

Executive Summary

Wheat cash market is likely to stay steady to slightly firm in the month of February despite new arrival from Gujarat and Madhya Pradesh is expected by the end of this month. Supply side of wheat in domestic market is balanced against demand as wheat continues to flow from central pool stock.

Despite a marginal drop in acreage we can expect bumper harvest if the weather holds for the next few weeks and the rainfall intensity does not increase suddenly. The only thing that farmers need to be cautious about now is the stagnation of water in fields and the attack of yellow rust disease. If these two can be avoided, we should expect a bumper wheat harvest this year.

However, variance in temperature from mid February to March would be crucial for the final size of the crop. Abnormally higher temperature during this period may adversely affect the normal yield expectation. So far crop condition in all major wheat growing state looks satisfactory.

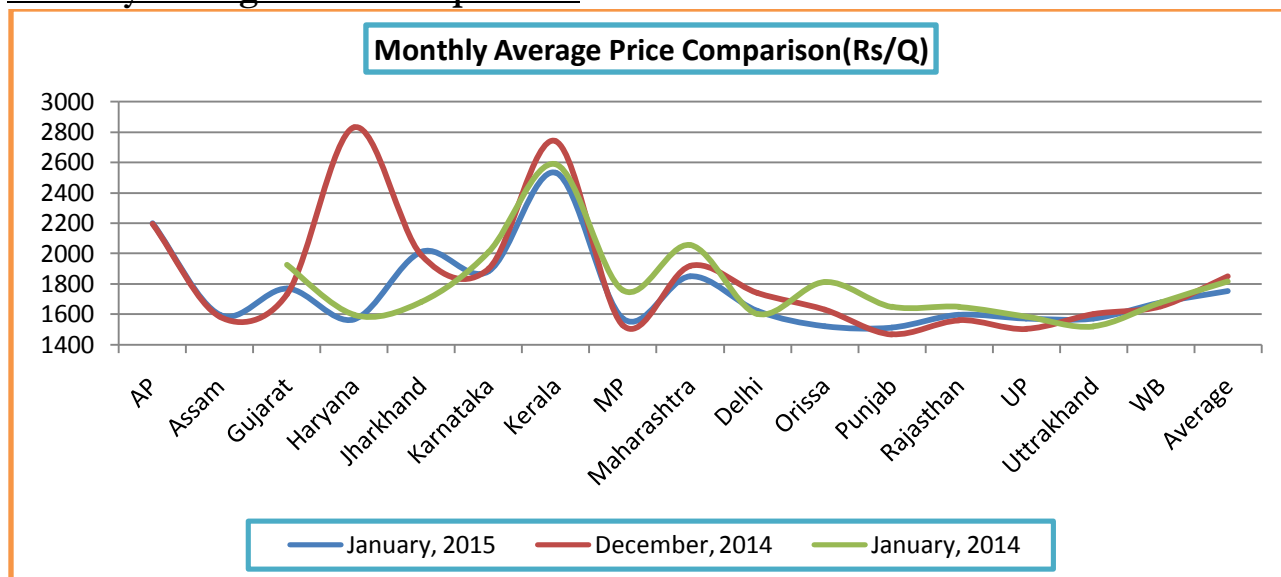
New wheat crop in Swarashtra region of Gujarat is expected to hit the market by 20th February followed by Madhya Pradesh wheat. New arrival, lower export demand and continuous wheat release from central pool stock would not allow market to go for any bull run. However, wheat crop size in Gujarat is smaller it would not impact wheat prices in other states.

As of now Wheat sown area has slightly decreased by 3% in comparison to last year till date. As per latest update by agriculture ministry wheat coverage during 2014-15 has been registered at 305.94 lakh hectares against corresponding period of 2013-14(315.25 lakh hectares).

According to IBIS (provisional data), export of wheat in the month of January was 0.35 Lakh tones which is around 93% less than last year at the same month, which was 5.65 Lakh tones in 2014. The reason behind the lower export is attributed to disparity from other exporting countries like U.S.A., EU and Australia.

Wheat stock in govt.'s granary on 01st January was recorded at 25.13 million tonne against 27.56 million tonne on 01st December, 2014. India needs 8.2 million tonne wheat as buffer stock and 3 million tonne as strategic reserve as on 1st January, 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 weak with December price. Average price in January has decreased from the month of December. However, average prices in Gujarat, Madhya Pradesh and Uttar Pradesh have been ruling higher. The reason behind decrease in average price is due to insignificant export sufficient availability in the market.

State wise-Area Coverage under Wheat on 23-01- 2015

Si.No	State	Normal Area	Average Area as on Date	Area Shown reported	
				This Year	Last Year
1	Assam	0.48	0.46	0.18	0.21
2	Bihar	21.61	22.06	23.03	22.08
3	Chhattisgarh	1.04	1.38	1.67	1.39
4	Gujarat	11.24	11.90	11.34	14.87
5	Haryana	24.98	25.07	24.90	24.95
6	Himachal	3.58	3.58	3.58	3.59
7	J & K	2.89	2.27	2.43	2.45
8	Jharkhand	1.24	1.36	1.62	1.69
9	Karnataka	2.51	2.33	1.86	1.84
10	M.P	45.18	48.95	58.13	57.92
11	Maharashtra	10.05	9.10	8.59	10.42
12	Punjab	35.2	35.15	35.00	35.00
13	Rajasthan	26.33	27.35	27.71	30.41
14	Uttar Pradesh	96.57	96.03	98.67	99.56
15	Uttar Khand	3.80	3.80	3.25	3.58
16	West Bengal	3.15	3.60	3.44	3.46
17	Others**	0.44	0.35	0.19	0.27
18	Total	290.29	294.74	305.60	313.69

Source:-Ministry of Agriculture

(Area in lakh hectare)

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	96
Imports	0.15	0	0	0	0
Total Availability	97.58	103.35	113.86	115.67	118.17
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	24.67
Av Monthly Consumption	6.75	6.79	7.12	7.25	7.42
Stock to Month Use	2.44	3.00	2.77	3.06	3.33
Stock to Consumption Ratio	0.20	0.25	0.23	0.25	0.28

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 revised its preliminary wheat production estimate for the crop year 2014-15 based on farmer's intention, area coverage and favourable weather so far. Production estimate has been revised up from 92.6 to 96.0 MMT. With higher wheat production by 3.4 million tonne wheat availability in domestic market would increase to 118.17 MMT. Wheat consumption is growth rate had been steady and it may increase by 2 million tonne to 89 million tonne this year.

Balance sheet highlights:

- Agriwatch has revised its production estimate up from 95.91 million tonne to 96 million tonne in crop year 2014-15, to be marketed from April,2015. Total availability of wheat for MY 2015-16 is likely to increase slightly from 115.67 to 118.17 million tonne.
- Higher availability and lower export demand would ensure price stability even in the the month of July, August and Sept.
- Wheat consumption would increase at normal basis to 89 million tonne. Export volume is likely decrease from 6.5 million tonne to 4.5 million tonne in MY 2015-16.
- Cheaper wheat availability in the global market, ample marketable surplus and disparity at current domestic price are mainly attributed to lower export volume in ongoing season.
- Carryout for 2015-16 is pegged at 24.67 million tonne. 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. Stock to consumption ratio too would increase slightly from 0.25 to 0.28 million tonne.

Wheat Production Adv estimate 2014-15 crop:

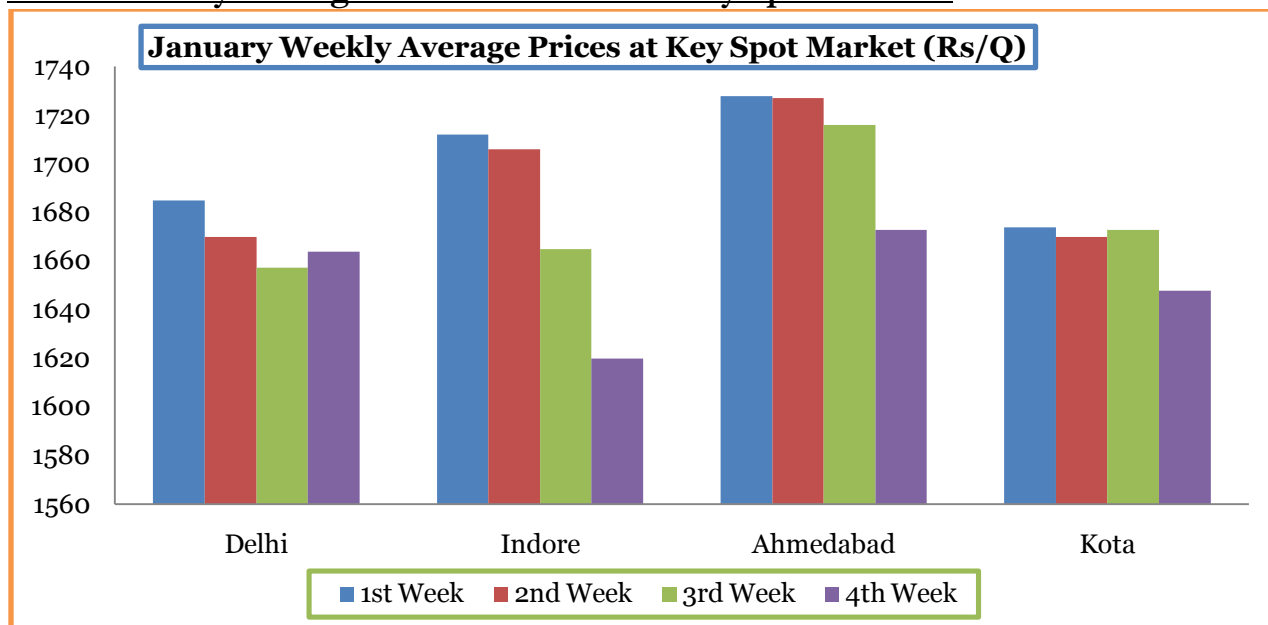
State/ UT	Area					Production					Yeild				
	2010-11	2011-12	2012-13	2013-14*	2014-15**	2010-11	2011-12	2012-13	2013-14*	2014-15**	2010-11	2011-12	2012-13	2013-14*	2014-15**
Andhra Pradesh	10	8	8	8	8	13	11	10	12	11	1300	1375	1250	1375	1325
Assam	45	53	34	51	17	53	60	44	58	20	1179	1147	1304	1147	1194
Bihar	2104	2142	2208	2210	2247	4098	4725	5357	4875	5454	1948	2206	2427	2206	2427
Chhatisgarh	111	109	101	107	152	127	133	141	131	190	1144	1227	1396	1227	1248
Gujarat	1274	1351	1024	1107	1140	4019	4072	2944	3336	3436	3155	3014	2875	3014	3015
Haryana	25	25	24	26	24	116	12	111	13	12	46	50	44	50	50

	15	22	97	32	90	30	68	17	23	52	24	30	52	30	30
							6		8	7					
Himachal Pradesh	357	357	364	343	360	546	596	608	574	588	1530	1671	1671	1671	1636
Jammu & Kashmir	291	296	290	312	241	446	500	462	527	392	1535	1689	1595	1689	1627
Jharkhand	96	159	164	164	154	158	303	319	313	285	1642	1908	1944	1908	1851
Karnataka	255	225	225	247	175	279	193	179	212	158	1094	858	796	858	901
Madhya Pradesh	4341	4889	5300	5336	5678	7627	11539	13133	12380	14071	1757	2360	2478	2320	2478
Maharashtra	1307	843	733	576	713	2301	1313	1181	897	1110	1761	1558	1528	1558	1558
Orissa	3	1	0	1	1	4	2	2	2	2	1458	1644	1672	1644	1604
Punjab	3510	3528	3512	3712	3566	16472	17280	16591	18182	17126	4693	4898	4724	4898	4803
Rajasthan	2479	2935	3063	2847	2785	7214	9320	9275	8941	8531	2910	3175	3028	3140	3063
Uttar Pradesh	9637	9731	9734	10185	9751	30001	30293	30301	30299	30353	3113	3113	3113	2975	3113
Uttarakhand	379	369	358	377	371	878	878	858	898	889	2316	2379	2396	2379	2396
West Bengal	317	316	322	339	323	874	873	895	939	896	2760	2765	2786	2765	2769
All India	29069	29865	30003	30623	30171	86874	94882	93506	96039	96037	2989	3177	3117		

*Agriwatch Estimate

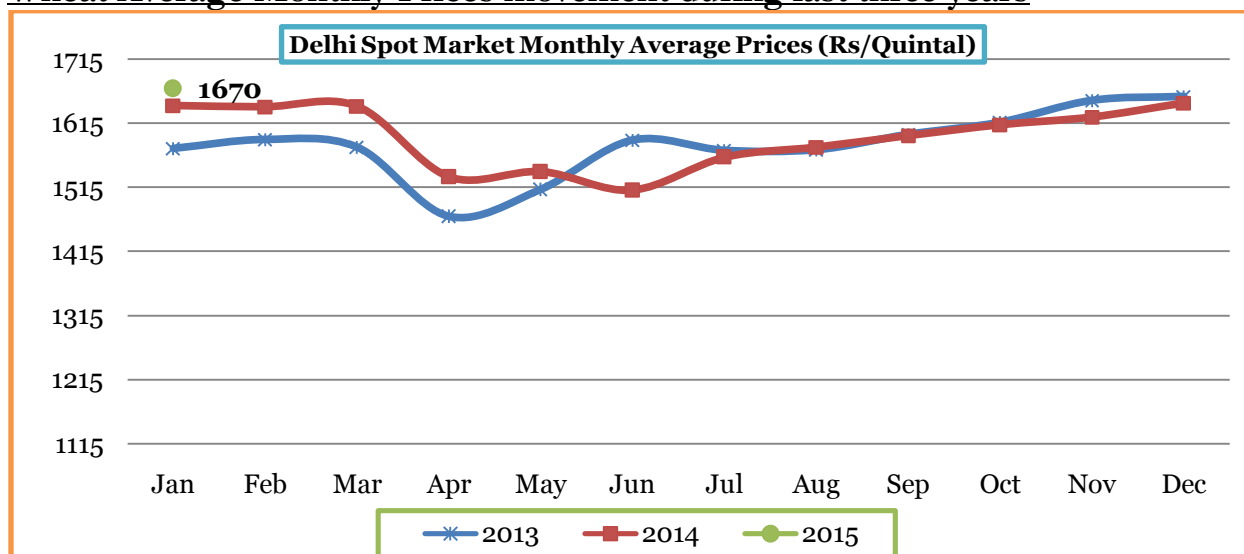
** Adv Estimate

Wheat Weekly Average Price Movement at key Spot Market:

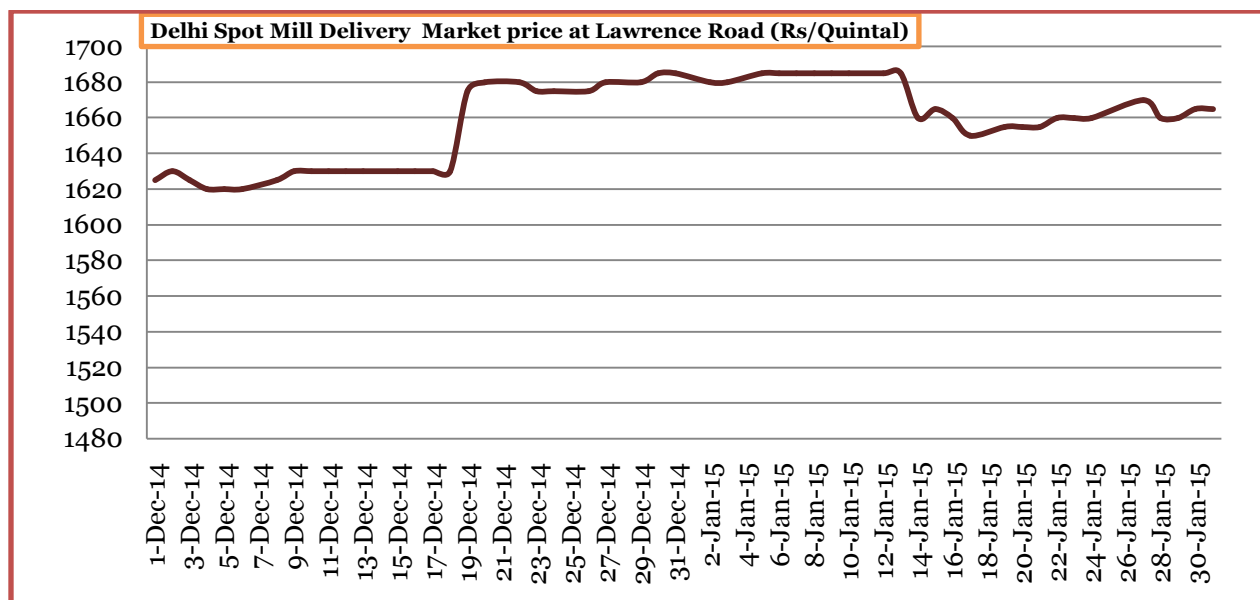


Monthly average price in the month of January showed weak sentiments in various spot markets. Prices in all major markets show bearishness due to marginal export demand and sufficient availability in the market. Moreover expectation of bumper crop production is restricting the price to move up.

Wheat Average Monthly Prices movement during last three years



Wheat cash market (Delhi) in the month of January moved slightly up as compare to December as arrival from the nearby states was very low like UP and Haryana.

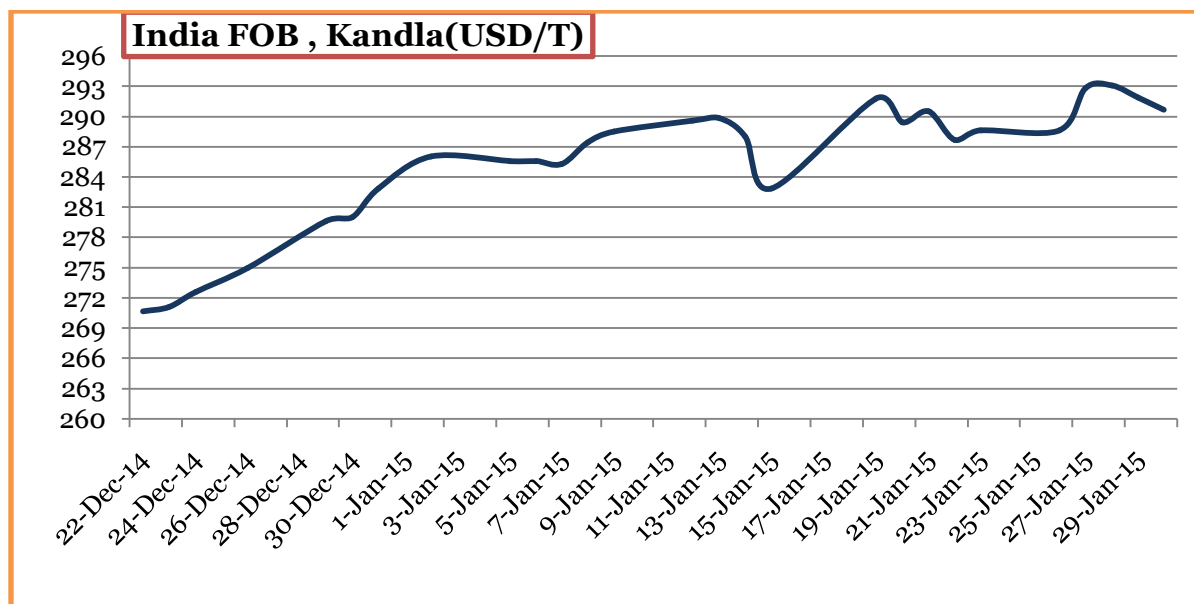


Wheat Exports from India

	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	4.95	267.03	235.16
Jul-14	3.39	277.24	217.94
Aug-14	1.52	280.53	218.9
Sep-14	1.32	278.84	204.33
Oct-14*	0.59	276.86	222.94
Nov-14*	0.22	274.25	235.64
Dec-14*	0.89	273.32	260.97
Jan-15*	0.35	288.62	233.2
Total 14-15	26.69	277.88	238.03

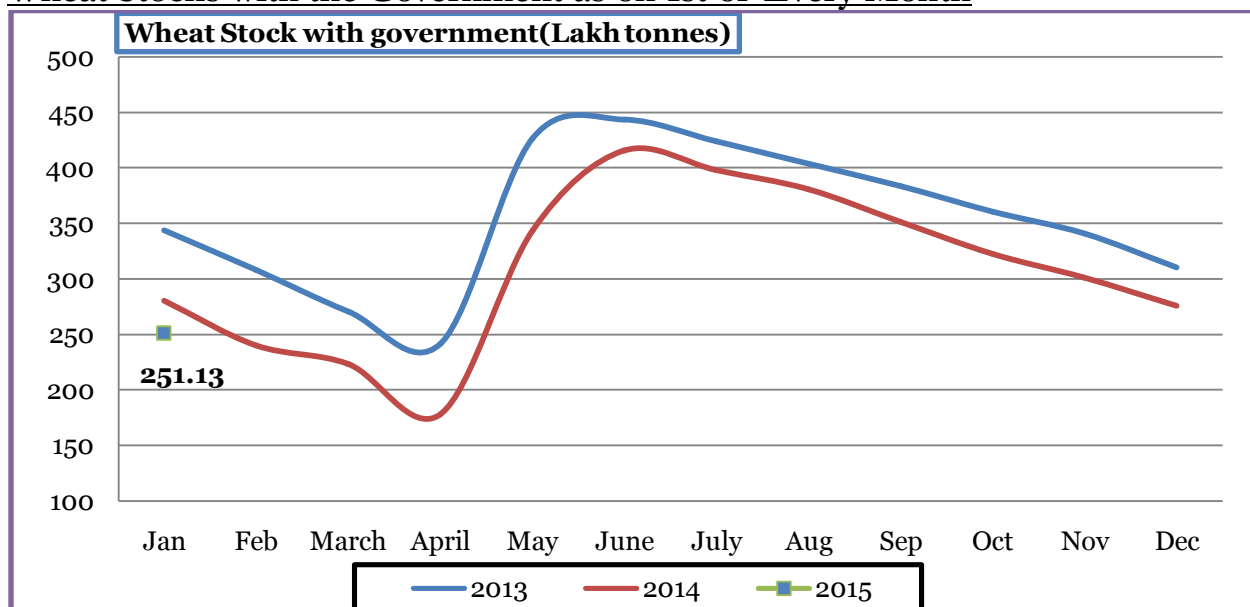
(Source: DGCIS, *Provisional data from IBIS)

Wheat exports from India slightly decreased from 0.89 to 0.35 Lakh tonne in January. Average Fob quote increased from \$273.32 in December to \$288.62 per tonne in January. However, during the review period CBOT average quote decreased from \$260.97 to \$233.20 per tonne. Export from India is bound to be same due to current disparity. Australia and Black Sea Region crops are cheaper and it would continue to hamper Indian export opportunity in the months ahead.



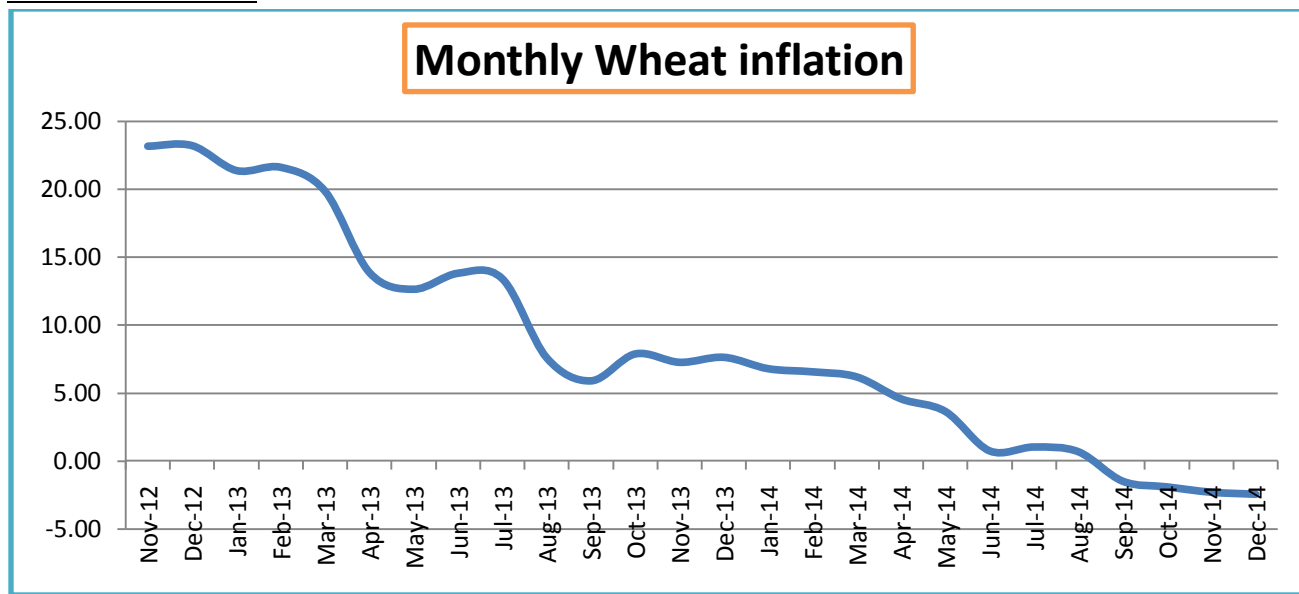
Indian Fob quotes rules higher in comparison to December from mid of December when Russia restriction on wheat export news came into the market. However, wheat market is likely stay steady to slightly weak as India is not getting export opportunity due to FoB disparity.

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



Wheat stock in government's ware houses in the beginning of January was registered at 251.13 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.

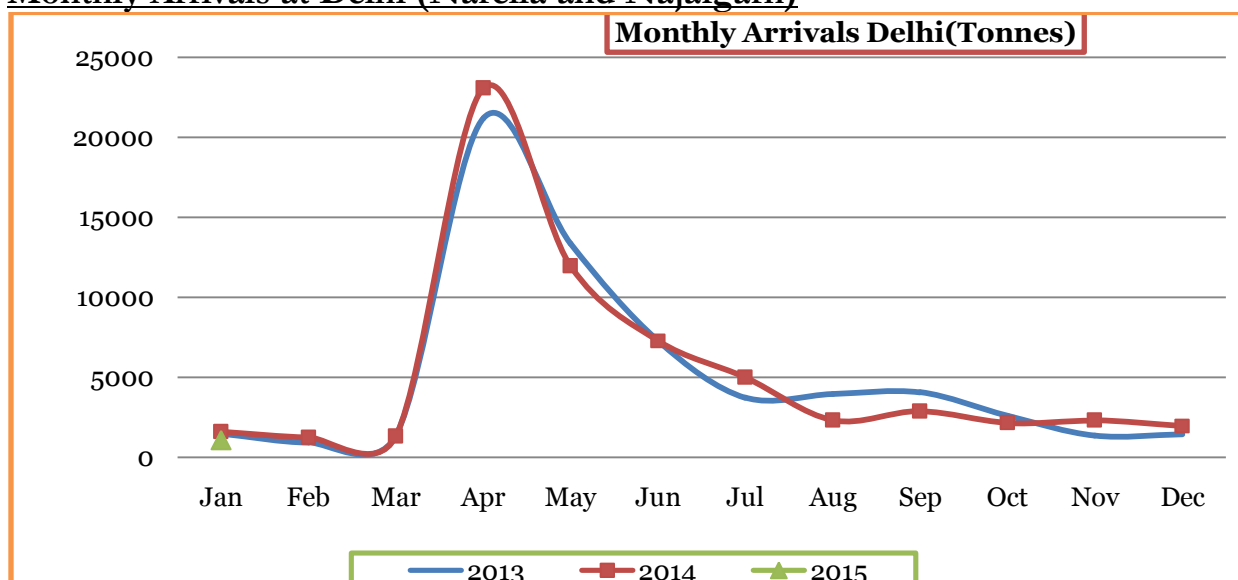
Wheat Inflation



Monthly Average Prices at Various Spot Market					
	Delhi	Indore	Kota	Rajkot	Chennai
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
November 2014	1625.20	1595.22	1563.75	1626.59	1814.37
December 2014	1647.11	1637.04	1603.65	1649.42	1831.53
January 2015	1669.60	1682.95	1666.36	1713.47	1843.18

Monthly Price Comparison of Spot Markets:

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			31/01/2015	30/12/2014	
Delhi	Lawrence Road	Mill Delivery	1665	1685	-20
	Nazafgarh	Mill Quality Loose	1615	1630	-15
	Narella	Mill Quality Loose	1600	1610	-10
Gujarat	Rajkot	Mill Delivery	1660	1750	-90
	Ahmedabad	Mill Delivery	1740	1790	-50
	Surat	Mill Delivery	1765	1820	-55
M.P.	Bhopal	Lokwan	1650	1700	-50
	Indore	Mill Delivery	1610	1690	-80
Rajasthan	Kota	Mill Quality	1520	1595	-75
	Kota	Mill Delivery	1600	1670	-70
U.P.	Kanpur	Mill Delivery	1570	1590	-20
	Mathura	Mill Quality Loose	1630	1600	30
	Kosi	Mill Delivery	1600	1600	0
Punjab	Khanna	Mill Quality Loose	1530	1470	60
	Jagraon	Mill Delivery	1560	1560	0
Haryana	Sirsa	Mill Quality loose	1515	1500	15
	Hodal	Mill Delivery	1680	1680	0
Tamil Nadu	Chennai	Mill Quality	1825	1850	-25
	Madurai	Mill Quality	1882	1907	-25
	Coimbatore	Mill Quality	1882	1907	-25

Monthly Arrivals at Delhi (Narella and Najafgarh)


Domestic Outlook:

Domestic cash market is expected to trade range bound in the month of February. Indian wheat export might be very less due to Fob disparity with the exporting nation like Australia and EU. Domestic prices might get higher due to lean season factors. Wheat price in domestic market may trade in the range of Rs 1625 to Rs 1675 in the month of February.

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

- Unfavourable weather in US.
- Export restriction of wheat in Russia & Ukraine.
- Bangladesh current demand (3 MMT a year).
- Higher demand for premium grade like Lokwan,sharbati and tukda.

Threat

- Growing disparity.
- Aggressive selling strategy by major exporter like US and Australia.
- Higher marketable surplus in major exporting countries.

International Market Dynamics:

Global wheat markets traded weak in January owing to better crop production estimate in EU, Turkey and India. However, some crop is adversely affected by cold in US and Russia.

IGC sees global wheat production at 717 million tonnes which is same as compared to its previous month estimate. Trade is expected to decrease by 4 million tonne over year and Consumptions is expected to increase to 708million tonnes over previous forecast.

Carryover stocks are expected to increase to 196 million tonnes from 187 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	
						27.11.2014	22.01.2015
Production	679	653	695	655	713	717	717
Trade	128	126	145	141	155	150	151
Consumptions	652	657	698	677	695	712	708
Carryover stocks	199	194	191	169	187	193	196
Y-O-Y change	27	-4	-2	-22	18	6	9
Major Export	79	73	68	48	52	59	69

IGC Balance Sheet Highlight

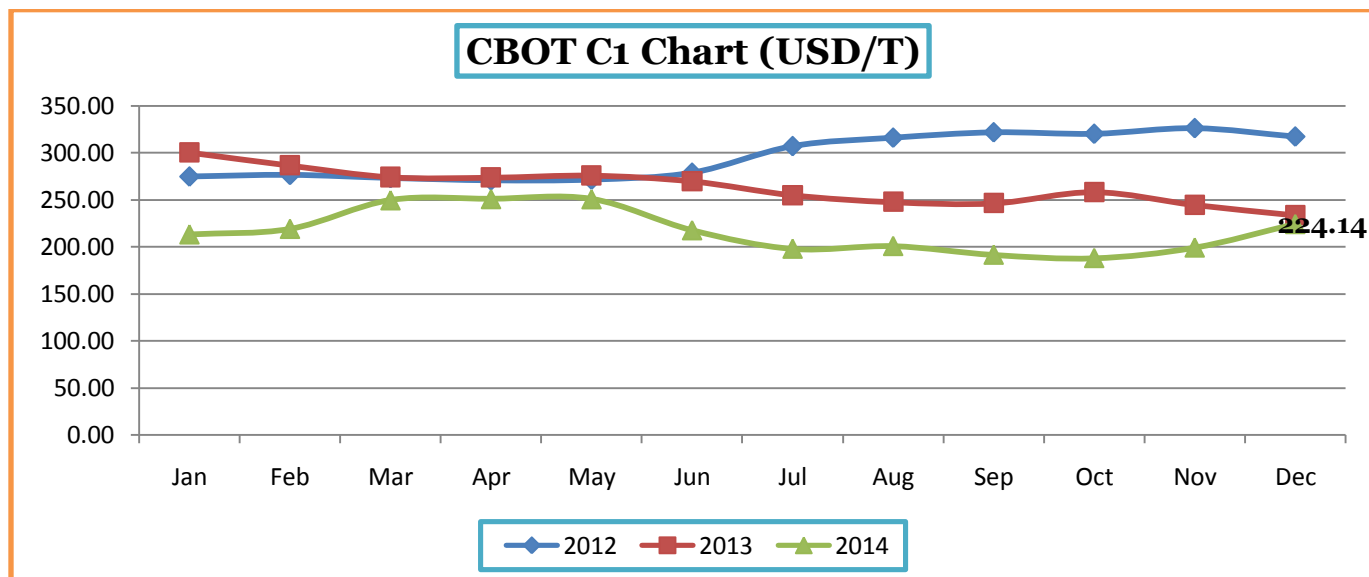
- Prospects for 2015/16 winter wheat remain mostly favorable in the northern hemisphere.
- Crops in the US and Russia suffered from adversely cold weather at times, while conditions have been mostly favorable in the EU, India and Turkey.
- World production is provisionally forecast at 701m t, a fall of 2% from the 2014/15 record, but still 2% above the five-year average.
- Assuming broadly unchanged consumption, global stocks may retreat slightly, to 189m t, mainly because of reductions from high opening levels in the EU and Russia. At 150m t, global trade in 2015/16 (Jul/Jun) is projected to be little changed y/y.

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 Mar 15Monthly Future Chart:



CBOT Mar 15monthly chart shows the weak movement in the month of January due to better crop production estimate around the world. We expect prices to trade steady slightly weak in the month of February, within the range of USD 170-185/MT.

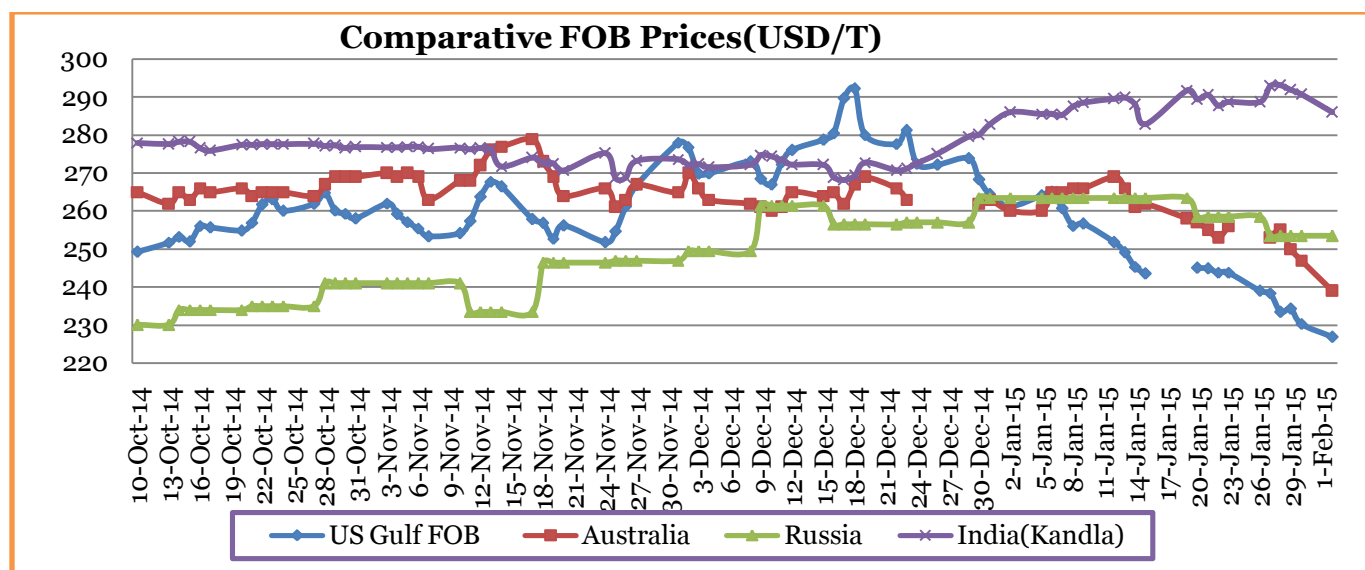


CBOT comparison over period of time:

CBOT Futures Prices: Date: 30.01.15 (USD/T)							
CONTRACT MONTH	30-Jan-15	Week ago (21 Jan 2015)	1 Month ago(29 Dec 14)	3 Month ago(27 Oct 14)	6 Month ago(28 July 14)	1 Year ago(27 Jan 14)	% Change over previous year
15-Mar	189.74	197.2	226.13	197.11	213.18	222.83	-14.43
15-May	191.25	198.4	227.42	199.87	218.51	223.2	-13.91
15-Jul	193.04	199.68	227.88	202.71	222.64	220.44	-11.88
15-Sep	196.15	202.53	230.45	206.39	227.05	222.74	-11.38
15-Dec	201.6	206.66	234.22	210.89	232.84	226.13	-10.8
16-Mar	203.51	208.96	235.69	214.29	236.24	228.52	-10.69

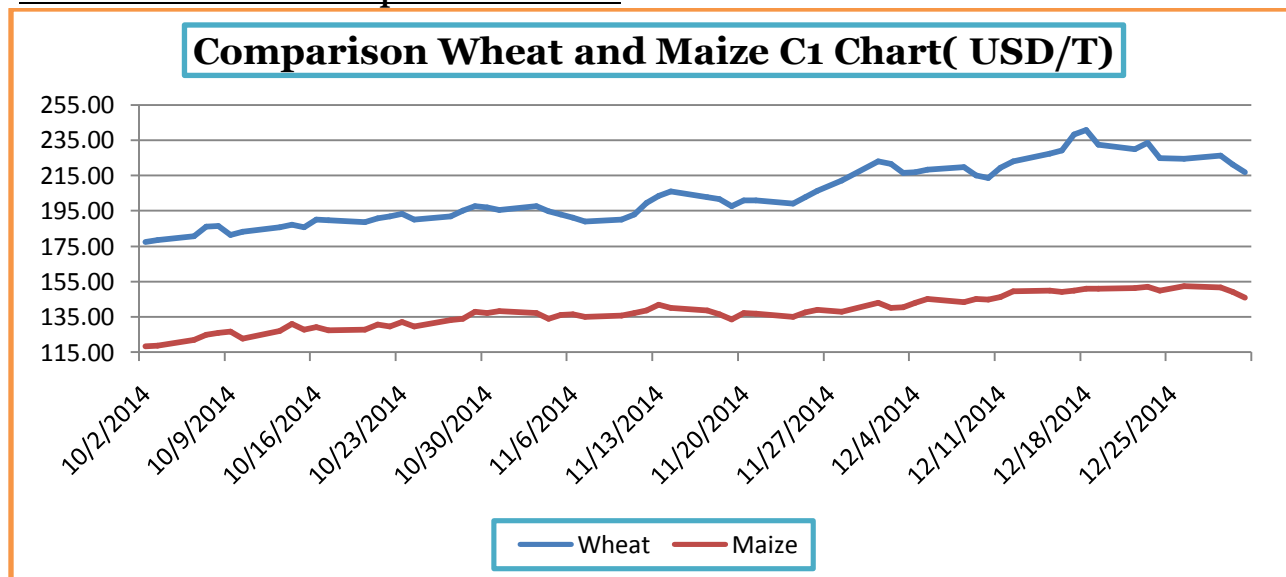
Comparative Month on Month FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	03rd Nov 14	01st dec 14	06th Jan 15	02nd Feb 15
USA	262.00	278.00	265.20	226.90
France	217.23	234.45	239.58	204.41
United Kingdom	NA	NA	NA	NA
Australia	270.00	265.00	265.00	239.00
Russia	241.00	247.00	263.50	253.50
India	276.83	273.62	285.58	286.04



International FOB has been trading steady to slightly weak due to better crop production estimate globally. However, some crop is affected by cold in places like US and Russia.

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. Cbot wheat prices has increased due to unfavourable weather condition in US wheat growing area, therefore maize demand is also increased.

International Outlook:

With ample global wheat surplus in international wheat market, price would continue to trade under pressure in the month of February. As per latest IGC estimate update global wheat production may touch 717 MMT this year. Russia has introduced new regulations to curb wheat export to make sure it has enough wheat for domestic use.

Wheat price may go steady to slightly down in near term due to better production estimate in India, Turkey and EU. However some crop may get damage in USA and Russia due to cold.

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