

■ W H E A T

■ Oct. 18, 2007

Domestic Market Recap

Wheat prices continued to strengthen today in Delhi markets on expectation of increased demand both locally and from South India. Prices improved marginally in Lawrence Road market at Rs.1060-1065 per qtl (up Rs. 5/-). In U.P. mandis also prices improved marginally at Rs. 1005 – 1015 (loose basis).

In wheat products prices were nominally quoted at Rs. 1040-60 for Atta, Rs. 1140-70 for Maida and Rs.1200-10 for Suji basis 90 kgs, without any significant offtake. Since the demand at higher level is sluggish, prices are expected to soften by the weekend. Although festival demand is expected to pick up and gradually increase by Diwali and seasonal demand from November onwards, so far the market seems to be on the wait.

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/qtl)		Change	Arrivals (Qtls)
		17.10.07	16.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1060- 1065	1055-1060	+5	11,000
Delhi (Narella) Loose	Mill quality	Weely Off	1000-1030	-	-
Delhi (Najafgarh) Loose	Mill Qyality	Weekly Off	1015-1020	-	-
Haryana (Palwal) Loose	Mill quality	-	-		
Uttar Pradesh (Mathura) Loose	Mill quality	-	-		
Uttar Pradesh (Kosi) Loose	Mill quality	-	-		
Gujarat (Rajkot) Loose	Mill quality	-	-		
Rajasthan (Kota)	Mill quality	-	-		
Uttar Pradesh (Kanpur)	Mill quality	-	-		
Madhya Pradesh (Indore)	Mill quality	-	-		
Uttar Pradesh (Bareilly)	Mill quality	-	-		

International Futures Quotes (as of October 16, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
December 2007	812.00	833.00	810.00	828.50	-5.00
March 2008	834.00	849.00	833.00	847.50	-5.00
May 2008	792.00	802.00	789.00	801.50	-2.00

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	831.00	841.00	825.00	838.00	-5.00
March 2008	837.00	847.00	832.50	844.00	-8.00
May 2008	805.00	807.00	800.00	801.00	-8.75

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International Market Recap**CBOT Wheat Futures Close Lower on Speculative Selling**

CBOT wheat futures closed lower on speculative selling in the absence of any bullish news on Tuesday the 16th October 2007. Further correction is expected to continue for a while amid ideas that the peak is behind and Northern Hemisphere sowing would reflect significant improvement. December futures closed at \$ 3.87/bushel (down 13 cts), contract low since September 25, 2007.

Chinese grain exporters are preparing to export upto 3 mmt wheat. As China's domestic market softens exports are likely to become attractive.

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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