

Executive Summary

With favourable weather wheat sowing commenced in states like MP and Gujarat last week and it is expected to begin in Punjab, Haryana and Rajasthan by the second week of November. Farmers in MP and Gujarat have covered almost 5 and 10 area so far.

Wheat planting is almost delayed by a couple of week in Punjab Haryana and UP this year due to late harvesting of paddy. Despite late paddy harvesting area under wheat is unlikely to decrease this year. There is a general view of farmers and trade community that wheat area in Rajasthan would increase by 2-3 percent due to shifting intention of farmers from chana to wheat. Chana is ruling at lower level at this point of time.

Government has increased MSP for wheat from Rs 1400 to Rs 1450 per quintal for the marketing year 2015-16. It will likely to encourage farmer to grow more wheat this season. However farmer association in Punjab and Haryana are not satisfied with current MSP increase for wheat.

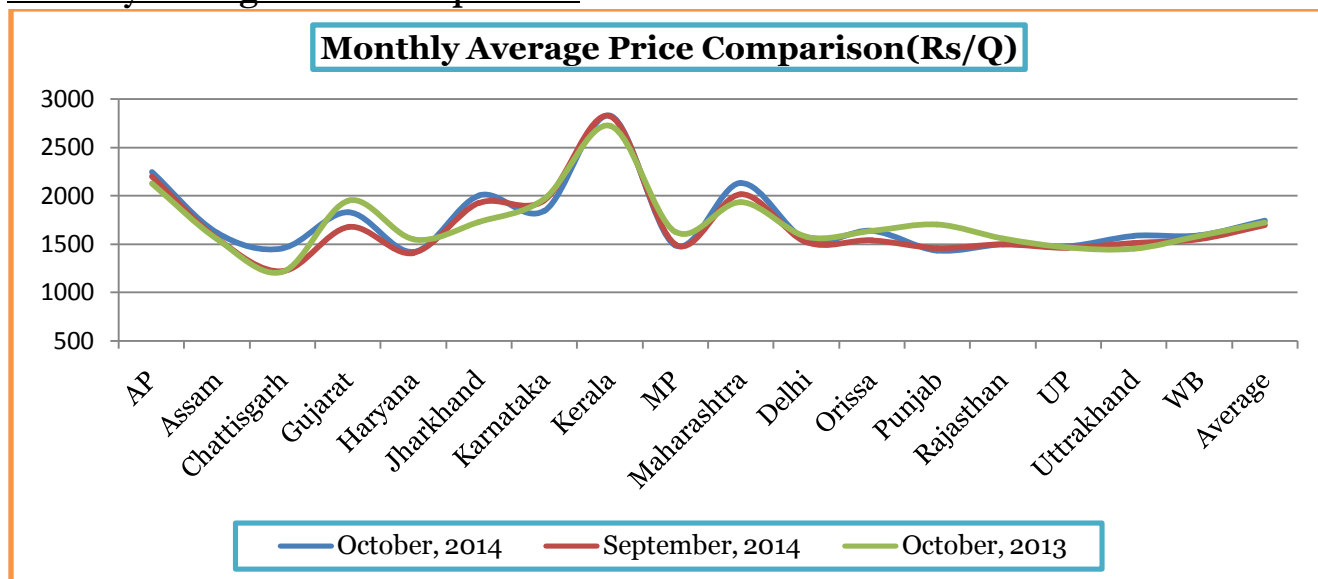
Supply side in domestic market is enough to tackle lean seasonal demand continues supply from central government through OMSS and negligible demand for export remains restrictive for any uptrend in November. Wheat market is likely to trade in the range of Rs 1560 to Rs 1600 per quintal. Ample supply through PDS has eased demand pressure from country side and it would not allow market to rise unexpectedly.

Currently flow of wheat from Rajasthan and MP to south Indian market is being seen at low below normal level. Wheat is supplied from Rajasthan to Karnataka at Rs 1830-1840/quintal on deliver basis while for Andhra Pradesh it is being supplied around Rs 1860-1880/quintal.

As International wheat market is ruling lower (despite recovery in latest week) south Indian millers have option to import quality wheat from country like Australia. Trade sources confirm that south Indian millers has imported 16000 tonnes wheat from Australia at \$310-315/ tonne on CiF basis.

Indian FOB is hovering in the range of \$270 to \$280 per tonne while other origins are offering wheat at \$240 to \$260 per tonne. Disparity on export front is likely to continue. Total export in October was registered at 0.59 lakh tonne against 0.52 lakh tonne in September. The export volume in November may be in the same region due to high disparity.

Wheat stock in govt.'s granary on 01st October was recorded at 32.26 million tonne against 35.17 million tonne on 1st September, 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 moved firm with September price. Average price in October has increased from the month of September. However, average prices in Punjab, M.P. and Karnataka have been ruling lower. The reason behind increase in average price is due to demand of wheat for the festive season.

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:

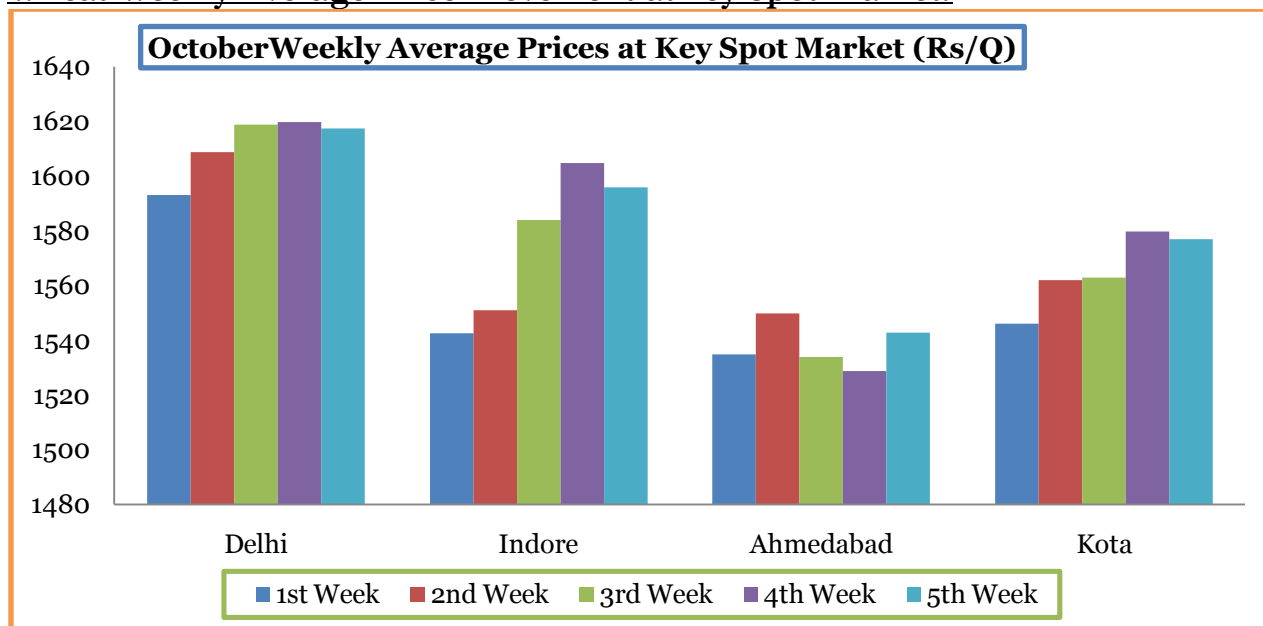
State/ UT	Area(000 Hectors)			Production(000 Tn)			Yeild(Kg/Ha)		
	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**	2012-13	2013-14*	2014-15**
Andhra Pradesh	8.0	8.4	8.6	10.0	11.59	11.41	1250.0	1375	1325
Assam	33.9	50.6	45.5	44.0	58.03	54.29	1304.0	1147	1194
Bihar	2207.7	2209.7	2165.7	5357.0	4875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

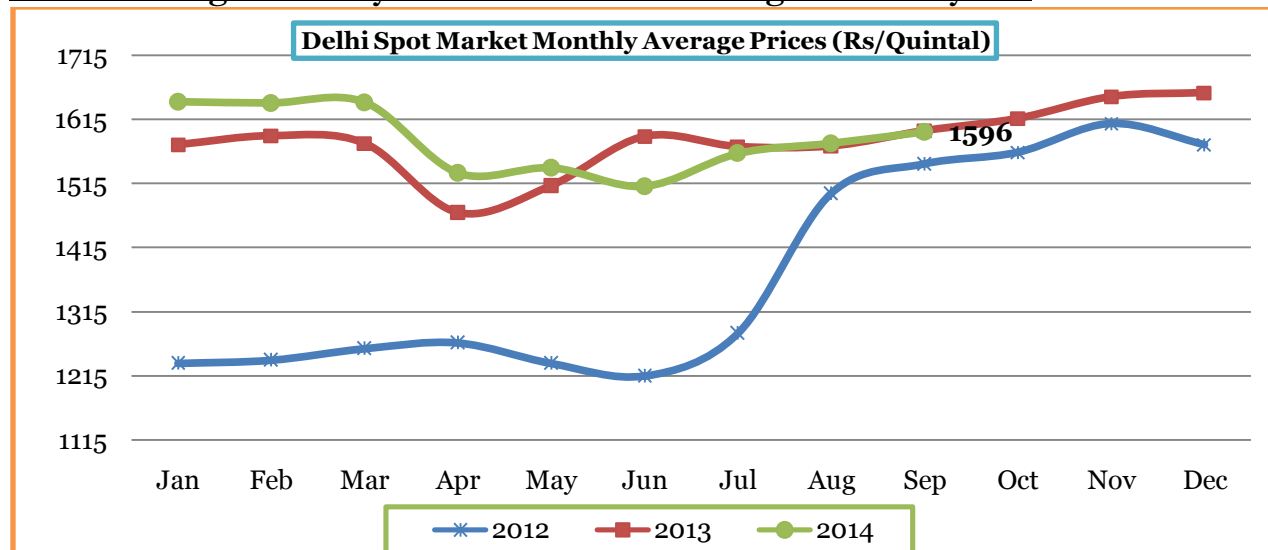
** Adv Estimate

Wheat Weekly Average Price Movement at key Spot Market:

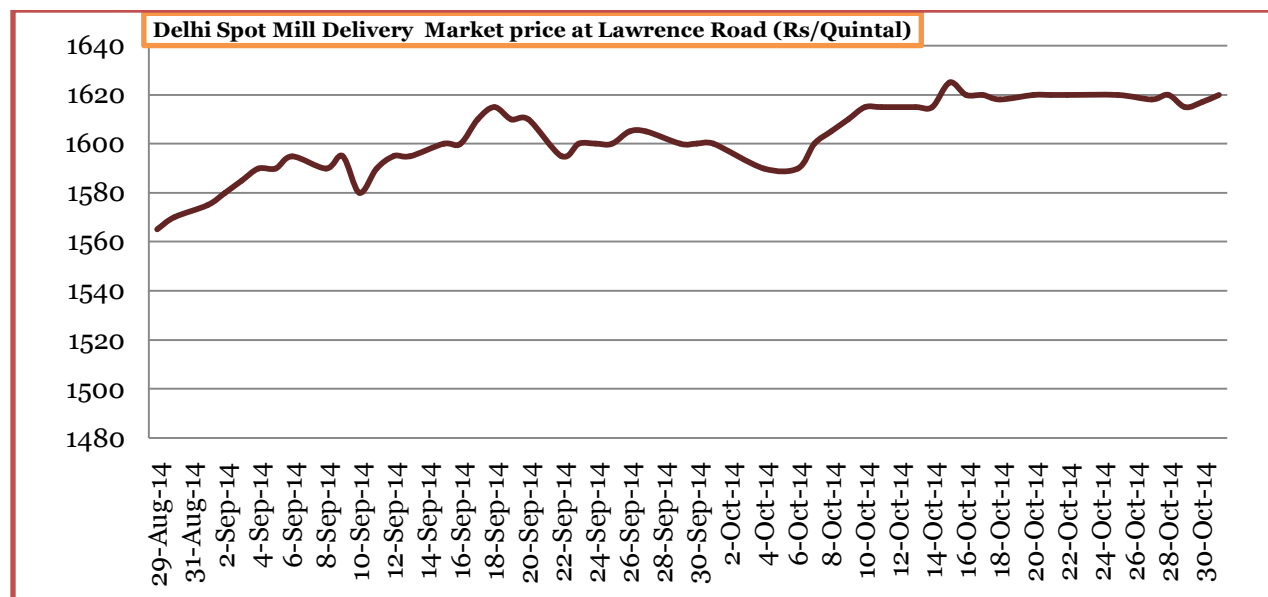


The above given market shows that wheat prices ruled higher in the first, second and third week of October in major bench mark markets. The decrease in price in fourth and fifth week is due to lower demand and more arrival in the mundies.

Wheat Average Monthly Prices movement during last three years



Wheat cash market (Delhi) in the month of October moved slightly up as compare to September. 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.

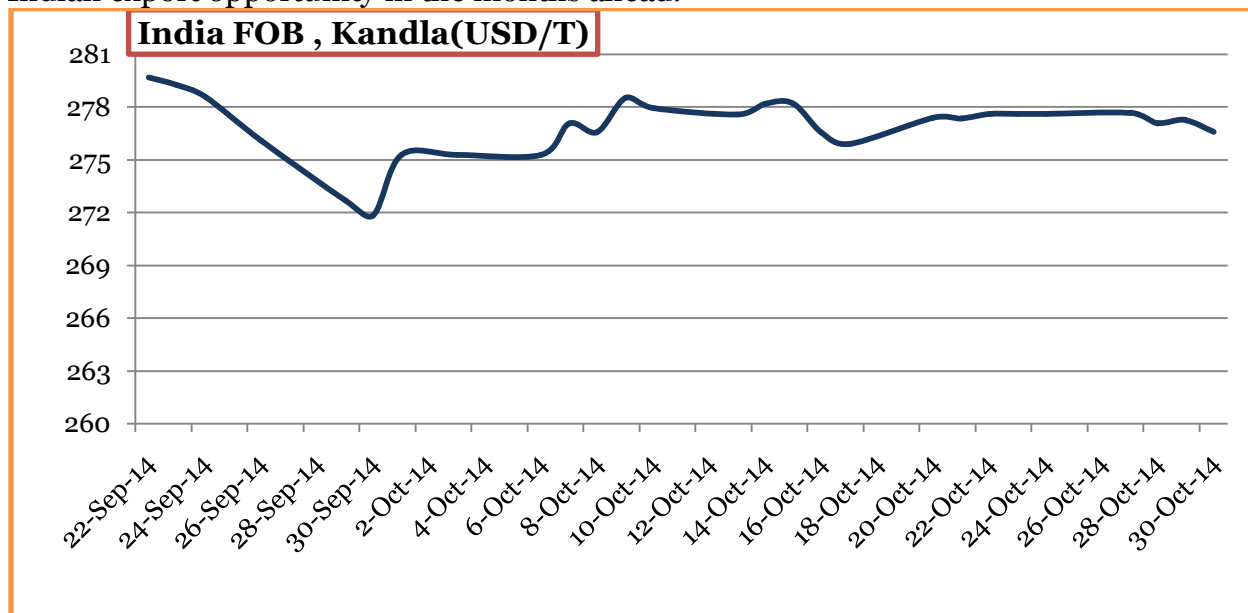


Wheat Exports from India

	Wheat Export(Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
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	280.61
May-14	8.24	283.85	270.66
Jun-14	4.87	267.03	235.16
July-14*	1.37	277.24	217.94
Aug-14*	0.43	280.53	218.9
Sept-14*	0.52	278.84	204.33
Oct-14*	0.59	276.86	222.94
Total 14-15	21.24	277.52	235.79

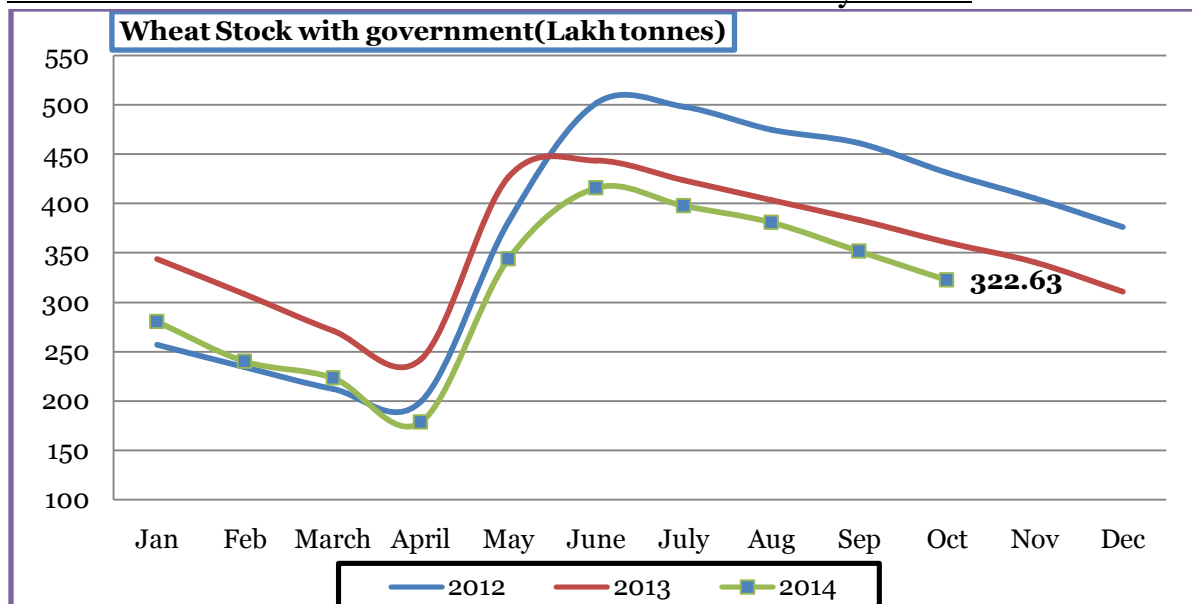
(Source: DGCIS, *Provisional data from IBIS)

Wheat exports from India slightly increased from 0.52 to 0.59 Lakh tonne in October. Average Fob quote decreased from \$278.84 in September to \$276.86 per tonne in October. However, during the review period CBOT average quote increased from \$204.33 to \$222.94 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.



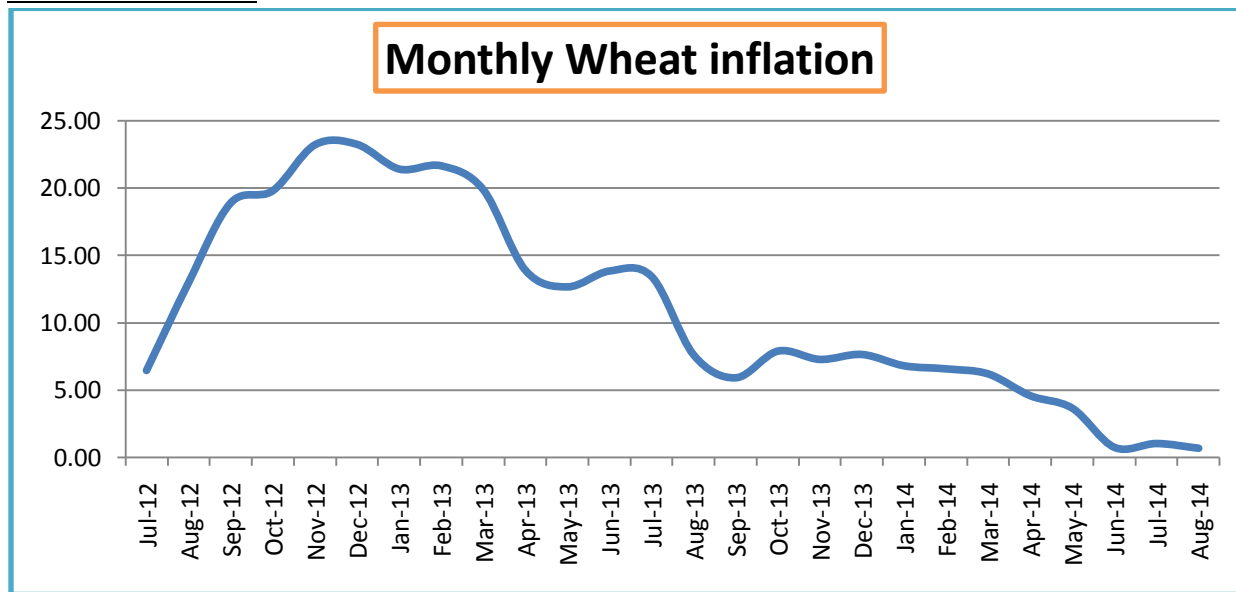
Indian Fob quotes rules lower in comparison to September due to steady to firm domestic demand. However, wheat market is likely stay steady to weak as there is no good opportunity of export due to imparity with other wheat exporting countries and ample stock in the market.

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



Wheat stock in government's ware houses in the beginning of October was registered at 322.63 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

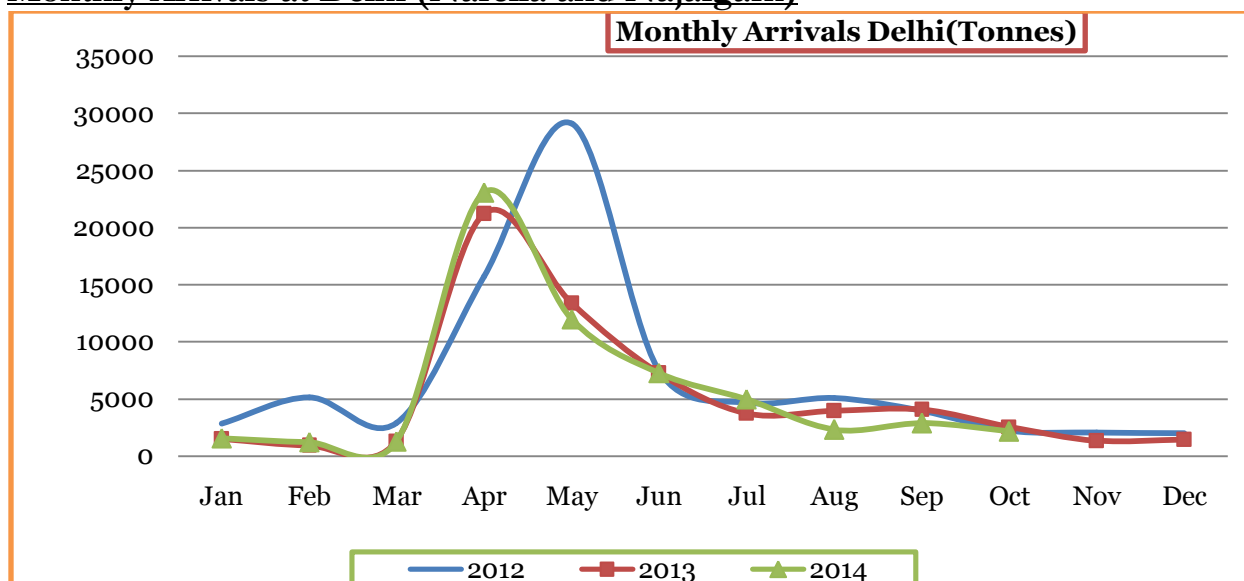


Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
October 2013	1616.79	1698.00	1620.04	1572.94	1883.09
November 2013	1651.04	1698.75	1634.16	1631.17	2008.05
December 2013	1657.47	1674.56	1610.73	1609.31	2035.00
January 2014	1642.56	1693.26	1617.61	1650.40	1957.61
February 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	1539.80	1778.40
October 2014	1613.39	1575.14	1564.75	1540.33	1792.40

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			31/10/2014	30/09/2014	
Delhi	Lawrence Road	Mill Delivery	1620	1600	20
	Nazafgarh	Mill Quality Loose	1545	1530	15
	Narella	Mill Quality Loose	1580	1525	55
Gujarat	Rajkot	Mill Delivery	1550	1540	10
	Ahmedabad	Mill Delivery	1660	1640	20
	Surat	Mill Delivery	1690	1670	20
M.P.	Bhopal	Lokwan	1651	1600	51
	Indore	Mill Delivery	1605	1555	50
Rajasthan	Kota	Mill Quality	1490	1480	10
	Kota	Mill Delivery	1570	1550	20
U.P.	Kanpur	Mill Delivery	1575	1560	15
	Mathura	Mill Quality Loose	1485	1480	5
	Kosi	Mill Delivery	1480	1460	20
Punjab	Khanna	Mill Quality Loose	1450	1430	20
	Jagraon	Mill Delivery	1560	1560	0
Haryana	Sirsa	Mill Quality loose	1485	1471	14
	Hodal	Mill Delivery	1610	1610	0
Tamil Nadu	Chennai	Mill Quality	1825	1775	50
	Madurai	Mill Quality	1882	1832	50
	Coimbatore	Mill Quality	1882	1832	50

Monthly Arrivals at Delhi (Narella and Najafgarh)



Domestic Outlook:

Any spike in domestic wheat market is unlikely despite the beginning of lean season. Domestic cash market is expected to trade steady to slightly weak in the month of November.

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 firm in October owing to crop damage in many areas. However, lower wheat import demand in global market has pushed prices steady. Increased production estimate for Russia and Australia has put bearish pressure on international market.

IGC sees global wheat production at 718 million tonnes as compared to 717 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 710 million tonnes over previous forecast. Carryover stocks are expected to increase to 193 million tonnes from 185 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	
						25.09.2014	30.10.2014
Production	679	653	695	655	713	717	718
Trade	128	126	145	141	155	147	149
Consumptions	652	657	698	677	697	709	710
Carryover stocks	199	194	192	169	185	195	193
Y-O-Y change	27	-4	-2	-22	16	8	8
Major Export	79	73	68	48	52	60	60

IGC Balance Sheet Highlight

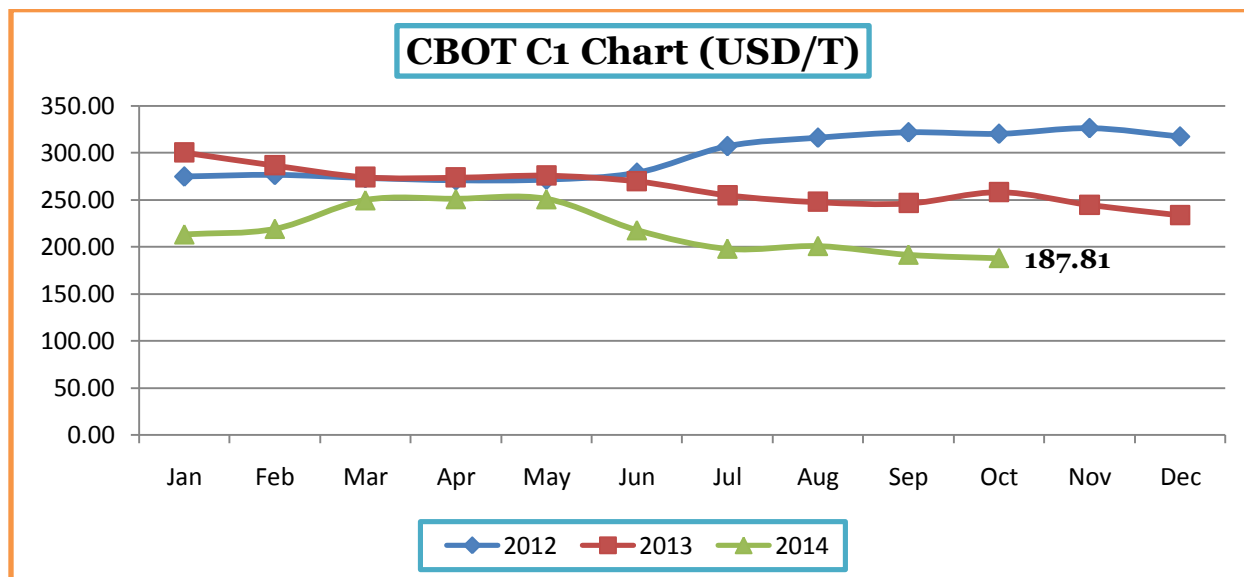
- With the 2014/15 northern hemisphere harvest in its final stages, the world wheat production forecast is increased slightly from the last GMR. Planting of 2015/16 winter crops is well advanced, with total area projected to rise by 1% y/y.
- Global demand is forecast to increase quite strongly, due to above-average growth in food, feed and industrial consumption. Overall use is placed at a record 710m t, up 1m compared to the September report and 2% higher y/y.
- Led by gains in the eight major exporters, end-season inventories are seen at their highest in four years. EU closing stocks are forecast to nearly double.
- The IGC GOI wheat sub-Index rose by 3%, mainly on strength in other markets. Durum prices rallied on tightening global availabilities.

USDA Global Wheat Balance Sheet Fig.in MMT							
Country	Opening stock 2014-15	Production projected 14-15	Domestic consumption (2014-15)	Import 14-15	Export 14-15	Ending stock 14-15	Production last year
USA	16.04	55.39	33.09	4.4	25.50	17.79	58.10
Canada	9.79	27.50	9.75	0.48	22.50	6.02	37.50
Australia	5.86	25.00	6.80	0.15	19.00	5.71	27.01
Argentina	2.54	12.00	6.15	0.005	6.00	2.39	10.50
Russia	5.30	59.00	34.80	0.50	22.50	7.50	52.09
China	60.27	126.00	124.00	2.00	1	63.27	121.93
EU	10.15	153.97	126.00	5.00	28.00	15.13	143.13
Ukraine	3.67	24.50	12.00	0.05	10.00	6.22	22.27
Pakistan	2.16	25.00	25.10	1.00	0.7	2.36	24.00
India	17.83	95.91	94.46	0.02	2.00	16.30	93.51
Others	51.96	116.84	240.65	140.19	19.44	49.89	124.99
World total	185.57	721.11	712.80	153.79	156.64	192.58	715.13

CBOT Dec 14Monthly Future Chart:



CBOT Dec 14monthly chart shows the firm movement due to crop damage reports in many wheat growing areas. We expect prices to trade slightly steady in the month of November, within the range of USD 190-220/MT.

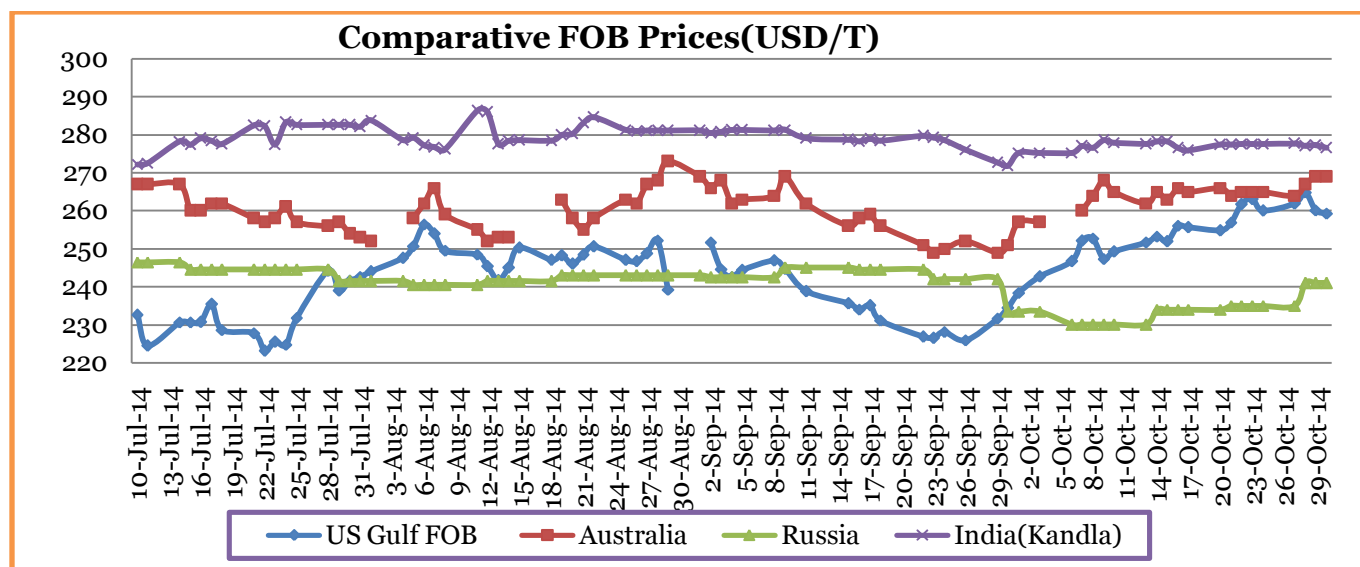


CBOT comparison over period of time:

CBOT Futures Prices: Date: 30.10.14 (USD/T)							
CONTRACT MONTH	30 Oct 14	Week ago (23 Oct 2014)	1 Month ago(30 Sept 14)	3 Month ago(30 July 14)	6 Month ago(30 Apr 14)	1 Year ago(30 Oct 13)	% Change over previous year
14-Dec	196.93	193.53	212.27	201.89	272.89	258.56	-23.84
15-Mar	201.70	198.49	180.21	210.43	277.30	260.49	-22.57
15-May	204.64	201.34	183.24	215.57	278.95	260.67	-21.49
15-Jul	207.49	204.00	185.35	219.52	273.99	258.47	-19.72
15-Sep	211.35	207.49	189.39	223.93	274.91	260.03	-18.72
15-Dec	215.85	212.08	195.36	229.63	277.30	264.34	-18.35

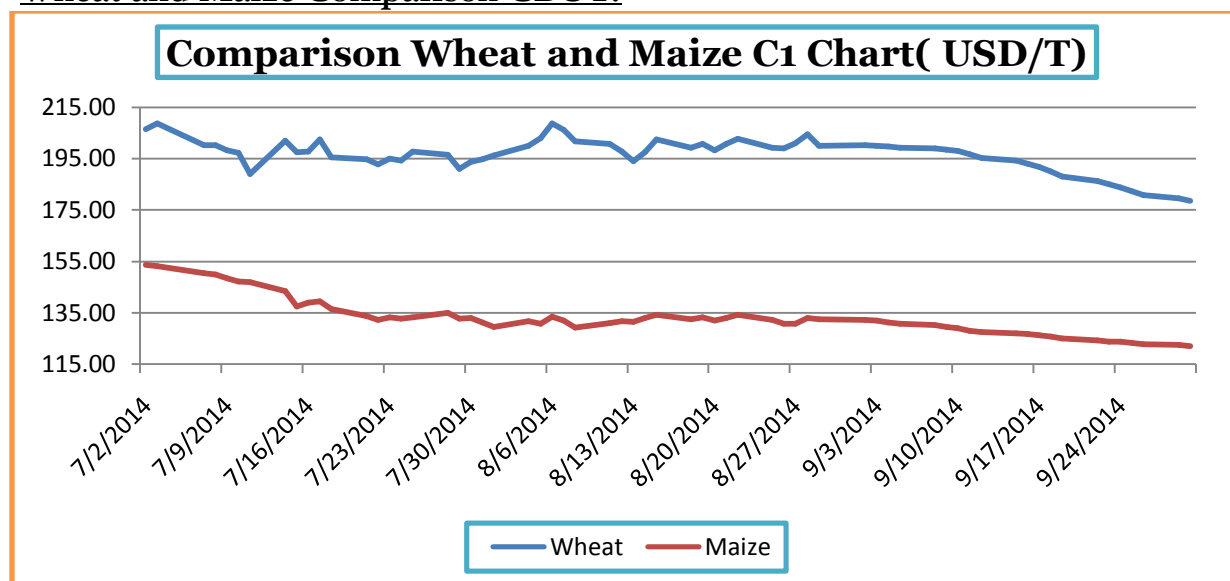
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1 st Aug 14	2 nd Sept 14	1 st Oct 14	30 th Oct 14
USA	244.00	251.70	238.40	259.31
France	238.88	232.27	202.52	217.63
United Kingdom	NA	NA	NA	NA
Australia	252.00	266.00	257.00	269.00
Russia	241.50	242.50	233.50	241.00
India	283.86	280.48	275.30	276.60



International FOB has been trading steady to slightly firm due to news of crop damage in many places.

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 ample global wheat surplus international wheat market would continue to trade under pressure in the month of November. IGC and USDA have increased global wheat production estimate slightly once again. As per latest IGC estimate update global wheat production may touch 718 MMT this year. Despite slight decrease in trade volume overall wheat market outlook remains bearish in November. Major exporting countries like Australia, U.S., France and Russia have ample marketing surplus and with good production prospects these countries would continue to compete from one another and try off load maximum stock in the world market. It would remain restrictive for global wheat market fundamental.

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