

WHEAT

December 10-15, 2007

MAJOR ACTIVITY HIGHLIGHTS

- India May Achieve Targeted Wheat Production Of 75 Million Tonnes
- US 2008 Wheat Plantation Up of 3.5 Million Tonnes: Informa
- Wheat Output Around 75 Million Tonnes: Govt.
- India May Import Wheat In Regular Interval: CWB
- IGC Wheat Production Forecast 603 Million Tonnes

MARKET FUNDAMENTALS:

Initially trading steady at last week's level, wheat domestic prices dipped on restricted offtake by the rolling flour millers as well as consuming units amidst sustained supply. In anticipation of further price decline, stockists started unloading of stocks, which further added the negative tone to the market sentiment. News of STC's floating of tender to import 350,000 metric tons of wheat as well as lower winter wheat acreage did not support the market prices. As on December 14, wheat rabi acreage stood around 20.63 million hectares, down from 23.44 million hectares a year earlier. Sowing has been completed in Haryana and Punjab and nearing for completion in Gujarat, but lagging in MP, UP and Rajasthan due to scanty rainfall since August this year. Govt. is still optimistic about achieving the target of 75.5 million tonnes wheat if weather favours in coming two weeks, which will see rapid plantation of wheat. Wheat plantation starts from October and continues till December end. Govt. expects normal area cultivation under wheat in this season although below last year's record of 28 million hectares. Global grain trading company Canadian Wheat Board (CWB) on Wednesday said it is expecting to sell over one million tonnes of wheat to India. CWB had exported one million tonnes of the grain to India last year. During the week, Delhi (Lawrence road) ready delivery traded down Rs.1030-1040/mtl from last week's Rs.1045-1055 whereas arrival stood around 5000 to 15 600 qtls. In Bangalore and Mumbai, wheat prices dipped Rs.10-15/mtl from last week's level Rs.1250-1270 and Rs.1150-1160 on subdued demand from the consuming units against normal supply. As per sources, markets lack substantial buyers as stockists and companies busy in procuring new crops - maize, cotton and soybean. In Delhi, various wheat products mostly quoted steady to down on restricted 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	08.12.07	15.12.07
Delhi (Lawrence Road) truck loaded ready delivery	1045-1055	1045-1055

Haryana (Karnal)	1030-1040	1025-1030
Punjab (Khanna)	1035-1040	1030-1035
Rajasthan (Kota)	1040-1045	1035-1040
Uttar Pradesh (Kanpur)	1025-1030	1000-1015
Madhya Pradesh (Indore)	1045-1050	1040-1045
Uttar Pradesh (Bareilly)	990-1000	990-995
Punjab (Sunam) Loose	960-970	915-920
Ludhiana (Jagraon) Loose	940	935
Rajkot Loose Price	980-985	990
Madhya Pradesh (Bhopal) Loose	960-1000	990-1000

Wheat Products	08.12.07	15.12.07
Atta (90kg)	1063	1063
Maida Grade 1(90kg)	1256	1220
Suji (50kg)	700	680
Chokar (50 kg)	400	394
Chokar (35 kg)	270	270
Chakki Atta (90kg)	978	975

Following was the status in other mandis, with active millers and private trade buying: (15.12.2007)

Place	Arrivals	Price
Mathura	500 Qtls	Rs.978-988/mtl
Kosi	350 qtls	Rs.963-970/mtl
Najafgarh	1300 Qtls	Rs.990-1001/mtl
Palwal	400 Qtls	Rs.956-960/mtl
Narella	1000 Qtls	Rs.985-1007/mtl

INTERNATIONAL AND DOMESTIC NEWS:

India May Achieve Targeted Wheat Production Of 75 Million Tonnes

According to the report of a senior govt. official, India's wheat production for the marketing year 2008, may touch the targeted 75 million metric tons if the weather remains favorable during the growing stage. Govt. is optimistic to achieve the targeted wheat production as the gap in sowing between this year and last year is bridging faster. As per the Agriculture Secretary, although there was initial late sowing in the western UP and Madhya Pradesh, but govt. is optimistic the area will be covered in the next two weeks. The government is also hopeful that the final wheat acreage may be around 27 million hectares compared to last year's record of 28.4 million hectares. The normal will be maintained as there is some shift in cropping pattern as some rapeseed acreage may go for wheat cultivation. Secretary also said that the crop condition in the country's two largest wheat growing provinces of Punjab and Haryana is in excellent condition, with the acreage also rising. India may not import if country's production touches the 75 million tonnes figure.

US 2008 Wheat Plantation Up of 3.5 Million Tonnes: Informa

The Private Analytical Firm Informa Economics on Friday pegged 2008 U.S. wheat plantings at 48.7 million acres. This is up of 3.5 million acres planted in last year. In November, Informa estimated 2008-09 all-wheat planting around 64.1 million acres.

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.

Wheat Output Around 75 Million Tonnes: Govt.

According to Agriculture Commissioner, govt. of India is confident of achieving wheat production in the current Rabi season around 75 million tonnes although the acreage may dip marginally compared to last year. The govt. expects normal area cultivation under wheat in the current rabi season. But last year, acreage under winter wheat plantation stood around 28 million hectares, an all time high.

India May Import Wheat In Regular Interval: CWB

According to the Canadian Wheat Board official, due to India's increasing consumption of wheat due to growing population against stagnant production, India is going to be a regular importer of wheat in coming years despite being the world's second-biggest wheat producer. India imported 5.5 million tonnes of wheat in 2006, its first overseas buys in six years, and has tied up contracts for 1.8 million tonnes this year. As per the estimate, India consumes annually 70 million tonnes of wheat and its production stands around 70-74 million tonnes. Due to high temperature in February 2006, Indian output stood around 69.3 million tonnes, forcing the government to look overseas for stocks. According to government estimates, India produced 74.9 million tonnes in 2007. According to Statistics Canada, Canada produced 20.05 million tonnes this year.

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

STC Floated Wheat Tender Of 350.000 MT

State Trading Corporation today floated a tender to buy maximum of 350,000 metric tons. The tender will be closed on December 17. As per the STC report, the imported wheat will be delivered in Mundra, Kakinada, Kandla, Chennai, Vishakhapatnam, Tuticorin, Cochin and Mumbai ports. All the imported quantity will be delivered by April 15, 2008

CBOT Wheat Futures Settled Mixed

CBOT wheat futures settled mixed on Friday after a whole day quiet trading but recovered slightly towards the close. Due to some late session aggressive buying, March contract reached a new all time high and closed 26 cents higher. A winter storm that hit Kansas and Oklahoma added additional moisture on areas of western Kansas, western Oklahoma and the northern Texas panhandle. Both Chicago and KC contracts were under pressure early from weather developments with deferred contracts sharply lower early in both Chicago and KC. Crop weather in the US was good. The other factors are demand and short covering supported the market sentiment. Egypt cancelled a tender for 55-60,000 tonnes of wheat due to higher price. As the projected delivery was on January, they have to enter into the market again, analysts believed. Gulf basis levels are steady. The winter storm may slow farmer selling a bit, but selling was already very light in the southern Great Plains where the storm is hitting. Informa pegged 2008 US all-winter wheat acreage at 48.7 million acres compared to 45.1 million acres last year. Source: *CBOT*

USDA Wheat Weekly Export Sales Up

Net sales of 513,800 metric tons were two and one-fifth times the previous week and 33 percent over the prior 4-week average. Increases reported for South Korea (186,700 MT), Japan (135,000 MT), Mexico (77,700 MT), Taiwan (77,600 MT), Spain (67,300 MT, including 55,000 MT switched from unknown destinations), and Indonesia (63,100 MT, including 58,000 MT switched from unknown destinations), were partially offset by decreases from unknown destinations (99,000 MT), Yemen (50,000 MT), Italy (47,600 MT), and Nigeria (29,000 MT). In addition, durum wheat sales of 34,900 MT for Nigeria were switched from U.S. origin to optional origin. Exports of 663,900 MT were 2 percent above the previous week and 9 percent over the prior 4-week average. The primary destinations were Japan (113,100 MT), Spain (68,200 MT), Indonesia (65,600 MT), Nigeria (64,600 MT), the Philippines (51,300 MT), and Iraq

(50,500 MT). November 30- December 06, 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. Expected scattered rainfalls in northern plains will be helpful for the crop; otherwise irrigation is needed for the crop.

WEATHER WATCH (WEEK ENDING ON 12th December, 2007)

- Last week's upper air cyclonic circulation in lower tropospheric levels over Jammu & Kashmir and neighbourhood moved away eastwards on 6th.
- A western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 6th, over Jammu & Kashmir and neighbourhood on 7th and moved away eastward thereafter.
- Another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 9th, over Jammu & Kashmir and neighbourhood on 10th, over Himachal Pradesh & neighbourhood on 11th and moved away eastward on 12th.
- An upper air cyclonic circulation in lower tropospheric levels lay over Rajasthan & neighbourhood on 11th and over West Madhya Pradesh & neighbourhood on 12th.
- Easterly waves sometimes embedded with upper air cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea. Under its influence, a low pressure area formed over southwest Bay of Bengal off southeast coast of Sri

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

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

Lanka on 11th. It persisted over the same area on 12th.

Rainfall:

Under the influence of the above systems:

- Scattered to fairly widespread rain/snow occurred over Jammu & Kashmir, Himachal Pradesh and Uttarakhand during 10th to 12th December.
- Isolated to scattered rain/thundershowers occurred over Punjab & Haryana on 11th & 12th, over Uttar Pradesh and northwest Madhya Pradesh on 12th.
- Isolated rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week.
- The rainfall was subdued over south peninsula during the week. Isolated to scattered rain/thundershowers occurred over Tamil Nadu during first half of the week. Isolated rain/thundershowers occurred over Kerala & Karnataka on 7th.
- Mainly dry weather prevailed over remaining parts of the country during the week.

Outlook for the week ending on 19th December 2007

- ✓ Fairly widespread rain/thundershowers with isolated heavy to very heavy falls are likely over extreme south peninsula during first half of the week.
- ✓ Cold wave conditions are likely to develop over plains of northwest India, West Madhya Pradesh and Rajasthan during second half of the week.
- ✓ Fog conditions are likely over some parts in the plains of northwest India. Source: IMD

(Million tonnes)

FOREX (As on 17th December, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.35
1 Euro	57.62
100 Yen	35.00
1 British £	80.36

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