

### **Executive Summary**

With ample stock in central pool and intention to curb prices in domestic market central govt ensured ample supply of wheat through OMSS by allocating 10 million tonnes of wheat for the rest of the current marketing year. Wheat distribution through tender process has already started and offtake by millers has gone up in Sept. Higher availability and augmented supply have restricted uptrend in wheat cash market not only in producing states but also in consuming states. Agriwatch expects market to stay steady to slightly firm in the month of October.

Festive demand for wheat products is likely to increase October onward and it may lend some support to cash market. However, ensured ample supply from central pool would continue to work as a cap in domestic wheat market throughout October. In Delhi market prices of wheat continue to hover in the range of Rs 1575 to Rs 1600 per qtl. In kota region of Rajasthan wheat prices trade almost steady at Rs 1550/1560 per qtl. Even in the consuming market like south India wheat is being traded at Rs 1775 to Rs 1785 per qtl.

Private trade too have to compete with govt's strategy to augment supply and they too are not in a position to jack up price. Premium quality wheat from Rajasthan is being offloaded in Bangalore at Rs 1840/1850 per qtl on delivered basis. As availability in the market is ample, prices of wheat may trade flat to slightly firm. Market is well aware of the situation that govt has enough stock to take care of emerging demand.

This year wheat sowing in Punjab and Haryana is expected to get delayed by 15 to 20 days as paddy harvesting would get delayed by two weeks. As prices have not increased as per expectation, farmers may shift some area to other more lucrative crops in rabi season in states like Uttar Pradesh, Gujarat and Rajasthan.

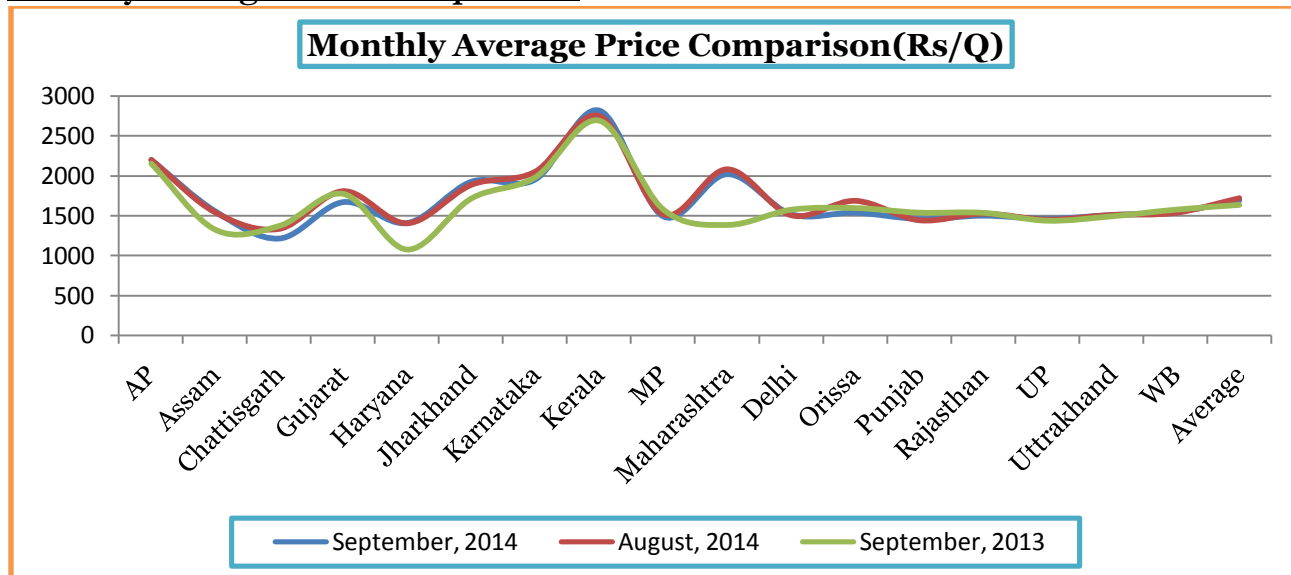
Export opportunity for private trade has almost dried up and Indian is not in a position to compete with US, Russia and Australia at this point of time. The wider gap between FOB quotes (around \$30 to \$38 per tonne) has made export unviable for the Indian wheat exporters. There seems no respite at this point of time. Supply in the global market is ample and price will remain under pressure in the months ahead. US, Russia and Australia are willing to offload maximum surplus quantity in the global market and this suggests that wheat price would remain almost steady to slightly weak at global front at least for two to three months.

Indian FOB is hovering in the range of \$271 to \$280 per tonne while other origins are offering wheat at \$233 to \$260 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.

Wheat stock in govt.'s granary on 16th Sept was recorded at 34.25 million tonne against 38.10 million tonne on 1st August, 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.

Overall outlook for cash wheat market remains weak to steady in the short term while in medium term it may move slightly up due to seasonal factors. Steady price for mill quality too has affected the premium quality demand and price.

## Monthly Average Price Comparison:



State wise average monthly wheat prices moved weak with August price. Average price in September has decreased from the month of August. However, average prices in Delhi Haryana 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	<b>22.17</b>
Production	80.8	86.87	93.51	95.91	<b>92.6</b>
Imports	0.15	0	0	0	<b>0</b>
Total Availability	97.58	103.35	113.86	115.67	<b>114.77</b>
Consumption	81	81.5	85.5	87	<b>89</b>
Exports	0.1	1.5	8.6	6.5	<b>4.5</b>
Total Usage	81.1	83	94.1	93.5	<b>93.5</b>
Carry out	16.48	20.35	19.76	22.17	<b>21.27</b>
Av Monthly Consumption	6.75	6.79	7.125	7.25	<b>7.42</b>
Stock to Month Use	2.44	3.00	2.77	3.06	<b>2.87</b>
Stock to Consumption Ratio	0.20	0.25	0.23	0.25	<b>0.24</b>

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:

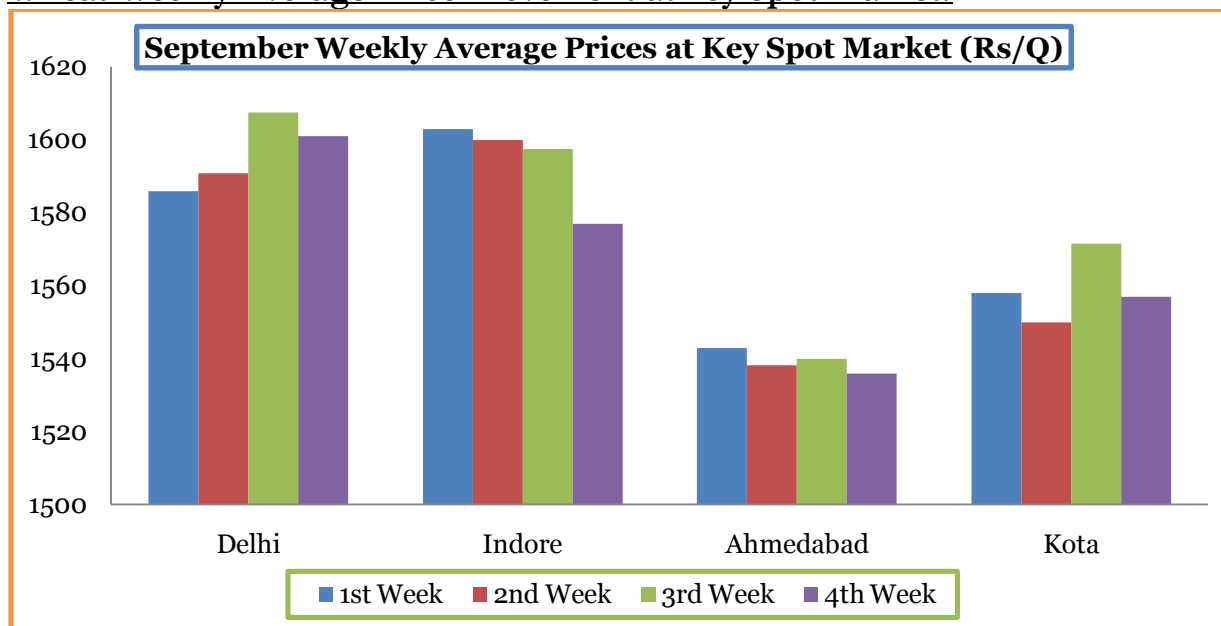
State/ UT	Area(000 Hectors)			Production(000 Tn)			Yeild(Kg/Ha)		
	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**
Andhra Pradesh	8.0	8.4	8.6	10.0	11.59	11.41	1250.0	1375	1325
Assam	33.9	50.6	45.5	44.0	58.03	54.29	1304.0	1147	1194
Bihar	2207.7	2209.7	2165.7	5357.0	4875	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

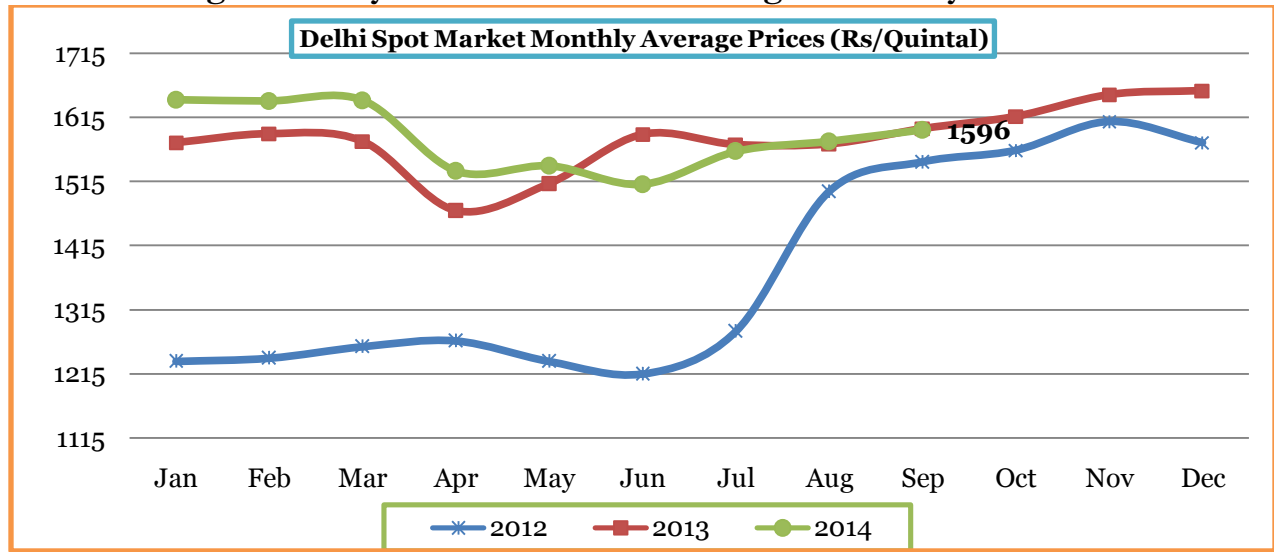
\*\* Adv Estimate

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

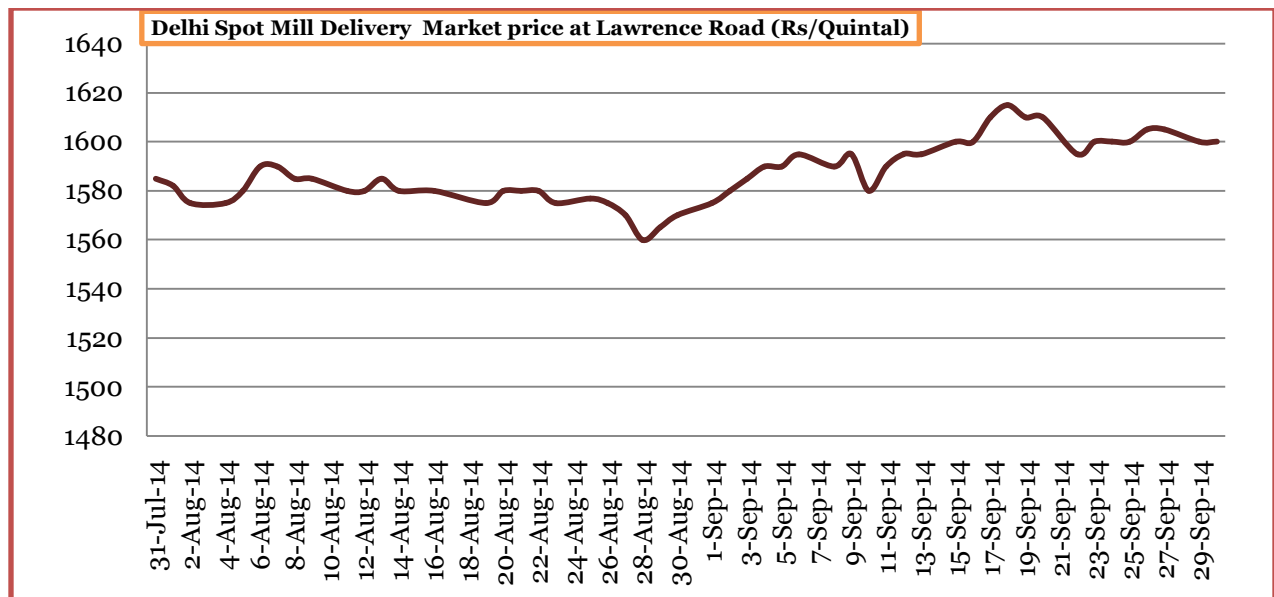


The above given market shows that wheat prices ruled higher in the first week of September in major bench mark markets. The decrease in price in second, third and fourth week is due to lower demand and more arrival in the mundies.

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



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

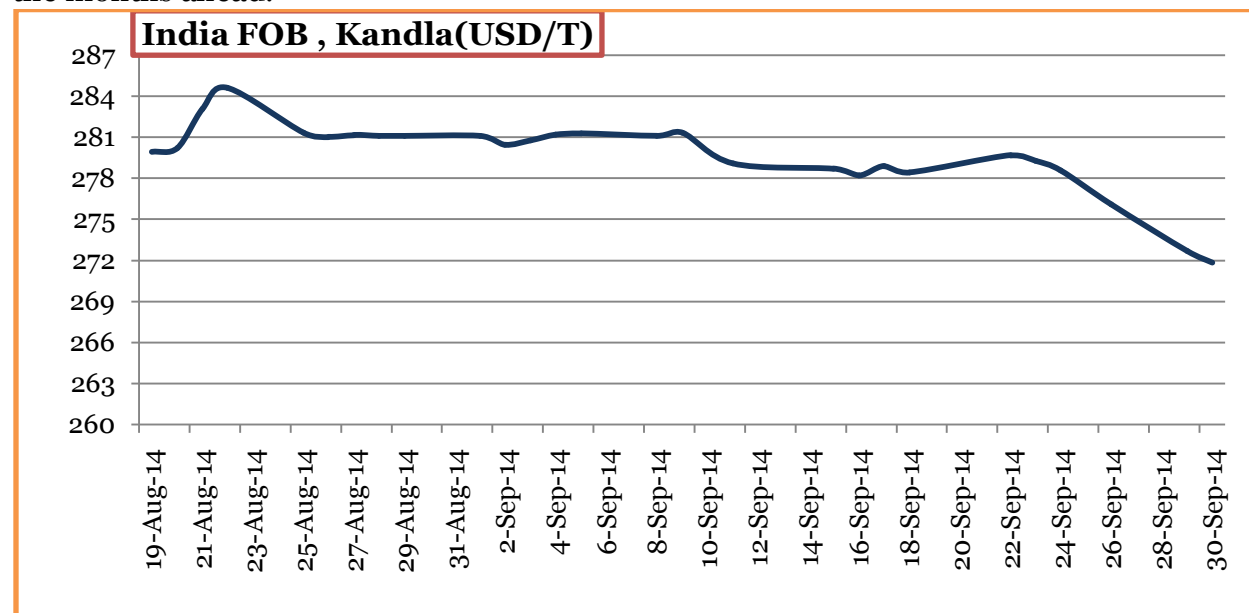


## Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
<b>Sept 11- Mar 12</b>	<b>7.4</b>	<b>232.12</b>	<b>237.46</b>
<b>Apr 12 - Mar 13</b>	<b>65.14</b>	<b>298.18</b>	<b>286.71</b>
<b>Apr 13 - Mar 14</b>	<b>55.59</b>	<b>282.82</b>	<b>241.6</b>
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
<b>Total 14-15</b>	<b>19.26</b>	<b>277.39</b>	<b>219.45</b>

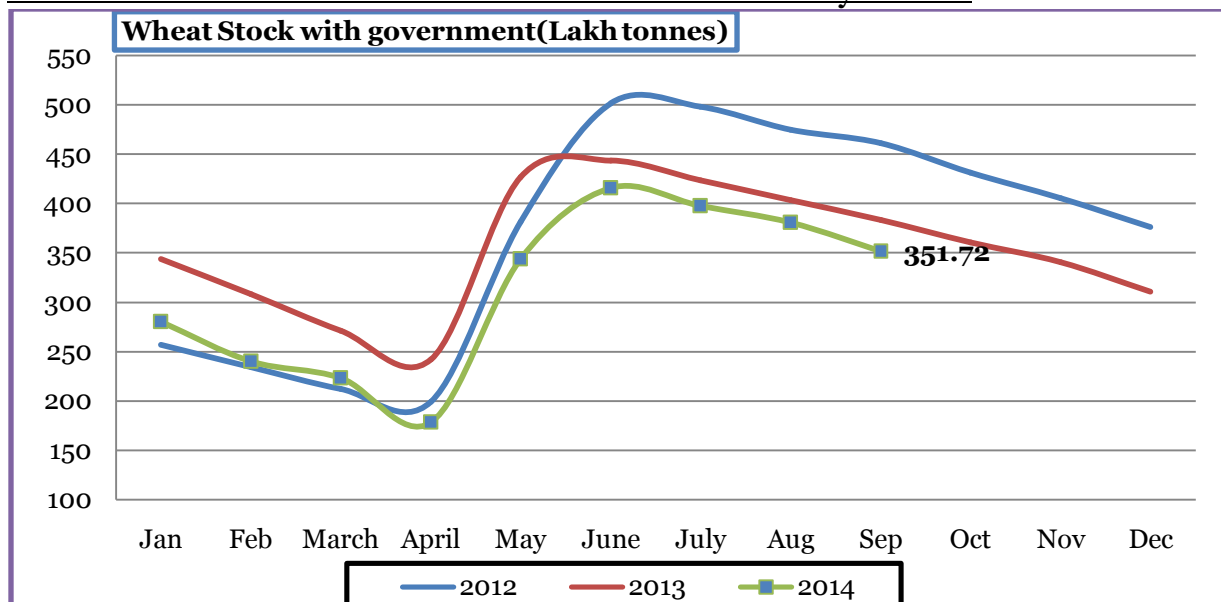
(Source: DGCIS, \*Provisional data from IBIS)

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.



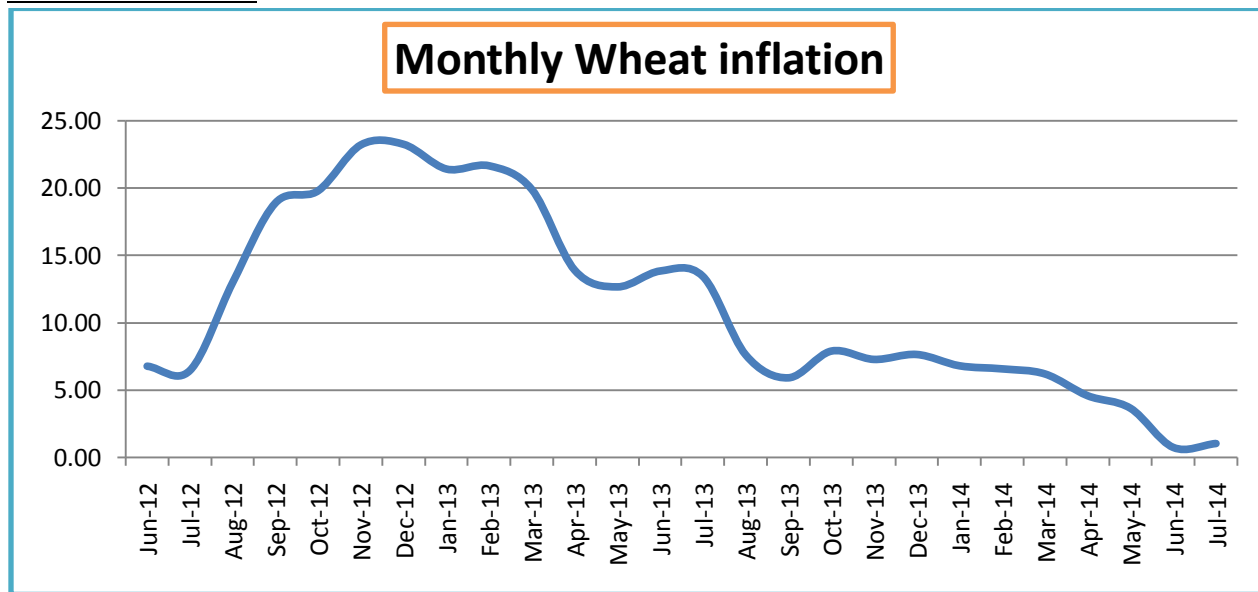
Indian Fob quotes rules lower in comparison to August due to steady domestic demand and more arrival in the market from the farmers. However, wheat market is likely stay steady to weak as there is no good opportunity of export due to imparity with other wheat exporting countries and ample stock in the market.

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



Wheat stock in government's ware houses in the beginning of September was registered at 351.72 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



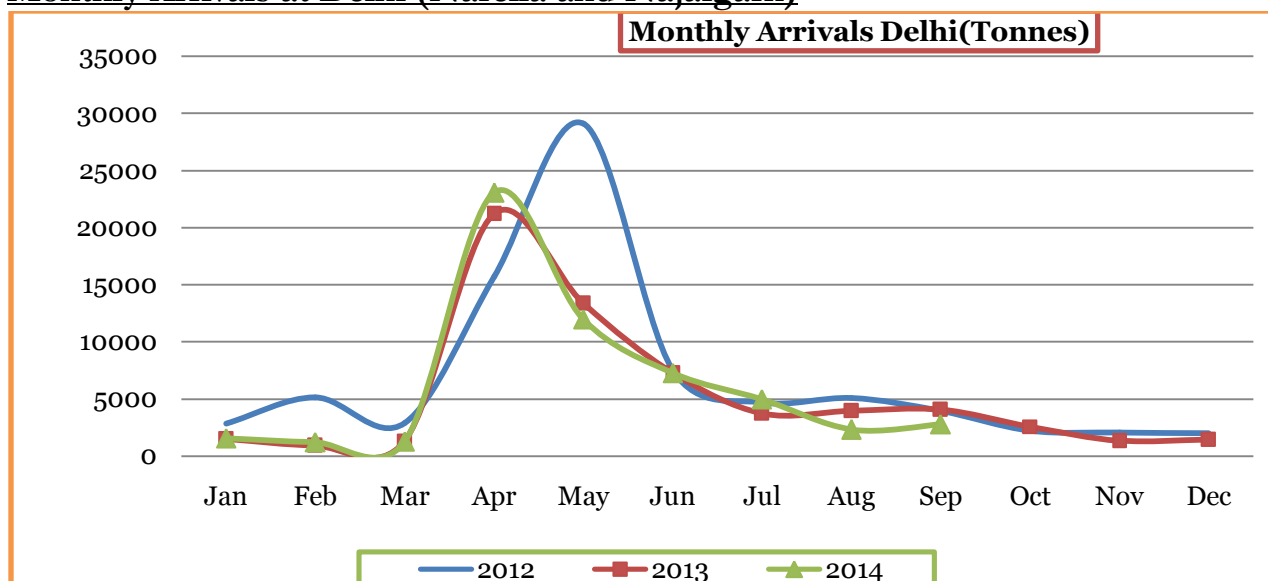


Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
September 2013	1597.60	1645.71	1588.88	1566.73	1846.66
October 2013	1616.79	1698.00	1620.04	1572.94	1883.09
November 2013	1651.04	1698.75	1634.16	1631.17	2008.05
December 2013	1657.47	1674.56	1610.73	1609.31	2035.00
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
September 2014	1596.50	1592.60	1560.00	1444.42	1778.40

## Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			30/09/2014	30/08/2014	
Delhi	Lawrence Road	Mill Delivery	1600	1570	30
	Nazafgarh	Mill Quality Loose	1530	1505	25
	Narella	Mill Quality Loose	1525	1500	25
Gujarat	Rajkot	Mill Delivery	1540	1560	-20
	Ahmedabad	Mill Delivery	1640	1670	-30
	Surat	Mill Delivery	1670	1690	-20
M.P.	Bhopal	Lokwan	1600	1550	50
	Indore	Mill Delivery	1555	1605	-50
Rajasthan	Kota	Mill Quality	1580	1470	110
	Kota	Mill Delivery	1550	1550	0
U.P.	Kanpur	Mill Delivery	1560	1550	10
	Mathura	Mill Quality Loose	1480	1460	20
	Kosi	Mill Delivery	1460	1450	10
Punjab	Khanna	Mill Quality Loose	1430	1435	-5
	Jagraon	Mill Delivery	1560	1500	60
Haryana	Sirsa	Mill Quality loose	1471	1460	11
	Hodal	Mill Delivery	1610	1580	30
Tamil Nadu	Chennai	Mill Quality	1775	1790	-15
	Madurai	Mill Quality	1832	1847	-15
	Coimbatore	Mill Quality	1832	1847	-15

### 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	
						29.08.2014	25.09.2014
<b>Production</b>	679	653	695	655	713	713	717
<b>Trade</b>	128	126	145	141	156	146	147
<b>Consumptions</b>	652	657	698	676	695	706	709
<b>Carryover stocks</b>	199	194	192	170	188	195	195
<b>Y-O-Y change</b>	27	-4	-2	-22	17	7	8
<b>Major Export</b>	79	73	68	48	53	59	60

### **IGC Balance Sheet Highlight**

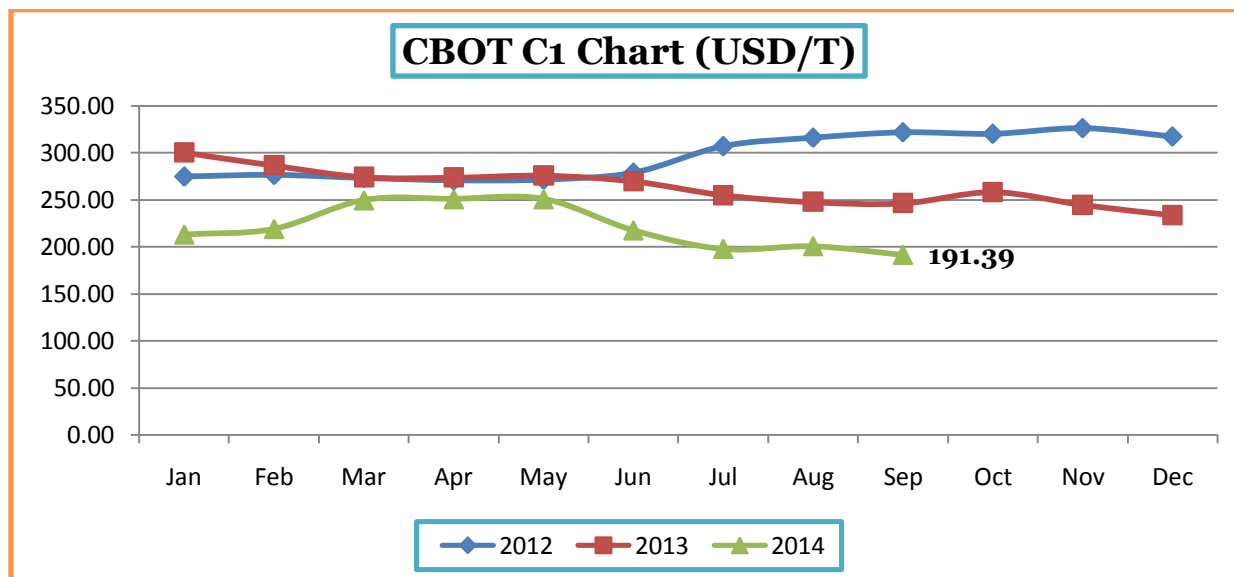
- Despite smaller crops in North America, Australia and Near East Asia, larger outturns are expected across Europe, the CIS and in China, with production now forecast at a record 717m t.
- The world carryover is placed at a five-year high and, with gains in the EU, US and the Black Sea Region, major exporters' stocks are expected to increase for a second successive season.
- Seeding of the 2015/16 northern hemisphere winter crop is underway. Total world area is tentatively projected to increase slightly y/y.
- Amid plentiful availabilities and limited demand, low/medium grade wheat prices moved mostly lower in September. In contrast, durum and North American spring milling wheat quotations firmed on continued quality concerns.

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 Dec 14Monthly Future Chart:



CBOT Dec 14monthly chart shows the steady to weak range due to expectation of good crop production globally. We expect prices to trade slightly steady to weak in the month of October, within the range of USD 160-200/MT.

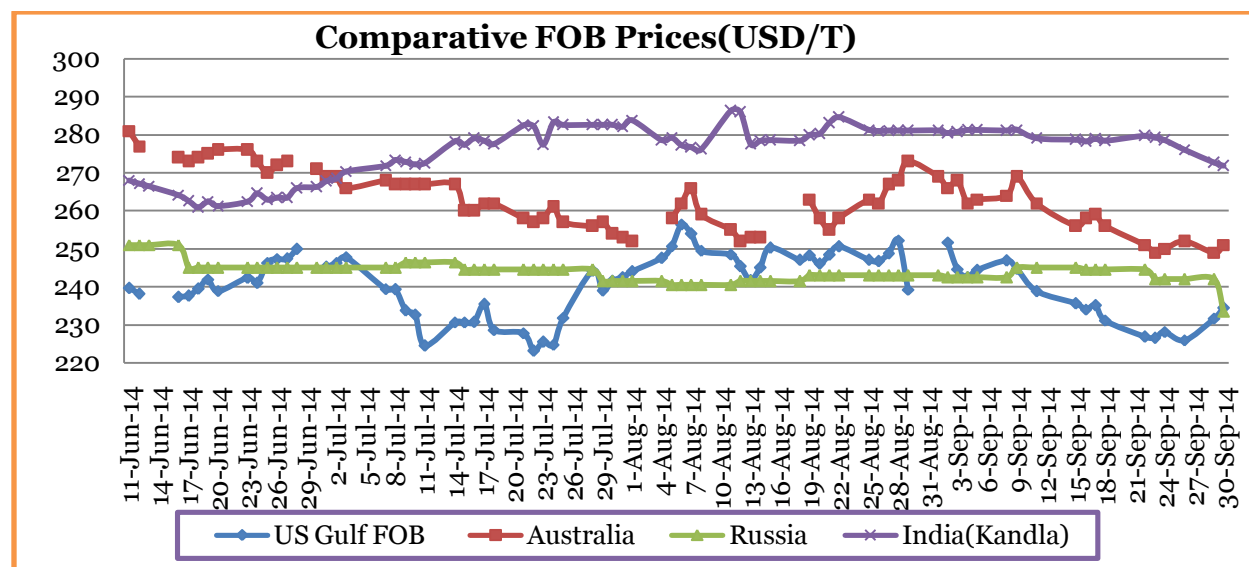


## CBOT comparison over period of time:

CBOT Futures Prices: Date: 30.09.14 (USD/T)							
CONTRACT MONTH	30 Sept 14	Week ago (22 Sept 2014)	1 Month ago(28 Aug 14)	3 Month ago(27 June 14)	6 Month ago(27 Mar 14)	1 Year ago(27 Sept 13)	% Change over previous year
14-Dec	175.53	175.16	210.06	225.12	269.03	256.08	-31.46
15-Mar	180.21	179.84	217.23	232.29	271.42	258.93	-30.40
15-May	183.24	183.33	220.72	236.79	270.68	259.75	-29.46
15-Jul	185.35	186.82	222.37	240.28	265.26	259.48	-28.57
15-Sep	189.39	191.87	225.40	244.32	266.18	261.04	-27.45
15-Dec	195.36	197.75	230.36	248.27	268.84	263.98	-25.99

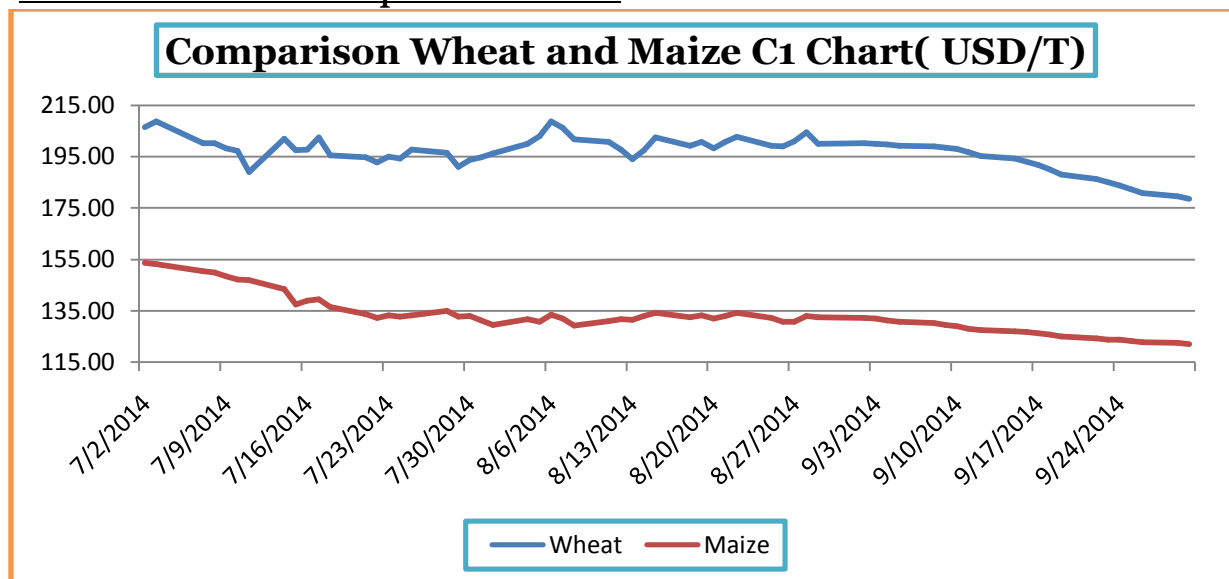
**Comparative Month on Month FOB quotes: (Fig in \$ /MT)**

All prices are for SRW /milling grade, comparable to Indian quality	2 <sup>nd</sup> July 14	1 <sup>st</sup> Aug 14	2 <sup>nd</sup> Sept 14	30 <sup>th</sup> Sept 14
<b>USA</b>	246.30	244.00	251.70	234.43
<b>France</b>	247.87	238.88	232.27	207.02
<b>United Kingdom</b>	NA	NA	NA	NA
<b>Australia</b>	269.00	252.00	266.00	251.00
<b>Russia</b>	245.00	241.50	242.50	233.50
<b>India</b>	268.47	283.86	280.48	271.87



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 to reel under pressure on better production prospects ,ample marketable surplus and throat cutting competition among US,Russia and Austraia. IGC has revised production estimate up from 713 to 718 million tonne. Increase in consumption (3 million tonne) is lower than expectation and it would further pressurize market. Buyers have option to bargain and they know supply side. So no major spike is expected in global wheat market innext two three months.

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