

Wheat Monthly Research Report

Contents

- ❖ Wheat Market Dynamics
- ❖ AW Wheat Index
- ❖ Wheat Quarterly Balance Sheet
- ❖ Wheat APY
- ❖ Wheat Price Trend
- ❖ Export & Import
- ❖ Monthly Stock & Procurement
- ❖ Inflation
- ❖ Spot Prices
- ❖ Domestic Outlook
- ❖ International Rice Market Summary
- ❖ CBOT Trend
- ❖ International Outlook

Market Dynamics:

Price Trend & Crop Size: All India average monthly price decreased by 1.61 percent from Rs 1734 (in April) to Rs 1706.06 per qtl in May-2016 despite tight supply side and private traders' active buying. As supply side is tight and private holding/retention is considered to be 10 to 15 percent higher this year, prices of wheat are bound to go up in next quarter, starting from July-2016. There is a wide gap on production estimates and it has encouraged retention tendency at farmers and stockist's level. Lower procurement, higher prevailing price and prevailing gossip in market hint towards lower than normal production. Controversy on production size may continue as there is a huge difference on yield front. Agriwatch will revise its wheat production estimate in July-2016.

Production Estimate: Wheat production in India for 2015-16 crop year (to be marketed in 2016-17) is expected to decrease from 89.28MMT to 87.2MMT given the abnormal temperature seen during April, 2016. Agriwatch had revised its preliminary production estimate from 89.28MMT to 87.2MMT in May-2016. Lower than normal production would drag down carryout for 2016-17 to 12.57 MMT, the lowest in 8 years as final estimate. The season (2015-16) started with 15.38 MMT carry in stock including private carry in stock of 1 to 1.5MMT.

Export-Import: India is out of export arena due to higher prevailing prices in domestic market. Global market offers wheat at very competitive price with assurance of timely delivery and better quality. Price difference is wider, around \$40/90 per tonne at current FoB. Russia, US, France and Argentina are offering wheat in the range of \$175 to \$220 per tonne on FoB basis. Despite 25% duty on import, south Indian millers have struck around 7 lakh tonne deal in forward months (June onward). Govt. may consider revision on import duty in July-2016 and may take decision on reserve price (Rs1640 per qtl.) and release for OMSS. Govt has two tools to control domestic market price.

Impact On Market: If duty is revised downward, global wheat market would move up proportionally and \$ would appreciate. So importers who have struck deals in adv. for forward months would stand to gain. New importers would not get much benefit. However, south Indian millers demand would decrease with opening the option for import. Of take from central pool may decrease as market is worried about the quality of wheat procured from last year's crop damaged by bad weather. Govt. may opt for better option like revision in reserve price for OMSS and increase supply in open market. Govt.'s move would decide price direction for wheat in domestic market in second and third quarter of the year.

FoB/CiF Quotes: India exported 4969.4 tonne wheat in May-2016 at an average FoB price of \$288.80 per tonne. In April 4349.56 tonne wheat had been exported. There was no import in May. The latest wheat import deal for July delivery has been reported at \$272.28 per T on CiF basis from Australia.

Supply-Demand: Supply side is likely to be tight as percentage of retention is higher this year. July onward festive season starts and demand for wheat products increases. It would encourage uptrend as flour millers would start fresh buying by June end. Govt. can ensure ample supply by releasing higher stock for open market and check rising trend despite lower procurement.

Procurement Target: Govt.'s procurement target for the year is unchanged at 30 MMT and there is no reduction in its target so far despite slower pace of procurement in Rajasthan and Uttar Pradesh. Agriwatch expects 24MMT wheat procurement this year.

Outlook & Recommendation: Wheat cash market is expected to trade range bound to slightly firm in the short to medium term. Arrival has decreased considerably against current demand and it would continue to lend support to cash market fundamentals.

Trade Call: Stake holders should trade in July Contract taking care of lower and upper price band of Rs 1685 & 1725 respectively.

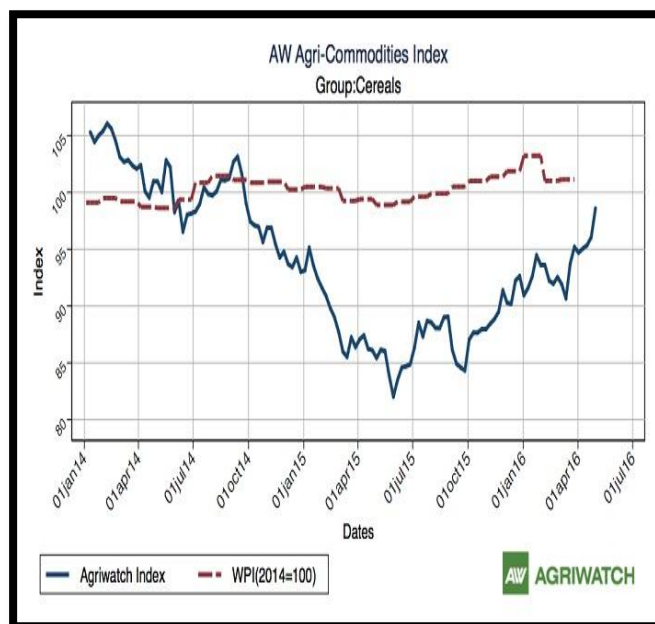
AW Wheat Index:

The Agriwatch Agri Commodities Index rose at a modest 0.35% to 111.62 during the week ended May 30, 2016 after a sharp rise during the previous four weeks. The Index ended at 111.23 during the previous week. The base for the Index and all sub-Indices is 2014 (= 100).

Higher cereals, edible oils and vegetable prices were partially offset by declines in pulses, sugar and oilseeds prices.

The commodity group Index values and their weekly changes are as follows:

Cereals Index: 98.58 (+2.62%), Edible Oils Index: 114.48 (+2.13%), Vegetables Index: 69.46 (+4.08%), Pulses Index: 183.01 (-3.93%), Oilseeds Index: 112.76 (-2.12%), Sweeteners (Sugar, Gur, Khandsari) Index: 115.54 (-2.28%), Spices Index: 133.13 (+1.74%), Fibres Index: 94.76 (+0.47%) and Other Non-food Articles Index: 94.66 (+6.09%).



"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website www.agriwatch.com. The daily indices are available on subscription. Please contact for more details."

India's Wheat Quarterly Balance Sheet For 2016-17:

Wheat MY Runs From April To March	2015-16	2016-17	Apr-Jun	July-Sep	Oct-Dec	Jan-Mar
Carry in	19.85	15.38	15.38	79.73	57.23	34.78
Production	86.53	87.2*	87.2	0	0	0
Imports	1	2	0.2	0.6	0.6	0.6
Total Availability (A+B+C)	107.38	104.58	102.78	80.33	57.83	35.38
Consumption	91	91	22.75	22.75	22.75	22.75
Exports	1	1	0.3	0.35	0.3	0.05
Total Usage (E+F)	92	92	23.05	23.10	23.05	22.80
Carry out (D-G)	15.38	12.58	79.73	57.23	34.78	12.58
Av Monthly Consumption	7.58	7.58	7.58	7.58	7.58	7.58
Stock to Month Use	2.03	1.66	10.51	7.55	4.59	1.66
Stock to Consumption Ratio	0.17	0.14	3.50	2.52	1.53	0.55

Source: Agriwatch(Agriwatch has revised its wheat production estimate for 2015-16 to be marketed in 2016-17, starting from April-2016 from 89.28 to 87.2 MMT in end May-2016.)

Supply-Demand Highlights:

Wheat production in India for 2015-16 crop year (to be marketed in 2016-17) is expected to marginally cross last year level of 86.53 to 87.2MMT given normal condition in April- May,2016 except higher temperature.. Agriwatch has revised it as final estimate.

Lower than normal production would drag down carryout for 2016-17 to 12.58 MMT, the lowest in 8 years. It would be lower around 3 MMT from 2015-16.The season (2015-16) would start with 15.38 MMT carry in stock including private carry in stock of 1 to 1.5MMT.

There is no panic on supply front as current availability in central pool is sufficient to take care of emerging festive season demand and minimise the impact of production shortfall. Improved rainfall prospects in monsoon season would ensure better coverage area next season. Govt has fixed 6.5MMT target to sell through OMSS this year at Rs 1640 Per qtl. It would continue to ensure better supply throughout the year.

At export front there is not much scope for Indian wheat exporters due to cheaper price in Russia, Australia, US, Argentina and France. Russia, Argentina and Australia are offering wheat at \$45/70 per tonne lower than India. France wheat is even cheaper. So there is no export window available for bulk export from India. India would be able to export hardly 1 MMT wheat in 2016-17 in neighbouring countries. Import window is still open despite 25% import duty. Govt may review import duty in July. Lobbying for revising import duty down is on.

Domestic Market Highlights:

Govt.'s procurement target for the year is unchanged at 30 MMT and there is no reduction in its target so far despite slower pace of procurement in Rajasthan and Uttar Pradesh. Procurement has been below 23 MMT so far. There is a gossip in the market that higher prevailing price in open market and thinning arrival may restrict total procurement to 24 MMT for the ongoing season. Govt agencies have procured 224.81 tonnes wheat till 14 May-2016. Punjab, Haryana, Madhya Pradesh have contributed 106.16, 67.68 & 30.02 lakh tonnes wheat respectively so far. Rajasthan and Uttar Pradesh have brought 6.78 & 6.66 lakh tonnes wheat till 14th May-2016. As domestic market is ruling higher, procurement fig is unlikely to improve in coming weeks.

The government has revised its target down to sell wheat from its stock under OMSS to 6.5-7.5 million tonnes for 2016-17. It could not sell 10 MMT in open market last year set for 2014-15. Food corporation of India could sell 7.1 MMT last year under OMSS. The benchmark price for the sale of wheat to private bulk buyers and traders has been fixed at Rs 1,640 per quintal, higher than the minimum support price of Rs 1,525 per quintal for this year. The selling target will be reviewed in July.

As per market gossip, off take from central pool is expected to be lower by 15 to 20 percent this year as market participants opine that wheat stored out in central pool is of inferior quantity. Last year bad weather and hailstorm in March, April & May had damaged wheat crop at grain filling to maturity stages and govt. had to procure wheat below fixed specification norm.

Indian importers have struck a deal of 50,000 tonne French wheat at \$203 per tonne on CiF basis for August delivery. Total 1.5 lakh tonne wheat expected to land Cochin port in August Sept. Around 50,000 T Australian wheat too is expected to land at south Indian port in July end. Deal has been struck at \$275 per T on CiF basis.

Wheat WPI has decreased slightly to 220.9 in April, 2016 from 222 in March, 2016. Wheat prices may rule steady to slightly firm in the weeks ahead on decreasing arrivals from new crop and higher offering by private traders. Monthly wheat inflation percentage increase is 2.08. It was 3.02 in March-2016. Wheat cash market price will continue to trade steady and it may encourage inflation in coming weeks as arrival would continue to decline. May data is awaited.

Area Coverage Under Wheat Till 28th January-2016:

State Wise Progressive Wheat Sowing Till 28.01.2016				
	Normal	2015	2014	% ch
Andhra Pradesh	0.088			#DIV/0!
Arunachal Pradesh	0.034			#DIV/0!

Assam	0.442	0	0.18	-100
Bihar	21.313	22.7	23.03	-1.43
Chhattisgarh	1.074	1.6	1.69	-5.33
Goa	0			#DIV/0!
Gujarat	11.938	9.01	11.34	-20.55
Haryana	25.05	25.11	24.9	0.84
Himachal Pra.	3.577	3.6	3.58	0.56
J&K	2.916	2.45	2.44	0.41
Jharkhand	1.387	1.6	1.63	-1.84
Karnataka	2.394	1.61	1.86	-13.44
Kerala				#DIV/0!
Madhya Pradesh	48.372	51.84	58.44	-11.29
Maharashtra	10.202	6.19	8.59	-27.94
Manipur	0.024			#DIV/0!
Meghalaya	0.004			#DIV/0!
Mizoram				#DIV/0!
Nagaland	0.029			#DIV/0!
Odisha	0.024			#DIV/0!
Punjab	35.168	34.97	35	-0.09
Rajasthan	27.363	29.66	27.71	7.04
Sikkim				#DIV/0!
Tamil Nadu				#DIV/0!
Telangana				#DIV/0!
Tripura	0.004			#DIV/0!
Uttar Pradesh	97.218	94.99	98.67	-3.73
Uttarakhand	3.698	3.58	3.25	10.15
West Bengal	3.208	3.45	3.44	0.29
Pondicherry				#DIV/0!
Others	0.208	0.16	0.19	-15.79
All-India	295.735	292.52	305.94	-4.39

Wheat Procurement Status Till 24th May-2016:

Wheat Procurement upto 24th May-2016 (Fig In Lakh Tonne)				
States	Final In 2015	Target In 2016	Till 24th May-2016	% Ch Over Last Year
Punjab	104	11	106.16	2.08
Haryana	67	6.5	68.12	1.67
MP	73	6.8	39.56	-45.81
Rajasthan	13	1.8	6.75	-48.08
UP	22.3	3	6.99	-68.65
Other	0.8	0.9	0.20	-75.00
Total	280.1	30	227.78	-18.68

Source:FCI

Monthly Average Price Comparison:

All India average monthly price decreased by 1.21 % from Rs 1734 in April to Rs 1706.24 per qtl in May-2016. It is higher by 0.32% from the average price registered in May-2015.

Ave. prices ruled higher in Assam, Karnataka, Jharkhand and Kerala while it decreased in other states.

Prices are likely to stay steady to slightly firm as arrivals are expected to decrease by end of June in Central and North India.

Lower pace of arrival in Uttar Pradesh and Rajasthan too confirms firmness to continue in June.

Mill Delivery Wheat Weekly Average Price Movement at key Spot Market:

Wheat mill delivery average prices moved slightly up week on week basis in all major markets at month end. Higher increase was registered in Delhi and Rajasthan during last week of May-2016 due to tight supply side. Besides, private trade's buying at higher level continues to lend support to the market fundamentals.

Private parties are still active in MP, UP and Rajasthan and offering higher price for milling quality wheat.

Prices are likely to stay steady to slightly firm as inner tone in the market remains bullish. Almost halted procurement by govt.'s agencies due to higher price too hints tight supply side.

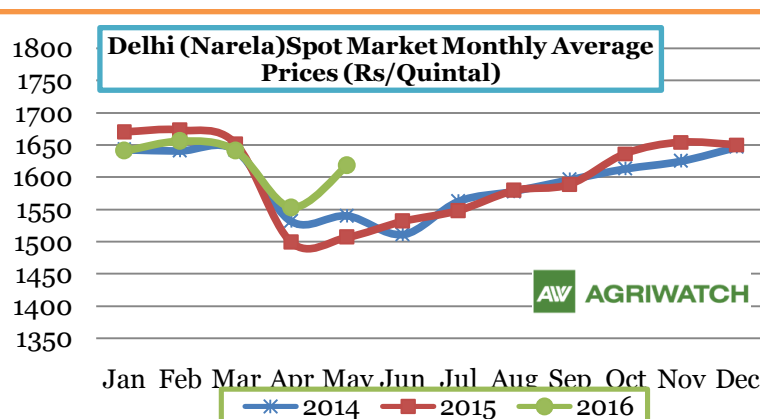
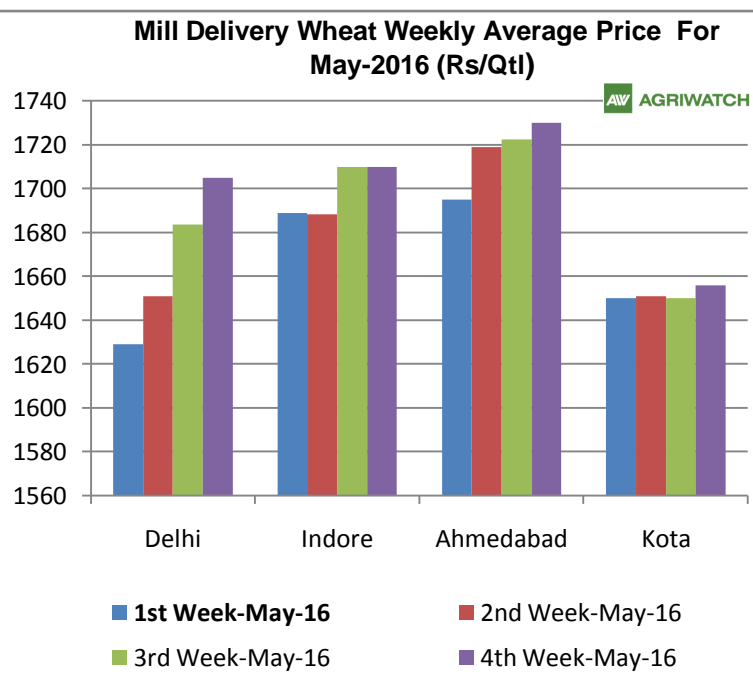
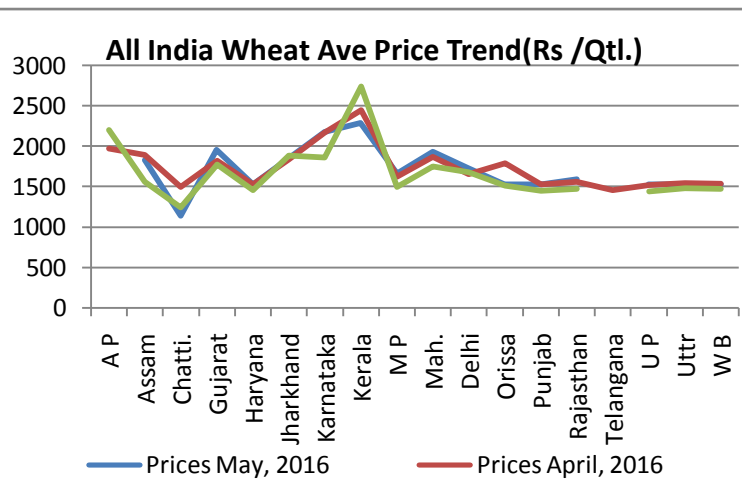
Wheat in cash market is being traded at Rs 1600 to Rs 1750 per qtl. depending on quality and source of wheat.

Wheat Average Monthly Prices Movement In Delhi During Last Three Years

Wheat spot market Delhi(Narela) ave price increased from Rs 1553 in April-16 to Rs 1617.88.05 per qtl. in May-2016 due to restricted supply, higher demand from local millers. Cash market may trade range bound to slightly firm due to lower arrival and higher prevailing prices.

Millers are buying wheat actively as they expect prices to move up in the weeks ahead.

Wheat Exports :



According to IBIS data, India exported 4969.4 tonne wheat in the month of May-2016 at an ave FoB price of \$288.8 per tonne.

It was 15.15 percent higher than exported quantity in April-2016. India had exported 4216 Tonne wheat in April-2016. Overall condition for Indian wheat export is not favorable and export volume would remain at negligible level in June too.

Export volume would not increase much as prices in domestic market rule higher and other exporting countries are offering wheat at cheaper price(\$40 to 75 per tonne) with assured quality and delivery schedule. Huge gap between prices continue to affect wheat export from India.

Source: DGCIS, *Provisional data from IBIS

Yearly/Monthly Quantity	Wheat Export(Lakh T)	Average FOB Quotes India(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-Mar-15	27.5	279.96	230.37
Apr-15-Mar-16	2.01	294.88	179.9
15-Apr	4.216	297.54	173.04
15-May	4.969	288.8	175.98
15-Jun			
15-Jul			
15-Aug			
15-Sep			
15-Oct			
15-Nov			
15-Dec			
16-Jan			
16-Feb			
16-Mar			
Total 2015-16("000"T)	9.185	293.17	174.51

Wheat Import :

India imported around 5.2 lakh tonne wheat last year. This year import volume may increase to over one MMT if prices in domestic market continue to get firmer.

Yearly ave CiF comes to \$272.73 per tonne for 2015-16. This year CiF quote may move up as global market is expected to recover from current level.

Import volume would depend on domestic price, revision in import duty in July-2016 and global FoB quotes. However, la Nina formation would help to increase global wheat production and any spike in global wheat market is unlikely.

April -2015 (MY-2015-16)	Wheat Import (InThousand Tonne)	Average CIF Quotes India(USD/MT)	CBOT Average Quotes (USD/MT)
Apr-15 To Mar-16	502.31	272.73	179.71
16-Apr	0	0	173.04
16-May	0	0	174.51
16-Jun			
16-Jul			
16-Aug			
16-Sep			
16-Oct			
16-Nov			
16-Dec			
17-Jan			
17-Feb			
17-Mar			
Total 2016-17	0.00	0.00	173.78

Source: DGCIS, *Provisional data from IBIS

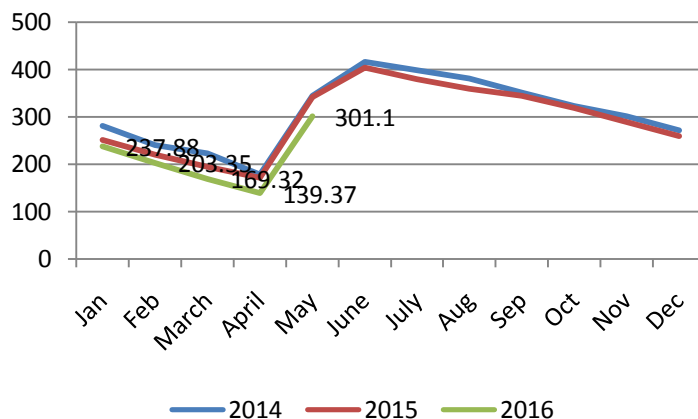
Wheat Stocks with the Government as on 1st of Every Month

Wheat stock in government's ware houses on 16.05.2016 was registered at 301 lakh tonne. It is tentative figure. Central pool stock has been declining from 2013 owing to export and lower production/procurement. This year govt has set target for procurement at 30MMT.

Stock is expected to decrease from 15.38 million tonne to 13.66 MMT by end March, 2017.

Despite lower production prospects stock available in central pool is ample to take care of any additional emerging demand and fulfil the shortfall of lower production this year.

Wheat Stock In central Pool As on 1st Every Month(Fig In Lakh Tonne)



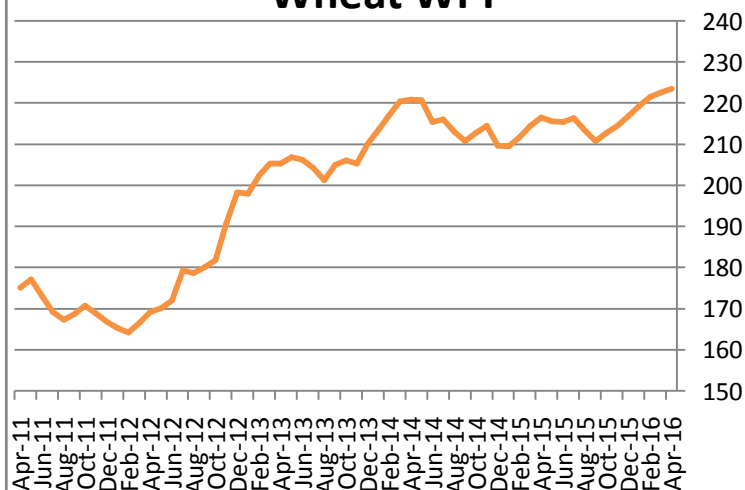
Wheat Inflation:

Wheat WPI has decreased slightly to 220.9 in April, 2016 from 222 in March, 2016. Wheat prices may rule steady to slightly firm in the weeks ahead on decreasing arrivals from new crop and higher offering by private trades.

Monthly wheat inflation percentage increase is 2.08. It was 3.03 in March-2016. May data is awaited.

Wheat cash market price will continue to trade steady and it may encourage inflation in coming weeks as arrival would continue to decline
Weight: 1.11595, base year-2004-05=100

Wheat WPI



Monthly Average Prices at Various Spot Market(Rs /per Quintal)

	Delhi	Indore	Kota	Rajkot	Chennai
14-Mar	1642.08	1593.33	1655	1530.3	1987.14
14-Apr	1532	1527.5	1521.7	1511.2	1866.1
14-May	1540	1575.65	1531.42	1518.4	1845.47
14-Jun	1510.48	1509.58	1493.95	1438.04	1780
14-Jul	1562.42	1617.4	1569.54	1512.6	1799.31

14-Aug	1579	1624.04	1581.31	1504.47	1801.36
14-Sep	1596.5	1592.6	1560	1539.8	1778.4
14-Oct	1613.39	1575.14	1564.75	1540.33	1792.4
14-Nov	1625.2	1595.22	1563.75	1626.59	1814.37
14-Dec	1647.11	1637.04	1603.65	1649.42	1831.53
15-Jan	1669.6	1682.95	1666.36	1713.47	1843.18
15-Feb	1673.33	Feb	1592.61	1567.95	1803.57
15-Mar	1652.48	1449	1487.63	1459	1720.26
15-Apr	1499.16	1434.52	1442	1402.04	1683.8
15-May	1506.92	1492.82	1468.6	1410.2	1700
15-Jun	1531.54	1519.25	1537.25	1479.95	1708
15-Jul	1548	1534.3	1455.4	1508.4	1738
15-Aug	1579.45	1518.18	1433.25	1520	1740.21
15-Sep	1588.75	1511.95	1546.59	1554.77	1768.86
15-Oct	1690.71	1606.57	1607.22	1618.57	1848.33
15-Nov	1654.41	1615.26	1507.35	1508.66	1869.44
15-Dec	1645.83	1610	1545.6	1515	1876.6
16-Jan	1640.83	1600	1609.04	1605.25	1852.38
16-Feb	1655.88	1599.56	1548.63	1566.36	1840.9
16-Mar	1626.75	1557.14	1501.95	1503.82	1831.66
16-Apr	1553.05	1608.68	1535.83	1533.8	1876.25
16-May	1677.69	1638.69	1582.6	1550	1913.04

Source: Agriwatch

Monthly Price Comparison of Spot Markets

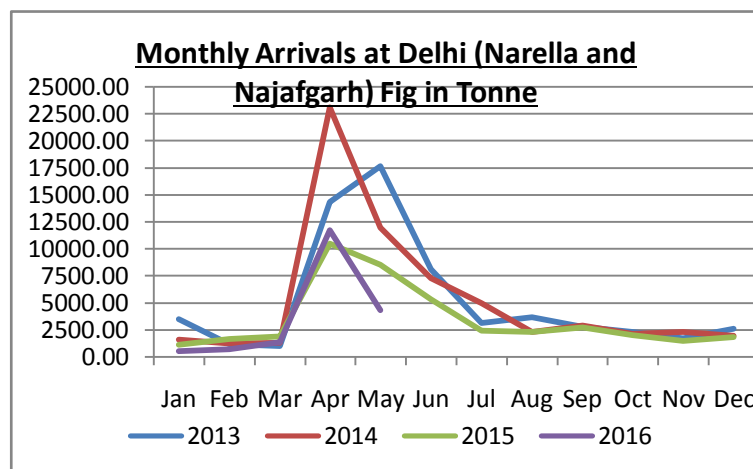
Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			1-Jun-16	31-May-16	25-May-16	2-May-16	1-Jun-15
Delhi	Lawrence Road	Mill Delivery	1765	1725	1700	1630	1500
	Narella	Mill Quality Loose	1690	1685	1655	1580	1445
	Nazafgarh	Mill Quality Loose	1690	1655	1650	1550	1450
Gujarat	Rajkot	Mill Delivery	1670	1665	1640	1600	1400
	Ahmedabad	Mill Delivery	1740	1740	1725	1670	1490
	Dhrol	Mill Quality Loose	NA	NA	NA	1915	1300
	Surat	Mill Delivery	1765	1760	1750	1705	1520
M.P.	Bhopal	Mill Quality Loose	1640	1620	1625	1550	1380

	Indore	Mill Delivery	1800	1765	1710	1700	1525
Rajasthan	Kota	Mill Quality Loose	1615	1600	1590	1570	1390
		Mill Delivery	1700	1690	1650	1650	1480
U.P.	Kanpur	Mill Delivery	1630	1625	1615	1615	1500
	Mathura	Mill Quality Loose	1620	1600	1610	1525	1350
	Kosi	Mill Quality Loose	1600	1592	1565	1480	1300
	Hathras	Mill Quality Loose	NA	NA	NA	1480	NA
	Aligarh	Mill Quality Loose	1600	1600	1570	1480	1375
Punjab	Khanna	Mill Quality Loose	1540	1530	1525	1525	1450
	Ludhiana (Jagraon)	Mill Delivery	NA	1630	1620	1650	1520
Haryana	Sirsa	Mill Delivery loose	1590	1570	1560	1525	1465
	Hodal	Mill Delivery	1750	1700	1680	1600	1490
	Karnal	Mill Quality Loose	1610	1580	NA	NA	NA
	Bhiwani	Mill Quality Loose	1670	1625	1625	1550	1390
	Panipat	Mill Quality Loose	NA	NA	NA	1525	1450
Tamil Nadu	Chennai	Mill Quality	1950	1950	1900	1900	1700
	Madurai	Mill Quality	2007	2007	1957	1957	1757
	Coimbatore	Mill Quality	2007	2007	1957	1957	1757
Bihar	Sitamadhi	Mill Delivery	1445	Closed	NA	1410	NA
	Khagariya	Mill Delivery	1600	1600	1600	1550	1330

Monthly Arrivals at Delhi (Narella and Najafgarh)

Arrivals in Narela and Najafgarh in Delhi region started decreasing considerably in May-2016. In May total arrival was registered at 4310.2 tonne. In April 2016 total arrival was registered lower at 11731 Tonne .

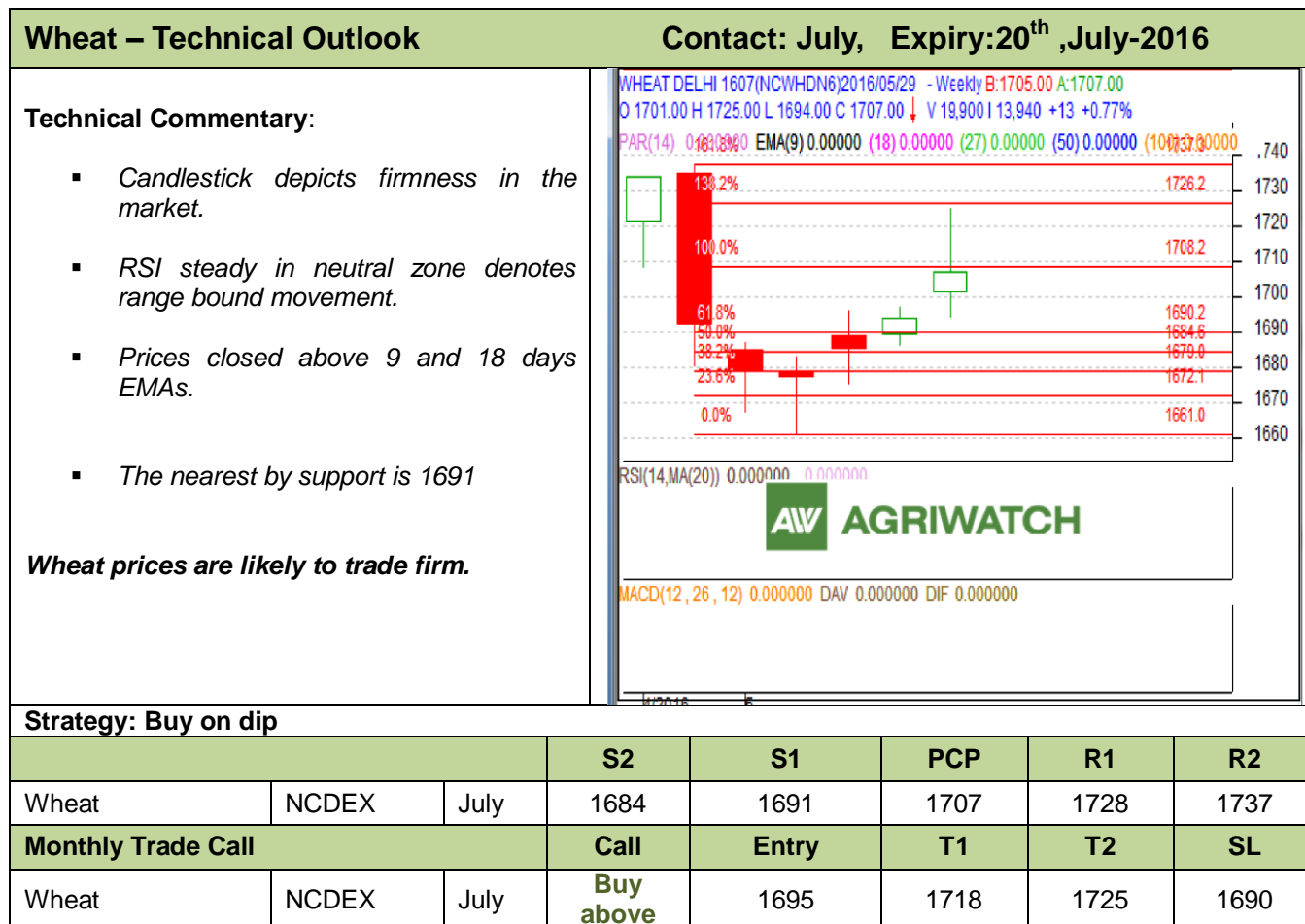
Currently wheat is being traded at Rs 1625 to Rs 1700 per qtl. With decreasing arrival price may continue to trade firm.



Domestic Outlook:

Wheat cash market is expected to trade range bound with firm bias likely to continue in the coming weeks due to decreasing arrival in various States like Punjab , Haryana and Uttar Pradesh. Supply has narrowed in Madhya Pradesh and Rajasthan too. Private traders are active and wheat is being loaded for Gujarat from Rajasthan and Madhya Pradesh. As private parties are active, govt.'s procurement would remain slow in Rajasthan, Madhya Pradesh and Uttar Pradesh even in June-2016. Rising price may encourage govt to interfere in the market soon.

Wheat Technical Analysis:



* Do not carry-forward the position next month.

International Market Dynamics

Wheat production in Australia for the 2016-2017 season (October-September) is expected to reach as high as 27.1 million mt, if La Nina occurs with 20% above-average rainfall in the country. NAB estimated Australian wheat production to reach a minimum of 26.1 million mt, up 10.7% from the estimate for last season. The forecast is based on the current rainfall and average rainfall level in the major cropping areas.

USDA has forecast a second record production in the 2016-17 season, with global wheat output estimated at about 727 million mt. Cheaper freight in 2015-2016 amid plunging fuel costs have further intensified competition for market share into Southeast Asia, with growing numbers of buyers in Asia Pacific turning to cheaper cargoes outside Australia as cost-cutting measures kick in amid a slower macroeconomic outlook.

Australian export wheat prices however, were buffered by a depreciated Australian dollar against the US dollar, although the recent appreciation of the Australian dollar has led to firmer export prices given reluctance among growers to discount against production costs

Thailand last week bought 60,000 tonnes of Black Sea feed wheat for \$187 a tonne, including cost and freight, for August shipment. Most feed makers are taking Ukrainian shipments, although some Argentinian and French cargoes have also made their way to Asia. About 400,000 tonnes of shipments from Argentina have landed since January. Vietnam is also likely to be forced to switch to more wheat. Vietnam will most likely take European feed wheat.

Cattle feed makers in Asia are now turning to wheat and buying huge quantity as price of wheat is comparatively lower amid ample availability in major exporting countries. Supply condition is tight for maize as Brazil is under grip of drought and availability for marketable surplus is decreasing fast. Indonesia has bought around 10 lakh tonne tonnes of feed wheat this year, while Thailand has brought 2 million tonnes. The demand for feed wheat is so strong in Asia that it has narrowed the spread between milling and feed wheat to historically low levels.

New-crop Ukrainian feed wheat having 10.5-percent protein content is being quoted at \$170 a tonne, on a free on board basis, for August shipment. That is just \$8 below \$178 quoted for milling wheat with 12.5-percent protein. The spread declined from \$20 to \$8 now.

IGC has revised global wheat production estimate up from 717 to 722 MMT in its May-2016 update. Global trade estimate has been revised up by 1 MMT to 154MMT. Global consumption estimate has been revised up by 2MMT to 717 MMT. Carryout stock has been revised up from 218 to 223 MMT.

Soft Wheat production in EU is likely to increase to 145.1 MMT for summer season. It is higher by 2.3 MMT from the estimate of last month. However, the higher production fig is still lower than 151.6 MMT produced in 2015. Soft wheat stock has been lowered down to 18.4MMT for 2016-17 (July-June Season). It 18.9 MMT last month. Export from EU is expected to increase from 27 to 29 MMT for current season.

Russia will procure wheat for restocking programme in MY 2016-17, starting from July at \$161 per T (10,900 roubles) for third class wheat, almost same price set for last year. At the end of last week, domestic prices for third-class wheat were at 10,925 roubles a tonne in the European part of Russia on an ex-works basis. The domestic price has been declining in recent weeks and is expected to come under further pressure as farmers need to get rid of their stock before the new crop hits the market in June-July.

New policy for agriculture in Argentina is expected to encourage wheat planting considerably (25%) this year and it may pressurize local market. Farmers in Argentina are engaged to sell their stock pile to govt. Wheat export has increased 100 percent in first quarter of this year. The surge in Argentine supply is hitting an oversaturated world market and putting downward pressure on wheat prices.

As per latest update by US department of agriculture, winter crop condition is better than normal market expectation so far. It hints at ample supply from winter crop once again. Its immediate impact has been seen on CBOT wheat futures, which slips considerably. The USDA pegs winter wheat at 61 percent good-to-excellent, ahead of market expectations of 60 percent. Soybean plantings were 8 percent complete, matching analyst expectations.

Bangladesh has rejected 100,000 metric tonnes of Russian wheat due to quality issues. The first cargo of 50,000 metric tonnes bought at \$215.87 per tonne (CIF) was rejected as quality did not match

the specifications. The second cargo of the same quantity bought at \$233.96 per tonne was also rejected as the foreign body content was 1.08 percent which is 1.01 percent higher than the permissible limit.

IGC Wheat Balance Sheet(Quantity in MMT)

IGC Forecast(Fig-In MMT)	2013-14	2014-15	2015/2016	2016-17 (Proj)	
			Forecast	28.04.2016	26.05.2016
Production	717	730	736	717	722
Trade	157	153	156	153	154
Consumptions	699	717	719	715	717
Carryover stocks	188	201	217	218	223
Y-O-Y change	19	12	16		6
Major Export	54	63	70	68	70

IGC Balance Sheet Highlight:

- IGC has revised wheat production projection up by 5MMT to 722 MMT in end May-2016 for crop year 2016-17. According to IGC global wheat production for 2016-17 may touch 722 MMT against 736 forecast for 2015-16. The difference is around 14 MMT. Lower projection for wheat may lend support to global wheat market at current level and any major dip from current level is unlikely.
- Trade projection has been revised up by 1MMT to 154 MMT. However it is 2MMT lower from actual of last year.
- Consumption has been pegged at 717 MMT for 2016-17, up by 2MMT from last year.
- Carryout may increase from 218 to 223 in 2016-17. It would ensure ample supply for the global market. And continue to affect market sentiments.

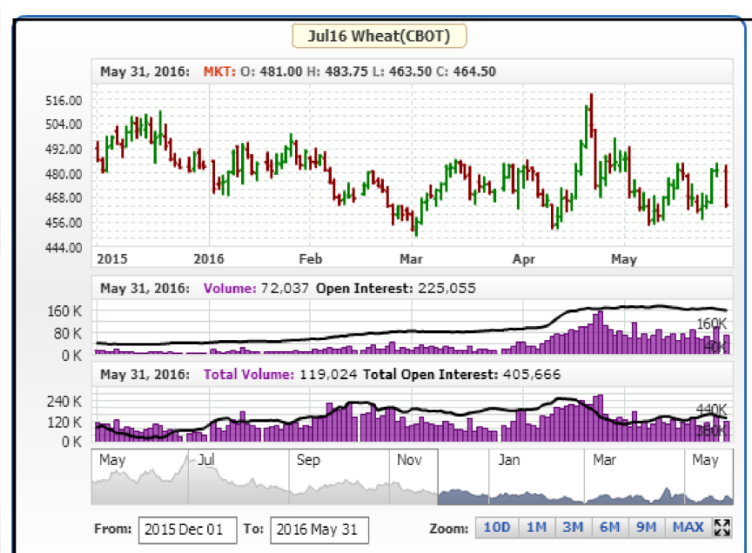
USDA Global Wheat Balance Sheet: 2015-16 Fig. In Thousand Tonne (As on 25.05.2016)							
Country	Opening Stock 2015-16	Production Projected 2015-16	Domestic Consumption 2015-16	Import 2015-16	Export 20 15-16	Ending Stock 2014-15	Production Last Year
Argentina	3,374	11,300	6,350	30	7,500	1,054	12,500
Australia	4,003	24,500	7,225	160	16,500	4,408	23,076
Canada	7,108	27,600	8,800	485	22,000	4,393	29,420
China	76,105	130,190	112,000	3,000	1,000	93,795	126,208
EU	13,825	160,000	128,800	6,300	32,000	20,160	156,828
India	17,192	86,530	90,030	500	650	13,200	95,850
Pakistan	3,710	25,100	24,400	100	600	4,020	25,979
Russia	6,285	61,044	37,000	700	23,000	7,982	59,080
Ukraine	5,178	27,274	12,500	50	15,500	4,478	24,750
United States	20,477	55,840	31,932	3,200	21,300	26,294	55,147
Others	57,574	123,766	247,057	145,511	22,492	57,802	116,603
World total	214,831	733,144	706,094	160,036	162,542	239,256	725,441

Source:USDA

CBOT Futures Dec Chart:

CBOT wheat market trades weak due to higher production estimate for winter from winter crop in US. As market is ruling near support level, recovery is expected. Consolidation phase may start. Market would trade stable around \$165 to \$168 per tonne in coming month.

1st Support; 169
2nd Support:164
1st Resistant:182
2nd Resistant:190
(\$ per tonne)

CBOT comparison over period of time:


CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Ch over previous year
	1-Jun-16	25-May-16	2-May-16	3-Mar-16	2-Dec-15	1-Jun-15	
Jul-16	174.06	171.21	179.20	171.12	176.99	181.40	-4.05
Sep-16	178.19	175.34	183.15	174.70	180.94	183.24	-2.76
Dec-16	184.80	181.86	189.85	180.03	186.46	188.38	-1.90
Mar-17	191.23	188.20	196.19	184.99	171.67	193.53	-1.19
May-17	195.36	191.69	199.87	188.38	174.24	196.83	-0.75
Jul-17	197.94	193.71	201.06	190.96	188.66	198.76	-0.42

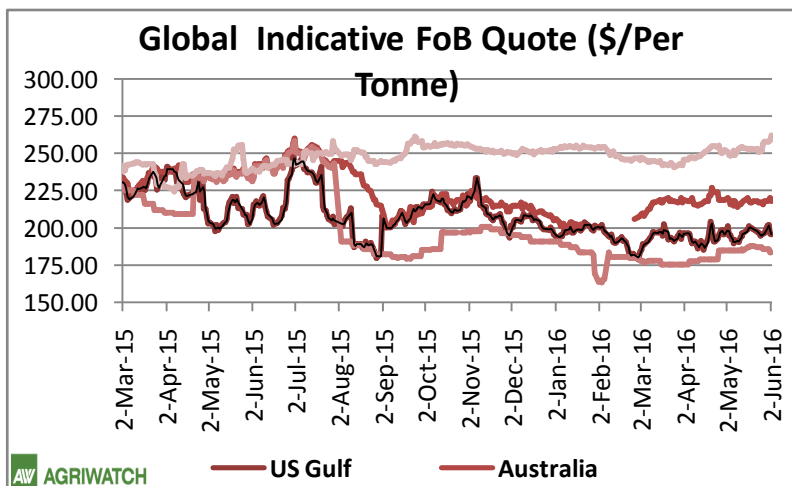
Comparative Month on Month FOB quotes: (Fig in USD/MT)

All prices are for SRW/milling grade	1st Oct-2015	2 nd Nov-15	1 st Dec-15	4th Jan-16	2nd Feb-16	1 st Mar-16	1 st Apr-2016	2nd May-2016
USA	216.1	217.9	201.87	194.1	200.3	228.9	196.8	195
France	165.25	172.5	182.67	173.47	163.81	NA	141.5	145.25
Australia	214	220	214	NA	NA	234	217	219
Russia	185.5	197	195.5	191	183.5	228.5	175.5	185
India	254	254.39	251.27	252.6	254.1	249.92	243.1	256.1

Global Indicative FoB Quotes:

Indian FoB quote is based on local price. There is no export in bulk volume currently. US and Russian quotes are hovering in the range of \$200 to \$183 per tonne. More dip is unlikely as buyers are expected to return to the market at lower level. Australia offers wheat at \$220 per tonne.

Wheat quotes may hover in the range of \$175 to \$220 due to excess supply in the global market in coming weeks.



International Outlook:

Wheat global market is likely trade steady despite better production prospects of winter wheat crop in US. More dip from current level is unlikely as bulk buyers are expected to return into the market at current level. There is plenty of wheat available in Black Sea Region, US, Australia, France and Canada. Russia, France and U.S are trying to offload their excess stock and all these developments would continue to restrict firmness. IGC too has projected higher (5MMT) carryout for 2016-17. Agriwatch expects range bound movement in May given the normal weather condition and fresh buying interest at current level. Recovery in market is expected in second quarter of current MY. At present buyers are in position to bargain as there is a plenty of wheat available in the global market. Expectation of 25% higher area coverage in Argentina would not allow global market to move up. It would continue to trade range bound.

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 © 2016 Indian Agribusiness Systems Pvt. Ltd.