

CEREAL

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W H E A T

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Domestic Market Recap

During Tuesday's trade, domestic wheat prices mostly traded unchanged at Monday's level on steady demand-supply situation. Despite the successive highs in international wheat prices due to tight supply against strong export demand, but wheat domestic prices maintained steady. With the news of STC on behalf of central govt. received bids from three global farms for the supply of 3.5 lakh tonnes of wheat at \$460-580/tonne failed to impart any bullish sentiment. In Delhi and its surrounding mandis, wheat mostly quoted steady on good buying by the rolling flour millers against steady supply. However, prices dipped in Kanpur (UP) and Indore (MP) on subdued offtake against normal arrival. But prices firmed up in Bareilly and Kosi (UP) mill quality and loose basis respectively on increased offtake from the roller flour millers and consuming units amidst steady to restricted arrival. In southern markets, wheat traded range bound. The present climate favours wheat sowing. 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. 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 rainfed 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. Meanwhile, STC on behalf of central govt. received offers from three multinational firms for importing wheat at a maximum price of \$ 579.6 a tonne.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qrtl)		Change	Arrivals (Qtls)
		18.12.07	17.12.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1055-1060	1045-1060	-	7600
Delhi (Narella) Loose	Mill quality	1005-1025	1010-1025	-	1000
Delhi (Najafgarh) Loose	Mill Quality	1005-1020	1010-1020	-	1500
Haryana (Palwal) Loose	Mill quality	965	965	-	400
Uttar Pradesh (Mathura) Loose	Mill quality	990	985-990	-	600
Uttar Pradesh (Kosi) Loose	Mill quality	990-995	985-992	+3	450
Gujarat (Rajkot) Loose	Mill quality	980	980	-	2000
Rajasthan (Kota)	Mill quality	1040-1045	1035-1045	-	500
Uttar Pradesh (Kanpur)	Mill quality	1010-1015	1015-1020	-5	1500
Madhya Pradesh (Indore)	Mill quality	1030-1035	1040-1045	-10	1600
Uttar Pradesh (Bareilly)	Mill quality	1000-1015	995-1000	+15	800

International Futures Quotes (as of December 17, 2007)

CBOT

Contract Month	Open	High	Low	Settle	Change
March 2008	984.00	1009.50	965.00	966.00	-13.50
May 2008	978.00	1004.50	961.00	961.25	-13.25
July 2008	785.25	795.00	763.00	770.50	-17.50

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	998.00	1029.25	983.00	985.50	-13.75
March 2008	989.75	1016.00	973.00	980.00	-9.00
May 2008	812.00	822.00	792.75	795.75	-19.00

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

CBOT wheat futures settled down on Monday. March Wheat finished down 13.5 cent at \$966.00 per bushel; this was 43.5 off to the high and 1 cent up from the low. July Wheat closed down 17.5 cent at \$770.50 per bushel. This was 7.5 up from the low and 12.5 off to the high. CBOT wheat futures opened historic highs but settled lower due to profit taking and the absence of follow through buying. The market experienced an emotionally charged push to new milestones initially, but the absence of follow-through buying at the highs uncorked profit-taking pressure to send prices retreating lower. Markets could not gain due to weaknesses in soybean and corn. Ahead of the New Year and at present good price level, idea is that farmers will bring their products for sell. Wheat markets also lacked any good news for export of wheat. Export inspections were around 19.445 million bushels, a bit below trade expectations of 20-25 million. This compares to 27.680 million bushels last week and 17.361 needed each week to reach the USDA projection. Due to good weather, chances is that there will be slight increase in farmer selling of soft red wheat. Traders are expecting Russia to institute exports caps again after the first of the year. EU nations expecting increased wheat plantation this year due to price rise.

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 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

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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