

## W H E A T

Dec. 21, 2007

**Domestic Market Recap**

During Thursday's trade, domestic wheat prices mostly traded steady to slightly better on good offtake from the rolling flour millers amidst tight supply. In Delhi (Lawrence road) ready delivery quoted steady Rs.1055-1065/qrtl on good offtake from the consuming units against slightly restricted arrival. The lower winter wheat acreage along with global wheat stocks further imparted bullish sentiment to the wheat prices. But still govt is optimistic to achieve the targeted production of 75.5 million tonnes, agriculture minister reported yesterday in NDC meeting. He also further said that govt. is not to decide whether to import wheat or not. However, prices dipped in UP (Mathura) loose basis on subdued demand against steady supply. In southern mandis, wheat mostly traded steady to slightly firm on good buying by the suppliers against steady supply. In Delhi mandis, various wheat products mostly traded mixed as Atta (90kg) steady at Rs.1072, maida grade 1 (90kg) at Rs.1220, Suji (50kg) at Rs.680, Chokar (50kg) up at Rs.404 and Chakki atta (90 kg) steady at Rs.985. However, there is higher acreage under wheat in Haryana, Punjab and West Bengal due to favourable climate and higher MSP. But the total winter crop area is lost due to moisture stress and initial higher temperature in Madhya Pradesh (Gwalior, Rewa and Sagar Divisions), Uttar Pradesh (Bundelkhand region) and rain fed areas of Rajasthan. State Governments were of the opinion that the prevailing favourable climatic conditions and the interventions of National Food Security Mission especially inducing substantial higher consumption of quality seeds and nutrients would result in higher productivity and production. However, in coming days, wheat may trade range bound at higher side.

**Domestic Spot Market Prices**

Market	Variety	Prices (Rs/qrtl)		Change	Arrivals (Qtls)
		20.12.07	19.12.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1055-1065	1060-1065	-	11000
Delhi (Narella) Loose	Mill quality	1015-1030	-	-	1500
Delhi (Najafgarh) Loose	Mill Quality	1012-1018	-	-	1300
Haryana (Palwal) Loose	Mill quality	970-975	968	+7	300
Uttar Pradesh (Mathura) Loose	Mill quality	983	985-990	-7	600
Uttar Pradesh (Kosi) Loose	Mill quality	990-996	991	+5	350
Gujarat (Rajkot) Loose	Mill quality	990	990	-	2000
Rajasthan (Kota)	Mill quality	1030-1040	1030-1040	-	500
Uttar Pradesh (Kanpur)	Mill quality	1020-1030	1015-1020	+10	1000
Madhya Pradesh (Indore)	Mill quality	1030-1040	1030-1040	-	1200
Uttar Pradesh (Bareilly)	Mill quality	1000-1010	1000-1010	-	500

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

Contract Month	Open	High	Low	Settle	Change
March 2008	954.50	979.00	947.00	973.50	+21.50
May 2008	946.00	974.00	945.00	969.00	+23.00
July 2008	768.00	791.75	768.00	784.75	+15.25

**KCBT**

Contract Month	Open	High	Low	Settle	Change
March 2008	970.00	995.00	967.25	995.00	+23.50
May 2008	961.00	985.00	958.00	984.50	+29.50
July 2008	790.00	817.00	790.00	816.50	+23.00

**International Market Recap****CBOT Wheat Futures Settled Moderately Higher On Wednesday**

CBOT wheat futures settled moderately higher on Wednesday. March Wheat finished up 21.5 cent at \$973.50 per bushel; this was 5.5 off to the high and 18.5 cent up from the low. July Wheat closed up 15.25 cent at \$784.75 per bushel. This was 11.75 up from the low and 6.75 off to the high. CBOT wheat futures opened higher and settled higher on short covering. The strength also came from the unwinding of long corn/short wheat spreads that were put on over the past week in anticipation of a top in wheat. The good news also came from Japan that the govt. is planning to double its budget for wheat imports to 3.3 billion dollars next year. As per the sources, Japan expects current high price levels will continue into early 2008. South Korea is all set to cancel import taxes on wheat, corn and soybeans to help curb food inflation, which raises the possibility that this already large importer will import even more grain next year. Meanwhile, Russian govt. is confident that the present pace of exports will leave it with sufficient domestic stocks. This allows them not to curb grain exports until February 1st. Weather remains favorable in the US and as well as Argentina.

**News Analysis****Govt. Yet To Decide For Fresh Wheat Import**

According to the Agriculture Minister, govt. is yet to decide whether and when to hold the fresh wheat import tenders. However, on Monday, State Trading Corporation received only three offers in a tender to import around 350,000 metric tons of wheat. Govt. has so far bought around 492,500 tonnes of wheat against a target of 1 million tonnes by March. However, although wheat sowing is lagging compared to last year, the govt. is still optimistic about achieving the target of 75 million tonnes of wheat in the crop year, which starts from April 1. This crop year, the country produced around 74.89 million tonnes of wheat. As per the govt. estimate, overall acreage might be around 500,000 hectares less than last year's record 28.04 million hectares. However, the final output will not be harmed because of higher yields in the main wheat growing provinces of Punjab and Haryana.

**STC Received Bids at \$460-580 a tonne for imported wheat**

On Monday, STC on behalf of central govt. received offers from three multinational firms for importing wheat at a maximum price of \$ 579.6 a tonne. The bids for STC tender are 45-46 per cent higher than the price finalised by the other two state trading firms. As per the trade sources, Swiss firm Glencore, US trading company Cargill and Germany's Toepfer submitted bids in a range of \$459.9 to a record of \$579.6 per tonne for supply of about 3.15 lakh tonnes. However, earlier in this month, the Ministry of Commerce had allowed PEC Ltd to import 1.5 lakh tonnes of wheat at \$ 396.9 per tonne. Earlier, on November 23, MMTC Ltd decided to buy 3.425 lakh tonnes at an average price of \$ 400.19 a tonne. Interestingly, as prices surged to a record of \$ 579.6 a tonne, the quantity that bidders offered to STC has drastically come down. MMTC had received bids for 10.15 lakh tonnes for its tender floated on November 12. PEC had received bids for a total quantity of 6.3 lakh tonnes of imported wheat. Meanwhile, the government is confident of 75 million tonnes wheat production in the current Rabi season although it estimates the area under coverage to marginally dip compared to last year. The country produced 74.89 million tonnes of wheat in 2006-07.

**Weather Impact Analysis**

Cool winter forecast for the current year favours wheat crop. However, states like UP and MP requires one to two showers for wheat sowing within 15 days. However, the over all weather condition is favourable for the growth of wheat plant.

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