

■ W H E A T

■ Dec. 20, 2007

Domestic Market Recap

During Wednesday's trade, domestic wheat prices firmed up on good offtake from the rolling flour millers and consuming units amidst improved supply. 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. In Delhi (Lawrence road) ready delivery quoted up Rs.1060-1065 on good offtake from the consuming units despite the increased arrival of 12 000 qtls. However, prices dipped in Rajasthan (Kota) and Bareilly (UP) on subdued demand against increased 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.399 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. 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. However, in coming days, wheat may trade range bound at higher side.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qty)		Change	Arrivals (Qtls)
		19.12.07	18.12.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1060-1065	1055-1060	+5	12000
Delhi (Narella) Loose	Mill quality	-	1005-1025	-	
Delhi (Najafgarh) Loose	Mill Quality	-	1005-1020	-	
Haryana (Palwal) Loose	Mill quality	968	965	+3	300
Uttar Pradesh (Mathura) Loose	Mill quality	985-990	990	-	500
Uttar Pradesh (Kosi) Loose	Mill quality	991	990-995	+4	500
Gujarat (Rajkot) Loose	Mill quality	990	980	+10	2500
Rajasthan (Kota)	Mill quality	1030-1040	1040-1045	-5	750
Uttar Pradesh (Kanpur)	Mill quality	1015-1020	1010-1015	+5	1200
Madhya Pradesh (Indore)	Mill quality	1030-1040	1030-1035	+5	1400
Uttar Pradesh (Bareilly)	Mill quality	1000-1010	1000-1015	-5	600

International Futures Quotes (as of December 18, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
March 2008	969.25	977.00	945.50	952.00	-14.00
May 2008	965.00	971.75	942.25	946.00	-15.25
July 2008	770.00	779.75	765.50	769.50	-1.00

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	985.00	993.50	965.25	971.50	-14.00
March 2008	983.00	984.00	955.00	955.00	-25.00
May 2008	795.00	799.00	786.00	793.50	-2.25

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

CBOT wheat futures settled down on Tuesday. March Wheat finished down 14 cent at \$952.00 per bushel; this was 23 off to the high and 5 cent up from the low. July Wheat closed down 1 cent at \$769.50 per bushel. This was 2.5 up from the low and 8.5 off to the high. CBOT wheat futures settled lower after continuing pull back of its recent all time highs. Markets mostly traded at the lower side on continuous profit booking. However, on good weather which is favourable for the wheat crop further added the bearish sentiment to the market tone as farmers started selling their stocks. The dollar rallied to a two-month high on Tuesday also contributed the weaknesses. The market is trying to adjust to a dramatically changed fundamental situation wherein new crop supplies may increase sharply over old crop's continued tight supplies. Japan floated a tender to buy 285,000 tonnes of US or Canadian wheat this week. South Korean millers are in the market for 22,000 tonnes of US wheat. Russia has sold 380,412 tonnes of wheat through a series of 15 domestic transactions in an on-going effort to curb inflation. Cash markets are quiet again amid tight supplies despite the fact that weather is mostly clear across the entire grain belt. Basis levels at the Gulf were steady.

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

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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