

WHEAT

Oct. 19, 2007

Domestic Market Recap

During Thursday's trade, wheat prices mostly firmed up in domestic markets on good demand amid slightly restricted arrival. Government's approval of higher MSP for the current rabi crop along with the tight domestic stocks further supported the domestic sentiment. Market prices also propped up on the good festive demand. In Delhi (Lawrence road) ready delivery traded up Rs.1060-1075 from the previous level of Rs.1060-1065 against the daily arrival of 12000 qtls. In Uttar Pradesh (Bareilly), wheat traded in the range of Rs.1035-1040 against the arrival of 2000 qtls. On festive demand, wheat products quoted up at Atta (90kg) Rs.1064, Maida grade 1 (90kg) at Rs.1256, Chhaki atta (90kg) at Rs.1005 while Chokar (50kg) traded steady at Rs.397. In the face of surging global wheat prices, government of India wants more wheat acreage to ease the domestic prices in the current rabi season. Head of the Directorate of Wheat Research said that the area sown to the cereal may exceed 29 million hectares (72 million acres), up from 28.5 million hectares last year. Last month, government of India set an output target of 75.5 million tonnes for next year, the most since 2000. Higher MSP will increase the wheat acreage as USA farmers are responding to the high prices by planting more wheat. Sowing in irrigated areas of North West India is expected to gain momentum, as the weather is favourable.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/ctl)		Change	Arrivals (Qtls)
		18.10.07	17.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1060-1075	1060- 1065	+10	12,000
Delhi (Narella) Loose	Mill quality	1020-1045	-	-	2000
Delhi (Najafgarh) Loose	Mill Qyality	1025-1035	-	-	2500
Haryana (Palwal) Loose	Mill quality	990	-	-	300
Uttar Pradesh (Mathura) Loose	Mill quality	1016	-	-	2000
Uttar Pradesh (Kosi) Loose	Mill quality	1000-1008	-	-	450
Gujarat (Rajkot) Loose	Mill quality	1015-1020	-	-	3000
Rajasthan (Kota)	Mill quality	1065-1070	-	-	700
Uttar Pradesh (Kanpur)	Mill quality	1035-1040	-	-	1000
Madhya Pradesh (Indore)	Mill quality	1080-1090	-	-	550-600
Uttar Pradesh (Bareilly)	Mill quality	1035-1040	-	-	2000

International Futures Quotes (as of October 17, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
December 2007	833.50	835.50	818.00	820.50	-8.00
March 2008	851.00	854.00	836.00	840.75	-6.75
May 2008	804.00	807.00	793.00	794.50	-7.00

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	842.00	843.00	828.00	832.75	-5.25
March 2008	848.00	850.00	836.00	839.00	-5.00
May 2008	801.00	810.00	800.50	803.00	+2.00

CEREAL

Agriwatch
DAILY

W H E A T

Oct. 19, 2007

International Market Recap

CBOT Wheat Futures Closed Lower

CBOT wheat futures settled lower Wednesday. December Wheat finished down 8 cent at \$820.50 per bushel; this was 15 off to the high and 2.5 cent up from the low. July Wheat closed down 3.75 cent at \$664.25 per bushel. This was 2.75 up from the low and 6.75 off the high. U.S. wheat futures closed lower for the fourth consecutive day session on continued long liquidation and bearish technical momentum. Trading was choppy as the markets tried to bounce on technical buying after the recent pullbacks. However, weakness in many other commodity markets and a sharp drop in the stock market helped pressure the market late. Dry weather in the southwestern plains in the US and continued dry weather concerns for Australia helped provide some underlying support. Tightening world supply also helped support the market with French officials cutting their estimate for soft wheat production to 31.64 million tonnes from 32.28 million projected last month and from 33.3 million tonnes in 2006. Ending stocks were cut to 2.09 million tonnes from 2.4 million as last month's estimate. Argentina officials in their first estimate for 2007-08 wheat productions pegged the crop at 14.5-15.3 million tonnes from 14.6 million this past year. For the weekly export sales report, traders are looking for wheat sales near 1.0-1.5 million tonnes as compared with 1.343 million tonnes last week. Wheat sales need to average just 188,000 tonnes per week in order to reach the current USDA forecast.

News Analysis

Government Wants Farmers To Produce 75.5 Million Tonnes Wheat

Wheat futures in CBOT declined on speculation that farmers will increase global planting to capitalize on the highest prices ever. India, second largest wheat consumer, on Tuesday increased the Wheat MSP to encourage the farmers for more wheat planting. Prices have jumped 69% this year in Chicago and set record highs 23 times in the three months ended 28 September. India raised the minimum purchase price of the grain by 18% to encourage domestic planting, finance minister P. Chidambaram said on Wednesday in New Delhi. India had bought 1.3 million tonnes wheat at record prices since July. Government wants farmers to produce 75.5 million tonnes of wheat in the year that ends in June, compared with 74.9 million tonnes in the last year.

Pakistan Inflation 8.37% on Wheat Prices

Pakistan's inflation, as measured by the consumer price index, accelerated to a nine-month high in September because of higher wheat costs. Consumer prices rose 8.37 percent from a year earlier after gaining 6.45 percent in August, Federal Bureau of Statistics, Islamabad. September inflation rose because of higher wheat prices. Although Pakistan had a bumper wheat crop in 2007, but hoarding and smuggling pushed prices up 30 percent in August from July. The government plans to import 1 million tonnes of wheat this year to keep prices affordable until the new crop arrives in May.

India Bans Wheat Flour Exports

Government has banned exports of wheat flour for an indefinite period and has also extended the ban on exports of wheat for an indefinite period, the ban was to lapse on Dec. 31, 2007. This ban will be valid till further orders. The government has also allowed restriction-free imports of wheat for an indefinite period, which was earlier allowed until Dec. 31, 2007. Indian mills had plans to export up to 100,000 metric tonnes of wheat flour by March 2008.

Weather Impact Analysis

Sowing conditions are good following good monsoon in rain-fed areas. Cool winter forecast for the current year favours wheat crop.

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