

■ W H E A T

■ Oct. 23, 2007

Domestic Market Recap

During Monday's trade, in major domestic mandis, wheat mostly traded mixed. In mandis of Gujarat, UP, MP and Punjab, wheat mostly quoted higher on good buying from the roller flour millers and suppliers amid a tight supply. However, prices dipped in Delhi and its surrounding mandis after touching successive highs after government declared the MSP of Rs.1000/qtl. On subdued demand from the consuming units, Delhi (Lawrence Road), Ready delivery traded down Rs.1050 from its previous level of Rs.1065 despite restricted arrival of Rs.13000 qtls. But in Indore (MP) and Rajkot (Gujarat) traded up in the range of Rs.10/qtl each on good demand from the millers and stockists amid the daily arrival of 500 and 2000 qtls. 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. The sowing has been started in most of the wheat growing areas. According to the sources, climate and soil condition is favourable for wheat plantation and sources believe that this year will see a higher wheat acreage due to good weather and higher MSP. In the meantime, analysts believe that to abrupt the rise in world prices, government of Russia plans to slap a prohibitive tariff on wheat exports. According to an official in the Economic Development and Trade Ministry, the ministry was considering recommending a tariff of 30 percent.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qtl)		Change	Arrivals (Qtls)
		22.10.07	20.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1050	1065	-15	13000
Delhi (Narella) Loose	Mill quality	1000-1025	1015-1035	-10	2000
Delhi (Najafgarh) Loose	Mill Qyality	1000-1015	1005-1025	-10	2500
Haryana (Palwal) Loose	Mill quality	975	990	-15	300
Uttar Pradesh (Mathura) Loose	Mill quality	975	986	-11	1200
Uttar Pradesh (Kosi) Loose	Mill quality	990-995	995-1003	-8	150
Gujarat (Rajkot) Loose	Mill quality	1040	1030	+10	2000
Rajasthan (Kota)	Mill quality	1085-1087	1080-1085	+2	500
Uttar Pradesh (Kanpur)	Mill quality	1035-1040	1030-1035	+5	1300
Madhya Pradesh (Indore)	Mill quality	1100-1110	1097-1100	+10	500
Uttar Pradesh (Bareilly)	Mill quality	1025-1030	1030-1035	-5	2000

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**To Check rise in world prices, Russia plans to slap a prohibitive tariff on wheat exports**

In order to abrupt the rise in world prices, the government plans to slap a prohibitive tariff on wheat exports, believes analysts. According to an official in the Economic Development and Trade Ministry, the ministry was considering recommending a tariff of 30 percent, or no less than 70 euros (\$100) per tonne of wheat. There is currently no tariff on wheat exports but a tariff of 10 percent is due to be imposed from mid-November. According to chief executive of agricultural analyst group SovEcon, the setting of a prohibitive tariff is very likely otherwise government grain sales to the market would appear to be stimulating exports. The sharp increase in the tariff could have a dramatic impact on the world wheat market, pushing prices up. The Russian Grain Union said Friday that it would oppose setting the new tariff, because it could hurt domestic grain growers.

To Remove the Difference Between Wheat and Rice MSP: LK Advani

In a letter to the Prime Minister, Leader of Opposition party, Mr LK Advani asked the government to remove the difference between the Minimum Support Prices of wheat and paddy crop which otherwise is leading to discontent among South Indian farmers as there has no relation to the cost of cultivation. While the government has fixed MSP of Rs 1,000 per quintal for wheat in the coming season, paddy growers would get Rs 645 per quintal for the common variety.

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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