

WHEAT

December 3-8, 2007

MAJOR ACTIVITY HIGHLIGHTS

- **STC Floated Wheat Tender Of 350.000 MT**
- **Wheat Rabi Acreage Is lagging**
- **IGC Wheat Production Forecast 603 Million Tonnes**
- **World Wheat Stocks May Rise by 2008-09: IGC**
- **JK International Will Provide 1.5 Lakh Tonnes Wheat At \$396.9/T**

MARKET FUNDAMENTALS:

During the week, wheat domestic prices mostly traded steady, at last week's price level on steady buying from roller flour millers amidst steady supply. By weekend, prices dipped in Gujarat, Punjab and Haryana mandis as farmers and stockists started unloading on expectation of good winter crop. Wheat winter sowing is nearing for completion in Gujarat and Punjab while progressing slowly in the states like UP and MP. Lack of rainfall since August has affected wheat sowing in MP, UP and Rajasthan, where wheat is largely rainfed. In UP, wheat sowing was delayed due to late crushing of sugar cane. As on December 7, wheat rabi acreage stood around 17.48 million hectares, down from 21.37 million hectares a year earlier. By December 1, India's wheat stocks in state-run granaries totaled 8.35 MMT, up 49.37% from 5.59 MMT a year-earlier. The higher stocks along with higher expected production in the current marketing year limits India's chances of further wheat import. Meanwhile, STC is planning to float a wheat tender on December 10 for 350.000 tonnes and the final shipment will be made by April 10, 2008. With the extension of Argentina's export restrictions for 15 days commencing from December 5, India's wheat purchases, which were initially, planned to come from Argentina would have to switch elsewhere. During the week, Delhi (Lawrence road) ready delivery traded in the range of Rs.1045-1055/mtl whereas arrival stood around 9000 and 12 000 qtls. In Suman and Ludhiana (Punjab) wheat prices dipped from Rs.990-995 to Rs.980/mtl and Rs.950 to Rs.945 respectively on steady demand against sustained supply. In Bangalore and Mumbai, wheat mill quality mostly traded at last week's level Rs.1250-1260 and Rs.1140-1160 respectively. In Delhi, various wheat products mostly quoted steady. In coming days, wheat may trade range bound on routine demand-supply situation.

OUTLOOK:

Short Term (One Week): wheat may rule range bound on routine demand-supply situation.

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

Markets	01.12.07	08.12.07
Delhi (Lawrence Road) truck loaded ready delivery	1045-1052	1045-1055

Haryana (Karnal)	1040-1045	1030-1040
Punjab (Khanna)	1030-1035	1035-1040
Rajasthan (Kota)	1045-1050	1040-1045
Uttar Pradesh (Kanpur)	1020-1025	1025-1030
Madhya Pradesh (Indore)	1040-1045	1045-1050
Uttar Pradesh (Bareilly)	990-1000	990-1000
Punjab (Sunam) Loose	980-990	960-970
Ludhiana (Jagraon) Loose	940	940
Rajkot Loose Price	970-975	980-985
Madhya Pradesh (Bhopal) Loose	980-1000	960-1000

Wheat Products	01.12.07	08.12.07
Atta (90kg)	1063	1063
Maida Grade 1(90kg)	1265	1256
Suji (50kg)	705	700
Chokar (50 kg)	403	400
Chokar (35 kg)	271	270
Chakki Atta (90kg)	980	978

Following was the status in other mandis, with active millers and private trade buying: (08.12.2007)

Place	Arrivals	Price
Mathura	1100 Qtls	Rs.965/mtl
Kosi	400qtls	Rs.970-986/mtl
Najafgarh	1500 Qtls	Rs.996-1005/mtl
Palwal	1000 Qtls	Rs.964/mtl
Narella	1500 Qtls	Rs.995-1010/mtl

INTERNATIONAL AND DOMESTIC NEWS:

STC Floated Wheat Tender Of 350.000 MT

State Trading Corporation today floated a tender to buy maximum of 350,000 metric tons. The tender will be closed on December 17. As per the STC report, the imported wheat will be delivered in Mundra, Kakinada, Kandla, Chennai, Vishakhapatnam, Tuticorin, Cochin and Mumbai ports. All the imported quantity will be delivered by April 15, 2008

Wheat Rabi Acreage Is lagging

As per data compiled by Agriculture Ministry as on 7th December, Wheat has been sown in 174.82 lakh ha as compared to 213.74 lakh ha last year. Progressive acreages this time have declined in Uttar Pradesh (55.55 lh versus 66.06 lh), Madhya Pradesh (24.25 versus 39.93), Rajasthan (13.40 versus 15.69), Gujarat (5.62 versus 8.18), Maharashtra (6.13 versus 10.48), Bihar (5.92 versus 8.34) and Karnataka (2.02 versus 2.32).

World Wheat Stocks May Rise by 2008-09: IGC

According to International Grains Council's report, world wheat stocks is likely to rise for the first time in four years in 2008-09 because of increased plantings. The increase in production also leads to the cheaper wheat prices. Global inventories of the grain are forecast to increase from 110 MMT at the end of June 2008. Plantings are expected to gain 4 percent from a year earlier as record prices encourage farmers to sow more. Global supply fell short of demand after weather-damaged crops in countries such as Australia, Ukraine and Canada. Spring plantings in the northern hemisphere will see intense competition for land between wheat, corn and soybeans, after farmers sowed more winter wheat this year, IGC reported. According to IGC, growth in consumption of the grain may be curbed as rising prices spur a shift in demand from feed wheat to alternatives such as corn, sorghum and soybean meal. As wheat stockpiles increase, corn inventories may decline. World corn stockpiles as of June 30, 2009, will probably fall from an estimated 111 MT a year earlier as farmers cut plantings of the grain to sow more soybeans. Global corn consumption is forecast to rise from an estimated 762 million tons in 2007-08 on demand for biofuel.

PEC wheat import tender gets 6 bids at 395.88-483.00

India's wheat import tender has attracted a total of six bids in the range of \$395.88-483.00/tonne of wheat from various firms. On Nov 26, PEC floated a tender to import 350,000 tonnes of wheat, expected to arrive at various Indian ports by March 10, 2008. The tender is for wheat delivery through eight Indian ports -- Mundra, Kakinada, Kandla, Chennai, Vizag, Tuticorin, Cochin and Mumbai. As per the market sources, there is a larger possibility of country to secure significant amount of wheat between the range of \$400-415/tonne. As per a PEC official, the agency has received the highest bid from Starcom to provide wheat at Tuticorin port, while the lowest bid has been given by JK International at \$395.88/tonne to supply 150,000-250,000 tonnes at Mundra port.

ABARE Raises Australia's Wheat Harvest Forecast 5% on Yields

Australia raised current crop forecast by 5 percent on better-than-expected yields in parts of the country. As per

the Canberra-based Australian Bureau of Agricultural and Resource Economics, output may be 12.7 MMT in the harvest started in October, up from 12.1 MMT previously estimated. For the second consecutive year, Australia's crop output has been lower due to drought which pushed wheat prices up 75 percent in the past year, touching a record on Sept. 28.

Argentina's 15 Days Wheat Export Closure From 05 Dec

As per the analyst, the global wheat prices are likely to stay firm on strong export demand and frost damage in Argentina. European wheat prices have gained more than 15 percent in less than three weeks on the foot of strong U.S. wheat futures, due to strong global demand and thin stocks. The rise also got boost from the news that Argentina -- one of the main origins supplying international demand in coming months -- would halt exports while assessing damage from a cold wave that hit top growing areas last month. Initially imposed for five days, Argentina's decision to close its wheat export registry temporarily was extended for another 15 days starting from Dec. 5. At present, Turkey, Pakistan and India are in the market for large wheat purchases and Egypt, Morocco and Tunisia are expected soon. But on the supply side, the United States has committed most of its grains, Russia and Ukraine have tightened their borders and Argentina's final crop is being questioned with some analysts putting the potential loss at up to 2 million tonnes. Last year, Argentina exported 10.5 million tonnes of wheat from a harvest of 15.2 million tonnes, USDA reported. If Argentina's export restrictions were to be extended, demand would have to switch elsewhere, notably to cover some of India's wheat purchases, which were initially, planned to come from Argentina.

JK International Will Provide 1.5 Lakh Tonnes Wheat At \$396.9/T

Public sector PEC Ltd on December 7 finalised purchase of 1.5 lakh tonnes of wheat from JK International Pvt Ltd of Australia in its tender for import of up to 3.5 lakh tonnes with the worth of average \$396.9/tonne. The other bidders are the US-based Cargill, Glencore International AG of Switzerland, Alfred C. Toepfer of Germany, Concordia Agritrading and Starcom Resources of Singapore. All the bidders offered to supply an aggregate quantity of 6.30 lakh tonnes against the tendered 3.5 lakh tonnes, the Centre finalised to purchase only 1.5 lakh tonnes through JK International. According to an official, since the present price bids are valid till Saturday, there is a possibility still of contracting additional quantities. JK International had offered the lowest quote of \$395.88 a tonne (cost & freight) for 65,000 tonnes at Mundra port, besides \$398.97 a tonne for 45,000 tonnes at Kandla, \$401.94 a tonne for 35,000 tonnes at Mumbai and \$418.95 a tonne for 40,000 tonnes at Tuticorin. It seems that the Centre has basically accepted the company's offers for Mundra, Kandla and Mumbai delivery. JK International will procure the wheat from Argentina, Canada or Russia. STC is scheduled to float a fresh tender on December 10. According to agency reports, it might seek bids for over five lakh tonnes, as against the earlier planned 3.3 lakh tonnes. The Centre has targeted import of 23 lakh tonnes during the current fiscal, of which it has so far contracted about 18 lakh tonnes, STC may be asked to buy more mainly to meet the shortfall from PEC's latest tender. Source: Business Line

IGC Wheat Production Forecast 603 Million Tonnes

Wheat Production in 2007 is estimated at 603 million tonnes, 1 million tonnes more than last month. There are increases in Argentina, the CIS and the EU but reductions in Australia (where late rains have disrupted harvesting) and China. Total

wheat consumption in 2007-08 is forecast at 611 million tonnes, up 1 million tonnes. Greater wheat feeding in the EU increases forecast world feed use to 92 million tonnes. End-season stocks in the main exporters are expected to total 26 million tonnes, 1 million tonnes, more than October's. US stocks, at only 8.5 million tonnes, would be the smallest since 1949. Forecast wheat trade is reduced by 1 million tonnes to 104 million tonnes because of lower import estimates for India, Bangladesh and Algeria. EU shipments are lower than previous forecasts because of continued strong competition from Black Sea exporters, particularly Russia. Larger shipments from Argentina are expected to follow the re-opening of its export registry, but Australia's are likely to be the smallest since the mid-1990s. Northern Hemisphere winter wheat planting for 2008 is nearly complete, with significant area increases in the US (at the expense of maize), Europe and the CIS. Conditions in most of the EU have been favourable, and wheat is entering dormancy in the CIS in good shape, although parts of Ukraine are too dry. The US winter crop is in less good condition than last year because of dry weather in the southwest. Government support is expected to maintain a high level of plantings in China and India. Projected spring wheat plantings in Canada are 11% up from 2007. World wheat areas in 2008 are forecast to total 222 million tonnes, 4% more than this year.

Source: IGC, 22.11.2007

CBOT Wheat Futures Settled Higher

CBOT wheat futures settled moderately higher on Friday. March Wheat finished up 30 cent at \$921.50 per bushel; this was equal to the high and 31.5 cent up from the low. July Wheat closed up 30 cent at \$808.00 per bushel. This was 28 up from the low and equal to the high. CBOT wheat futures opened higher and settled moderately at higher side on continuous massive short covering by funds and small speculators. Market also gained with support from outside markets particularly rallies in soy bean meal and corn. Good export news also added the positive tone to the market sentiment. Egypt bought 115,000 tonnes of wheat from Russia. India's State Trading Corporation said that it may buy up to 550,000 tonnes of wheat in a tender on Monday. India's total has been raised since PEC Ltd. only bought 150,000 tonnes against a tender for 350,000 tonnes that was announced earlier. Forecasts call for increases moisture across the Great Plains over the weekend with some light, beneficial coverage in dry areas of the south-western wheat belt. However, this rainfall could damage the wheat crop if it is accompanied by more freezing and thawing. Deliveries against the December contract were fairly heavy again at 1,142 contracts.

Source: CBOT

USDA Wheat Weekly Export Sales Down

Net sales of 235,900 metric tons were 42 percent below the previous week and 29 percent under the prior 4-week average. Increases reported for Mexico (74,200 MT), Nigeria (72,600 MT), Pakistan (49,000 MT), switched from unknown destinations), Israel (48,200 MT), and Indonesia (30,100 MT, including 30,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (80,500 MT), Morocco (75,000 MT), and the United Arab Emirates (26,000 MT). Net sales of 131,500 MT for delivery in 2008/09 were mainly to the Philippines (77,500 MT) and unknown destinations (45,000 MT). Optional origin sales of durum wheat were reported

for Nigeria (6,000 MT) for delivery in 2008/09. Exports of 651,800 MT were 13 percent above the previous week and 2 percent over the prior 4-week average. The primary destinations were Thailand (100,100 MT), Venezuela (67,200 MT), Nigeria (63,800 MT), Egypt (60,700 MT), Mexico (54,200 MT), and Japan (51,500 MT). November 23-29, 2007. Source: USDA

CROP- WEATHER ANALYSIS

Sowing of wheat is going on in Punjab, Haryana, UP, Bihar, Maharastra, MP, Gujarat, Rajasthan, Jharkhand, Assam, WB, Arunachal Pradesh, HP and Kashmir division. Early sown crops are at crown root initiation / early vegetative stage. Expected scattered rainfalls in northern plains will be helpful for the crop; otherwise irrigation is needed for the crop.

WEATHER WATCH (WEEK ENDING ON 5th December, 2007)

- Last week's upper air trough extending from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim in the lower tropospheric levels persisted on 29th November and became less marked on 30th.
- Weak easterly waves sometimes with embedded cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea during the week.
- A western disturbance as an upper air system lay over north Pakistan & neighbourhood on 29th, over Jammu & Kashmir & neighbourhood during 30th November to 2nd December and moved away eastward thereafter.
- An upper air cyclonic circulations in lower tropospheric levels lay over north Pakistan & neighbourhood on 4th and over Jammu & Kashmir and neighbourhood on 5th December.
- An upper air cyclonic circulations in lower tropospheric levels lay over Assam & neighbourhood during 30th November to 3rd December and moved away eastwards on 4th.

Rainfall:

Under the influence of the above systems:

- Isolated to scattered rain/thundershowers occurred over coastal Tamil Nadu during many days of the week.
- Isolated rain/thundershowers occurred over Kerala on 29th.
- Isolated rain/thundershowers occurred over northeastern States on a few days of the week.
- Isolated to scattered rain/thundershowers occurred over Punjab, Jammu & Kashmir and Himachal Pradesh on 29th & 30th November, over Haryana, northwest Madhya Pradesh and West Uttar Pradesh on 2nd December.
- Mainly dry weather prevailed over remaining parts of the country during the week.

Outlook for the week ending on 12th December 2007

- ✓ Isolated to scattered rain/thundershowers are likely over extreme south peninsula.

- ✓ Under the influence two western disturbances, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the week.
- ✓ No significant change in night temperatures during first half of the week

and rise in night temperatures by 2-3°C during second half of the week is likely over plains of northwest & adjoining central India.

Source: IMD

IGC WORLD WHEAT ESTIMATES (22.11.07)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				25.10	22.11
Production	628	620	590	602	603
Trade	110	110	111	105	104
Consumption	616	624	610	610	611
Stocks	140	137	118	109	110
Year-Year Change	+12	-3	-19	-9	-9
5 Major Exporters [#]	59	58	38	25	26

(Million tonnes)

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 10th December, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.41
1 Euro	57.58
100 Yen	35.42
1 British £	79.81

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