

## WHEAT

December 17-22, 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 206.32 Against Last Year's 234.48 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 as well as consuming units amidst steady supply from the producing centres. Markets also experienced growing demand from Kerala, T Nadu and Karnataka wheat consumers. Despite the lower winter wheat acreage, govt. is still optimistic of achieving the target of 75.5 million tonnes in the current crop year if weather remains favorable during the growing stage. As on December 14, wheat rabi acreage stood around 20.63 million hectares, down from 23.44 million hectares a year earlier. 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. 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. On Monday, STC on behalf of central govt. received offers from three multinational firms for import of 3.5 lakh tonnes of wheat at a price of \$460-580 a tonne. The bids for STC tender are 45-46 per cent higher than the price finalised by the other two state trading firms earlier. During the week, Delhi (Lawrence road) ready delivery traded up from last week's Rs.1030-1040/qrtl to Rs.1055-1065 whereas arrival stood around 7000 to 12 000 qtls. Despite the lower wheat acreage, wheat traded steady in various mandis of MP on a routine demand-supply situation. In Bangalore and Mumbai, wheat prices trades steady at Rs.1250-1270 and Rs.1150-1160 on good offtake from the consuming units against normal supply. In Delhi, various wheat products mostly quoted steady to better 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	15.12.07	22.12.07
Delhi (Lawrence Road) truck loaded ready delivery	1045-1055	1060-1070

Haryana (Karnal)	1025-1030	1045-1050
Punjab (Khanna)	1030-1035	1030-1035
Rajasthan (Kota)	1035-1040	1030-1035
Uttar Pradesh (Kanpur)	1000-1015	1015-1020
Madhya Pradesh (Indore)	1040-1045	1045-1055
Uttar Pradesh (Bareilly)	990-995	1000-1005
Punjab (Sunam) Loose	915-920	920
Ludhiana (Jagraon) Loose	935	950
Rajkot Loose Price	990	990
Madhya Pradesh (Bhopal) Loose	990-1000	1000

Wheat Products	15.12.07	22.12.07
Atta (90kg)	1063	1081
Maida Grade 1(90kg)	1220	1220
Suji (50kg)	680	680
Chokar (50 kg)	394	409
Chokar (35 kg)	270	277
Chakki Atta (90kg)	975	990

Following was the status in other mandis, with active millers and private trade buying: (22.12.2007)

Place	Arrivals	Price
Mathura	750 Qtls	Rs.986/qrtl
Kosi	400 qtls	Rs.995/qrtl
Najafgarh	1200 Qtls	Rs.1013-1021/qrtl
Palwal	300 Qtls	Rs.975/qrtl
Narella	1500 Qtls	Rs.1005-1030/qrtl

## INTERNATIONAL AND DOMESTIC NEWS:

### 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 canceled. 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 canceled, 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 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.

### 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.

### 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.

### 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 made 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 Mixed**

CBOT wheat futures settled mixed on Friday. March Wheat finished down 5 cent at \$949.00 per bushel; this was 11 off to the high and 7.5 cent up from the low. July Wheat closed up 10 cent at \$789.50 per bushel. This was 12.5 up from the low and 1.5 off to the high. CBOT corn futures settled mixed. CBOT March wheat futures made a new low for the week after the open and remainder of the day witnessed choppy trade. The market also traded at lower side on the speculative selling and aggressive buying in corn. Despite the frost in November, Argentina Agriculture Secretariat pegged the wheat production unchanged at 15.4 million tonnes. This is bearish news for the traders. However, in comparison to the USDA's estimate of 15.5 million tonnes, it is .5 million tonnes less. Argentina had suspended export registrations in early December until a full evaluation could be completed. Stronger outside markets and positive economic news firmed the market during mid session and short covering by speculators brought follow-through strength into the close. Source: CBOT

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

Net sales of 204,300 metric tons were 60 percent below the previous week and 50 percent under the prior 4-week average. Increases reported for Japan (118,900 MT), Mexico (84,600 MT), Nigeria (69,700 MT), Venezuela (42,100 MT), Tunisia

(28,300 MT, including 16,500 MT switched from Italy), and Costa Rica (25,900 MT, including 25,800 MT switched from Guatemala), were partially offset by decreases for unknown destinations (104,100 MT), Guatemala (23,900 MT), Italy (16,500 MT), and Portugal (9,700 MT). Note: Durum wheat sales of 1,600 MT for Nigeria were switched from optional origin to U.S. origin. Hard red spring wheat for Japan (20,600 MT) was switched to white wheat. Net sales of 17,200 MT for delivery in 2008/09 were for unknown destinations (15,000 MT) and Mexico (2,200 MT). Exports of 524,000 MT were 21 percent under the previous week and 16 percent below the prior 4-week average. The primary destinations were Japan (73,800 MT), the Philippines (69,600 MT), South Korea (55,100 MT), Iraq (55,000 MT), Tunisia (53,300 MT), and Nigeria (44,600 MT). Note: Accumulated exports of durum wheat for Italy were adjusted down 9,600 MT. December 07-13, 2007. Source: USDA

### **CROP- WEATHER ANALYSIS**

Crops are at crown root initiation / early vegetative stage in Punjab, Haryana, UP, Bihar, Maharastra, 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)**

- Last week's low pressure area over southwest Bay of Bengal off southeast coast of Sri Lanka became well marked over the same area on 13 December morning. The well marked low pressure area lay over southwest Bay of Bengal and adjoining coastal areas of south Tamil Nadu & north Sri Lanka, on 14th and became less marked on 15th. However, an associated cyclonic circulation extending upto mid tropospheric levels lay over Comorin area and adjoining south Tamil Nadu and Kerala and became less marked on 16th.
- Last week's upper air cyclonic circulation in lower tropospheric levels over West Madhya Pradesh and neighbourhood lay over West Uttar Pradesh and neighbourhood on 13th and became less marked on 14th.
- Easterly waves sometimes with embedded upper air cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea.
- Cold wave conditions prevailed over some parts of Rajasthan, Haryana, Punjab, Jammu & Kashmir, East Uttar Pradesh, Bihar and Jharkhand during second half of the week.

### **IGC WORLD WHEAT ESTIMATES (22.11.07)**

- A western disturbance as an upper air system lay over Jammu & Kashmir and neighbourhood on 13th, over Himachal Pradesh and neighbourhood on 14th and moved away eastward thereafter.
- 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 to widespread rain/thundershowers with isolated to scattered heavy to very heavy falls occurred over extreme south peninsula on 14th, 15th, 18th & 19th. Isolated rain/thundershowers occurred on remaining days of the week.
- Isolated to scattered rain/snow occurred over Jammu & Kashmir and Uttarakhand on 13th and over Himachal Pradesh on 13th & 14th December.
- Isolated to scattered rain/thundershowers occurred over West Uttar Pradesh and West Madhya Pradesh on 13th & 14th.
- Isolated to scattered rain/thundershowers occurred over coastal Orissa and Coastal Andhra Pradesh on a few days of the week.
- Fairly widespread to widespread rain/thundershowers with isolated heavy to very heavy falls occurred over Andaman & Nicobar Islands on 16th. Isolated to scattered rain/thundershowers occurred on remaining days of the week.
- Mainly dry weather prevailed over remaining parts of the country during the week.

#### **Outlook for the week ending on 26<sup>th</sup> December 2007**

- ✓ Scattered to fairly widespread rain/thundershowers with isolated heavy falls is likely over extreme south peninsula during first half of the week.
- ✓ The minimum temperatures are likely to remain below normal by 2-4°C over plains of northwest & East India and adjoining central India.
- ✓ Isolated to scattered rain/snow is likely over some parts of Western Himalayan Region during second half of the week: IMD



(Million tonnes)

	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

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

Source: International Grains Council

#### FOREX (As on 24<sup>th</sup> December, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.57
1 Euro	56.85
100 Yen	34.96
1 British £	78.93

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.