

WHEAT

22-27 October, 2007

MAJOR ACTIVITY HIGHLIGHTS

- To Check rise in world prices, Russia plans to slap a prohibitive tariff on wheat exports
- Pakistan FCA Set to Announce Wheat Support Price Rs.518 per 40 KG
- Rajasthan Appeals Union Agriculture Minister To Supply Only Indigenous Wheat
- CBOT Wheat Prices Fell On Report of Pakistan May not Import
- IGC Wheat Production Forecast 602 Million Tonnes

MARKET FUNDAMENTALS:

During the week starting from October 22, wheat mostly maintained the last week's higher price on good buying from the suppliers and stockists ahead of the festive season amid tight supply. Good demand from the rolling flour millers also supported the steady sentiment. However towards the weekend, prices slightly dipped in most of the major supply centres on a lower demand. Due to favourable climate, wheat-sowing process is in full swing in all the wheat growing areas. The unloading of stocks by the stockists in Punjab, MP and UP further imparted bearish sentiment. During the week, Delhi (Lawrence road) ready delivery traded in the range of Rs.1050-1060/qrtl compared to last week's Rs.1065 against the daily arrival of 6000 to 13000. In Indore (MP) loose basis after reaching Rs.1100/qrtl, prices slashed to down to Rs.1085-1090 against the supply of 500 qtls. Various wheat products also traded up on good demand from the consuming units ahead of the festive season. In Karnataka and Maharashtra, wheat traded in the range of Rs.1290-1300 and Rs.1180-1200/qrtl respectively on good demand against tight supply. Meanwhile, commerce department has asked the Empowered Group of Ministers to give the charge of wheat import to some other department. Earlier the EGoM had asked trading bodies STC, MMTC and PEC, operating under the commerce department, to take care of all wheat import, as it was unhappy with the way the decision to import wheat was implemented earlier this year. Learning from India and USA for rising support price, the Federal Committee on Agriculture (FCA) of Pakistan is has announced the price of wheat Rs518 per 40kg against last year's price of Rs425. Rajasthan govt. has asked the Union Agriculture Ministry to order FCI to send only indigenous wheat to the state as imported wheat is inferior quality.

OUTLOOK:

Short Term (One Week): wheat may rule range bound at lower side as CBOT wheat futures is dipping continuously. on good festive demand as well as global tight supply.

SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)

Markets	20.10.07	27.10.07
Delhi (Lawrence Road) truck loaded ready delivery	1065	1060

Haryana (Karnal)	1050-1055	1042-1045
Punjab (Khanna)	1085-1088	1080-1085
Rajasthan (Kota)	1080-1085	1085-1092
Uttar Pradesh (Kanpur)	1030-1035	1035-1040
Madhya Pradesh (Indore)	1097-1100	1085-1090
Uttar Pradesh (Bareilly)	1020-1025	1010-1015
Punjab (Sunam) Loose	960-963	965-970
Ludhiana (Jagraon) Loose	960	965
Rajkot Loose Price	1030	1030-1035
Madhya Pradesh (Bhopal) Loose	975-977	1000-1010

Wheat Products	20.10.07	27.10.07
Atta (90kg)	1073	1082
Maida Grade 1(90kg)	1256	1265
Suji (50kg)	735	735
Chokar (50 kg)	391	391
Chokar (35 kg)	265	260
Chakki Atta (90kg)	1000	994

Following was the status in other mandis, with active millers and private trade buying: (27.10.07)

Place	Arrivals	Price
Mathura	1000 Qtls	Rs.990/qrtl
Kosi	400 Qtls	Rs.975-986/qrtl
Najafgarh	2500 Qtls	Rs.1024-1030/qrtl
Palwal	300 Qtls	Rs.970-975/qrtl
Narella	1200 Qtls	Rs.1025-1040/qrtl

INTERNATIONAL AND DOMESTIC NEWS:

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

In order to avert the rise in world prices, the government plans to slap a prohibitive tariff on wheat exports, believe 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.

Pakistan FCA Set to Announce Wheat Support Price Rs.518 per 40 KG

After the Economic Coordination Committee (ECC) recommendation, to increase wheat support price for the coming crop, the Federal Committee on Agriculture (FCA) of Pakistan is set to announce on Tuesday a price of Rs518 per 40kg against last year's price of Rs425. The Ministry of Food, Agriculture and Livestock (MINFAL) had proposed wheat support price of Rs500 per 40kg for the coming Rabi crop from the existing price of Rs425 per 40kg at the last meeting of the ECC for its approval. According to a government official, as less area under cultivation is recorded worldwide because of greater sowing of other staple foods such as maize and barley in the major food exporting countries because they have switched over to maize, cheaper source of biofuel in western countries, thus fuelling the price of wheat in the international market.

Rajasthan Appeals Union Agriculture Minister To Supply Only Indigenous Wheat

Reporting to the quality of imported wheat is poor quality which led to the public dissatisfaction, government of Rajasthan has asked the centre to supply only indigenous wheat. Writing a letter to Union Agriculture Minister, state food and civil supplies minister said that Rajasthan has been receiving imported wheat of small size and red colour for the past one year. Minister has also asked the Minister to order FCI to supply only indigenous wheat to the state so as to redress the grievance of people at large.

China To Auction 200,000 Tonnes Of Imported Wheat

According to China's National Grain & Oil Trade Center, China is all set to sell 200,000 metric tons of imported wheat from state reserves in an auction on Nov. 1. China usually holds auctions of imported wheat once or twice a month to meet domestic demand. On its latest auction on Oct. 25, govt. sold 9,114 tonnes of imported wheat.

World wheat area is projected to increase by 3% (6 million hectares) to 220 million hectares.

Global wheat production is forecast at 602 million tonnes, 1 million more than last month, increases in Russia and

Kazakhstan more than offsetting reductions in the EU and the US. Very high prices are having some effect on consumption. The forecast of world trade is also unchanged at 105 million tonnes. Shipments by Russia have surged ahead of the planned introduction of a 10% export tax. The world wheat area is projected to increase by 3% (6 million hectares) to 220 million hectares.

CBOT Wheat Prices Fell On Report of Pakistan May not Import

With the expectations of a good crop across the globe and reports that Pakistan will curb wheat imports next year have caused the price of the grain to fall in the international market. In Pakistan, recently the price of a bag of 100kg of wheat rose by another Rs50 in Punjab. On Saturday, a 100-kg bag was sold at Rs1,550. In Chicago, wheat fell price the maximum amount permitted by the Chicago Board of Trade --- 30 cents per bushel --- on speculation Pakistan will curb imports after forecasting a record domestic crop for a second straight year. Pakistan is expecting to harvest 24 million tonnes of the grain in the marketing year that started on July 1, up 3 per cent from last year's record of 23.3 million tonnes. With the good export demand along with the disappointing harvest results caused the wheat price surge since mid-summer. Now the wheat price has fallen about \$1.25 per bushel from the high and has firmly established a down trend.

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.

Wheat Stocks Totaled At 10.12 Million Metric Tonnes As Of Oct. 1

According to Chairman, Food Corporation of India, Country's wheat stocks totaled at 10.12 million metric tonnes as of Oct. 1.

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.

IGC Wheat Production Forecast 602 Million Tonnes

WHEAT Production is forecast at 602 million tonnes, 1 million tonnes more than last month, increases in Russia and Kazakhstan more than offsetting reductions in the EU and the US. In Australia, recent rains came too late for most of the crop. Very high prices are having some effect on consumption. The new forecast is 610 million tonnes, 2 million tonnes less than September virtually unchanged from 2006-07. Feed use will be lower in the US and the EU, but projected food use is still at a record 444 million tonnes. End-season stocks in the five major exporters are still forecast at 25 million tonnes, although those in the US are placed at only 8.4 million tonnes. The forecast of world trade is also unchanged at 105 million tonnes. Although many importers will minimise their purchases, some by drawing on stocks, demand generally remains robust, in spite of higher prices, reflecting the importance of wheat in diets. US sales continue at a rapid pace, but should slow as supplies run down. Improved price competitiveness will help EU exports, which got off to a slow start. Shipments by Russia have surged ahead of the planned introduction of a 10% export tax. Winter wheat plantings for 2008 are proceeding under favourable conditions in most of the northern hemisphere, with significant increases likely in North America, the EU and the CIS. The world wheat area is projected to increase by 3% (6 million hectares) to 220 million hectares.

Source: IGC, 25.10.2007

CBOT Wheat Futures Settled Down

CBOT wheat futures settled down Friday. December Wheat finished down 2 cent at \$800.00 per bushel; this was 9 cent off to the high and 5 cent up from the low. July Wheat closed up 14.5 cent at \$677.00 per bushel. This was 11 up from the low and 2 off the high. In the early session, wheat futures traded higher with the support from the strength of the outside markets but could not sustain due to aggressive selling and settled lower. New crop July wheat closed sharply higher on the session as spreads corrected. News is that there may be more rain in the southwestern plains. Talk of poor yields for the Australian wheat harvest failed to provide much support as there is a perception that a low Australian crop has already been absorbed by the market. South Korea bought 25,000 tonnes of US wheat. Slower than expected export sales news Thursday and ideas that world planted area will soar for the 2008 crop helped limit the buying support early. Source: *CBOT*

USDA Wheat Weekly Export Sales Down

Net sales of 556,300 metric tons were 44 percent below the previous week and 56 percent under the prior 4-week average. Increases reported for Nigeria (99,700 MT, including 18,000 MT switched from unknown destinations), the Philippines (99,000 MT), Taiwan (84,700 MT), Japan (77,700 MT), Morocco (49,800 MT), and Israel (47,100 MT), were partially offset by decreases for South Africa (50,000 MT). Net sales of 46,500 MT for delivery in 2008/09 were for the Philippines (34,500 MT) and Nigeria (12,000 MT). Exports of 861,900 MT were 13 percent below the previous week and 15 percent under the prior 4-week average. The primary destinations were Mexico (83,000 MT), Nigeria (80,400 MT), Peru (58,800 MT), Egypt (57,700 MT), Japan (56,400 MT), Algeria (55,900 MT), and

Iraq (51,000 MT). Note: Accumulated exports for Venezuela were adjusted down 13,900 MT. October 12-18. Source: USDA

CROP- WEATHER ANALYSIS

Land preparation and sowing of wheat is going on in Arunachal Pradesh, HP and Kashmir division. Irrigation is needed for land preparation and sowing of the crop.

WEATHER WATCH (WEEK ENDING ON 24th October, 2007)

- Southwest monsoon withdrew from the remaining parts of the country, Bay of Bengal and Arabian Sea on 22nd October 2007. Simultaneously, the northeast monsoon rains commenced over Tamil Nadu and adjoining states of south peninsula on 22nd October 2007.
- An upper air cyclonic circulation lay over extreme south peninsula in lower tropospheric levels during 18th to 20th October 2007 and became less marked thereafter.
- A trough of low at mean sea level extended from South-West Bay of Bengal to west-central Bay of Bengal off Tamil Nadu -south Andhra Pradesh coast during 21st to 23rd. A low-pressure area formed over southwest Bay of Bengal off Tamil Nadu coast and adjoining Sri Lanka on 24th October with a trough extending from the low towards west-central Bay of Bengal off Andhra Pradesh coast.
- An active east-west shear zone passed through extreme south Peninsula extending upto mid-tropospheric level during 22nd to 24th October.
- Another trough of low pressure at mean sea level ran from southeast Arabian Sea to eastcentral Arabian Sea off Kerala and Karnataka coasts during 21st to 24th October 2007.
- An upper air cyclonic circulation in lower tropospheric levels lay over Assam & Meghalaya and neighbourhood on 18th, over east Assam and neighbourhood on 19th and moved away eastwards on 20th. However, an upper air trough in westerlies ran from Sub-Himalayan West Bengal & Sikkim to Gangetic West Bengal on 20th & 21st and became less marked on 22nd.

Rainfall:

Under the influence of the above systems:

- Fairly widespread rainfall occurred over Andaman & Nicobar Islands, south Coastal Andhra Pradesh, Tamil Nadu, Kerala and Lakshadweep during many days of the week. Isolated heavy to very heavy rainfall occurred over these regions on a few days.
- Scattered to fairly widespread rainfall occurred over Rayalaseema, South Interior Karnataka and Coastal Karnataka during many days of the week.
- Scattered rainfall occurred over north Coastal Andhra Pradesh and North Interior Karnataka and isolated rainfall occurred over remaining parts of peninsula, south Konkan & Goa and south Madhya Maharashtra on a few days of the week.
- Isolated to scattered rainfall occurred over northeastern states and coastal areas of Orissa & West Bengal during first half of the week.

- Weather was mainly dry over the remaining parts of the country during the week.

Outlook for the week ending on 31st October 2007

- ✓ A low pressure area is likely to form over southeast Bay of Bengal around 27th and intensify further while moving westwards. Under its influence, enhanced rainfall with scattered heavy to very heavy rainfall is likely over Andaman & Nicobar Islands and extreme south peninsula during second half of the week.

- ✓ Under the influence of another low pressure area over southeast Arabian Sea which is likely to intensify further, widespread rainfall with isolated/scattered heavy to very heavy falls are likely over Lakshadweep during first half of the week.

Source: IMD

IGC WORLD WHEAT ESTIMATES (25.10.07)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				27.09	25.10
Production	628	620	590	601	602
Trade	110	110	111	105	105
Consumption	616	624	610	612	610
Stocks	140	137	118	107	109
Year-Year Change	+12	-3	-19	-11	-9
5 Major Exporters [#]	59	58	38	25	25

(Million tons)

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 29th October, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.51
1 Euro	56.76
100 Yen	34.54
1 British £	81.16

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