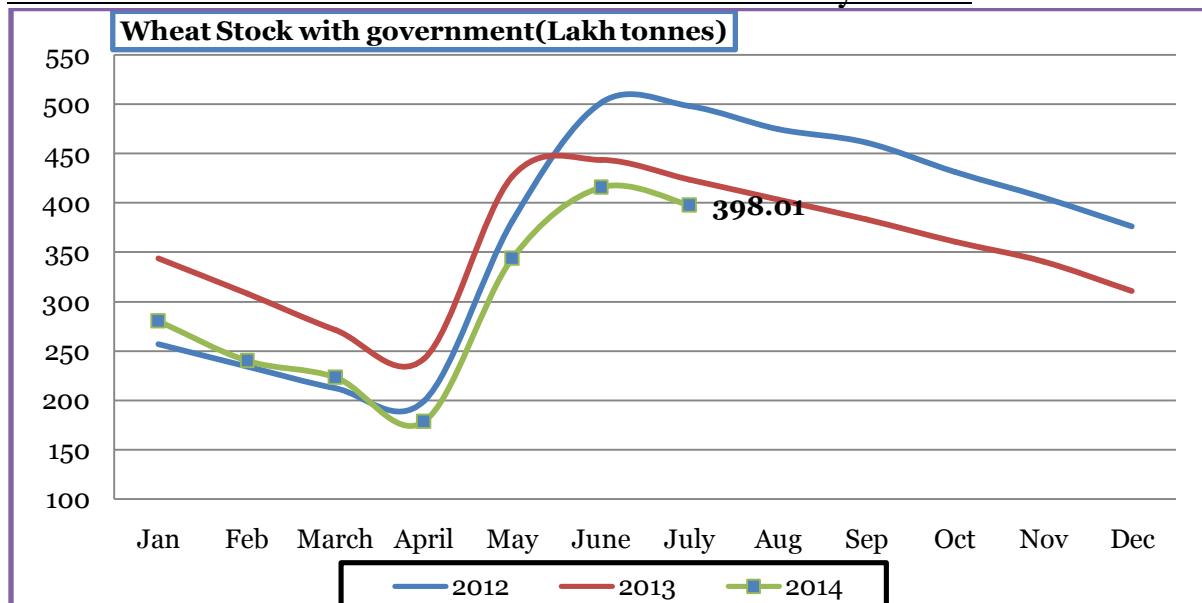
(Source: DGCIS, *Provisional data from IBIS)

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.



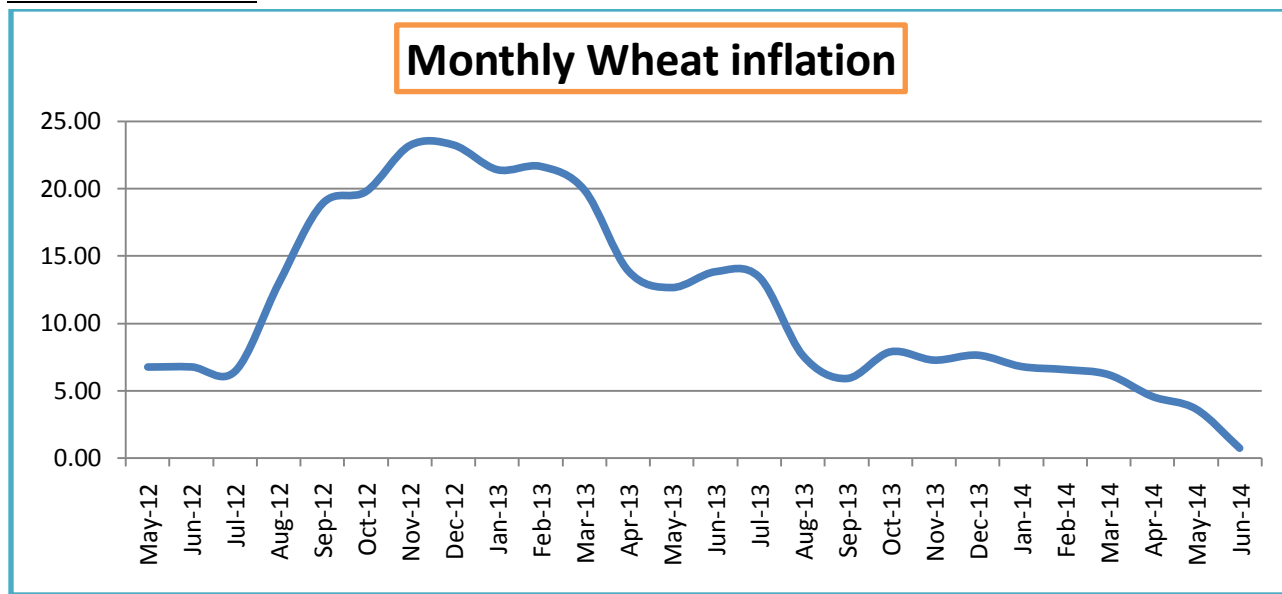
Indian Fob quotes rules higher in comparison to June due to increasing domestic demand and less arrival in the market from the farmers. However, wheat market is likely stay steady as government has intended to release 10 MMT in 8 months at base price of Rs1500 & Rs 1575 for old and new crop respectively.

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



Wheat stock in government's ware houses in the beginning of July was registered at 398.01 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.

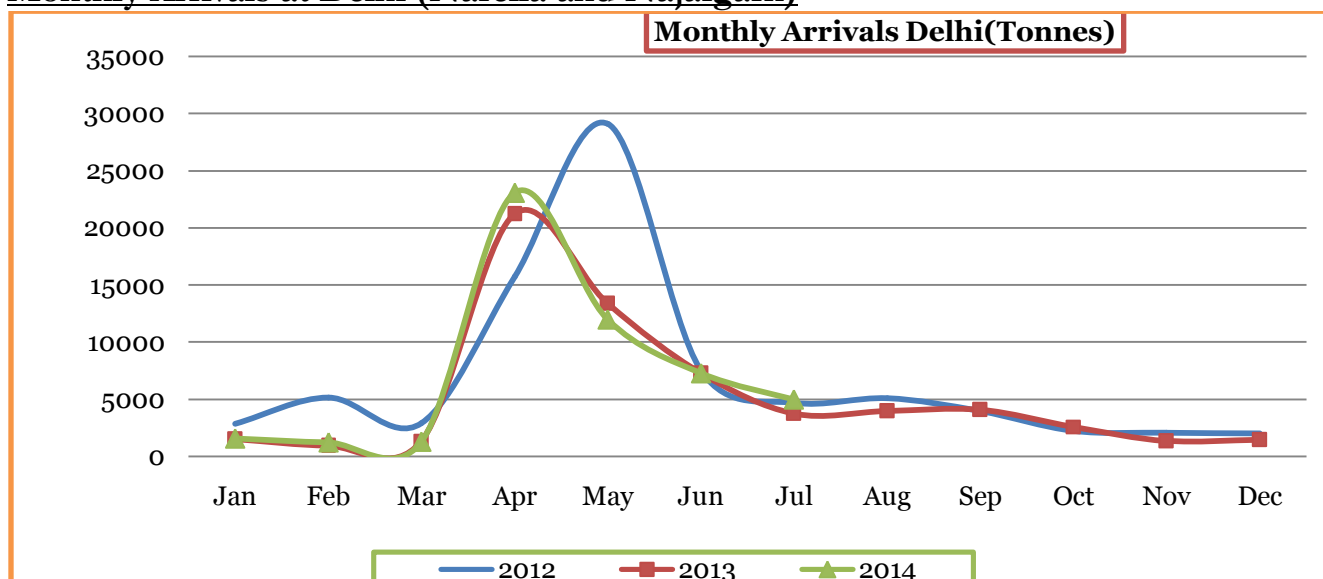
Wheat Inflation



Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
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
July 2014	1562.42	1617.40	1569.54	1512.60	1799.31

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			31/07/2014	30/06/2014	
Delhi					
	Lawrence Road	Mill Delivery	1585	1520	65
	Nazafgarh	Mill Quality Loose	1520	1455	65
	Narella	Mill Quality Loose	1515	1490	25
Gujarat	Rajkot	Mill Delivery	1580	1580	0
	Ahmedabad	Mill Delivery	1700	1600	100
	Surat	Mill Delivery	1725	1650	75
M.P.	Bhopal	Lokwan	1600	1600	0
	Indore	Mill Delivery	1640	1540	100
Rajasthan	Kota	Mill Quality	1510	1435	75
	Kota	Mill Delivery	1600	1525	75
U.P.	Kanpur	Mill Delivery	1565	1485	80
	Mathura	Mill Quality Loose	1460	1440	20
	Kosi	Mill Delivery	1450	1410	40
Punjab	Khanna	Mill Quality Loose	1400	1410	-10
	Jagraon	Mill Delivery	1500	1500	0
Haryana	Sirsa	Mill Quality loose	1455	1415	40
	Hodal	Mill Delivery	1580	1500	80
Tamil Nadu	Chennai	Mill Quality	1800	1750	50
	Madurai	Mill Quality	1950	1807	143
	Coimbatore	Mill Quality	1950	1807	143

Monthly Arrivals at Delhi (Narella and Najafgarh)


Domestic Outlook:

Any spike in domestic wheat market is unlikely despite the beginning of lean season and festive demand. Domestic cash market is expected to trade steady to slightly firm in the month of August. Allocation of 10 million tonne wheat for OMSS on fixed price would not allow market to have any bull run even in the lean season. Allocated quantity is 1.5 million tonne higher than last year when government allocated 8.5 million tonne wheat to contain price and ease availability. However, private trades/ millers had managed to buy only 5.2 million tonne wheat last year in eight months beginning August to March. This year private trades too would not be able to buy over 6.5 million tonne wheat as stock in private hand is higher this year.

Higher allocation has ensured ample availability throughout the year and would remain restrictive for any uptrend in the domestic market. Export volume would be lower as gap between FOB quotes are in the range of \$30 to \$35 per tonne. So private trades would continue to release stock in domestic markets with minimum margin. Wheat price in domestic market may trade range bound with slight weakness to continue.

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.
- 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 July 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 702 million tonnes as compared to 699 million tonnes in its previous month estimate as crop yield has increased in Russia & Ukraine. Trade is expected to increase by 4 million tonne over year and Consumptions is expected to increase to 699 million tonnes over previous forecast. Carryover stocks are expected to increase to 193 million tonnes from 171 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	
						26.06.2014	31.07.2014
Production	679	653	695	655	710	699	702
Trade	128	126	145	141	153	144	145
Consumptions	652	657	698	676	691	697	699
Carryover stocks	199	194	192	171	190	194	193
Y-O-Y change	27	-4	-2	-21	19	2	3
Major Export	79	73	68	48	54	57	56

IGC Balance Sheet Highlight

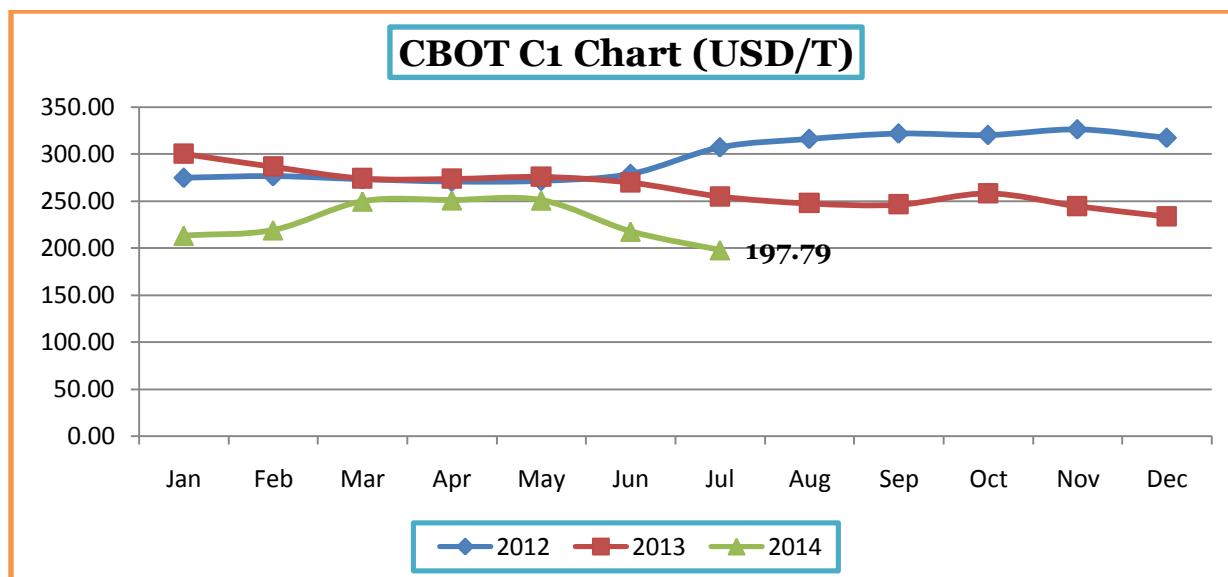
- Due mainly to an expected drop in North American output, world production is forecast down 1% y/y. The outlook is 3m t higher than in June, primarily reflecting better than expected results from winter harvests in Russia and Ukraine.
- Growth in demand will be mainly driven by expanding food use, with slightly higher forecasts for South Asia and Africa than last time. Led by gains in the EU, world feed use is also seen higher than before.
- With overall supplies expected to be comfortable, export quotations were mostly lower, the IGC GOI wheat sub-Index falling by 6%. However, top-grade milling quotations were underpinned by reports of quality problems in some areas.

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
World total	176.59	712.52	694.9	154	156.8	186.7	656.5

CBOT Sept 14Monthly Future Chart:



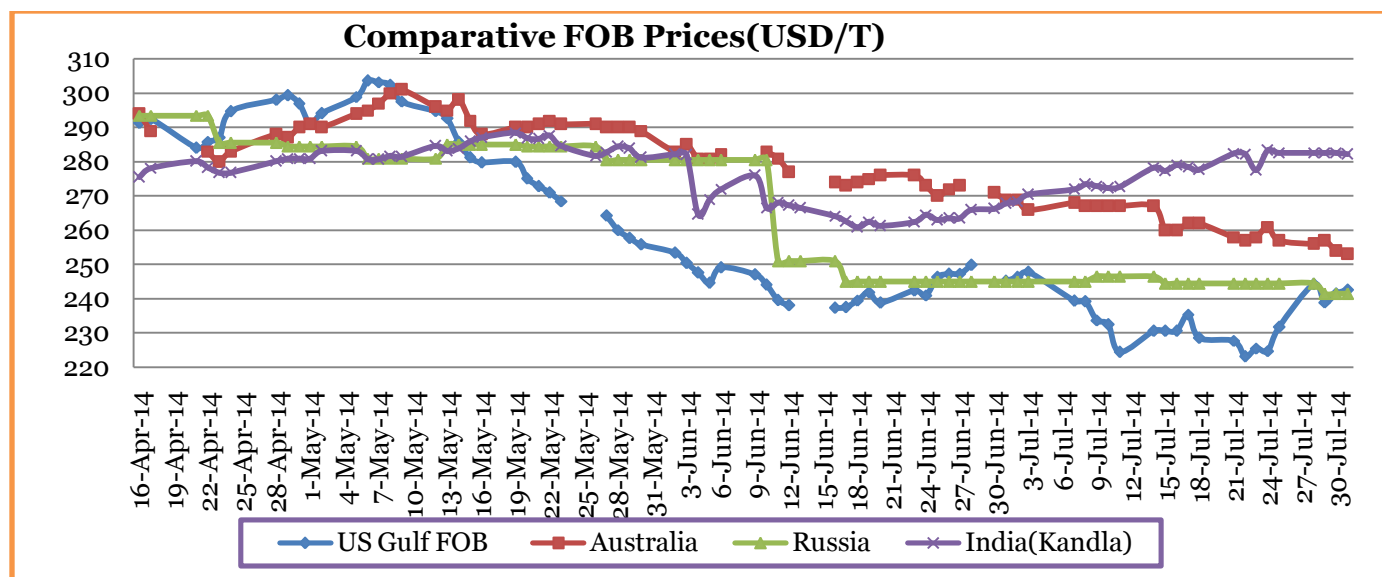
CBOT Sept 14monthly chart shows the downtrend due to expectation of good crop production globally. We expect prices to trade slightly steady to weak in the month of August, within the range of USD 185-215/MT.


CBOT comparison over period of time:

CBOT Futures Prices: Date: 31.07.14 (USD/T)							
CONTRACT MONTH	31 July 14	Week ago (24 July 2014)	1 Month ago(30 June 14)	3 Month ago(30 Apr 14)	6 Month ago(30 Jan 14)	1 Year ago(30 July 13)	% Change over previous year
14-Sep	194.81	194.26	212.17	268.11	208.78	252.59	-22.87
14-Dec	202.16	202.16	219.80	272.89	213.28	255.16	-20.77
15-Mar	210.24	210.43	227.51	277.11	216.77	257.55	-18.37
15-May	215.30	216.12	232.29	278.95	217.41	258.28	-16.64
15-Jul	218.88	220.62	235.87	273.99	216.12	257.55	-15.01
15-Sep	223.20	225.22	239.91	274.91	218.42	257.55	-13.34

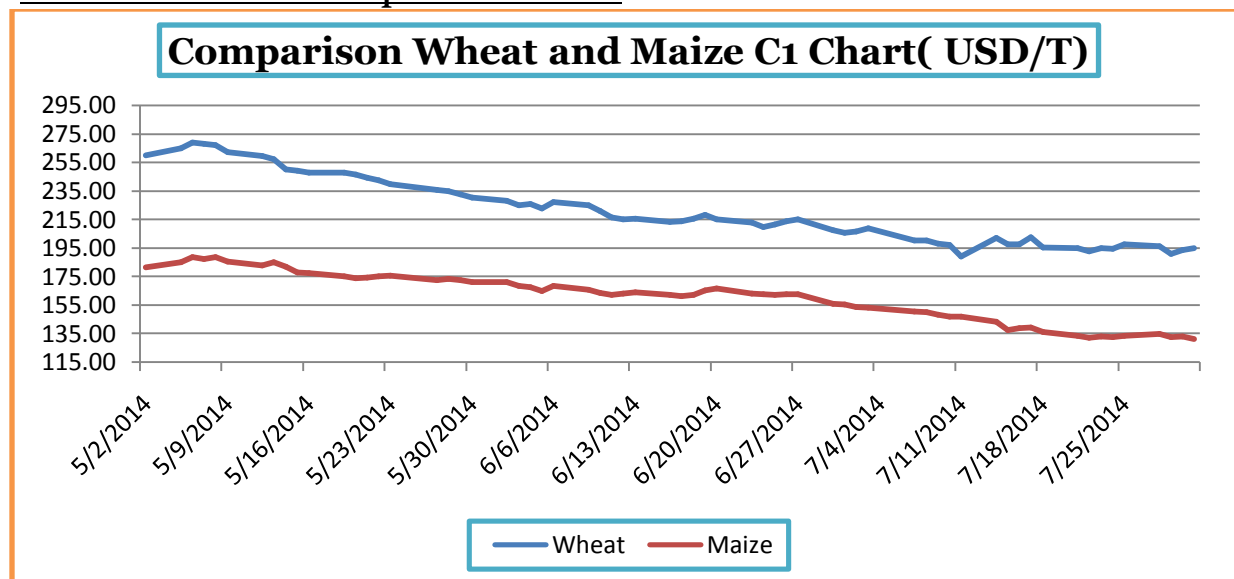
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1 st Apr 14	5 th May 14	2 nd June 14	1 st July 14
USA	295.80	298.90	253.40	245.20
France	280.57	281.11	249.99	248.29
United Kingdom	NA	NA	NA	NA
Australia	293.00	294.00	283.00	269.00
Russia	296.00	284.50	280.50	245.00
India	278.75	283.14	282.14	267.75



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 bound to trade lower in the month of August despite recent spike due to the fear of quality damage in US. Wheat stock in global market is more than enough to take care of higher demand from feed industry. Better production in Black Sea Region, ample stock in US and new crop due in Australia in October would not allow market to move continuously northward. Current uptrend in CBOT is unlikely to continue. Overall, global wheat outlook seems bearish so far.

Disclaimer: The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.php> © 2013 Indian Agribusiness Systems Pvt Ltd.