

WHEAT

Dec. 22, 2007

Domestic Market Recap

During Friday's trade, domestic wheat prices mostly traded mixed. However, in most of the major mandis, wheat mostly traded steady to better on good offtake from the rolling flour millers amidst tight supply. Prices also firmed up southern markets on good demand from the consumers amidst tight supply from the northern producing centres. But Delhi (Narella) loose and UP (Kanpur) mill quality dipped on increased arrival against restricted offtake. In Delhi (Lawrence road) ready delivery quoted steady Rs.1050-1065/qrtl on good offtake from the consuming units against restricted arrival of 9000 bags. In Delhi mandis, various wheat products mostly traded steady to up as Atta (90kg) steady at Rs.1072, maida grade 1 (90kg) at Rs.1220, Suji (50kg) at Rs.680, Chokar (50kg) up at Rs.409 and Chakki atta (90 kg) up at Rs.990. The present weather condition favours wheat sowing and growth of the crop. Govt. is optimistic about the production of targeted 75.5 million tonnes despite the lower acreage if weather favours for the growth. The late sowing is going on in eastern UP, Bihar which can somehow manage the acreage loss in MP, Rajasthan. Govt. is expecting higher production from Haryana and Punjab due to higher acreage then the normal as well as the plantation of high yield seeds. As per the Russia's customs department, Russia exported 1.757 million metric tons of wheat in November, which is 8.9% less than in November 2006 and 37.8% less than in October 2007. The largest buyers of Russian wheat in November were Egypt with 364,600 tonnes, Jordan with 183,000 tonnes and India with 122,100 tonnes. However, in coming days, wheat may trade range bound at higher side.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qrtl)		Change	Arrivals (Qtls)
		21.12.07	20.12.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1050-1065	1055-1065	-	9000
Delhi (Narella) Loose	Mill quality	1010-1025	1015-1030	-5	1500
Delhi (Najafgarh) Loose	Mill Quality	1013-1021	1012-1018	+3	1000
Haryana (Palwal) Loose	Mill quality	970-975	970-975	-	300
Uttar Pradesh (Mathura) Loose	Mill quality	980-985	983	+2	750
Uttar Pradesh (Kosi) Loose	Mill quality	990-996	990-996	-	300
Gujarat (Rajkot) Loose	Mill quality	990-1000	990	+10	1000
Rajasthan (Kota)	Mill quality	1030-1040	1030-1040	-	500
Uttar Pradesh (Kanpur)	Mill quality	1020-1025	1020-1030	-5	1400
Madhya Pradesh (Indore)	Mill quality	1040-1045	1030-1040	+5	1000
Uttar Pradesh (Bareilly)	Mill quality	1000-1010	1000-1010	-	600

International Futures Quotes (as of December 20, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
March 2008	962.00	970.00	950.00	954.00	-19.50
May 2008	960.00	967.00	952.00	955.50	-13.50
July 2008	780.00	787.00	776.00	779.50	-5.25

KCBT

Contract Month	Open	High	Low	Settle	Change
March 2008	990.00	993.50	969.50	976.25	-18.75
May 2008	977.00	987.00	966.00	968.00	-16.50
July 2008	811.00	822.00	805.00	821.00	4.50

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

CBOT wheat futures settled lower on Thursday. March Wheat finished down 19.5 cent at \$954.00 per bushel; this was 16 off to the high and 4 cent up from the low. July Wheat closed down 5.25 cent at \$779.50 per bushel. This was 3.5 up from the low and 7.5 off to the high. CBOT wheat futures settled lower on lack of good export news and the cancellation of 140,000 tonnes by an unknown buyer. Due to lack of supportive news coupled with the market is over bought pressured the traders for sell. Morocco awarded licenses to buy 314,100 tonnes of soft wheat for January delivery on Thursday. Japan bought 285,000 tonnes of wheat at their weekly tender with 260,000 of the total coming from the US. The EU granted export licenses for 167,000 tonnes of wheat on Thursday. The total for the year to date is 3.25 million tonnes compared to 5.53 million at the same time last year.

News Analysis**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. 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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