Table of Content:

Wheat Market Summary & Outlook

Domestic

- Uptrend in cash wheat market continues as demand increased amid improvement in weather conditions. Millers and retailers buying at higher level is pushing prices up and supporting the market fundamentals despite higher area coverage, favourable weather and better growth of the recently sown crop. However, gain is likely to be restricted by huge stock, additional allocation for BPL and APL families, supported by bumper crop prospects.

- India's wheat stocks on January 1 were at 21.5 million tonnes against a target of 8.2 million tonne. Rice inventory was at 25.6 million tonne, sharply up from a target of 11.8 million tonne. Grain production in 2010-11 is expected to be good on the back of normal monsoon in most parts of the country.

- Supply through govt.'s grannary will continue to put pressure on wheat market in medium term. Flour millers, medium and small users will continue buying wheat from all available sources including FCI even in February and March. Stock in private hands is receding fast .As retail price is much higher, offtake from FCI is likely to go up. However,govt.'s move regarding supply in lean season and temperature in Feb. and March will be deciding factors in case of market direction and exact production.

- Overall wheat area may touch last year level of almost 286 lakh ha., given the normal weather conditions. As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 281.25 lakh hectare (till 07.01.2011), which is 7.17 lakh hectares more than last year on this date.

Acreage under the winter crop is set to cross the targeted area in Gujarat, Rajasthan and Bihar in the ongoing Rabi sowing season 2010-11.Farmers in Gujarat has used chana and kapas field for wheat sowing. Even in other growing states it is considered to be smooth. Bumper production once again seems to be on card. Experts attribute increase in area under wheat crop to farmers' inclination towards the winter crop which is bringing an assured price and marketing. However, temperature in February and March will be a crucial factor to be looked into. As of now better crop growth is being reported from various growing regions.

Market Fundamentals

Stock in private hands is receding fast and now traders,millers have started looking towards govt. stock. It will help FCI to reduce heavy burden of foodgrains stock. Prices are likely to stay at higher side due to lean season demand and comparatively lower supply in the market for short and medium term.The government has kept the wheat and rice price unchanged from last year, but the response is likely to be better due to a sharp rise in local market prices. The government has offered to sell 1.5 million tonnes of wheat to bulk buyers, such as makers of flour and bakery products, for around INR1,200-INR1,400 per 100 kilograms. Another 1.0 million tonnes wheat has been earmarked for retail buyers for a minimum of INR1,099/100kg.Spot wheat prices are currently around INR1,240-INR1,500/100kg.

Against the buffer norm of 8.2 mt of wheat, the government's holding on January1,11 was 21.5 MMT, which is much higher than requirement. Higher area coverage, recent rains and favourable weather amid govt.s efforts to augment supply will work as a cap in case of wheat. However, weather condition in February and March is going to be a deciding factor in overall production, despite improved sowing status and congenial weather throughout the growing regions.

Prices are likely to trade in the range of Rs 1250 to Rs1375 in mostly cash markets with steady to firm bias, depending on quality and regions, in near term. Gains are likely to be restricted in medium term due to price curbing policy and govt.'s intention to curb inflation and augment regular supply through open market and PDS Channels.

International

- France, the world's second-largest wheat exporter, said it has no plans to restrict shipments after the crops office reported that surplus grain is running out. France may start to run short of wheat available for export by the end of March. European Union wheat exports have fallen for three consecutive weeks, data from the 27-nation bloc show. There is no question currently of limiting exports of French wheat. There will be no restrictions. Export may continue.
- Russia banned grain exports last year after the worst drought in at least a half century ruined its crops and Ukraine also imposed export limits to curb domestic prices. Milling wheat traded on the NYSE Liffe exchange in Paris doubled in a year and a United Nations index of world food costs advanced to a record in December. Riots erupted in Algeria last week to protest rising food costs.
- Bearish factors include (1) reduced foreign demand for US wheat after the USDA said that inspections of US wheat for export for the week ending Dec 30 were down -48% from the prior week, and (2) increased wheat plantings in India, the world's second-biggest wheat producer, as Indian farmers planted wheat on 28.12 million hectares this year, up from 27.08 million hectares a year ago, and (3) USDA's Dec 10 unexpected hike its 2010-11 US wheat carry-over estimate to 858 million bushels from 848 million and hike in its 2010-11 global wheat carry-over estimate to 176.72 MMT from 172.51 MMT
- The forecast of world wheat production is unchanged from last month, at 644m. tons, some 5% below last year's but still the third highest on record. Harvesting gathered pace in the southern hemisphere, with better production prospects reported in Brazil and Argentina; output in the latter is projected to reach 13m. tonnes, 5.0m. more than in 2009. Rains continued to delay cutting in eastern Australia: the crop forecast is maintained at 23.0m. tonnes, but there are increasing reports of yield and quality damage in some areas.
- Global wheat production will trail demand by 20 million tonnes, taking inventories at the end of this season to the lowest level since the 2008-2009 year.

Australia has exported less wheat under a deregulated market than it did under the single desk, according to figures released by Wheat Export Australia. Its recently released Report for Growers found that 12.1 million tonnes of wheat was exported in bulk last season and 12.3 million the season before. This accounted for 55.2 per cent and 57.9 per cent of the total crop for each season. Excluding drought years the average export percentage of exports from 2001 to 2006 averaged 66 per cent.

Argentina has cleared for export three quarters of the amount of wheat expected to be shipped from the 2010-11 crop with approval for the rest coming by January. About 7.2 million metric tons are expected to be available for export during the current season, and 5.5 million tonnes have already been approved for shipment.

Production from the 2010-11 wheat crop is estimated at 13 million metric tons, and 1.2 million tonnes were carried over from the past crop. Seven million tonnes will be set aside for domestic consumption.

Besides, Russia may not be able to boost wheat production next year helped to bring in some buying interest. Russia is still trying to recover from a major drought, which could also cut yields without an improvement in moisture the next several months. Australia is facing quality problem due to heavy rains at the fag end of harvesting stage and surplus for export has come down to a great extent. Moreover, the U.S. planting estimate has been reduced and dry weather threatens to increase field abandonment in the southern Great Plains.

All these factors including rough weather are likely to keep the world wheat market up in near and medium term despite adequate export availability in US amid unfavorable weather. Weather in Canada and Australia are showing sign of improvement and these factors are restricting the upwardly trends.

World & Domestic Market Report

[Back to Table of Content]

World Market:

- CBOT wheat futures finished mostly lower, pulling back from early advances. Profit taking and a rebalancing of positions by commodity index funds weighed on prices for the fourth consecutive session. Selling linked to the funds' annual reweighting of positions is expected to continue through Thursday. Market participants took profits as U.S. crop data Wednesday is not expected to significantly change markets' outlook.
- CBOT March wheat settled down 7 3/4 cents at $7.59 1/2 a bushel, KCBT March wheat stumbled 3 1/2 cents to $8.38, and MGE March wheat ended unchanged at $8.65 1/4.
- Global wheat production will trail demand by 20 million tonnes, taking inventories at the end of this season to the lowest level since the 2008-2009 year.Production in the current season is forecast to lag behind demand for the first time since 2007-2008 after harvests were hurt by the worst drought in at least half a century in Russia, dry weather in other parts of eastern Europe, excessive rains in Canada and flooding in Pakistan
- Argentina has cleared for export three quarters of the amount of wheat expected to be shipped from the 2010-11 crop with approval for the rest coming by January. About 7.2 million metric tons are expected to be available for export during the current season, and 5.5 million tons have already been approved for shipment. Production from the 2010-11 wheat crop is estimated at 13 million metric tonnes, and 1.2 million tons were carried over from the past crop, according to the ministry. The ministry said that seven million tonnes will be set aside for domestic consumption.
- World supply and demand balance for cereals could still tighten considerably with total utilization exceeding world production; thus necessitating a 6% decline in ending stocks- FAO.
- Global wheat inventories will be 176.72 million tons by May 31, 2.4 percent more than last month's estimate, the U.S. Department of Agriculture said Dec. 10. Stockpiles were higher than any of the forecasts in a Bloomberg News survey of 17 analysts. The USDA raised its crop estimate for Australia by 6.3 percent, even after heavy rains threatened output.
- The area under wheat is expected to increase in the European Union by 1% to 26.2 million hectares in 2011-12. However, area under durum wheat may fall by 15% in France due to lower price premiums. In Canada, the overall area under wheat is expected to rebound to 9.5 million hectares from 8.1 million hectares while in the U.S. the winter wheat plantings are forecast 18% higher on year-IGC.

Domestic (India) Market

[Back to Table of Content]

- Steady to firm trend continued to rule the cash wheat market despite increased area, favorable weather and expected increase in supply from govt.'s granary during January, February and March. Demands from millers have increased with improvement in weather. Supply against demand is likely to improve at higher level of price. Millers have now actively started buying from federal govt. stock as stocks in private hands are receding fast.
- India's wheat stocks on January 1 were at 21.5 million tonne against a target of 8.2 million tonne. Rice inventory was at 25.6 million tonne, sharply up from a target of 11.8 million tonne.
- In a latest development, the govt is going to buy 5 million tonnes additional foodgrains for distribution in public. Out of 5 MMT, 2.5 million tonnes would be distributed to the people below poverty line (BPL), while the rest would be meant for those above poverty line (APL).wheat would be sold at Rs 8.45 a kg, while rice would be at Rs 11.85 a for APL card holders. It will help to keep rising prices under check.
- India has offered to sell 3.5 million metric tonnes of wheat and rice to retail and bulk consumers over the next six months .It will help to restrict the one sided ongoing gains. However,response is not up to the mark in spite of increased offtake.
- As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 281.25 lakh hectare (till 07.01.2011), which is 7.04 lakh hectare more than last year on this date. Area coverage may exceed in Gujarat, Rajasthan, Haryana and slightly in U.P. Wheat acreage in UP, the biggest producer state which was lower by 4% a fortnight ago, has gone up by 6 lakh ha to 94.31 lakh ha compared to this period last year. The total area under wheat in the country was 28.62 million hectare in 2009-10.
- Area coverage may exceed in Gujarat, Rajasthan, Haryana and slightly in U.P. Wheat acreage in UP, the biggest producer state which was lower by 4% a fortnight ago, has gone up by 6 lakh ha to 94.31 lakh ha compared to this period last year.

- Govt. officials says that wheat production will touch a record 82 million tonnes in the current rabi season despite some damage to the crop in unprecedented rains this and late sowing this year.
- Meanwhile, Punjab and Haryana during current season are eyeing wheat output of 269 lakh Metric Tonne (MT) in Rabi season 2010-11, up by 5 per cent over last year's production. Punjab has projected wheat production at 154 lakh MT against 151.69 lakh MT output achieved in last season. Haryana has set a target to achieve wheat output of 114.62 lakh MT in current season, which will be almost 10 per cent higher than wheat production of 105 lakh MT.
- India is unlikely to lift curbs on export of wheat, rice in short term notwithstanding high buffer stocks. Government officials are of the view that these stocks would not be enough to meet domestic demand as the government proposes to enact a universal food security law.

We feel that prices of wheat may trade steady to firm in near term despite higher area coverage, favorable weather and govt.'s intention to augment supply in the open market. However, huge stock with federal govt. and additional allocation for the poor will keep the market under pressure and will restrict one way gain. Export is unlikely amid open import option. If prices stay at current level, offtake from FCI go-downs is likely to go up. Weather is favourable for bumper wheat production. New crop is almost two months away from now.

Global & Domestic News

[Back to Table of Content]

Global News:

Kansas Wheat Crop Faces Higher Chance Of Major Drought - ANZ Bank

The Kansas Hard Red Winter wheat crop faces an increased probability of a major drought and lower production in 2011, potentially pushing prices for Hard Red Winter wheat .If a drought in Kansas comes to pass and HRW wheat production slumps, global wheat prices could rise again in the northern spring of 2011, after surging then maintaining high volatility in the 2010 second half on the back of weather-related supply disruptions in the Black Sea Region, Australia and some other major exporting countries. Kansas typically is the top wheat-producing state in the U.S., and HRW wheat--used to make bread--is the major variety produced in the U.S. Kansas wheat yields and abandonment over the past 100 years have a statistically significant correlation with certain Pacific and Atlantic weather patterns.For the Pacific Ocean, the Southern Oscillation Index, or SOI, is a key indicator of the likelihood of an EL Nino or La Nina weather pattern, and has been as good a predictor as any for wheat production in Kansas.

In two thirds of cases over the past 100 years, the worst-ranked Kansas wheat production years have been preceded by a La Nina or strongly positive SOI in November and December. Conversely, for the best ranked or above-trend Kansas wheat production an El Nino or strongly negative SOI has been present at least 50% of the time, they said.The SOI in November and December was particularly strong at an aggregate +44, the second highest against the 16 worst-ranked Kansas HRW wheat production years, and well above the average of +16.

"A strongly positive SOI has skewed the odds that Kansas and U.S. HRW production will be significantly lower on year for 2011, even with the big increase in HRW plantings that is expected in this week's U.S. Department of Agriculture winter-wheat planting first estimate," they said.ANZ also said that a drought or a major fall in HRW production isn't correlated with declines in U.S. Soft Red Winter wheat production, so the correlation between the SOI and Kansas HRW production doesn't hold with Illinois SRW wheat production."Increasingly a scenario could unfold where stocks of the two different wheat classes move in opposite directions for the 2011-12 season," according to ANZ.La Nina is the positive phase of what is known as the El Nino Southern Oscillation, according to the Australian Government's Bureau of Meteorology.La Nina is associated with cooler than average sea surface temperatures in the central and eastern tropical Pacific Ocean, while El Nino refers to the extensive warming of the region. El Nino leads to a major shift in weather patterns across the Pacific and occurs every three-eight years.

France Says No Plans to Curb wheat Shipments

France, the world's second-largest wheat exporter, said it has no plans to restrict shipments after the crops office reported that surplus grain is running out.France may start to run short of wheat available for export by the end of March. European Union wheat exports have fallen for three consecutive weeks, data from the 27-nation bloc show.There is no question currently of limiting exports of French wheat. There will be no restrictions. We'll continue to export.Russia banned grain exports last year after the worst drought in at least a half century ruined its crops and Ukraine also imposed export limits to curb domestic prices. Milling wheat traded on the NYSE Liffe exchange in Paris doubled in a year and a United Nations index of world food costs advanced to a record in December. Riots erupted in Algeria last week to protest rising food costs.
"Currently there is no wheat-supply problem in France, nor in Europe," Philippe Pinta, the head of France's Association of Wheat Producers, told journalists in Paris today. "For now, export limits are not the order of the day."French soft-wheat exports outside the EU will rise to a record 11.6 million metric tons in the 12 months through June 2011, from 9.8 million tons a year earlier, the crops office estimates. Including sales within the EU, that would make France the second-largest wheat exporter behind the U.S. (Source: Bloomberg)

Wheat production estimates unchanged

The forecast of world wheat production is unchanged from last month, at 644m. tonnes, some 5% below last year's but still the third highest on record. Harvesting gathered pace in the southern hemisphere, with better production prospects reported in Brazil and Argentina; output in the latter is projected to reach 13m. tons, 5.0m. more than in 2009. Rains continued to delay cutting in eastern Australia: the crop forecast is maintained at 23.0m. tons, but there are increasing reports of yield and quality damage in some areas. Output estimates for the US and Ukraine are trimmed slightly. Global consumption is placed at 660m. tons, up by 2m. from last month, mainly because of greater than anticipated use of attractively-priced feed wheat imports in Pacific Asia, including South Korea and the Philippines. Rising purchases for feed help to boost the forecast of world wheat trade by 1.6m. tons from last month, to 121.6m, still 5.8m. below 2009/10 because of reduced milling wheat needs in Near East Asia. Global stocks are forecast to drop by 16m. tons at the end of 2010/11, to 180m., including significant declines in Russia and the EU.(Source:IGC)

Argentina Exchange Raises Wheat Forecast To 14.5M Tons

Excellent conditions through key development phases boosted Argentina's wheat yields and led the Buenos Aires Cereal Exchange to raise its forecast for total production by 1 million metric tonnes to 14.5 million tonnes. The harvest is almost two-thirds complete and the crop is expected to be up 45.5% from last season.Wheat growers in Argentina, South America's largest producer, will harvest more than previously expected as favorable weather boosted yields of the grain, the Buenos Aires Cereals Exchange said. Production will rise to 14.5 million metric tons, from 13.5 million tons forecasted on Dec. 23, the exchange said in an e- mailed report. The South American country's harvest, which runs from November to February, was 60.5 percent completed as of today, less than the 65 percent a year earlier. Output will almost double from the prior crop, when a two- year drought that started in 2007 cut production to 7.5 million tons this year, the smallest in a century..(Source:Bloomberg)

World Food Markets Face Long-Term Price Rises-FAO

World food markets face an unprecedented long-term rise in prices and may reach record peaks by the end of the year, a senior executive for the United Nation's Food and Agriculture Organization said. The FAO's food price index, which monitors the monthly change in international prices of a basket of commodities, climbed to within seven points of its June 2008 record high in November at 205 points, data released this week showed. A surge in food prices in 2007-8 caused widespread riots in many developing countries. Boosted by a surge across other commodities, such as oil, the spike was sharp but short-lived, with prices pulling back by the following season as the world economy tumbled and farmers increased grain plantings on a vast scale .But Abdolreza Abbassian, Secretary of FAO's Intergovernmental Group on Foodgrains, said that while the rise in agricultural markets this year may not lead to a similar "food crisis," it may herald the beginning of a long-term increase in food costs after a century of deflation. We have to see what December gives us but I would be very surprised if we don't see more rises," he said"The firm prices of the sort that we're seeing today and its continuation is a departure from the past. Gradually we've been learning that food will not be as cheap as it has been.(Source:FAO)

Back to Table of Content

Domestic News:

Grain stocks swell

India's wheat stocks on January 1 were at 21.5 million tonne against a target of 8.2 million tonne. Rice inventory was at 25.6 million tonne, sharply up from a target of 11.8 million tonne. The government buys wheat and rice from local farmers to build reserves for welfare programmes, emergency needs and help farmers avoid distress sale. Grain production in 2010-11 is expected to be good on the back of normal monsoon in most parts of the country.Source:PTI

Wheat acreage up

Area under wheat has increased by over 7 lakh hectare so far in the ongoing rabi season at 281 lakh hectare, a development which could help the country achieve a record production of 82 million tonne. "As per data received from states, wheat has been sown in over 281 lakh hectare, which is 7.2 lakh hectare more than last year on this date," an official statement said. The government has set a target of record wheat output of 82 million tonne in 2010-11 crop year. India had produced a record 80.71 million tonne in 2009-10.Source;PTI

Government allocates 5 mt foodgrain for PDS

The govt. is going to buy 5 million tonnes additional foodgrains for distribution in public. Out of 5 MMT, 2.5 million tonnes would be distributed to the people below poverty line (BPL), while the rest would be meant for those above poverty line (APL).wheat would be sold at Rs 8.45 a kg, while rice would be at Rs 11.85 a for APL card holders. It will help to keep rising prices under check. (Source PTI)

Lower area higher production prospects

The wheat acreage in Punjab would remain about the same as last year's 3.52 million hectares. But, production will be more. The agriculture department is expecting 15.4 million tonnes this year, as compared to 15.2 mt last year. The average yield last year was 43.07 quintals per hectare; they now expect 44 quintals per ha. Officials say the total targeted area under wheat this rabi season is 3.5 m ha, slightly less than last year's 3.52 m ha, as the government is enouraging farmers to diversify.

As for Haryana, as against 10.5 mt wheat last year, the target is 11.46 mt. With good monsoon, agriculture officials said they expected yield to touch 46.50 qtl per hectare, compared to 42 qtls per ha last year. Haryana is the second-largest contributor of wheat to the central pool and the area under wheat is estimated to have touched 2.475 m ha, as against the target of 2.465 m ha. Last year, the sown area was 2.492 m ha. (Source:PTI)

Area under Rabi crops increased

The area sown under rabi foodgrains this year is so far higher than that of the previous by 31.32 lakh hectares, with the area under wheat and pulses higher, but coarse cereals lower. The area under foodgrains is 507.47 lakh hectares as against the 476.15 lakh hectares sown in the corresponding period last year.Sowing of rabi wheat on 281.25 lakh hectares has crossed last year's level of 281.25 lakh hectares, in tune with the data from States which raised expectations of a bumper wheat crop this year. Encouraged by the increase in acreage and better moisture in the soil thanks to the good monsoon this year, the government hopes wheat output would be around 82 million tonnes in the current rabi season. The area under pulses is also higher at 139.03 lakh hectares as against the 129.92 lakh hectares in the corresponding period last year. Even the area under oilseeds is higher by 2.66 lakh hectares. The area sown under oilseeds so far is 86.45 lakh hectares as against the 83.79 lakh hectares sown last year. However, there is a shortfall in the sowing of rabi rice and coarse cereals. The area under rice is 3.64 lakh hectares as against the 5.77 lakh hectares last year. Favourable weather for wheat crop.(Source: PIB)

Wheat Statistics (Global & Domestic)

[Back to Table of Content]

Global Wheat Balance Sheet:

(Quantity in 000 tonnes)

Country	Opening Stock	Production Projected	Domestic Consumption	Imports	Exports	Ending Stocks	Production (last year's esti.)
USA	26552	60103	32278	2994	34019	23352	60336
Canada	7820	23167	7750	400	17000	5637	26848
Australia	4106	25500	7975	100	15000	6731	21923
Argentina	463	13500	5425	5	8000	543	10500
Russia	11869	42000	47500	2000	4000	3869	61700
China	54314	114500	108,800	1000	1000	60014	115120
EU	15883	136228	123500	5000	22000	11611	138051
Ukraine	2404	17200	11600	50	6000	2054	20900
Kazakhistan	3540	11000	6900	75	6000	1715	17000
India	**16100**	**80710**	**82435**	**300**	**200**	**14475**	**80680**
World	**196679**	**646513**	**663546**	**122654**	**125576**	**176724**	**682109**

(Source: USDA)

Balance Sheet Highlights

- Global wheat production for 2010-2011 is raised at 646.51 MMT as against 645.55 MMT projected a month ago. Rough weather is considered to be unsupportive for wheat crop in some main growing regions.
- Production for Russia is lowered extensively from 61.70 MMT to 42 MMT due to extreme drought like conditions .Kazakistan and Ukraine is equally affected from severe drought.
- Supply position in the world market is said to tight and weather is going to play an important role to decide direction of wheat in overseas market.
- Prices of wheat may go up in the international market. Global wheat stocks are predicted to rise to 184 million tons in 2011, 3 million tons higher than it forecast at the beginning of September, taking the stock-to-use ratio to 27.7%, some 5.5 percentage points above the 30-year-low in 2007-08
- The FAO's estimate paints a more optimistic picture than the latest figures from the International Grains Council, which kept its August wheat production estimate unchanged at 644 million tons and revised down its world carryover stocks estimate to 183 million tonnes.
- **Global wheat supply projected down**
  Global wheat supplies for 2010/11 are projected down 0.7 million tonnes as higher carry in mostly offsets a 2.7-million-ton reduction in world output. Much of the offset is explained by Canada, where beginning stocks are increased 1.5 million tons, as reported by Statistics Canada, and production is increased by 2.0 million tons World wheat trade for 2010/11 is raised with global exports projected 1.4 million tons higher. Export shifts among countries largely reflect availability of supplies and increased competition from North America. World wheat trade for 2010/11 is raised with global exports projected 1.4 million tons higher. Export shifts among countries largely reflect availability of supplies and increased competition from North America. (Source: IGC)

Back to Table of Content

Domestic (India) Wheat Balance Sheet

	2007-08	2008-09	2009-10	2010-11	% Change over Last Yr
Beginning Stocks	4.50	5.80	13.43	16.10	19.88
Production	75.81	78.57	80.68	80.71	0.03
Imports	1.96	0.01	0.30	0.30	-
Total Supply	82.27	84.38	94.41	97.11	2.85

Exports	0.05	0.01	0.10	0.20	100.00
Total Consumption	76.42	70.92	78.21	82.43	5.40
Ending Stocks	5.80	13.43	16.10	14.47	10.06
Total Distribution	82.27	84.38	94.41	97.11	2.85

Source: USDA

Balance Sheet Highlights

- USDA estimated wheat production at 80.71 MMT compared to 80.68 MMT in 2009-10.
- The beginning stocks are estimated 16.10 MMT, a significant increase of 19.88 percent compared to last year 13.43 MMT.
- The domestic consumption is increased by5.40 % at 82 MMT as against 78.21 MMT last year.
- The ending stocks are estimated to decline significantly at 14.48 MMT from 16.10 MMT last year.

Wheat Balance Sheet (Agriwatch)

Attribute (Unit: lakh MT; Yr (APR-MAR)		2009-10 (Estimate)	2010-11 (Projection)
A	Total Production	807.80	810
B	Opening Balance (All India) as on 1st April	141.00	172.00
C	Opening Balance in the Central Pool as on 1st April	134.29	162.50
D	Imports	1.95	1.25
E	Exports	0.00	4.00
F	Total Availability of wheat (All India) (A+B+D)	950.30	955.28
G	Procurement for the Central Pool	225.8	245.50
H	Estimated Domestic Demand (All India)	780.50	782.00
I	Estimated off take (welfare schemes+OMSS) from central pool	226.86	240.75
J	Ending stocks as on 31st March (Central Pool) (C+G-I)	161.25	168.45
K	Ending stocks (All India) as on 31st March (F-E-H)	168.90	170.00

- Production for 2009-10 as per Dept. of E&S MoA
- Domestic demand for 2010-11 is almost unchanged from 2009-10, as high price may curtail demand.
- Offtake from central pool for 2010-11 is considered at (15 year CAGR of) 3.93% growth over 2009-10.

Wheat Procurement

[Back to Table of Content]

Progressive Procurement of Wheat (Lakh tonnes): as on (25.08.10)

States	Cumulative Arrivals		Cumulative Procurement		Total Procurement (2009-10)	Change Over Prev. year	
	2010-11	2009-10	2010-11	2009-10		Quantity	Percentage
Punjab	102.60	109.78	102.05	107.17	107.25	-5.12	-4.78
Haryana	63.39	69.13	63.35	69.10	69.24	-5.75	-8.32
U.P.	32.69	38.82	16.72	38.82	38.82	-22.1	-56.93
M.P.	44.34	21.82	35.38	17.81	19.68	17.57	98.65
Rajasthan	7.56	13.84	4.75	11.52	11.52	-6.77	-58.77
Gujarat	3.66	4.39		0.74	0.74	-	-
Bihar	1.83	4.96	1.83	4.96	4.96	-3.13	-63.10
Uttarakhand	2.15	2.84	0.86	1.83	1.44	-0.57	-39.86
Chandigarh	0.09	0.11	0.09	0.11	0.11	-0.02	-18.18
Delhi	0.52	0.30	0.09	-	-	-	-
All India	**259.04**	**266.06**	**225.25**	**251.72**	**253.81**	**-26.47**	**-10.52**

Source: FCI

Wheat Prices (International & Domestic)

[Back to Table of Content]

International: CBOT Wheat Futures (Soft Red Winter):

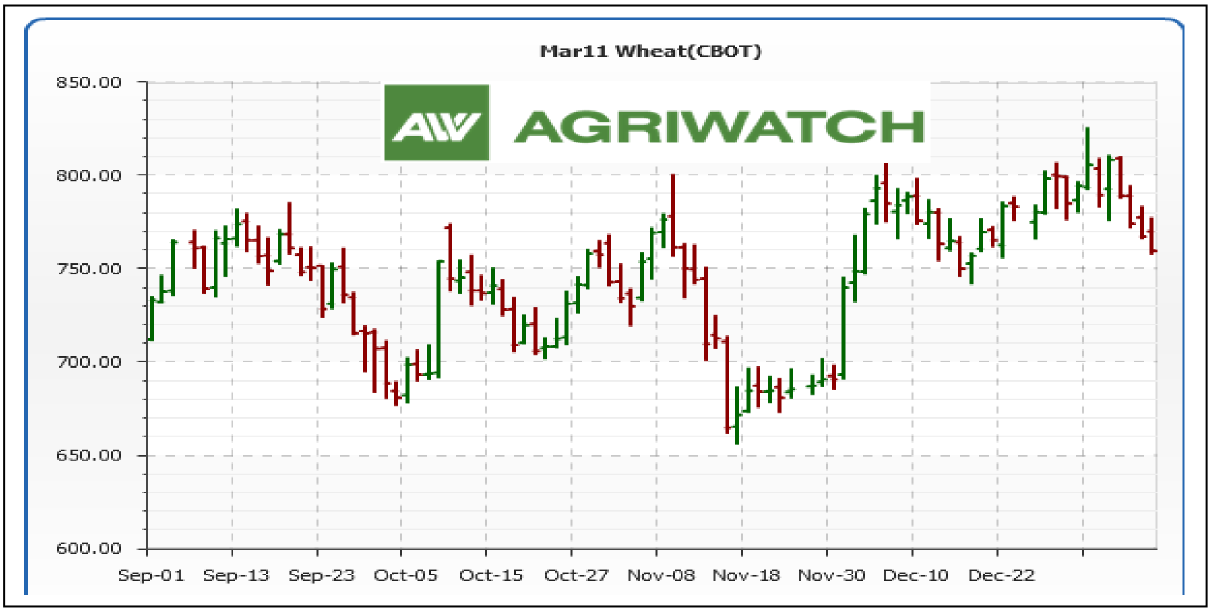
CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	**% Change Over Previous Month**	**Today (11.01.11)**	**Week Ago**	**Month Ago**
Mar'11 ($/MT)	**-3.22**	279.04	291.81	288.32
Mar'11 (INR/MT)	**-3.22**	12579.14	13154.68	12997.34
May'11 ($/MT)	**-2.27**	289.24	301.54	295.94
May'11 (INR/MT)	**-2.27**	13038.74	13593.58	13341.01
July'11 ($/MT)	**1.68**	300.07	305.68	295.11
July'11 (INR/MT)	**1.68**	13527.33	13779.91	13303.74
Sept'11 ($/MT)	**1.57**	303.11	310.36	298.42

Sept'11 (INR/MT)	1.57	13663.97	13991.08	13452.80

Note:1 Bushel=27.216kg.

CBOT Price Outlook

[Back to Table of Content]



Tech. Analysis of CBOT Chart

The views expressed below are purely based on technical analysis of the chart: However any changes in fundamentals may change the prevailing sentiment of overseas market.

Short Term Outlook (1 Week – Bearish/Bullish)	U.S. wheat futures finished mostly lower, pulling back from early advances. Profit taking and a rebalancing of positions by commodity index funds weighed on prices for the fourth consecutive session. Selling linked to the funds' annual reweighting of positions is expected to continue through Thursday. Market participants took profits as U.S. crop data Wednesday is not expected to significantly change markets' outlook. CBOT March wheat settled down 7 3/4 cents at $7.59 1/2 a bushel, KCBT March wheat stumbled 3 1/2 cents to $8.38, and MGE March wheat ended unchanged at $8.65 1/4. but fundamental is strong and may fan uptrend once again.
Medium Term Outlook (1 Month – Bullish/Bearish)	A bullish divergence that has formed on the RSI indicator is another signal suggesting a possible firmness to some extent besides the wave pattern. Market may continue to be move up on back of strong demand and lower crop prospects due to rough weather. But correction at higher level seems to be in sight. wheat to cover their needs. Supplies of high-protein wheat are tightening as heavy rains previously battered crops in eastern Australia, normally a major exporter of wheat that can be used to make flour.

Long Term Outlook (1 Quarter)	Market is expected to be governed by the global production prospects, weather and stock positions in major producing countries. Area is likely to increase due to higher prices world over.

Wheat FOB Prices (USD/MT)

[Back to Table of Content]

Country	Variety	% Change over Prev. Year	Today (11.01.11)	Week Ago (27.12.10)	Month Ago (10.11.10)	Year Ago (16.12.09)
USA (Gulf)	2srw	79.01	314.5	329.7	291.6	173.77
Canada (Thunder Bay)	Q2cw	29.77	-	295.6	309.4	224.70
Russia	wfca	-	-	-	176.24	134.05
Ukraine	Wp1	-	-	280.6	282.5	155.00
Argentina	Qw	15.72	-	298.10	302.5	254.91
Australia	APW	-	297.75	295.00	277.00	-
France	FCW	70.12	320.60	325.8	300.4	245.19
Britain	FEED WHEAT	64.67	307.4	303.3	286.7	198.89

Source: Reuter

Global Price Drivers

	BULLS	BEARS
Short term (1 Week)	Wheat quality damaged in Australia due to continuous heavy rains. Demand from importing nation is increasing. Iraq confirmed it bought 250,000 tons U.S. wheat for delivery early next year. Durum wheat production hit badly and likely shorted expected next year. World wheat trade for 2010/11 is raised this month with imports up 0.5 million tons each for China, Egypt, and South Korea, Global wheat supplies are projected	World stock is at comfortable level. Pakistan starts wheat export despite lower crop extimation. India may consider wheat export at the season end after analyzing the sowing area and production prospects. Weather improved in Australia and harvesting is said running smooth. Higher production estimate.

	slightly lower for 2010/11.	
Medium to Long term (1 Month – 1 Quarter)	Unfavourable weather in US, Australia. Ban on wheat export from Russia and Ukraine continue. Lower production estimates in Russia & Ukraine Global wheat consumption for 2010/11 is raised 2.5 million tons World wheat production for 2010-11 is likely to fall to 645.65 MMT from 674.92 MMT in 1009-10.(USDA) Wheat production in Russia and Ukraine likely to come down to 46.MMT due to drought (F.O. Litch)	Better crop prospects in India, Argentina. (PTI) IGC estimates of higher production next year.

Domestic Wheat Prices:

[Back to Table of Content]

Wheat Futures Prices (NCDEX)

Rs/Qtl

Contract	Change over prev. month (%)	Today (12/01/2011)	Week Ago 31/12/2010	Month Ago 08/12/2010
Jan'11	4.93	1380	1337.20	1311.6
Feb'11	3.52	1367	1348.00	1316
March'11	1.21	1291	1293.00	1275
April'11	-2.76	1160	1192.2	1201

Spot Prices of Wheat at NCDEX Delivery Centers

Rs/Qtl

Centre	Change over prev. year (%)	Today (12/01/2011)	Week Ago (31/12/2010)	Month Ago (08/12/2010)	Year ago (16/12/2009)	2 Years ago 16/12/2008
Delhi	-3.91	1362.50	1325.10	1305.35	1411.10	1165.00
Kanpur	-2.91	1330	1280.00	1275.00	1370.00	1146.90
Karnal	0.33	1405	1380.25	1381.50	1400.00	1100.00
Indore	-3.55	1376.90	1345.50	1340.40	1427.50	1146.90
Khanna	-7.17	1366.35	1350.80	1345.50	1442.65	1148.15

Source: NCDEX; NCDEX delivery prices are inclusive of mandi tax and other applicable state taxes along with handling & packaging costs.

Wheat Prices at Various Markets

Rs/Qtl

State	Location	12-01-11 (Today)	11-01-11 (Prev. day)	29.11.10	30.09.10	22.09.10
Delhi	Lawrence Road	1360-1370	1355-1360	1295-1298	1242-1245	1248-1255
	Narela	closed	1330	1290	1225	1215-1220
	Nazafgarh	closed	1310-1320	1270-1275	1190-1195	1195-1205
Gujarat	Rajkot (mill del.)	1300	1295	1260	1250	1240
	Ahmadabad	1375-1380	1370	1365-1370	1260	1250
	Vadodra	1390-1425	1360-1415	1325-1400		
	Surat	1420	1395-1400	1410	1375	
M.P	Bhopal	1200-1220	1200-1220	1200-1205	1150-1175	1150-1170
	Indore	1450-1500	1400-1420	1325-1370	1280-1285	1255-1285
	Jabalpur	1300-1420	1270-1385	1225-1225		
	Gwaliar	1360-1395	1350-1385	-		
Rajasthan	Kota	1300	1250-1275	1230	1210	1150-1175
	Jaipur	1370-1395	1340-1360			
	Jodhpur	1300-1320	1280-1300			
	Sriganganagar	1280-1290	1260-1275	1210-1210		
U.P.	Kanpur	1275-1280	1280-1285	1230-1240	1210-1215	1210
	Bareill	1355-1360	1345	1290	1295	
	Lucknow	1270-1310	1250-1270	1230-1260		
	Allahabad	1275-1325	1270-1320	1150-1210		
	Gorakhpur	1260-1325	1260-1285	1160-1205		
	Varanasi	1280-1350	1275-1320	NR		
	Mathura	1280-1290	1265-1275	1220-1225		
	Kosi(M.D)	1415-1420	1415	1400	1420-1425	
Punjab (Ludhiana)	Khanna	1200-1215	1190-1210	1200-1210	1140-1160	1130-1150
	Jagraon	1200-1250	1210-1260	1260-1280		
	Chandigarh	NR	1150-1200			
	Amritsar	1225-1245	1190-1240			
Haryana	Karnal	1250-1260	1230-1240	1273-1280	1225	1250-1255
	Sirsa	1250-1260	1235	1221-1222	1170-1175	1175
	Palwal(loose)	1265-1290	1250-1275	1210-1225	1105-1140	1120-1160
	Panipath	1260-1280	1230-1245	1260-1270	1250-1280	1260
Orissa	Sambhalpur	1255-1270	1220-1240	1150-1200		
Maharashtra	Mumbai	1370-1380	1310-1360	1360-2000	1350-2400	1325-2500
	Nagpur	1265-1375	1250-1360	1150-1280		
W. B.	Kaliganj	1260-1285	1250-1275	1200-1250	1110-1140	1110-1130
	Asansol	1250-1270	1240-1260	1175-1200		

	Siliguri	1270-1310	1270-1275			
Chhatisgarh	Raipur	1250-1300	1200-1250	1180-1200	11801205	
Jharkhand	Saraikela	1350-1425	1330-1390	1275-1350	1200-1400	1200-1385
	Ranchi	1260-1375	1255-1325	1220-1325		
Tamil Nadu	Chennai	1550	1560-1575	1440	1450-1515	1250-1750
Tamil Nadu	Madurai	1580	1590	1525	1365-1400	
Tamil Nadu	Coimbatore	1580	1590	1525	1360-1400	
Karnataka	Bangalore	1550-1800	1800-2000	1850-1950	1675-2175	1675-2175
	Hubli	1800-1900	1275			
	Mangalore	1300-1450	1300-1330	1300-1310		
	Mysore	1700-1850	1800-2200	1286		
A.P	Visakhapatnam	1750-2100	1950	1760-1875	1840-1940	1840-1950
Uttrakhand	Dehradun	1350-1400	1320-1375	1220-1250	-	-
Assam	Bongiagaon (others)	1250-1300	1220-1270	1530-1600		
Tripura	Agartala	1550-1650	1550-1600	NR		
Manipur	Imphal	NR	NR	-		
Kerela	Cochin	NR	2100-2450	NR	2200-2400	2100-2300
Bihar	Patna	1275-1325	1220-1260	1275-1360	1210-1280	1205-1210
	Gaya	1250-1275	1150-1260	1105-1200		
	Katihar	1250-1320	1285-1300	1150-1225		

Domestic Price Drivers

[Back to Table of Content]

	BULLS	BEARS
Short term (1 Week)	Fear of lower area coverage, uncertain weather. Fresh buying from flour millers and retailers. Slower release of stocks from stockists. Demand for quality grain increased. Lean season	India's wheat stocks on Dec.1 were at 24.72 MMT against a target of 14 MMT. Wheat has been sown in 264.13 lakh hectares (ha) far in the country, which is 11.08 lakh ha more than the level achieved on this date last year 5 MMT wheat and rice allocation. Ample allocation of wheat and rice through PDS for APL and BPL. Distribution started from this month and will continue for next six months. More allocation at discount is still awaited. Planning to sell 2.5 MMT wheat and rice by June on discounted prices.

Medium to Long term (1 Month – 1 Quarter)	Hike in MSP for wheat of Rs 20 per qtl. for next marketing year. Increasing festival demand for wheat products. Fear of overall lower area coverage Export option still open for wheat and rice. Area swift is feared. Limited supply through OMSS	Planning to sell wheat through OMSS Space crunch for newly procured grain (rice) will encourage govt. to release stocks at various levels. Ample stock and expected bumper crop this year too on back of good monsoon. MSP hike for next year

Estimation of FOB Prices

Back to Table of Content

Estimation of FOB price		
Estimated FOB Kandla prices of Khanna wheat	**FCI Economic Cost**	**Ruling Market prices**
Ruling market prices at Indore	15280	11300
Local Transportation & Rake loading charges	400	400
Freight charges from Khanna to Kandla	1200	1200
Unloading, ship loading & Misc. handling expenses	450	450
Total handling cost	152.6	113
Total handling cost	2202.6	2163
Estimated FOB price	17482.6	13463
Estimated FOB price (USD\MT)-1 USD=44.72	390.93	301.051

Global & Domestic Weather and Crop Impact

[Back to Table of Content]

Global:

Country	Region	Weather Summary	Crop Impact
USA	Northern Plains	Mostly dry conditions through Saturday, snow north, rain central and southeast areas Sunday. Temperatures near to above normal. Brazil- Episodes of scattered to widely scattered showers and thunder showers during the next 5 days. Temperatures near to below normal.	Scattered rain showers will occur across the southeastern U.S. this afternoon and into Saturday. A nfrontal system located over the eastern Pacific will move into the western U.S. this evening. Snow over the mountains of California will expand into much ofthe West overnight tonight and on Saturday.It is unsupportive to the wheat crop.
Australia	New south-wales - Queensland	Showers western locales. Showers in northeast NSW. A few light showers in SA the next few days. Flood has disrupted trading activities.Temperatures warm/hot	Weather conditions are not congenial to wheat crop. It may disrupt ongoing harvesting in various growing regions once again.

		central areas warmer west, variable far east.	
Canada	Canadian Prairies	Scattered showers and thundershowers Tuesday into Friday, mostly dry Saturday and Sunday. Temperatures near to above normal into Friday, near to below normal during the weekend.	Harvest is nearing completion. Snow could impact any remaining harvest.
Russia & Ukraine	FSU west wheat	An area of low pressure over the Ukraine will move northward into western Russia. Area of snow will occur from the Ukraine to southwestern and west-central Russia. Rain and mountain snow will occur across Turkey. Low pressure over northern Italy will move into the Balkans on Saturday. This system will create snow and coastal rain across the region.	Winter wheat across most areas of Russia and the Ukraine continues to enter dormancy. Subzero (F) cold now covers much of the Russia wheat area. Snow cover protects some of this wheat from this cold but some areas lack a protective snow cover.
Europe		Dry central areas. Lighter rain, snow and mixed showers eastern grainregions. Temperatures milder west, mostly below normal central and east.FSU- Additional snow, rain and mixed showers the next few days. Temperaturestrending cooler most areas this week.	Colder temperatures in Europe winter wheat areas will force wheat into dormancy through much of the region. The wheat should be protected from the coldest of this weather by a deep snow cover.
INDO-CHINA **(Asia)**		Snow showers in northeast China, a few showers and areas of mixed precipitation in far southern locales, mostly dry elsewhere in the corn areas. Temperatures below normal most areas. Mainly dry in the major wheat areas. Temperatures coolernorthwest and eventually in the northeast. Temperatures mild to warm south.	Weather conditions for wheat crop in this region are not favorable for better growth of wheat crop. Except India where it is considered to be better one .

Source: Reuter

Domestic (India):

[Back to Table of Content]

Weather Summary	Crop Impact

North-West India (J&K, HP, Uttarakhand, Punjab, Haryana, Delhi, West UP):

Rain/thundershowers at isolated places over Jammu & Kashmir. Mainly dry weather over the rest region.

East India (East UP, Bihar, Jharkhand, West Bengal & Sikkim, Orissa):

Mainly dry weather over the region.

North-East India (Arunachal Pradesh, NMM&T, Assam & Meghalaya)

Rain/thundershowers at isolated places over Arunachal Pradesh. Mainly dry weather over the rest region.

South India (Tamil Nadu, AP, Kerala, Karnataka, Andaman & Nicobar Islands,

Rain/thundershower at a few places over Tamil Nadu & Pundi cherry and Andaman &Nicobar Islands and at isolated places over Kerala and Lakshadweep. Mainly dry weather over the rest region.

West India (Maharashtra, Other than Vidarbha, Gujarat, Rajasthan)

Mainly dry weather over the region.

Central India (MP, Chhattisgarh, Vidarbha)

Mainly dry weather over the region.

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Winter wheat planting likely continues with no delays across the north India region at this time. Wheat in this area depends mostly on irrigation supplied by the summer Monsoon rains, which this season has been above normal.

Weather is congenial to the early wheat sowing in Punjab, Haryana and in the northern states of India. Sowing in Punjab and Haryana is nearing completion.

Showers affecting south eastern portions of the wheat areas. No significant precipitation expected elsewhere the next few days. Temperatures variable to warm.

Late sowing may continue in M.P. Rajasthan due to sufficient availability of water.

Early planting ongoing. No major concerns at this time.