

## WHEAT

December 24-29, 2007

### MAJOR ACTIVITY HIGHLIGHTS

- **STC Wheat Import Tender Was Cancelled: Official**
- **China Eliminate Export Tax Rebates On Corn, Wheat, Rice and Soy Bean**
- **Govt. Yet To Decide For Fresh Wheat Import**
- **Wheat Acreage Stood At 249.34 Against Last Year's 263.31 Lakh Hectares**
- **IGC Wheat Production Forecast 603 Million Tonnes**

### MARKET FUNDAMENTALS:

Initially trading steady at last week's level, wheat domestic prices improved on good offtake by the rolling flour millers amidst steady supply from the producing centres. Lagging winter wheat acreage compared to last year's along with the cancellation of wheat tender due to higher quoted prices by the global farms for the import of 3.5 lakh tonnes further supported the wheat domestic price. As per the latest data, wheat has been planted around 24.93 million hectares compared to last year's 26.33 million hectares due to dry weather in key growing areas. India's wheat growing regions are facing a shortage of rain, which could impact crops in non-irrigated areas. As per the T Storm forecast, there will be very little rainfall towards end of this month over the wheat growing areas as early sowing crops will be in the vegetative stage and requires more water. Govt. cancelled the wheat import tender due to high quoted price by the three global farm agencies. STC received three bids from global trading firms, between \$459.90 and \$579.62 per metric ton, basis cost and freight. Although the Centre had targeted to import 2.3 million tonnes in 2007, it bought 1.8 million tonnes only. Govt.'s wheat procurement was down by 4 million tonnes compared to last year while production went up from 69.35 million tonnes last year to 74.89 million tonnes in 2007. During the week, Delhi (Lawrence road) ready delivery traded steady to better Rs.1050-1065 and arrival stood around 9000 to 16 500 qtls. Wheat prices quoted higher in Mumbai, Bangalore and Hyderabad Rs.1140-1160, Rs.1255-1275 and Rs.1245-1260 respectively on good offtake from the consuming units. Due to unloading of stocks by the farmers and stockists, wheat prices slightly declined in Punjab and Gujarat mandis. In Delhi, various wheat products mostly quoted steady on good offtake.

### OUTLOOK:

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

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

Markets	22.12.07	29.12.07
<b>Delhi (Lawrence Road) truck loaded ready delivery</b>	<b>1060-1070</b>	<b>1048-1055</b>
<b>Haryana (Karnal)</b>	<b>1045-1050</b>	<b>1035-1040</b>

<b>Punjab (Khanna)</b>	<b>1030-1035</b>	<b>1060-1070</b>
<b>Rajasthan (Kota)</b>	<b>1030-1035</b>	<b>1050-1060</b>
<b>Uttar Pradesh (Kanpur)</b>	<b>1015-1020</b>	<b>1025-1035</b>
<b>Madhya Pradesh (Indore)</b>	<b>1045-1055</b>	<b>1060-1070</b>
<b>Uttar Pradesh (Bareilly)</b>	<b>1000-1005</b>	<b>1010-1015</b>
<b>Punjab (Sunam) Loose</b>	<b>920</b>	<b>930-940</b>
<b>Ludhiana (Jagraon) Loose</b>	<b>950</b>	<b>960</b>
<b>Rajkot Loose Price</b>	<b>990</b>	<b>1010-1020</b>
<b>Madhya Pradesh (Bhopal) Loose</b>	<b>1000</b>	<b>1010-1020</b>

Wheat Products	22.12.07	29.12.07
<b>Atta (90kg)</b>	<b>1081</b>	<b>1081</b>
<b>Maida Grade 1(90kg)</b>	<b>1220</b>	<b>1211</b>
<b>Suji (50kg)</b>	<b>680</b>	<b>675</b>
<b>Chokar (50 kg)</b>	<b>409</b>	<b>409</b>
<b>Chokar (35 kg)</b>	<b>277</b>	<b>271</b>
<b>Chakki Atta (90kg)</b>	<b>990</b>	<b>990</b>

Following was the status in other mandis, with active millers and private trade buying: (29.12.2007)

Place	Arrivals	Price
Mathura	900 Qtls	Rs.985/ctl
Kosi	500 qtls	Rs.960-970/ctl
Najafgarh	1200 Qtls	Rs.1005-1012/ctl
Palwal	300 Qtls	Rs.962/ctl
Narella	1200 Qtls	Rs.1000-1015/ctl

## **INTERNATIONAL AND DOMESTIC NEWS:**

### **Wheat Acreage Stood At 249.34 Against Last Year's 263.31 Lakh Hectares**

As per data compiled by Agriculture Ministry as of December 28, sowing is progressing well in the present rabi season. Wheat has been sown in 249.34 lakh ha as compared to 263.31 lakh ha at the end of last year.

### **STC Wheat Import Tender Was Cancelled: Official**

According to a senior govt. official, the latest wheat import tender from State Trading Corporation on behalf of the government was cancelled. The validity period of the tender has lapsed and STC have not received any official communication from the government till now, which implies that the tender has been cancelled, officer said. Due to high quoted price by the three global farm agencies, the tender was cancelled. STC received three bids from global trading firms, between \$459.90 and \$579.62 per metric ton, basis cost and freight. STC had floated the tender on December 10 and bids were valid till December 22. STC had on December 17 received offers from three MNCs for importing wheat at a maximum price of \$579.6 a tonne, a jump of almost 45% over the price decided by two other government agencies for buying the grain barely weeks ago.

### **China Eliminate Export Tax Rebates On Corn, Wheat, Rice and Soy Bean**

China, the world's biggest grain consumer, will eliminate export tax rebates on a range of food commodities as part of a series of measures to secure domestic supplies and control rising food prices. The tax incentives on exports of crops including wheat, rice, soybeans, corn, barley and oats, as well as flour milled from these grains, will be eliminated from Dec. 20, the central govt. reported. Last month, China's food costs gained 18.2 percent pushing inflation to the highest in 11 years. The government has sold corn, wheat and vegetable oil from state reserves and asked local authorities to boost emergency stockpiles. Traders are not expecting China to export corn next year after the decision on tax rebates. The central govt.'s website also said that exporters who sign sales contracts before Dec. 20 and register with the tax authorities before Dec. 31 may continue to receive the incentives if their products are shipped before Feb. 29, 2008. China shipped 4.9 million tonnes of corn and 1.2 million tonnes of rice overseas in the first 11 months of this year, up 85 percent and 7 percent respectively, as per the custom data. In January to October, exports of wheat more than tripled to 1.8 million tonnes and shipments of soybeans rose 29 percent to 376,000 tonnes.

### **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.

### **Wheat Acreage Under Various States As On Dec 14**

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.

### **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.

### **French Soft Wheat Plantings Up 3.4% On Year**

French farmers planted 4.96 million hectares of soft wheat in this crop year, a rise of 3.4%. This rise in plantation is due to the higher wheat prices from last season. French barley plantings were also estimated to be up 3.8% from the 2007-08 crop year at 1.23 million hectares.

### **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

### **Egypt GASC Buys 30,000 Tonnes Of Russian Wheat**

The state-owned General Authority for Supply Commodities of Egypt bought 30,000 metric tons of Russian wheat in a tender. The wheat was purchased at \$400.2/tonne from United Trading for February delivery on a free-on-truck basis.

### **Argentina's Oct Wheat Grind Up 23% On Year**

As per the Agriculture Secretariat, Argentina milled 507,608 metric tonnes of wheat in October, up 23% from 411,841 tonnes in October 2006. Flour production totaled 380,208 tonnes in October, up from 306,648 tonnes during the same month a year earlier.

### **CWB May Export Wheat To India**

Global grain trading company Canadian Wheat Board (CWB) on Wednesday said it is expecting to sell over one million tonnes of wheat in the Indian market. CWB had exported one million tonnes of the grain to India last year. The board has already exported 3.15 lakh tonnes this year. The board is also exploring the possibility of tying up with the Indian government or any other company to undertake branding exercise of Canadian flour in the country. Canada's wheat output is around 18-20 million tonnes out of which country requires for 2 million tonnes for domestic consumption while rest is exported.

### **India May Import in 2008-09 Due To Lower Expected Domestic Production**

As per sources, due to lower winter wheat acreage, India may import wheat for the year 2008-09 to beef up the buffer stocks. The wheat buffer stocks for April 1, 2008 will be around 3.5 million tonnes. Although there is political debate on wheat import at higher price, govt. still continues its wheat import effort to fulfill its commitment to provide subsidized wheat under the PDS system. The State Trading Corporation on Monday floated a wheat import tender for an unknown quantity, as part of the Centre's

exercise to boost buffer stocks by 1 million tonnes. Although the tender does not specify the total quantity, it has asked for a total wheat delivery of 3.5 lakh tonnes by April 15, 2008, at Mundra, Kakinada, Kandla, Chennai, Visakhapatnam, Tuticorin, Cochin and Mumbai ports. However, STC is likely – as with earlier tenders – to grab all eligible offers up to 5 lakh tonne "at the right price". The govt. was able to make the deal at around \$400 per tonne of late against offers ranging from \$395.88 to \$483 per tonne despite global tight supply. Due to late sowing and lower acreage, total output may fall even last year's output of 74.9 million tonnes which has already necessitated imports.

### **USDA Lowered US Wheat Ending Stocks By 32 Million Bushels**

On Tuesday, USDA lowered the US wheat stocks around 280 million bushels for 2007-08 marketing year, which will be lowered since Second World War Period. The new ending stocks forecast is a 32-million-bushel drop from the 312 million bushels that USDA predicted last month. Domestic food use for wheat is higher than expected and exports are forecast 25 million bushels due to strong export demand against reduced supply due to crop damage in some major exporting countries. U.S. food production is now expected to consume 945 million bushels of wheat in the 2007-08 marketing year, up from the November forecast of 940 million bushels. U.S. wheat exports, according to the report, are now seen reaching 1.175 billion bushels, up from the November forecast of 1.15 billion bushels. The USDA, in its November supply and demand report, raised its forecast for world wheat production by 2.83 million metric tons to 603.3 million tons. For the December report, USDA lowered that forecast down to 602.31 million tonnes. Source USDA

### **CBOT Wheat Futures Settled Lower On Friday On Technical Selling**

CBOT wheat futures settled lower on Friday on profit taking. March Wheat finished down 30 cent at \$885.00 per bushel; this was 35 off to the high and equal to the low. July Wheat closed down 14 cent at \$778.00 per bushel. This was 2 up from the low and 23 off to the high. On Friday, CBOT wheat futures opened weak and continued trading at lower territory in many of the session. Wheat futures lacked fresh buyers and absences of any supportive news as in soy bean and corn. Wheat export sales have also declined in December. Very good winter wheat crop weather over the wheat growing areas in US and generally fair to good crop conditions elsewhere in the world further added the negative tone to the market sentiment. The fact that funds have not been buyers on the recent break in wheat, despite being strong buyers in corn and soybeans might also have encouraged technical selling. Apparently some traders are also concerned about the potential for reallocation by funds whose positions might have become too heavily weighted toward wheat in 2007 by virtue of the fact that wheat rallied more than corn and other commodities. For several weeks, traders have speculated that funds would need to sell wheat in order to balance the way that capital is distributed among the commodities in which they are invested. *CBOT*

### **USDA Wheat Weekly Export Sales Up**

Net sales of 299,000 metric tons were 46 percent above the previous week, but 12 percent under the prior 4-week average. Increases reported for Japan (234,900 MT), Mexico (59,400 MT), Venezuela (53,000 MT), Colombia (24,500 MT, including 12,000 MT switched from unknown destinations), and South Korea (19,500 MT), were partially offset by decreases for Algeria (100,000 MT) and Egypt (16,000 MT). Note: Durum wheat sales of 6,100 MT for Nigeria were switched from optional

origin to U.S. origin. Net sales of 120,000 MT for delivery in 2008/09 were for unknown destinations. Exports of 381,300 MT were 27 percent under the previous week and 37 percent below the prior 4-week average. The primary destinations were Iraq (99,000 MT), Pakistan (50,100 MT), Taiwan (44,400 MT), Cuba (26,500 MT), South Korea (25,800 MT), and Italy (24,900 MT). December 14-20, 2007. Source: USDA

### CROP- WEATHER ANALYSIS

Crops are at crown root initiation / tillering stage in Punjab, Haryana, UP, Bihar, Maharashtra, MP, Gujarat, Rajasthan, Jharkhand, Assam, WB, Arunachal Pradesh, HP and Kashmir division. Irrigation is needed for the crop in most of the Wheat growing tracts.

### WEATHER WATCH (WEEK ENDING ON 19<sup>th</sup> December, 2007)

- A deep trough of low pressure at mean sea level ran from southwest Bay of Bengal to west central Bay of Bengal off Tamil Nadu and Andhra Pradesh coast on 20th & 21st December.
- Another trough of low pressure at mean sea level extended from southeast Arabian Sea to east central Arabian Sea on 20th and 21st and moved away slowly westwards thereafter.
- Last week's western disturbance as an upper air system over Jammu & Kashmir and neighbourhood persisted on 20th & 21st December and moved away eastward thereafter.
- An induced cyclonic circulation at lower tropospheric levels lay over south Pakistan & adjoining Rajasthan on 20th, West Rajasthan and adjoining Pakistan during 21st to 23rd and became less marked thereafter.
- A fresh western disturbance as an upper air system lay over north Pakistan and adjoining

Jammu & Kashmir on 24th and over Jammu & Kashmir and neighbourhood on 25th and 26th.

- A cyclonic circulation at lower levels lay over Nagaland, Manipur, Mizoram & Tripura (NMMT) and neighbourhood during the week.
- An another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 18th, over Jammu & Kashmir and neighbourhood on 19th.

### Rainfall:

#### Under the influence of the above systems:

- Fairly widespread rain/thundershowers with isolated heavy to very heavy falls occurred over Tamil Nadu & Puducherry, south coastal Andhra Pradesh and Rayalaseema on 20th and 21st and over Lakshadweep on 21st and 22nd.
- Isolated to scattered rainfall also occurred over Lakshadweep on 20th, Kerala, south interior Karnataka and coastal Karnataka on 20th and 21st and Andaman & Nicobar Islands and Tamil Nadu & Puducherry on 22nd.
- Isolated rain/snow occurred over Jammu and Kashmir on 21st and 22nd and over Rajasthan on 24th.

### Outlook for the week ending on 2<sup>nd</sup> January 2008

- ✓ Fog conditions in morning hours are likely over some parts of Indo-Gangetic plains.
- ✓ Fall in night temperatures are likely over northwest India during second half of the week: 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 <sup>#</sup>	59	58	38	25	26

(Million tonnes)

\*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

### FOREX (As on 31<sup>st</sup> December, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.44
1 Euro	57.69
100 Yen	34.93
1 British £	78.73

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