

# CEREAL

**Agriwatch**  
DAILY

## WHEAT

Oct. 17, 2007

### Domestic Market Recap

Domestic wheat market is improving with seasonal and festival demand. On expectation of demand from Southern India, wheat prices strengthened today in Delhi. Prices in Delhi went up by Rs.10 – 20 per quintal at Rs. 1060 per quintal on 16<sup>th</sup> October '07, against Rs.1040 on 15<sup>th</sup> October '07. Arrivals were steady. Government is keeping the option for importing further wheat if necessary, especially in view of the fact that globally wheat prices are now declining and with Northern hemisphere wheat crop sowing gaining momentum, prices are expected to fall further. World over analysts are now forecasting wheat prices to soften, as they now believe the peak is behind and with increasing production forecast for 2008 prices are bound to fall. Indian wheat situation continues to be apparently satisfactory but as the festival demand coupled with seasonal demand picks up, prices are likely to steadily move up. Further the farmers unions/leaders are demanding further hike in support prices. They are seeking support prices to be linked with wholesale prices for wheat. Already the current hike in MSP is expected to fuel price rise on the wheat front.

### Domestic Spot Market Prices

Market	Variety	Prices (Rs/qrtl)		Change	Arrivals (Qtls)
		16.10.07	15.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1055-1060	1040	+20	10,000
Delhi (Narella) Loose	Mill quality	1000-1030	995-1020	+10	2500
Delhi (Najafgarh) Loose	Mill Qyality	1015-1020	1010	+10	2500
Haryana (Palwal) Loose	Mill quality	-	955		
Uttar Pradesh (Mathura) Loose	Mill quality	-	995		
Uttar Pradesh (Kosi) Loose	Mill quality	-	975-980		
Gujarat (Rajkot) Loose	Mill quality	-	1025		
Rajasthan (Kota)	Mill quality	-	1045-1050		
Uttar Pradesh (Kanpur)	Mill quality	-	1030-1035		
Madhya Pradesh (Indore)	Mill quality	-	1070-1075		
Uttar Pradesh (Bareilly)	Mill quality	-	1020-1025		

### International Futures Quotes (as of October 15, 2007)

#### CBOT

Contract Month	Open	High	Low	Settle	Change
December 2007	856.00	863.00	827.00	833.50	-24.00
March 2008	874.00	879.00	843.00	852.50	-20.50
May 2008	814.50	827.25	795.25	803.50	-11.50

#### KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	867.00	872.00	837.75	843.00	-24.75
March 2008	871.25	875.50	845.00	852.00	-23.00
May 2008	828.00	835.00	808.00	852.00	-17.25

COMMODITIES RESEARCH

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### International Market Recap

#### CBOT Wheat Futures Settled Lower

Profit booking resulted in sharply lower wheat futures with lack of fresh news to support the market. Ideas of old crop having peaked already led to bear spreading in the market viz selling old crop December and buying new crop July. Consequently December wheat closed lower at \$ 8.33 ½ per bushel, a drop of 24 cts. Both Kansas City Board and Minneapolis Grain Exchange followed with similar decline.

Parched Australian wheat crop yields are expected to be well below average following continuing dry weather. The current indications point towards even lower production at 12 mmt as against 13.5 mmt estimated by USDA. The only consolation at this moment is the crop still appears slightly better as compared to last year. Given Australia's domestic consumption at around 7 million tonnes, very little surplus will be left for export.

### 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.

#### Russian Govt Imposes Wheat and Barley Export Duty

The Russian cabinet of ministers decided to approve the imposition of seasonal export duty on wheat and barley. The exact figures and the duration of the new export duties for wheat and barley have yet to be announced officially. However, officials said earlier the duty for wheat would be 10% and for barley 30%. The wheat export duty isn't prohibitive, designed to keep wheat exports in the current marketing year within 12 million- 14 million metric tonnes.

### 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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