

WHEAT

17th -24th, MARCH, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Govt. Hike the MSP of Wheat to Rs.850/ql
- Wheat Prices Bearish at Spot
- The Big Corporate House may Avoid Wheat Purchase this Year
- Duty Free Import of Wheat has Stopped
- India may Import Wheat if Needed

MARKET FUNDAMENTALS:

Wheat prices have moved up following the Centre announced the Rs100 bonus above MSP last weekend. With GOI intending to buy around 13-15 Mln Tonnes of wheat from the farmers at a price of Rs.850/ql and market prices prevailing higher, it is unlikely that the farmers will sell wheat at the prices lower than the market prices. At Delhi, wheat dara for mills traded up by Rs.20/ql between Rs.1060/ql on lower arrivals around 1,000 bags from old stocks and 2,000-3,000 bags new crop mainly arrived from M.P.. New wheat quoted between Rs.1030-1035/ql. Some demand from Uttar Pradesh continued supporting the tone. Wheat prices turn up in Gujarat mandis. In Rajkot mandis the price increased to Rs. 920-925/ql on the back of fresh arrivals about 10,000-12,000 bags. Private companies resume their purchasing from Rajkot mandis..The MNC's like AWB, Kargil, Ruchi soya are active in the market yards. According to the trade sources they have purchased around 60,000-65,000 bags so far. According to the media sources Gujarat govt has imposed stock limit. However no confirmation has made from Govt side and we are learning that govt is considering this matter. Wheat prices remained tight in M.P. mandis also. In Bhopal the wheat traded up between Rs.910-925. The MNC's like Olam, Topar are active in the market. At Indore market wheat prices increased by Rs.30/ql to Rs.955/ql on good demand from private companies. According to traders Ruchi soya is active in that market and has purchased around 5,000 bags already. Farmers reportedly are preferring to sell their produce to private companies than central agencies because the prices offered by private traders are higher than the minimum support price (MSP) offered by the procurement agencies. Punjab mandis saw tight sentiments on some demand from West Bengal and Southern India. Some Kissan Unions of Punjab are not seen satisfied with the hike in wheat MSP to Rs.850/ql. In the wake of fresh crop arrivals likely to hit the market April second week the farmers are demanding further bonus of wheat MSP. Agriculture Minister Sharad Pawar has announced that the State Trading Corporation will be asked to prepare to import 3 million tonnes of wheat, if needed. Therefore, the imports would take place after assessing the domestic price, crop and procurement activities. The opening stock of wheat with the FCI on April 1 is expected to be above the minimum buffer stocking norm of 4 million tonnes, which compares with the actual level of only a million tonnes during correspondence period of last year.

OUTLOOK:

Short Term (One Week): Range bound on increased arrivals amidst good demand of wheat as well as wheat products. The increased fresh arrivals in Gujarat and M.P. couple with good demand from private companies will support the tone.

SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)

Markets	17.03.07	24.03.07
Delhi (Lawrence Road)	1040	1060
Haryana (Karnal)	1030-1035	1040-1045
Punjab (Khanna)	1035-1040	1060-1065
Rajasthan (Kota)	895-901	920-925
Uttar Pradesh (Kanpur)	1035-1040	1035-1040
Madhya Pradesh (Indore)	930-935	965-970
Uttar Pradesh (Bareilly)	1055-1060	1070-1075
Punjab (Sunam) Loose	910	950
Ludhiana (Jagraon) Loose	910	960
Rajkot Mill Price	940	920-925
Madhya Pradesh (Bhopal)	860-880	910-925
Wheat Products	17.03.07	24.03.07
Atta (90kg)	1023	1041
Maida Grade 1(90kg)	1201	1201
Suji (50kg)	683	688
Chokar (50 kg)	340	334
Chokar (35 kg)	219	217
Chakki Atta (90kg)	955	955

PRICE DRIVERS:

- Centre declared bonus of Rs.100/qtl on the MSP of wheat
- Punjab farmers demanding further bonus on wheat MSP
- Govt. discontinued the duty free wheat import by private traders
- Govt. Expand Duty Free Wheat Import by STC
- Wheat exports have been banned upto 31.12.2007
- Increased fresh arrivals in Gujarat and M.P.
- MNC's are actively purchasing wheat from Gujarat and M.P. mandis
- The centre expected to procure 150-lakh tonnes for buffer stocks.
- Govt. may import wheat in case of lower procurement
- Prominent corporate houses are also not likely to enter in the states of Punjab, Haryana and Uttar Pradesh in the initial procurement period
- Decision was taken to release 4 lakh tonnes of wheat under OMSS to cool the market prices
- Department of Consumer Affairs has extended upto 31st August, 2007 notification under the EC Act enabling State Governments to impose stock limit on wheat
- Further rainfalls and hailstorms is not beneficial for wheat crop
- Acreage increased to 284.497 Lh as on 19th February 2007 as compared to 266.63 Lh during the corresponding period of last year.
- Government is in quandary over overstated acreage under wheat during 2006-07. Therefore, it is now being reviewed afresh.
- IGC forecasts 624 million tons of world wheat production this month as on 22.02.07. That is increased by 3 million from last month's projection and 34 million from 2006.

INTERNATIONAL AND DOMESTIC NEWS:

Punjab Farmers Demanding Further Bonus on Wheat MSP

Some Kissan Unions of Punjab are not seen satisfied with the hike in wheat MSP to Rs.850/qtl. In the wake of fresh crop arrivals likely to start April first week the farmers are demanding further bonus of wheat MSP. Govt. is likely to procure around 75 lakh tonnes of wheat from Punjab, 45 lakh tonnes of wheat from Haryana, and about 15 lakh tonnes of wheat from U.P. this year. Food and Agriculture Minister Sharad Pawar has announced that the State Trading Corporation (STD) will be asked to prepare to import 3 million tonnes of wheat, if government procurement falls below 15 million tonnes. In tandem with this, the government has extended the deadline for duty-free imports of wheat, which expired in February, to the end of the calendar year in December. Therefore, the imports would take place after assessing the domestic price, crop and procurement activities. The opening stock of wheat with the Food Corporation of India (FCI) on April 1 is expected to be above the minimum buffer stocking norm of 4 million tonnes, which compares with the actual level of only a million tonnes during correspondence period of last year.

FCI Looking for Higher Procurement of Wheat from Punjab

FCI makes arrangements for wheat procurement in Punjab for storage of expected yield of about 90 lakh tonnes. FCI with the help of a company has established high tech storage capacity to storage the crops safely. There is a arrangement of 90 lakh tonnes of wheat storage in Punjab and it will be further increased as per the requirement. Government agencies are likely to procure around 75-80 lac MTs of wheat as against the last year's 69.50 lac MTs depending upon the overall production scenario of the country and prices in the open market. Chief Minister of Punjab demanding a hike in the Minimum Support price (MSP) of Wheat by Rs.150/qtl to Rs. 900/qtl, keeping in view the steep increase in the cost of agriculture inputs and diesel in the recent past.

India may Import Wheat if Needed

According to Union Agriculture Minister Sharad Pawar the situation of wheat procurement is so far comfortable and if required the Government would import wheat.

Govt. Expand Duty Free Wheat Import by STC

Govt. extended the closing date of duty free wheat imports of 55 lakh tonnes for PDS and other social welfare schemes by two months till April 30. However, the govt has not extended the time limit for zero duty wheat import contracts by private traders after it expired on February 28. More than 53 lakh tones of wheat imported by STC has already reached to the country.

FCI Looking for Good Procurement of Wheat from U.P.

Procurement of wheat under MSP operations carried out by the government is open-ended and no targets are fixed. However, center reportedly fixed an unofficial target to procure 151.5 lakh tones of wheat in the marketing season 2007-08. Most of the procurement is likely to be in Punjab (75 LT), Haryana (45 LT), Uttar Pradesh (15 LT), Bihar (10 LT), Madhya Pradesh (3 LT), Rajasthan (2 LT), Uttarakhand (1 LT) and Gujarat (0.5 LT). Last season, big corporate house such as Adani, Cargill and ITC purchased a huge amount of wheat from UP. This season, the target for wheat procurement in UP is a good near 15 lakh tones. The stock position of wheat in the central pool has improved and will be more than the buffer norm of 40 lakh tonnes at the start of the next procurement season.

Duty Free Import of Wheat has Stopped

The duty free import of wheat permitted by the Centre in September last year has closed on February 28 and 50 per cent duty on wheat imports was back again. No extension has been issued for private duty-free wheat imports. In June last year, the government had permitted private players to import wheat at an eased duty of 5 per cent. In September, the 5 per cent duty was cut down to zero to cut off the domestic wheat shortage. On December 22, the nil-duty was further extended till February. However, Flour millers are not welcomed the decision and are seeking an extension of the zero duty.

Govt. to Procure 151.5 lakh tones of Wheat in 2007-08

Govt. is likely to procure 151.5 lakh tones of wheat in the marketing season 2007-08. State Food Secretaries and Food Corporation of India assured that sufficient number of procurement centers would be opened in al districts in the States where there is marketable surplus of wheat. Most of the procurement is likely to be in Punjab (75 LT), Haryana (45 LT), Uttar Pradesh (15 LT), Bihar (10 LT), Madhya Pradesh (3 LT), Rajasthan (2 LT), Uttarakhand (1 LT) and Gujarat (0.5 LT).

USDA Long-Term Projections: Global Wheat Imports

Growth in wheat imports is concentrated in those developing countries where robust growth in income and population underpins increases in demand. Important growth markets include Sub-Saharan Africa, Brazil, Egypt, and Pakistan. World wheat trade (including flour) expands by nearly 27 million tons (23 percent) between 2007 and 2016 to 140 million tons.

- Egypt maintains its position as the world's largest importing country, as imports climb slowly to nearly 10 million tons. Imports by Brazil, another large importer, are projected to approach 9 million tons. Brazil's climate generally does not favor wheat, and in some key wheat-producing states, winter corn is expected to have better returns than wheat.

- Imports by developing countries in Sub-Saharan Africa, North Africa, and the Middle East rise 11 million tons and account for 40 percent of the total increase in world wheat trade. In most developing countries, little change in per capita wheat consumption is expected but imports expand modestly because of population growth and limited potential to expand production.

- Changing consumption patterns will boost wheat imports by some major importing countries. In Indonesia, strong economic growth and diversification of diets are projected to increase per capita wheat consumption. Mexican consumers are projected to continue substituting wheat for corn in their diets.

- Lower wheat-to-corn price ratios during most of the projection period enable wheat to compete effectively with corn for feed use in a number of countries. South Korea is projected to substitute 1 million tons of feed wheat for corn annually by 2016. Europe is expected to continue to account for the largest share of global wheat feeding.

- China has been a small net exporter of wheat in recent years, but production constraints cause it to become a net importer by 2009/10 and to import nearly 2 million tons annually by 2016.

Source: USDA

Global Wheat Production Projected 1.1 MT Up from Last Month

Global wheat production for 2006/07 is projected at 593.1 million tons, up 1.1 million from last month on higher production in India. Production for India is raised 1.4 million tons, more than offsetting a downward revision in EU-25 of 0.2 million tons. A small reduction in Former Soviet Union output accounts for the rest of this month's 2006/07 production changes. Global consumption is raised 1.2 million tons with increases for EU-25, India, and Australia. Higher wheat feeding in Australia is expected to offset some of the decline in sorghum production and pasture and forage availability as a result of the ongoing drought. Global exports are lowered 1.0 million tons this month, reflecting a like drop in EU-25 exports. Lower production and rising domestic consumption in EU-25 are expected to limit the availability of wheat for export. Global ending stocks for 2006/07 are raised 0.4 million tons as higher stocks in India and Australia more than offset a reduction in EU-25. An upward revision this month in 2005/06 production raises 2006/07 supplies and ending stocks for Australia.

Source: WASDE

USDA Wheat Export Sales Increased by 7%

Wheat: Net sales of 474,900 metric tons were 7 percent above the previous week and 16 percent over the prior 4-week average. Increases were reported for South Korea (90,200 MT), Nigeria (85,200 MT, including 45,000 MT switched from unknown destinations), Japan (72,800 MT), the Philippines (70,300 MT), Yemen (46,000 MT), and Mexico (44,200 MT). Sales of 42,200 MT for delivery in 2007/08 were for the Philippines (18,000 MT), Mexico (12,200 MT), and Nigeria (12,000 MT). Exports of 426,800 MT were 22 percent below the previous week and 16 percent under the prior 4-week average. The primary destinations were Indonesia (105,600 MT), Nigeria (61,200 MT), Egypt (57,700 MT), Mexico (53,600 MT), Taiwan (42,200 MT), and Guatemala (30,600 MT).

This summary is based on reports from exporters for the period March 9-15, 2007.

Source: USDA

WEATHER WATCH

Last week's induced cyclonic circulation at lower levels over East Uttar Pradesh and adjoining East Madhya Pradesh due to the western disturbance became less marked on 15th. However, an upper air trough in lower levels ran from Sub-Himalayan West Bengal & Sikkim to Mizoram on 15th and 16th and became less marked on 17th. A western disturbance as an upper air system lay over north Pakistan and neighbourhood on 17th & 18th. Moving eastwards, it lay over north Pakistan and adjoining Jammu & Kashmir 19th & 20th and over Jammu & Kashmir and neighbourhood on 21st. An induced cyclonic circulation at lower levels due to this system lay over south Pakistan and adjoining West Rajasthan during 19th to 20th and over central Pakistan and adjoining Punjab & Rajasthan on 21st.

A trough in the westerlies at 500 hPa level ran roughly along 77° E to the north of 20° N on 15th. Subsequently moving eastwards, it ran roughly along 95° E to the north of 20° N on 18th and moved away eastwards thereafter. A week trough in easterlies lay over extreme south peninsula during many days of the week. Strong northwesterly winds at lower tropospheric levels prevailed over Indo-Gangetic plains during 15-17th.

Rainfall:

Fairly widespread/widespread rain/snowfall with isolated heavy falls occurred over Western Himalayan region on 20th & 21st. It was isolated to scattered on 15th, 18th and 19th over this region. Isolated to scattered rain/thundershowers occurred over plains of northwest India and Rajasthan on 20th and 21st. Isolated to scattered rain/thundershowers occurred over east India, north Madhya Pradesh and Chhattisgarh on 15th. Isolated rain/thundershowers also occurred over Orissa and Gangetic West Bengal on 16th. Isolated to scattered rain/thundershowers occurred over northeastern States during 15-17th. Isolated rain/thundershowers occurred over Kerala on many days during the week. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 28th March 2007

- ✓ Decrease in rainfall activity over northeastern States.
- ✓ Rise in day temperature over Indo-Gangetic plains.
- ✓ Fall in night temperature during first half and rise thereafter over the above region.

Source: IMD

IGC WORLD WHEAT ESTIMATES (22.02.07)
(Million tons)

Source: International Grains Council

***Adjusted for EU-27**

FOREX (As on 26th MARCH, 2007):

Foreign Currency	Rs. per unit
1 US \$	43.70
1 Euro	58.25
100 Yen	37.00
1 British £	85.90

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				25.11	22.02
Production	556	629	620	589	590
Trade	103	110	107	106	106
Consumption	596	617	624	606	607
Stocks	125	137	133	116	116
Year-Year Change	-40	+12	-4		-17
5 Major Exporters [#]	41	55	57	37	37

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