

Executive Summary

Cash wheat market in the month of August traded lower against normal trend of firmness in past years. Pressure on price started building up with the announcement of 10 million tonne wheat allocation for OMSS in July, almost 2 million tonne higher than last year's allocation. Reserve price has been set at Rs 1500 per qtl. for old crop and Rs 1570 per qtl for new crop, plus freight .Lowering of price for south India too has minimized wheat demand from Rajasthan, Madhya Pradesh(private trades).

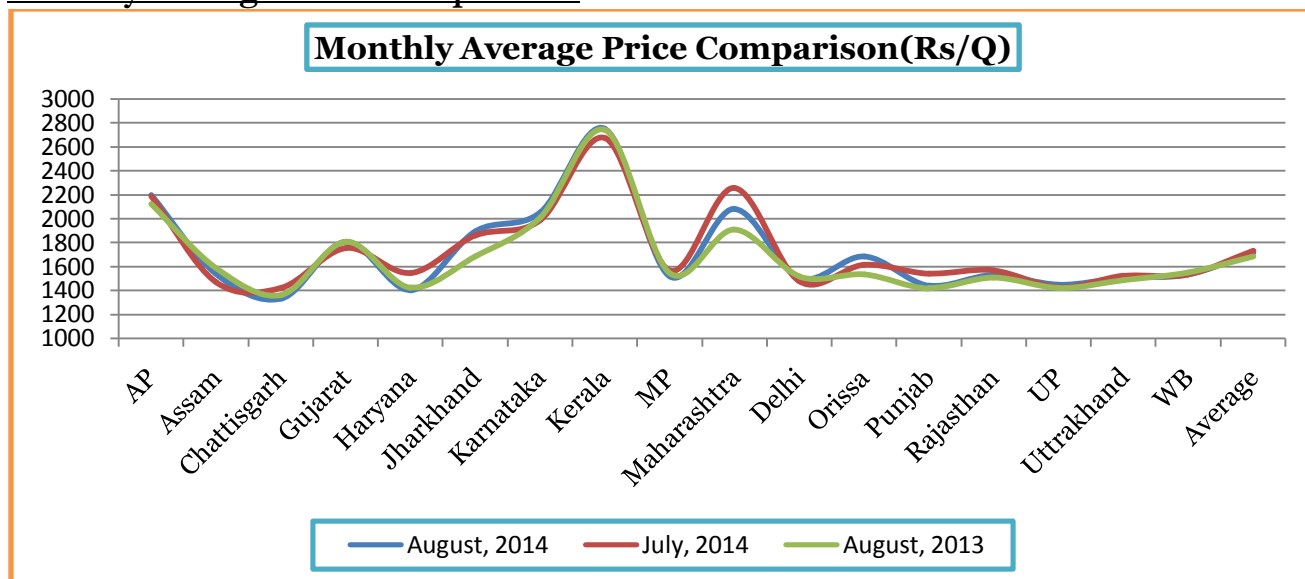
Besides, bearish outlook in global market, difference of \$30 to \$35 per tonne on FOB basis from other origing has diminished export opportunity for India at this point of time and no respite is visible in third quarter(Oct-Nov) too as global wheat production is expected to reach 713.4 million tonne, almost 4 million tonne higher than July estimate(IGC). Larger-than-expected crops in Russia, Europe and China have encouraged upward revision of global wheat production in 2014-15.

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 August and volume is expected to remain at lower level at least for third and fourth quarter.

Indian FOB is hovering in the range of \$280 to \$282 per tonne while other origins are offering wheat at \$240 to \$250 per tonne. Disparity on export front is likely to continue. Total export in August was registered at 0.43 lakh tonne against 1.37 lakh tonne in July. The export volume in Sept may dip further due to high disparity.

During August Indian Ave FOB price realized at \$280.53 per tonne against \$ 277.24 per tonne in July. This denotes that average fob price has slightly improved in last two months. There are no major buyers for Indian wheat at this price.

Wheat stock in govt.'s granary on 1st August was recorded at 38.10million tonne against 39.80 million tonne on 1st July, 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.

Monthly Average Price Comparison:


State wise average monthly wheat prices almost moved in tandem with July price. Average price in August has decreased from the month of July. However, average prices in Delhi and Uttar Pradesh have been ruling higher. The reason behind decrease in average price is availability of wheat through OMSS.

India's Wheat Balance Sheet:

	2010-11	2011-12	2012-13	2013-14	2014-15*E
Carry in	16.63	16.48	20.35	19.76	22.17
Production	80.8	86.87	93.51	95.91	92.6
Imports	0.15	0	0	0	0
Total Availability	97.58	103.35	113.86	115.67	114.77
Consumption	81	81.5	85.5	87	89
Exports	0.1	1.5	8.6	6.5	4.5
Total Usage	81.1	83	94.1	93.5	93.5
Carry out	16.48	20.35	19.76	22.17	21.27
Av Monthly Consumption	6.75	6.79	7.125	7.25	7.42
Stock to Month Use	2.44	3.00	2.77	3.06	2.87
Stock to Consumption Ratio	0.20	0.25	0.23	0.25	0.24

Note: (*E) Agriwatch preliminary estimate of wheat for the ensuing crop year 2014-15(2 percent +- remains a visible possibility under changed weather condition.

Agriwatch has just come out with preliminary wheat production estimate for the crop year 2014-15 based on farmers intention and lower rainfall status, which is -16 percent lower on LPA basis so far. Wheat production in India has been on rise from 2010-11 and to 2013-14. However, 2014-15 crop might be lower by around 3 million tonne due to lower availability of water, lower price this year and intention of area shifting from wheat to Mustard/spices in Rajasthan and Uttar Pradesh. Area shift in Bihar to some extent is expected at this point of time.

Balance sheet highlights:

- Agriwatch has estimated 92.6 million tonne wheat production in 2014-15. Total availability of wheat in MY 2015-16 is likely to decrease slightly from 115.67 to 114.77 million tonne.
- Lower availability would not impact overall supply side as govt.'s granary has ample stock to maintain supply flow throughout the year.
- Wheat consumption would increase at normal basis to 89 million tonne. Export volume is likely to decrease from 6.5 million tonne to 4.5 million tonne in 2014-15.
- Cheaper wheat availability in the global market, ample marketable surplus and disparity at current price are mainly attributed to lower export volume in ongoing season.
- Carryout for 2013-14 is higher as Agriwatch has accounted private stock (around 2 million tonne) too. Carry out for 2014-15 would decrease slightly due to lower production estimate.
- Ave monthly consumption would increase slightly from 7.25 to 7.42 million tonne. However, stock to consumption ratio would decrease slightly.

Wheat Production Adv estimate 2014-15 crop:

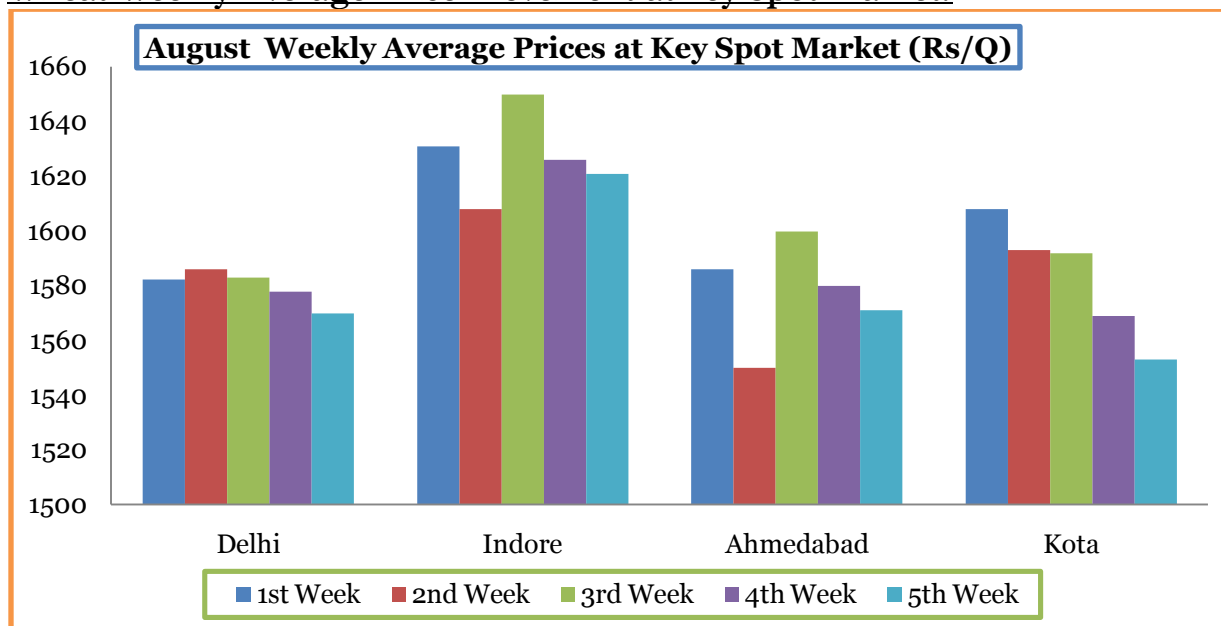
State/ UT	Area(000 Hectors)			Production(000 Tn)			Yeild(Kg/Ha)		
	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**
Andhra Pradesh	8.0	8.4	8.6	10.0	11.59	11.41	1250.0	1375	1325
Assam	33.9	50.6	45.5	44.0	58.03	54.29	1304.0	1147	1194
Bihar	2207.7	2209.7	2165.7	5357.0	4875	4758	2427.0	2206	2197
Chhatisgarh	101.2	106.7	106.8	141.3	130.8	133.3	1396.0	1227	1248
Gujarat	1024.0	1106.7	1188.9	2944.0	3336	3584	2875.0	3014	3015
Haryana	2497.0	2631.8	2541.5	11117.0	13238	12159	4452.0	5030	4784
Himachal Pradesh	364.2	343.5	355.4	608.0	573.9	581.3	1671.0	1671	1636
Jammu & Kashmir	290.0	312.2	297.3	462.0	527.4	483.7	1595.0	1689	1627

Jharkhand	164.3	164.2	145.9	319.0	313.4	270	1944.0	1908	1851
Karnataka	225.0	246.6	237.9	179.0	211.6	214.5	796.0	858	901
Madhya Pradesh	5300.0	5336.2	4966.6	13133.4	12380	11069	2478.0	2320	2229
Maharashtra	733.0	576.1	864.8	1181.0	897.3	1384	1528.0	1558	1601
Orissa	0.1	1.4	1.4	2.0	2.252	2.322	1672.0	1644	1604
Punjab	3512.0	3712.2	3565.5	16591.0	18182	17126	4724.0	4898	4803
Rajasthan	3063.2	2847.3	2831.3	9275.0	8941	8673	3028.0	3140	3063
Uttar Pradesh	9734.0	10184.6	9821.7	30301.0	30299	30236	3113.0	2975	3079
Uttarakhand	358.1	377.3	370.9	858.0	897.8	878.2	2396.0	2379	2368
West Bengal	321.6	339.4	323.4	895.0	938.5	895.5	2786.0	2765	2769
All India	30003.3	30622.6	29938.9	93506.0	96039	92614	3117		

*Agriwatch Estimate

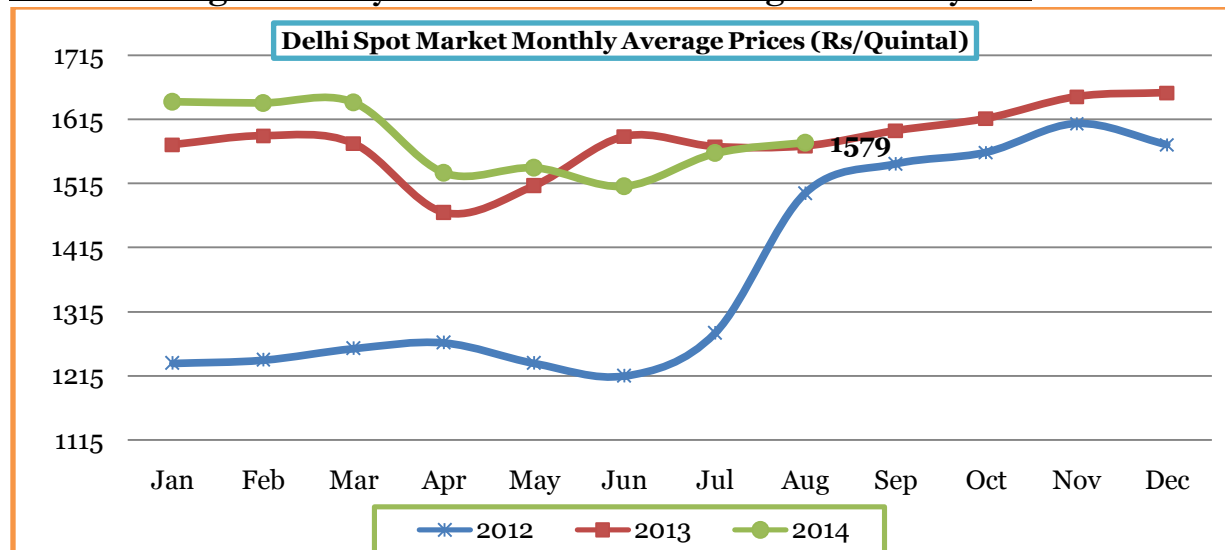
** Adv Estimate

Wheat Weekly Average Price Movement at key Spot Market:

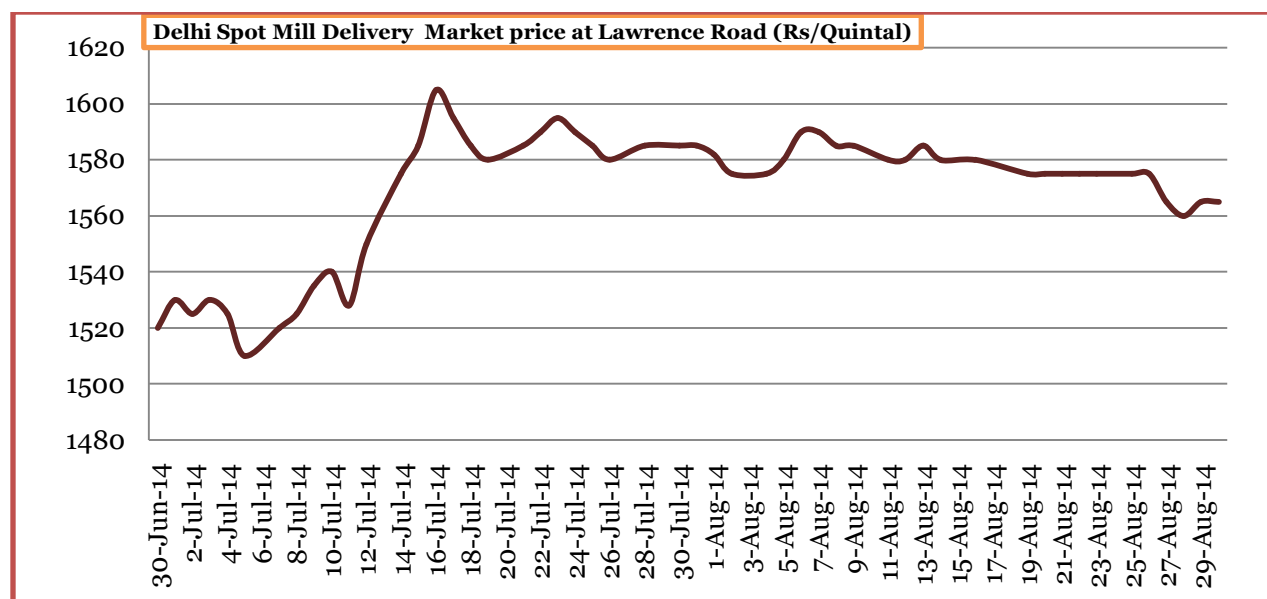


The above given market shows that wheat prices ruled higher in the first and second week of July in major bench mark markets. The decrease in price in third, fourth and fifth week is due to lower demand and more arrival in the mundies.

Wheat Average Monthly Prices movement during last three years



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

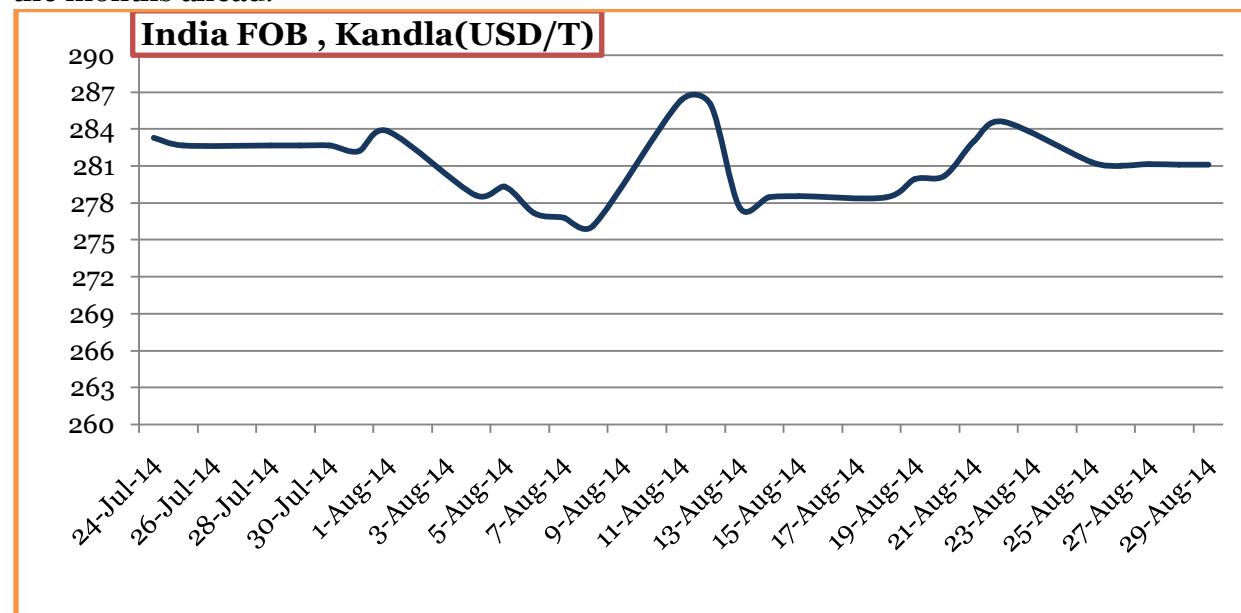


Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Sept 11- Mar 12	7.4	232.12	237.46
Apr 12 - Mar 13	65.14	298.18	286.71
Apr 13 - Mar 14	55.59	282.82	241.6
Apr-14	5.22	278.33	250.82
May-14	8.24	283.85	230.45
June-14 *	4	267.03	217.52
July-14*	1.37	277.24	197.79
Aug-14*	0.43	280.53	200.68
Total 14-15	19.26	277.39	219.45

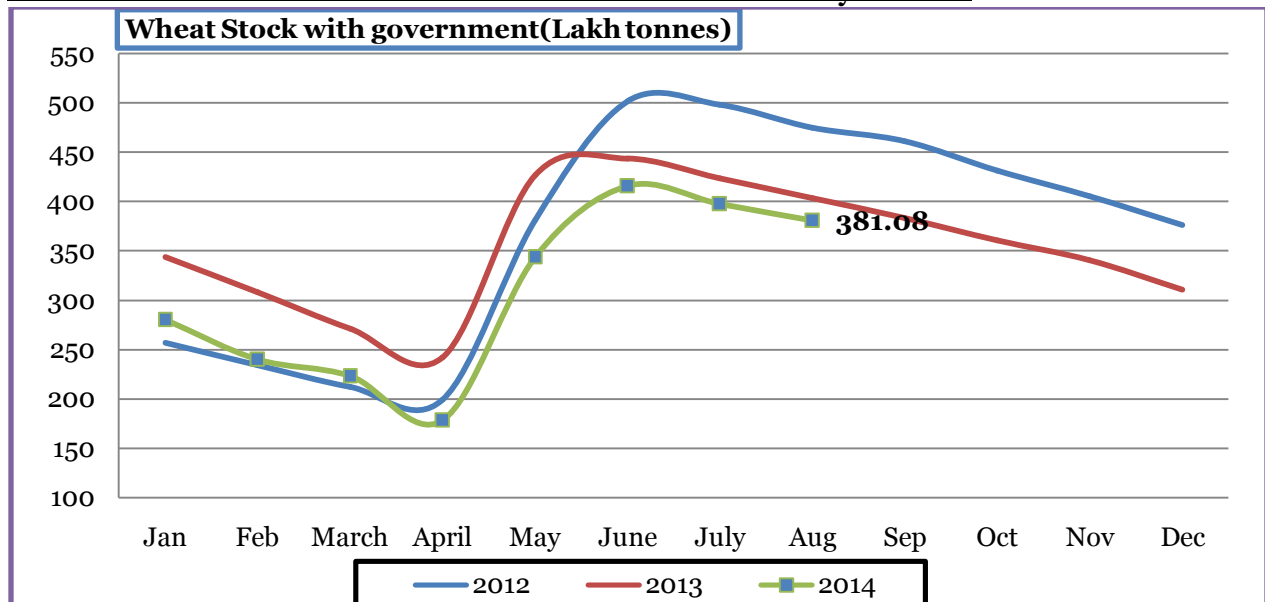
(Source: DGCIS, *Provisional data from IBIS)

Wheat exports from India decreased from 1.37 to 0.43 Lakh tonne in August. Average Fob quote increased from \$277.24 in July to \$280.53 per tonne in August. However, during the review period CBOT average quote also increased from \$197.789 to \$200.68 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.



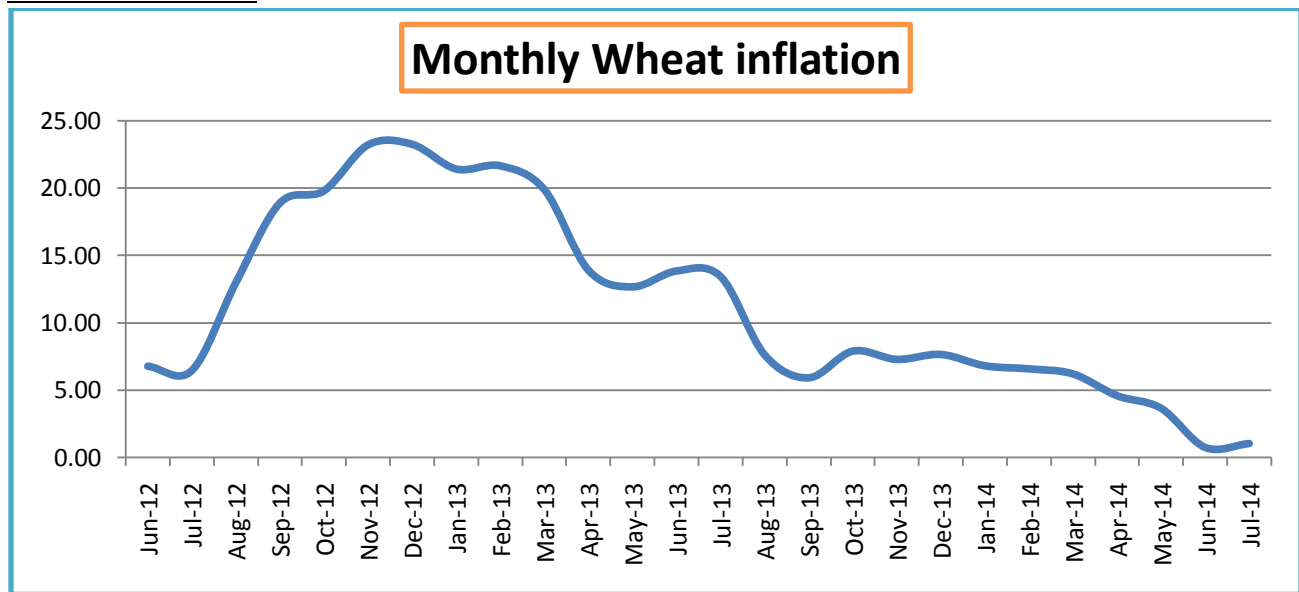
Indian Fob quotes rules higher in comparison to July due to increasing domestic demand and less arrival in the market from the farmers. However, wheat market is likely stay steady as government has intended to release 10 MMT in 8 months at base price of Rs1500 & Rs 1575 for old and new crop respectively.

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



Wheat stock in government's ware houses in the beginning of August was registered at 381.08 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



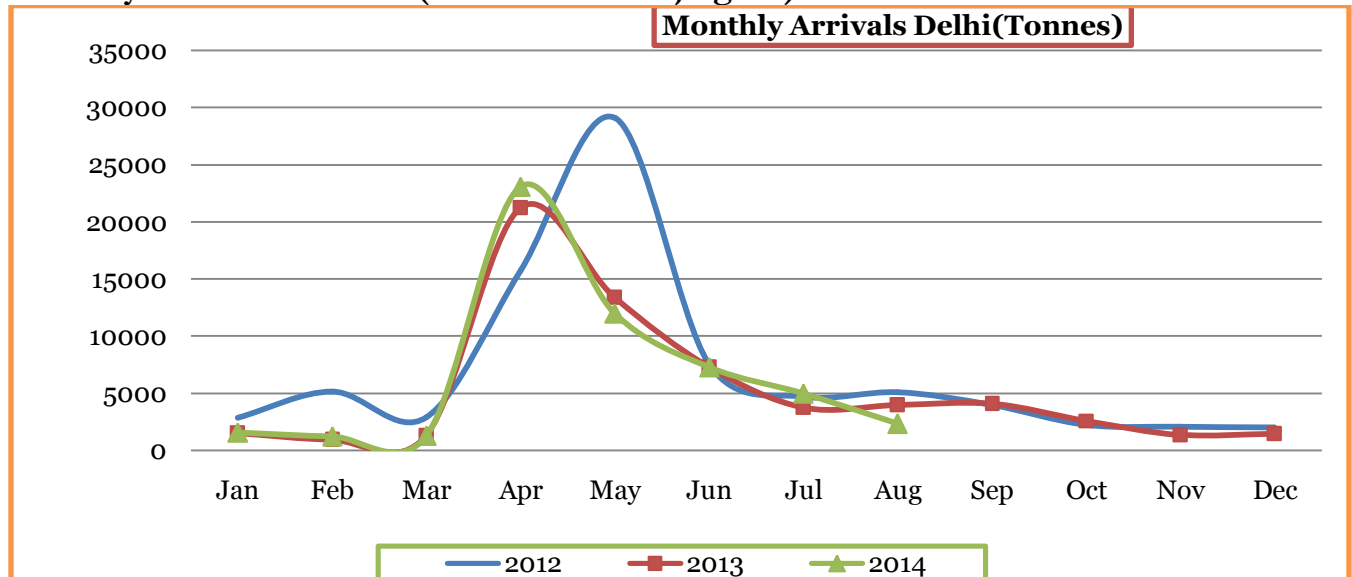
Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
August 2013	1573.78	1619.72	1584.35	1550.62	1855.29
September 2013	1597.60	1645.71	1588.88	1566.73	1846.66
October 2013	1616.79	1698.00	1620.04	1572.94	1883.09
November 2013	1651.04	1698.75	1634.16	1631.17	2008.05
December 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
August 2014	1579.00	1624.04	1581.31	1504.47	1801.36

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			30/08/2014	31/07/2014	
Delhi					
	Lawrence Road	Mill Delivery	1570	1585	-15
	Nazafgarh	Mill Quality Loose	1505	1520	-15
	Narella	Mill Quality Loose	1500	1515	-15
Gujarat	Rajkot	Mill Delivery	1560	1580	-20
	Ahmedabad	Mill Delivery	1670	1700	-30
	Surat	Mill Delivery	1690	1725	-35
M.P.	Bhopal	Lokwan	1550	1600	-50
	Indore	Mill Delivery	1605	1640	-35
Rajasthan	Kota	Mill Quality	1470	1510	-40
	Kota	Mill Delivery	1550	1600	-50
U.P.	Kanpur	Mill Delivery	1550	1565	-15
	Mathura	Mill Quality Loose	1460	1460	0
	Kosi	Mill Delivery	1450	1450	0
Punjab	Khanna	Mill Quality Loose	1435	1400	35
	Jagraon	Mill Delivery	1500	1500	0
Haryana	Sirsa	Mill Quality loose	1460	1455	5
	Hodal	Mill Delivery	1580	1580	0
Tamil Nadu	Chennai	Mill Quality	1790	1800	-10
	Madurai	Mill Quality	1847	1847	0

	Coimbatore	Mill Quality	1847	1847	0
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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 September. 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 August 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 713 million tonnes as compared to 702 million tonnes in its previous month estimate as crop production has increased in Russia, E.U. & China. Trade is expected to increase by 5 million tonne over year and Consumptions is expected to increase to 706 million tonnes over previous forecast. Carryover stocks are expected to increase to 195 million tonnes from 170 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.	2013-14 Est	Forecast for 2014-15	
						31.07.2014	29.08.2014
Production	679	653	695	655	713	702	713
Trade	128	126	145	141	156	145	146
Consumptions	652	657	698	676	695	699	706
Carryover stocks	199	194	192	170	188	193	195
Y-O-Y change	27	-4	-2	-22	17	3	7
Major Export	79	73	68	48	53	56	59

IGC Balance Sheet Highlight

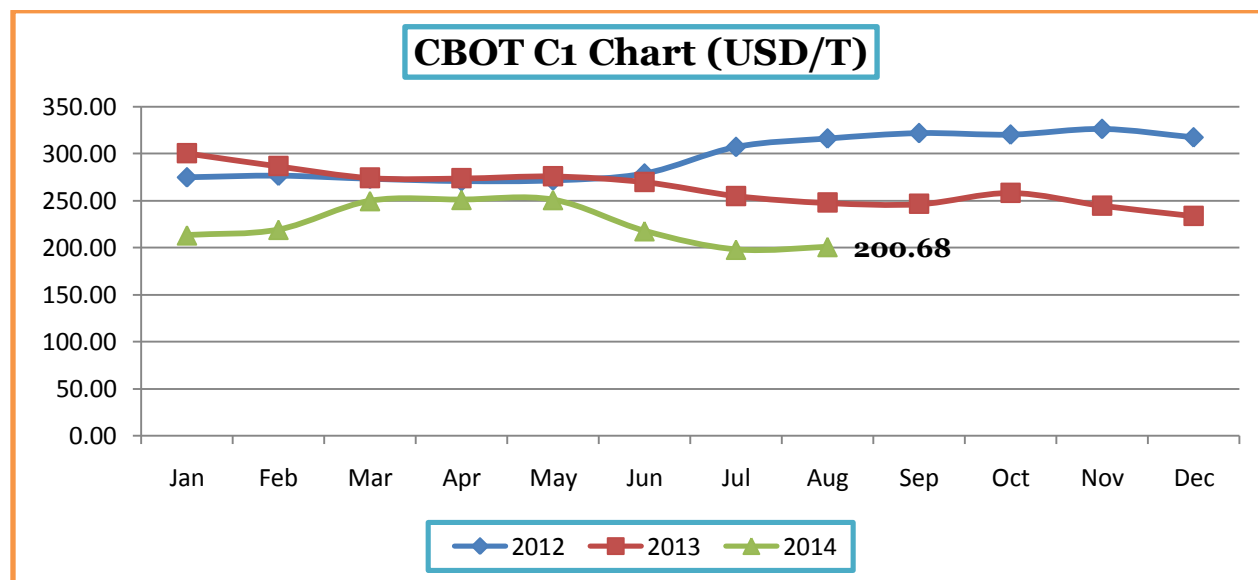
- With larger than expected crops in Russia, the EU and China, world production is forecast at a new record, up by 11m t from last month's report.
- The world harvest will include an above average proportion of low/medium grade supplies and, while strong competition from maize is expected in most markets, feed wheat consumption is forecast to rise.
- Owing to demand growth, carryover stocks are placed only slightly higher than before. Aggregate inventories in the major exporters are seen reaching a three-year peak.
- While market sentiment remained mostly bearish, concerns about crop quality and the conflict in Ukraine provided underpinning, and the IGC GOI wheat sub-Index was virtually unchanged 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
World total	176.59	712.52	694.9	154	156.8	186.7	656.5

CBOT Sept 14Monthly Future Chart:


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

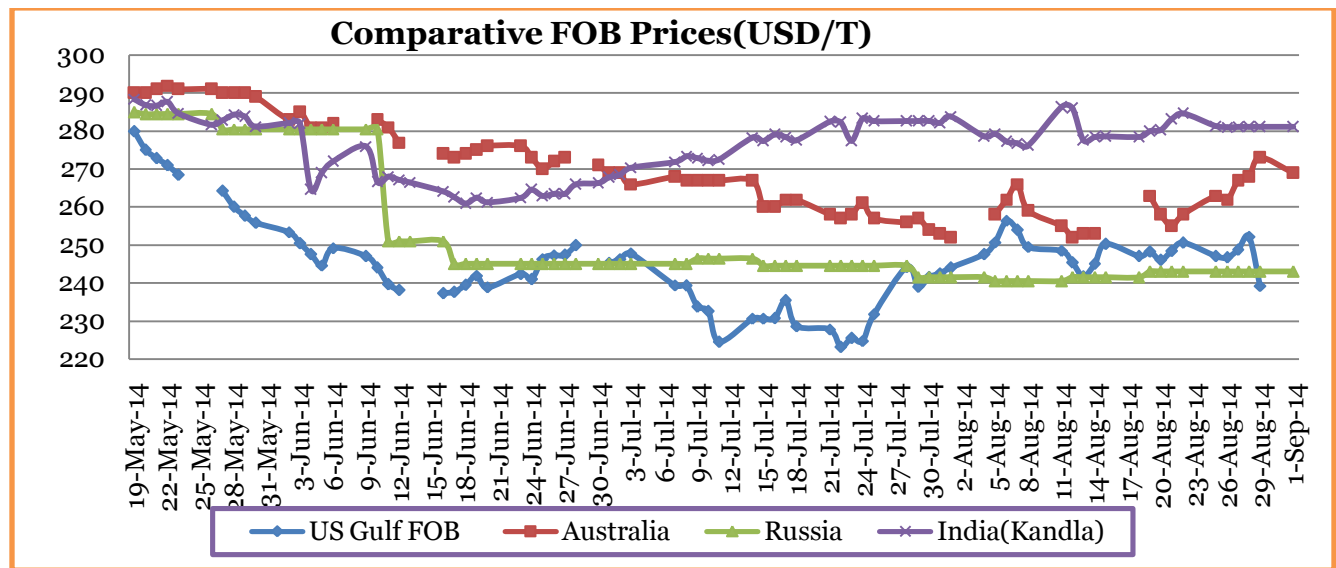


CBOT comparison over period of time:

CBOT Futures Prices: Date: 01.09.14 (USD/T)							
CONTRACT MONTH	01 Sept 14	Week ago (22 Aug 2014)	1 Month ago(29 July 14)	3 Month ago(29 May 14)	6 Month ago(28 Feb 14)	1 Year ago(29 August 13)	% Change over previous year
14-Sep	202.16	202.80	191.05	236.97	226.69	248.00	-18.48
14-Dec	207.03	206.48	199.87	243.95	231.09	252.40	-17.98
15-Mar	214.01	213.09	208.68	249.83	234.77	255.34	-16.19
15-May	217.59	216.40	214.56	252.77	236.24	255.34	-14.78
15-Jul	220.16	218.97	218.24	254.24	234.03	253.87	-13.28
15-Sep	223.38	222.64	223.01	256.45	235.87	254.24	-12.14

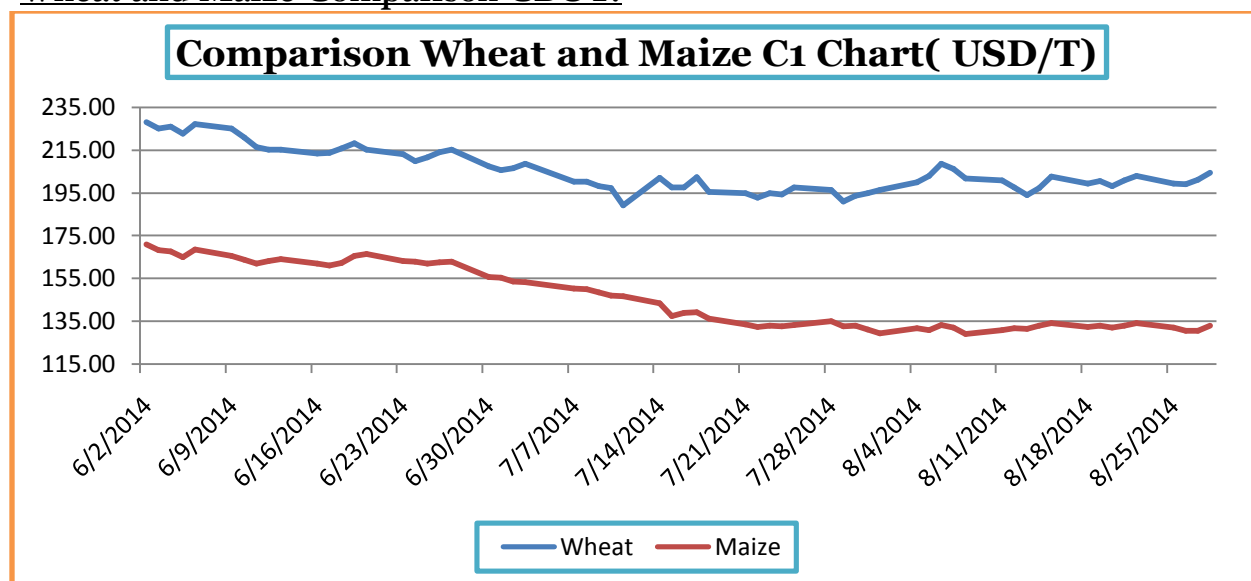
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	2 nd June 14	2 nd July 14	1 st Aug 14	2 nd Sept 14
USA	253.40	246.30	244.00	251.70
France	249.99	247.87	238.88	232.27
United Kingdom	NA	NA	NA	NA
Australia	283.00	269.00	252.00	266.00
Russia	280.50	245.00	241.50	242.50
India	282.14	268.47	283.86	280.48



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 September 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. Overall, global wheat outlook seems bearish so far.

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