

WHEAT

Nov 26-Dec 1, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Argentina Harvested 14% Wheat Crop
- Wheat Rabi Acreage Is lagging
- IGC Wheat Production Forecast 603 Million Tonnes
- Germany's 2008 Wheat Area Estimation Up 6%-7% - Toepfer
- Import Of 3.5 Lakh Tonnes Of Wheat Will Be Delivered In Feb.08

MARKET FUNDAMENTALS:

During the week, wheat domestic prices mostly traded steady to down on lower offtake by roller flour millers amidst sustained supply. The unloading of stocks by the farmers as well as stockists further added negative tone to the market sentiment. However, midweek onwards, wheat prices slightly firmed up on good demand from the southern markets as well as the news of steady production due to drop in rabi acreage. According to latest government data, wheat has been sown on around 8 million hectares as of Nov. 23, down 30% on year. The major losses in wheat acreage at present are coming from the key wheat-growing provinces of Uttar Pradesh and Madhya Pradesh. In Uttar Pradesh, acreage is down by almost 856,000 ha, while in Madhya Pradesh, it's down by almost 806,000 ha. Reason for acreage drop in the two provinces is that farmers who planted sugar cane for the summer-sown crop are refusing to harvest the crop as these lands will be used for wheat sowing. Farmers are not harvesting sugar cane due to lower prices paid to them from millers. Meanwhile, a senior scientist in ICAR said that the drop in acreage could have some impact on the final outcome as any crop planted after November will not give the desired yields. He also noted that sowing beyond Nov. 25 will have to pay a price in terms of low yield, as each day's delay in sowing after that date equals a loss of 25-30 kg in yield per day. India's average wheat yield in 2006 was 2,600 kg/ha. During the week, Delhi (Lawrence road) ready delivery traded in the range of Rs.1045-1052/mtl whereas arrival stood around 9000 and 15 000 qtls. In southern markets, wheat mostly traded range bound on steady demand-supply situation. In Delhi, various wheat products mostly quoted steady.

OUTLOOK:

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

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

Markets	24.11.07	01.12.07
Delhi (Lawrence Road) truck loaded ready delivery	1045-1050	1045-1052
Haryana (Karnal)	1045-1055	1040-1045
Punjab (Khanna)	1030-1040	1030-1035

Rajasthan (Kota)	1060-1065	1045-1050
Uttar Pradesh (Kanpur)	1015-1025	1020-1025
Madhya Pradesh (Indore)	1045-1055	1040-1045
Uttar Pradesh (Bareilly)	1005-1010	990-1000
Punjab (Sunam) Loose	980-985	980-990
Ludhiana (Jagraon) Loose	930	940
Rajkot Loose Price	990-1000	970-975
Madhya Pradesh (Bhopal) Loose	990-1000	980-1000

Wheat Products	24.11.07	01.12.07
Atta (90kg)	1072	1063
Maida Grade 1(90kg)	1265	1265
Suji (50kg)	705	705
Chokar (50 kg)	408	403
Chokar (35 kg)	271	271
Chakki Atta (90kg)	978	980

Following was the status in other mandis, with active millers and private trade buying: (01.12.2007)

Place	Arrivals	Price
Mathura	700 Qtls	Rs.970/mtl
Kosi	400qtls	Rs.978-984/mtl
Najafgarh	1000 Qtls	Rs.1007-1013/mtl
Palwal	300 Qtls	Rs.962/mtl
Narella	1000 Qtls	Rs.1000-1013/mtl

INTERNATIONAL AND DOMESTIC NEWS:

Argentina Harvested 14% Wheat Crop

As per Argentina's Agriculture Secretariat, by November 29, Argentina's total wheat harvesting stood around 14 per cent, below 18 percentage points harvested in the last season. Yields from the early wheat have averaged about 2 metric tons per hectare. The Secretariat estimated 2007-08 wheat production around 15.4 million tonnes.

Wheat Rabi Acreage Is lagging

As per data compiled by Agriculture Ministry as on 30th November, Wheat has been sown in 146 lakh ha as compared to 80 lakh ha at the end of last week. However, it is yet low as compared to 180 lakh ha, the acreage under wheat during the corresponding period last year.

Germany's 2008 Wheat Area Estimation Up 6%-7% - Toepfer

As per Hamburg-based grain trading house Toepfer International report, Germany's 2008 wheat acreage is estimated to be up 6-7% on the year at approximately 3.2 million hectares.

Pakistan Abolished the Support Price of Wheat

The government of Pakistan on Tuesday practically abolished the support price of wheat. The last meeting of the Economic Coordination Committee of the cabinet under the present government also approved tax exemptions for Gwadar Port's Singaporean operators for up to 40 years. According to a senior govt. official, after the meeting that the ECC had decided to de-link support price and procurement price of wheat and had set a target of seven million tonnes of wheat procurement for the 2007-08 crop at prices to be decided at the procurement time. Govt. procured 5 million tonnes of wheat last year. According to a participant, this decision was taken due to a clear divide between the ruling Pakistan Muslim League and the prime minister as it might hurt the party in the elections, particularly in rural areas. The prime minister has granted tax exemptions to foreign investors in Gwadar Port for 40 years but deprived domestic farmers of an essential and decades-old system of wheat support price on foreign advice. The official also said the total wheat stocks stood at about 3.347 million tonnes as of November 11 and the import of about 50,000 tonnes would be completed by the end of the current month, followed by another 150,000 tonnes by the end of December and 300,000 tonnes by the end of January to complete the target of 500,000 tonnes.

Import Of 3.5 Lakh Tonnes Of Wheat Will Be Delivered In Feb.08

Govt. of India has floated a global tender to buy up to 3.5 lakh tonnes of wheat from the overseas market to increase its buffer stock. The State-owned international trading company MMTC Limited has floated the tender on behalf of the government to import wheat that will be delivered in India by February 10, 2008. The bids will close on November 19 and a decision on the tender will be taken by November 24. Govt. also said that wheat can be imported from any global market provided the quality norms are not violated. The govt. has also fixed the maximum quantity of wheat that can be shipped from each port. The quantity limit per ship at Mundra port will be 65,000 tonnes, Kakinada 50,000 tonnes and Kandla 45,000 tonnes.

Punjab Farmers May Plant 1 Lakh Ha More Area Under Wheat Than Estimated

Indian Agribusiness Systems Pvt. Ltd., New Delhi

Due to govt. of India's decision to increase MSP of Rs.1000/qlt has seen the rise of wheat acreage. The govt. of Punjab had set the target of bringing an area of 33.75 lakh hectares under wheat cultivation for the rabi season. According to a govt. official, the actual area may extend to 34.80 lakh hectares from set target of 33.75 lakh hectares. The increase in area under wheat cultivation would mean reduction in area under other crops like, pulses, sugarcane etc. The govt. of Punjab is expecting total production around 145 lakh tonnes, the same amount achieved last year.

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 Mixed

CBOT wheat futures settled mixed on Friday. March Wheat finished down 2.75 cent at \$885.50 per bushel; this was 26 off to the high and 17.5 cent up from the low. July Wheat closed up 15.5 cent at \$762.00 per bushel. This was 27 up from the low and 12 off to the high. CBOT wheat futures like markets of soy bean and corn opened weak but gradually recovered with the strength from the outside markets like crude oil. The Commitments of Traders Report will confirm whether this short covering needs to continue, or if it is near and end. Longer term influences remain supportive including crop weather and strong export sales. Despite cancellation of a tender for 77,500 tonnes of wheat, Taiwan has simply deferred this needed purchase of wheat to a later date.

Source: CBOT

USDA Wheat Weekly Export Sales Down

Net sales of 407,500 metric tons were 17 percent below the previous week, but 48 percent over the prior 4-week average. Increases reported for Pakistan (100,000 MT), Japan (89,700 MT), South Korea (75,000 MT), Jamaica (22,500 MT), and Nigeria (20,000 MT), were partially offset by decreases for Barbados (24,300 MT). Net sales of 90,500 MT for delivery in 2008/09 were mainly to unknown destinations (81,500 MT).

Exports of 575,800 MT were 7 percent below the previous week and 18 percent under the prior 4-week average. The primary destinations were Egypt (235,400 MT), Iraq (50,000 MT), Colombia (47,700 MT), Israel (46,200 MT), Guatemala (29,100 MT), Nigeria (29,100 MT), and Morocco (24,500 MT). November 16-22, 2007. Source: USDA

CROP- WEATHER ANALYSIS

Land preparation and sowing of wheat is going on in Punjab, Haryana, UP, Bihar, Maharastra, Gujarat, Rajasthan, Jharkhand, Assam, Arunachal Pradesh, HP and Kashmir division. Early sown crops are at germination / 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 28th November, 2007)

- Weak easterly waves sometimes embedded with cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, Southwest Bay of Bengal, extreme south peninsula and southeast Arabian Sea during the week.
- Last week's upper air cyclonic circulation over southwest Bay of Bengal and adjoining Commorin area and neighbourhood persisted on 22nd November in the lower tropospheric levels and moved away westwards thereafter.
- An upper air trough extended from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim between 0.9 and 1.5 Km above mean sea level during 25th to 28th.

Rainfall:

Under the influence of the above systems:

- Isolated to scattered rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week.
- Isolated rain/thundershowers occurred over coastal Tamil Nadu and south Kerala on a few days of the week.
- Isolated rain/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim on 27th & 28th.
- Mainly dry weather prevailed over remaining parts of the country during the week.

Outlook for the week ending on 5th December 2007

- ✓ Under the influence of western disturbance, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the first half of the week.
- ✓ Increase in rainfall activity over extreme south peninsula.
- ✓ Fog condition is likely over plains of northwest India during second half of the week.

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 3rd December, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.67
1 Euro	58.46
100 Yen	35.94
1 British £	81.78

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