

■ W H E A T

■ Oct. 22, 2007

Domestic Market Recap

During Saturday's trade, wheat mostly traded steady to up on good buying from the millers and suppliers against the slightly restricted arrivals. The growing festive demand also propped up the prices. However, on increased arrivals against a subdued demand, wheat prices in Delhi (Narella) and (Najafgarh) on loose basis dipped. In Delhi Lawrence road, ready delivery mostly traded steady at its previous price level of Rs.1065/qrtl on good buying against the increased daily arrival of 16500 qtls. On good demand from the roller flour mills of south helped the price rise in north Indian markets like Punjab, Gujarat and Rajasthan. Meanwhile, to check the increasing wheat prices, the government has made a festival allocation of 98,000 tonnes of wheat to the states and promised another 98,000 tonnes each for November and December. The allocation will be sold at the TPDS rate for the APL category, which is Rs.6.10 a kg. Learning from USA as the US farmers responding positively to higher prices by planting more wheat acreage, India has increased the MSP of Rs.850 in last year to Rs.1000/qrtl for the current rabi season. Farmers in India are forecast to plant a record crop, helping cap world prices that have soared 64% this year. Area sown to the cereal may exceed 29 million ha, up from 28.5 million ha last year, head of directorate of research said. 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/qrtl)		Change	Arrivals (Qtls)
		20.10.07	19.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1065	1065	-	16,500
Delhi (Narella) Loose	Mill quality	1015-1035	1010-1040	-5	1800
Delhi (Najafgarh) Loose	Mill Qyality	1005-1025	1018-1035	-10	3000
Haryana (Palwal) Loose	Mill quality	990	988	+2	300
Uttar Pradesh (Mathura) Loose	Mill quality	986	1000	+14	1100
Uttar Pradesh (Kosi) Loose	Mill quality	995-1003	1002	+1	300
Gujarat (Rajkot) Loose	Mill quality	1030	1030	-	2400
Rajasthan (Kota)	Mill quality	1080-1085	1080-1085	-	700
Uttar Pradesh (Kanpur)	Mill quality	1030-1035	1030-1035	-	1800
Madhya Pradesh (Indore)	Mill quality	1097-1100	1095	+5	500-600
Uttar Pradesh (Bareilly)	Mill quality	1030-1035	1030-1035	-	1700

International Futures Quotes (as of October 19, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
December 2007	841.00	855.50	833.00	855.50	+30.00
March 2008	850.00	874.50	850.00	874.50	+30.00
May 2008	819.00	834.00	815.50	831.00	+26.50

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	845.00	869.00	845.00	869.00	+30.00
March 2008	856.00	876.25	855.00	876.25	+30.00
May 2008	830.00	840.00	825.00	840.00	+30.00

International Market Recap**CBOT Wheat Futures Closed Up**

CBOT wheat futures settled up Friday. December Wheat finished up 30 cent at \$855.50 per bushel; this was equal to the high and 22.5 cent up from the low. July Wheat closed up 17.25 cent at \$692.75 per bushel. This was 12.75 up from the low and 1.75 off the high. The U.S. wheat futures settled higher on a short covering after recent setbacks from all time highs. Bullish export demand supports the bullish sentiment. Reports indicated that Russia, an aggressive exporter on the world wheat market, was considering raising its export tariff on wheat, which encouraged ideas that more importers will buy from the U.S. Russia has already approved a 10% duty on wheat exports to take effect next month but may hike it to 30%. There also were ideas U.S. wheat is more competitive on the world market following the pullbacks. With the report of Egypt bought more US wheat this week and Morocco issued import licenses for 500,000 tonnes of wheat added to the positive tone. US cumulative export sales have already reached 82.6% of the USDA forecast for the entire marketing year as compared to 51.3% on average over the last five years. Sales of just 164,000 metric tonnes per week are needed to reach the USDA estimate but sales have averaged 1.29 million tonnes in the past five weeks. In other words, if the US sells more than 5.44 million tonnes of wheat in the next 33 weeks, the export projection will be met. The chief economist for the USDA presented projections to the House Agriculture Committee yesterday and indicated planted acreage for wheat for the 2008-09 season at 64 million acres from 60.4 million this year. Ending stocks were pegged at 515 million bushels from 307 million this season.

News Analysis**Centre to Release More Wheat To Meet Festive Demand**

To meet the growing demand during the festive season, government of India will release from its stocks an ad hoc additional quantity of about one lakh tonnes of wheat to all states for distribution to Above Poverty Line (APL) card holders under the targeted public distribution system (TPDS). The government has authorized the Food Corporation of India to make another ad hoc additional allocation of about one lakh tonnes of what to all states and Union Territories for November and December. The allocation will be sold at the TPDS rate for the APL category, which is Rs.6.10 a kg.

Indian Farmers May Plant Wheat Around 29 Million Ha This Year

The high MSP of Rs.1000/qlt for the current rabi season may see a record planting. Farmers in India are forecast to plant a record crop, helping cap world prices that have soared 64% this year. Area sown to the cereal may exceed 29 million ha, up from 28.5 million ha last year, head of directorate of research said. A record crop will ease pressure on the government to import the grain at record prices. According to USDA, global reserves will fall to 107 from 122.7 million tonnes last year. Record prices prompted the Indian government to raise the minimum prices it pays growers by 18% to Rs.1000/qlt. US farmers are responding to high prices by sowing more wheat. Some 73% of the winter crop was planted as of 14 October compared to last year's 58%. According to US Foreign Agricultural Service, government imported 6.7 million tonnes of wheat in the marketing year ended 1 June, making the nations the world's third largest buyer of wheat.

Govt. to allocate 98,000 tonnes wheat to Cool Down Prices

In an attempt to check the increasing wheat prices, the government has made a festival allocation of 98,000 tonnes of wheat to the states and promised another 98,000 tonnes each for November and December. It has also ordered imports of 1.306 million tons wheat this year.

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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