

WHEAT

Dec. 18, 2007

Domestic Market Recap

During Monday's trade, domestic wheat prices firmed up on increased offtake from the roller flour millers and consuming units amidst steady to restricted arrival. Lower winter wheat acreage along with govt. of India's wheat import of 3.5 lakh tonnes at \$459.90-\$579.62/tonne further added the bullish tone to the market sentiment. STC received tender from the two bidding companies who offered price at Rs. \$459.90-\$579.62/Tonne including delivery at Indian port. But prices dipped in Rajkot (Gujarat) Rs.10/qlt from last week's level due to unloading of stocks by the stockists against the subdued offtake from the consuming units. Wheat prices mostly traded steady in southern markets on a normal demand-supply situation. In Delhi (Lawrence road) ready delivery prices quoted up Rs.1045-1060/qlt from the previous level of Rs.1045-1055 on good buying against the restricted arrival of 8500 qtls. In Delhi mandis, various wheat products mostly traded mixed as Atta (90kg) up at Rs.1072, maida grade 1 (90kg) at Rs.1220, Suji (50kg) at Rs.680, Chokar (50kg) down at Rs.391 and Chakki atta (90 kg) up at Rs.985. India's state-run State Trading Corporation on behalf of govt. received two bids for its tender to import 3.5 lakh tonnes of wheat on Monday. The tender is expected to be awarded later in this week or early next week. According to the Agriculture Ministry's December 14 Crop Weather Watch Report, the total area shown under winter wheat crops stood around 206.32 lakh hectares compared to last year's 234.48 lakh hectares during the same period. According to the report of a senior govt. official, India's wheat production for the marketing year 2008, may touch the targeted 75 million metric tons if the weather remains favorable during the growing stage.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qlt)		Change	Arrivals (Qtls)
		17.12.07	15.12.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1045-1060	1045-1055	+5	8500
Delhi (Narella) Loose	Mill quality	1010-1025	985-1007	+18	3000
Delhi (Najafgarh) Loose	Mill Quality	1010-1020	990-1001	+19	1500
Haryana (Palwal) Loose	Mill quality	965	956-960	+5	400
Uttar Pradesh (Mathura) Loose	Mill quality	985-990	978-988	+2	600
Uttar Pradesh (Kosi) Loose	Mill quality	985-992	963-970	+22	300
Gujarat (Rajkot) Loose	Mill quality	980	990	-10	2500
Rajasthan (Kota)	Mill quality	1035-1045	1035-1040	+5	500
Uttar Pradesh (Kanpur)	Mill quality	1015-1020	1000-1015	+5	1400
Madhya Pradesh (Indore)	Mill quality	1040-1045	1040-1045	-	1400
Uttar Pradesh (Bareilly)	Mill quality	995-1000	990-995	+5	1000

International Futures Quotes (as of December 14, 2007)

CBOT

Contract Month	Open	High	Low	Settle	Change
March 2008	956.75	981.75	940.00	979.50	+26.00
May 2008	953.75	976.25	941.25	974.50	+19.00
July 2008	799.50	809.50	783.00	788.00	-19.50

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	979.25	1000.00	966.00	999.25	+16.25
March 2008	983.00	990.00	962.00	989.00	+9.75
May 2008	829.75	837.00	804.00	814.75	-17.25

International Market Recap**CBOT Wheat Futures Settled Mixed**

CBOT wheat futures settled mixed on Friday after a whole day quiet trading but recovered slightly towards the close. Due to some late session aggressive buying, March contract reached a new all time high and closed 26 cents higher. A winter storm that hit Kansas and Oklahoma added additional moisture on areas of western Kansas, western Oklahoma and the northern Texas panhandle. Both Chicago and KC contracts were under pressure early from weather developments with deferred contracts sharply lower early in both Chicago and KC. Crop weather in the US was good. The other factors are demand and short covering supported the market sentiment. Egypt cancelled a tender for 55-60,000 tonnes of wheat due to higher price. As the projected delivery was on January, they have to enter into the market again, analysts believed. Gulf basis levels are steady. The winter storm may slow farmer selling a bit, but selling was already very light in the southern Great Plains where the storm is hitting. Informa pegged 2008 US all-winter wheat acreage at 48.7 million acres compared to 45.1 million acres last year.

News Analysis**Wheat Acreage Stood At 206.32 Against Last Year's 234.48 Lakh Hectares**

According to the Agriculture Ministry's December 14 Crop Weather Watch Report, the total area shown under winter wheat crops stood around 206.32 lakh hectares compared to last year's 234.48 lakh hectares during the same period. The normal total area under wheat is 261.97 lakh hectares but there was record planning of 279.84 lakh hectares last year. While there was higher acreage in Punjab, West Bengal, Uttarakhand and Haryana compared to last year and even more than normal area, but it was lagging in UP, MP, Rajasthan, Gujarat, Maharashtra, etc. The cumulative acreage has been declined in UP from 77.98 lakh hectares to 65.17 lakh hectares, in MP from 35.10 to 28.10 lakh hectares, Rajasthan from 19.10 to 17.12, Gujarat from 9.22 to 8.18, Maharashtra from 8.56 to 7.37, Bihar from 12.96 to 10.57 and Karnataka from 2.39 to 2.06 lakh hectares. The main reason attached to the decline is due to dry climate over the major wheat growing areas. Most of the northern Indian states have not received any rainfall since August of this year. However, in UP, the area was declined due to late crushing of sugar cane. Farmers are unwilling to crush sugar cane as millers are not giving good remunerations. Now the Centre's hopes mainly rest on more area coming under late sown wheat in eastern UP and Bihar, which could partially offset the declines in M.P., Rajasthan and western UP.

STC Received Two Bidders For Its Wheat Import Tender

India's state-run State Trading Corporation on behalf of govt. received two bids for its tender to import 3.5 lakh tonnes of wheat on Monday. The two bids have been received from Cargil and Glencore. The tender is expected to be awarded later in this week or early next week.

India May Achieve Targeted Wheat Production Of 75 Million Tonnes

According to the report of a senior govt. official, India's wheat production for the marketing year 2008, may touch the targeted 75 million metric tons if the weather remains favorable during the growing stage. Govt. is optimistic to achieve the targeted wheat production as the gap in sowing between this year and last year is bridging faster. As per the Agriculture Secretary, although there was initial late sowing in the western UP and Madhya Pradesh, but govt. is optimistic the area will be covered in the next two weeks. The government is also hopeful that the final wheat acreage may be around 27 million hectares compared to last year's record of 28.4 million hectares. The normal will be maintained as there is some shift in cropping pattern as some rapeseed acreage may go for wheat cultivation. Secretary also said that the crop condition in the country's two largest wheat growing provinces of Punjab and Haryana is in excellent condition, with the acreage also rising. India may not import if country's production touches the 75 million tonnes figure.

Weather Impact Analysis

Sowing conditions are good following good monsoon in rain-fed areas. Cool winter forecast for the current year favours wheat crop. However, states like UP and MP requires one to two showers for wheat sowing.

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