

MARKET FUNDAMENTALS

Steady to weak market:

Wheat prices remained almost steady to firm during the period under review on back of good demand, decreased supply against normal demand. Short supply of quality grain in all trading centres and lower supply from federal govt. stock helped in keeping prices up. But the uptrend could not sustain in the third week of January on hope of bumper production, higher area coverage and excellent growing condition of the crop throughout the entire growing regions. Prices are likely to remain under pressure in weeks ahead due to huge stock, bumper incoming crop and govt. intention to augment supply in the market through various channels.

Above normal sowing:

The acreage of wheat during the current season is up by 9.31 lakh ha at 288.43 lakh ha (28.843 mil) compared to last year as on Jan.14, which could translate into a higher production of around 2.5 to 2.8 mil tonnes compared to last year, subject to favourable weather till harvest in April 2011. While government procurement will continue to swell, problem of plenty will further aggravate storage woes. Rain in November led to improved ground water level and better storage position in reservoirs. This, apparently, has led to farmers going in for higher coverage of wheat. In States such as Gujarat, farmers have shifted to wheat from crops such as jeera, which cannot tolerate cold waves unlike the grain crop. Even in case of Gujarat area shift from cotton and rice to wheat has been reported.

Uptrend unlikely:

Uptrend is unlikely to continue in weeks ahead on expectation of higher supply from govt.'s stock. Flour millers are actively buying wheat from all available sources including FCI and buying is likely to continue in January, February and March. Weather is favourable throughout the country and sowing is now approaching at last phase and will come to an end in the third week of January. Plants growth rate is being reported excellent amid ample moisture level in the field. Above average sowing is being reported from most states and bumper production seems to be on card.

Maximum Stock In Govt. Custody:

Maximum stocks are under govt.'s custody and its release mechanism and export policy may directly impact the market sentiment. The government's holding on Jan,01 was 21.5 MMT as against the buffer norm of 8.2 MMT. New season is likely to begin with huge stock with bumper production expectation

once again. This will create handling and storing problem and it is high time to be ready to face the upcoming challenge.

Govt. targets 82 MMT:

Wheat production will touch a record 82 million tonnes in the current rabi season despite "some damage" to the crop in unprecedented rains this year. Higher yield and increased area in Rajasthan, Gujarat, Haryana and Punjab may boost overall production of wheat in normal weather condition ahead. India had produced a record 80.71 million tonnes of wheat in the 2009–10 crop year. Wheat is a rabi crop, for which sowing starts in November and harvesting commences in March. It accounts for nearly 71 per cent of the total food grains production in the country.

Good sowing in Rajasthan

Wheat area in Rajasthan has gone up with increasing interest of farmers in wheat sowing. Wheat farmers have been engaged in extended sowing as the acreage crosses the targeted 25 lakh hectares. Experts expect the area to go up to 26.5 lakh hectares as sowing is likely to continue till first week of January. If the condition remains favorable as it is now, the production is likely to touch 85 lakh ton.

Favourable weather for wheat crop:

Favourable weather conditions throughout the wheat growing regions and recent rains have enhanced the chances of bumper wheat production. Many states like Rajasthan, Gujarat, U.P besides Punjab and Haryana are going to give more contribution this year. Improvement in the cultivation per hectare of wheat and better quality seed may also help increase production.

The total wheat production of Haryana and Punjab may reach 268 lakh metric tonnes in 2010-11, compared to 256 lakh MT of the previous year. It is expected that while the production may go up from 151.69 lakh MT last year to 154 lakh MT in 2011 in Punjab, Haryana may see its yield go up from 105 lakh MT in 2010 to 114.6 lakh MT this year.

Both Haryana and Punjab received better than normal winter rains this year. The weather also remained cooler than that of last year. According to Agriculture Director, Punjab, Balwinder Singh Sidhu, extreme cold conditions and winter rains are good for the Rabi crop, especially wheat and vegetables. Joint Director, Agriculture, Haryana B S Duggal said sowing of wheat was almost over in Haryana and this time the area under cultivation had been almost the same as that of last year.

Centre may hike APL grain price:

With the food subsidy bill expected to rise by around 18% over the 2010-11 Budget estimate of nearly Rs 68,000 crore because of increase in procurement and allocations prices, the government is believed to have decided to hike the central issue price (CIP) of foodgrain supplied to above poverty line

(APL) families through the public distribution system. CIP is the price at which the central government supplies foodgrains to states and union territories for supplying under the public distribution system, through a network of more than 5.02 lakh fair price shops spread across the country. Sources said the CIP for wheat and rice could be raised by around 40% each.

At present, almost 13.26 crore APL ration card holders get wheat at around Rs 6.10 per kilogram and rice at around Rs 8.30 per kg. With better rains, more acreage under sowing and better quality seeds, North India—especially the states of Punjab and Haryana—is poised to make it big in wheat output this year. The combined wheat output of both North Indian states are expected to reach 268 lakh MT in 2010-11 compared to 256 lakh MT for 2009-10. In Punjab, the 2011 production is slated to go up from 151.69 lakh MT last year to 154 lakh MT even as Haryana would see a production of 114.6 lakh MT this year, which is 9.6 lakh MT higher than previous year.

Global Warming: No Major Impact On Indian Wheat:

Although no major impact has been observed on wheat production due to global warming in India in the recent past, the government has taken preventive steps to safeguard the principal crop from rising temperature. Research findings of ICAR (Indian Council for Agricultural Research) on wheat crop has indicated that there is about 3 to 4 per cent decrease in grain yield with 1 degree celsius rise in temperature during grain filling stage. Out of 28 million hectare area under wheat in India, about 9 million hectare in North Eastern plain zone, Central zone and peninsular zone is prone to terminal heat stress. Studies have revealed that the mean annual surface air temperature over India has risen by 0.56 degree celsius during 1901-2009, which is above normal since 1990 over a base period of 1961-1990. Although no adverse affect of global warming has been noticed on wheat in India so far, the government has taken some timely precautionary steps. Heat tolerant varieties like DBW 14, DBW 16, Raj 3765, Lok 1, GW 322 etc. have been popularised on larger scale under schemes like National Food Security Mission-wheat and Integrated Cereals Development Programme in Wheat. This is based on cropping systems aimed at increasing production and productivity of wheat.

Curbs on export of rice, wheat likely to stay:

India is not likely 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. People think that our current grains reserve, pegged at 50 million tonnes, is quite high. Contrary to the belief, much higher stocks will be required in coming days when the government implements the National Food Security Bill. So, in near term, I do not see any grain exports happening," Siraj Hussain, chairman and managing director of Food Corporation of India.

Government allocates 5 MT foodgrains for PDS:

The govt is going to buy 5 million tonnes additional foodgrains for distribution in public. Out of 5MMT, 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. The increased area by 7 lakh hectares and the cool weather conditions prevailing across major growing states had kept the prices down. The wheat futures are expected to continue the down trend for the day. The derivative analysis also suggests the bearishness. The cold weather conditions is supporting the higher yield estimations of the crop and in turn pressurizing the prices.

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.

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..

Import status:

As per flour millers association Indian mills had imported about 158,000 tonnes wheat from Australia and Black Sea region countries in last fiscal year. During 2010-11, imports are unlikely to touch 200,000 tonnes as southern mills preferred to source the foodgrains abroad at lower than domestic cost of procurement. Imports had slowed since last month as Russia and Black Sea region countries like Ukraine, Russia and Romania banned wheat exports owing to drought and adverse weather conditions leading to lower output. This also led to sharp spike in global wheat rates. Currently, India allows zero-duty import of wheat after having scrapped the five per cent impost four years back. The scheme is likely to be reviewed as the facility will end this month-end. Indian millers have been seeking stable duty regime that allows for long-term deals in overseas markets.

No plan to tax wheat import:

Farm minister has confirmed that govt. is not going to consider on imposing duty on wheat import soon. The government had banned wheat exports in early 2007 and made imports duty-free to augment domestic availability. It had imported about seven million tonnes of wheat in 2006 and 2007 to meet its buffer stock requirement. The question of imposing import duty

on wheat arises in the backdrop of the country's record 80.71 million tonnes production in 2009-10, surpassing last year's output of 80.68 million tonnes. Importantly flour millers are against imposition of import duty on wheat as they require high protein variety from Australia. India could import about two lakh tonnes of wheat, mainly from Australia, this fiscal as against 1.58 lakh tonnes a year ago. Anyway, upward momentum in overseas market has made import difficult and expected quantity of two lakh tonnes may come down this year.

Proposed GST regime will encourage prices of foodgrains:

Prices of food grains, especially wheat and rice, may go up in the proposed Goods and Services Tax (GST) regime. At present, about half the states do not levy Value Added Tax (VAT) on wheat and rice, though they are allowed to tax these food grains at 4 per cent. In GST, these items may be taxed at 12 per cent at the concessional rate or 20 per cent at the standard rate, unless the Union and state governments decide to exempt these. Currently, there is no proposal to exempt these grains from GST.

The Centre is pruning its exemption list to align it with states' exemption list for VAT, which includes 99 goods. Food grains do not feature in these items. Even if the government decides to tax wheat and rice at the lower rate of 12 per cent, consumers will end up paying more than the current rate. Food grains will become cheaper only if these are exempted from GST.

Apart from VAT, various "statutory charges" are levied on food grains by local governments in the existing regime. While the 4 per cent purchase tax, levied in Haryana, Punjab and Uttar Pradesh, will be subsumed in GST, other charges like rural development fee, market fee (mandi tax), infrastructure development tax and commission to societies and sub-agents may continue in the new regime.

Impact of taxing food grains in GST:

There was no proposal to subsume local taxes on foodgrain, except purchase tax, in GST. Since these are not part of the chain, these will be levied along with GST. The official added the Centre and states might have to exempt the grains from GST because taxing them at such higher rates would be detrimental in a country like India. In the existing set-up, total tax on rice and wheat is highest in Punjab at 13.5 per cent, followed by Andhra Pradesh (12.5 per cent on rice) and Haryana (10.5 per cent). In the GST regime, tax on food grains in Punjab could go up to 21.5 per cent if the 4 per cent VAT/purchase tax is replaced by 12 per cent GST. Other levies add up to 9.5 per cent in the state. In states like West Bengal, Bihar and Gujarat, the tax is only 3 per cent and it mainly comprises other levies which will not be subsumed in GST. Kerala has exempted rice from tax but charges a market fee of 7 per cent. Impact of taxing food grains in GST will have maximum impact on such zero-VAT states.

OUTLOOK:

Short Term (One fortnight):

Wheat is likely to trade in the range of Rs 1250 to Rs1350 in this fortnight and would be under pressure on back of huge stock, expected higher supply and bumper crop amid favourable weather. Prices of wheat slipped from higher level at the end of last week on better prospects of higher production, favorable weather conditions and increased area in major growing regions during the week under review. Demand from flour millers has increased and they are now active buyers. Supply is likely to increase this fortnight through FCI stocks. Prices are likely to go down due to mounting pressure of selling from federal govt's stock, prospects of record production.

New crop is now only two months away and huge stock is cutting down the undertone. Millers, medium and small buyers are eying on govt. stock and due to lower availability in open market offtake is likely to go up from federal govt. stock in January, February and March. This year even Gujarat and Rajasthan, besides Punjab and Haryana, are going to contribute more wheat for central pool, given the normal weather condition and higher area coverage. Favorable weather is not only helpful in natural irrigation but also aiding tillering of wheat crop. This year we are heading towards record production once again.

Wheat SPOT Market (Prices In RS/QUINTAL)

Markets	19.01.11	30.12.10
Delhi (Lawrence Road) truck loaded ready delivery	1255-1260	1310-1315
Punjab Khanna	1210-1215	1180-1185
Rajasthan (Kota) Loose	1315-1320	1250-1260
Uttar Pradesh (Kanpur) Loose	1300	1265-1270
Madhya Pradesh (Indore) Loose	1350-1460	1340-1350
Ludhiana (Jagraon) Loose	1250-1260	1275-1280
Rajkot Loose	1225-1330	1290-1300
Madhya Pradesh (Bhopal) Loose	1300-1305	1150-1200

SPOT MARKET PRICE FOR WHEAT PRODUCTS:

Wheat Products	19.01.11	30.12.10
Atta (50kg)	795	720
Maida Grade 1(90kg)	1620	1606
Suji (50kg)	935	885
Chokar (50 kg)	552	515
Chokar (34 kg)	378	358
Chakki Atta (90kg)	NR	NR

Following was the status in other markets, with active millers and private trade buying: (as on 19.01.2011)

Place	Arrivals	Price (Rs/Qtl)
Mathura	700	1290-1300
Kosi	400	1450-1460
Najafgarh	400	1320-1325
Sirsa	450	1225-1230
Narella	1500	1320-1325

INTERNATIONAL NEWS & ANALYSIS:

By 2020, world to be 2.4C warmer, India to be hardest hit

The Earth will be 2.4 degree Celsius warmer by 2020 if the world continues with the business-as-usual approach to climate change and India would be one of the hardest hit countries witnessing upto 30 per cent reduction in crop yields, a new study has claimed. The rising temperatures will adversely affect the world's food production and India would be the hardest hit, according to the analysis by the Universal Ecological Fund (FEU-US), the US subsidiary of FEU founded in Argentina in 1990. The report titled 'The Food Gap -- The Impacts of Climate Change on Food Production: A 2020 Perspective' predicted that crop yield in India, the second largest world producer of rice and wheat, would fall up to 30 per cent by the end of this decade.

The report, however, noted that the impacts of climate change would vary from region to region. While central and southern region would witness adverse impacts, the impacts could be beneficial for East and South-East Asia, the report predicted. The two most populated countries in the world, India and China, would experience different impacts. While India could see a fall in its crop yield, China -- the largest producer of rice and wheat in the world -- is expected to increase its crop yields up to 20 per cent, said the report. However, the overall impact of a warmer planet on global food production would be massive, said the report, adding that the most significant impacts would be on the top 20 producers of each of the four crops: wheat, rice, maize and soybean, respectively. It has predicted that global wheat production during that time would experience a 14 per cent deficit between production and demand; while there will be an 11 per cent deficit in rice production and 9 per cent in maize (corn) production. Soybean is the only crop showing an increase in global production, with an estimated 5 per cent surplus, the report said.

Australia World's 5th-Largest Wheat Exporter In 2009-10 - Regulator

Australia maintained its position as the fifth-largest global exporter of wheat in 2009-10, in a trade that is seeing imports by China of Australian wheat increasing and imports by Middle Eastern countries decreasing, Wheat Exports Australia said. Australia exported 12.1 million metric tons of bulk wheat to 36 countries, and 2.5 million tons of wheat in containers and bags to 46 countries in the Australian marketing year ended Sep. 30,

2010, WEA, the industry regulator, reported in an annual statement to growers. The total global wheat trade reached 127 million tons in the international trade year that ended June 30, 2010, WEA said. Australia's top six bulk wheat exporters shipped 9.6 million tons and accounted for 79% of total bulk exports in 2009-10. The top four exporters each shipped in excess of 1.0 million tons of bulk wheat, accounting for 64% of Australian bulk wheat exports.

World to produce slightly more wheat in 2011: CWB

The world's farmers will produce only slightly more wheat in 2011, the Canadian Wheat Board said Friday, even as food inflation spurred protests this month and pumped up grain values. In its first market outlook of 2011, the Wheat Board said that despite attractive prices, global wheat production would be reined in by drought in Russia and potential flooding in Canada, as well as high prices of competing crops ahead of planting season in the Northern Hemisphere. "In terms of food inflation, at the current projection there isn't going to be a huge issue," said Bruce Burnett, the Wheat Board's director of weather and market analysis, in an interview from Saskatoon, Saskatchewan.

"But if we were to see a couple of weather events happen that move that (production) number lower towards last year or even lower, especially in a major exporting region, then certainly there would be more concerns." The world's farmers will produce only slightly more wheat in 2011, the Canadian Wheat Board said. The world will produce 649.5 million tonnes of all types of wheat, up 0.6% from the 2010 crop, he said. Canada will harvest 23.8 million tonnes of wheat, the CWB said, up 2.9% from last year. However, predicting a modest increase in world production seems right, but it's too early to put much weight on forecasts. Winter wheat is still in the ground and could turn out to be a bumper or terrible crop. The International Grains Council and U.S. Department of Agriculture have not yet forecast 2011 world wheat crops.

Argentina wheat output seen 12.7 mln T -exchange:

Argentina's 2010/11 wheat output should reach 12.7 million tonnes, the Buenos Aires Grains Exchange said in a report, raising its previous forecast of 12.1 million tonnes.

Russia seen keeping wheat export ban till late 2011

Russia's ban on wheat exports, imposed after drought ravaged crops, could very well be extended until the end of 2011 if mounting worries about the next crop are confirmed, exporters. Moscow said in August it would suspend all grain exports until the end of the year and officials have hinted the ban was likely to be extended until the end of the 2010/11 season on July 1 -- a step participants at a 3-day Global Grain conference in Geneva this week said was inevitable.

They expressed a widespread feeling the market had to be ready to do without grains from the world's former No. 3 wheat exporter for even longer, possibly until the end of the 2011 calendar year. "Since they are sown on dry land the plants will be more fragile than usual, and on top of that the area (of winter wheat) is smaller, so we are heading towards a low crop," a senior trader from a major grains exporting company said.

"Therefore seeing something (in exports) out of Russia before 2012 seems unlikely." Russian brokers and traders agreed the jury was still out on whether Russia would produce enough wheat to convince the government to lift the ban next summer. "We have to produce a high crop to see exports resume and I don't see that happen with what (farmers) planted, considering that they planted it on dry land," said a Moscow-based broker. "This season you'll need Disneyland conditions to produce decent crops," he added. The Russian Grain Union said on Thursday the country would need to harvest at least 80 million tonnes of grains next year to cover domestic needs, compared with 2010 grain output of 60.5 million. Agricultural analyst SovEcon, meanwhile, said this week Russia may need to import more than 4 million tonnes of grain in 2010/11 amid a sharp drop in stocks.

No major fall in global cereal production-FAO

The global cereal production for 2010-11 is expected to be 2,239 million tonnes compared to 2,261 million tonnes recorded in 2009-10, about 1 per cent lower than last year. Reduced output of wheat in the CIS (Commonwealth of Independent States) countries due to drought, as well as smaller crops in the European Union and North Africa, account for the decline. Even so, at the current level, the 2010 cereal production, coupled with large carryover stocks, "should be adequate to cover the projected world cereal utilisation in 2010-11," says the Food and Agriculture Organisation (FAO) in its latest projections based on crop estimates towards the end of September. The projected global cereal utilisation for 2010-11 is 2,248 million tonnes.

While global wheat and coarse grain production is expected to be lower than in 2009, rice output is likely to be higher by 3 per cent, which is said to be a record. In Asia, record cereal crops are anticipated in China and India, the FAO says. However, devastating floods damaged rice crops in Pakistan, while dry weather is adversely affecting prospects in Cambodia, and Lao People's Democratic Republic. In Latin America and the Caribbean, a recovery in production from last year's reduced level is anticipated. The U.N. agency indicated that international prices of grain surged since the beginning of July in response to drought-reduced crops in the CIS exporting countries and a subsequent decision by the Russian Federation to ban exports. In September, wheat prices were 60 to 80 per cent higher than at the beginning of the season in July. However, prices are still one-third below their peaks in 2008. In the same period, the price of maize increased by about 40 per cent, while that of rice by only 7 per cent.

In India prices of wheat and rice that had been increasing since mid-2009 strengthened in September in several markets, and in all locations are at high levels. Despite large stocks of wheat following two consecutive bumper harvests in 2009 and 2010, the prices of wheat remain high reflecting general inflation and high procurement prices. Prices of rice have also increased in recent months and are at the highest levels in most markets, particularly in Chennai. The government is releasing significant amounts of grain reserves in an attempt to stabilize prices.

Global wheat output for 2010-11 cut by 2.3%

Latest U.S. estimate of world wheat production is driving sentiments up again in the international market. The U.S. Department of Agriculture cut its forecast for 2010-11 global wheat output by 2.3% to 645.73 million tonnes. That was lower than expectations and below recent estimates from the Food and Agriculture Organization and International Grains Council, which both saw the crop at 651 million tonnes. This is a surprising move from the USDA, which is traditionally more cautious in its crop adjustments. Wheat-production forecasts have been slashed repeatedly since the middle of the summer, when the severity of record-setting heat and drought in the former Soviet Union became apparent. Wheat prices hit nearly two-year highs on August 5 as Russia banned grain exports because of the drought, but prices have pulled back since then. Still, wheat prices are up about 60% over the past two months. The agency came in with a very low estimate of 2010 world production. Adding to the bullish fervor Prices may be able to top \$8 again if Ukraine and neighboring countries join Russia in officially banning grain exports.

Consumption:

Global wheat consumption was revised up by 4 million tonnes to 658 million tonnes compared with its May estimate, resulting in a global surplus of 6 million tonnes, excluding carry-over stocks. The growth in consumption is largely expected to be fuelled by demand in Asia, the council said, where growing meat consumption is expected to boost demand for feed grains, including wheat, to a record 775 million tonnes.

Logistics Seen Limiting World Wheat Trade

Logistical constraints may hamper world wheat trade at a time when buyers are relying on a handful of exports to fill the deficit left by Russia's grain ban. Despite ample production and high world carryover stocks, which the International Grains Council pegs at 181 million metric tonnes, shipping problems may limit the amount of wheat that reaches global markets. Transport networks are facing particular strain this year because much of the world's wheat is concentrated in a few major exporters after severe weather problems forced Russia to cede its share of international trade this season. Buyers are pinning their hopes on exports from major producers the U.S., Australia, Argentina and Canada, all of which are expected to have substantial wheat crops this year. "With the Southern Hemisphere harvest approaching there is a lot of wheat out there. But with the concentration of available exportable surpluses in a smaller number of countries than normal that could put pressure on logistics. In the U.S., the world's biggest wheat exporter, the problem is particularly acute. Record soy and corn crops mean wheat will have to compete for its share of export facilities this year at a time when authorities are already planning to close river systems feeding key soft wheat shipping port Portland from December to March.

Australia 2010-11 Wheat Crop Forecast Raised To 23.8MMT

National Australia Bank Ltd. upgraded its wheat production forecast for this crop year to 23.8 million metric tonnes, but said it couldn't go as high as the mid-September forecast of 25.1

million tonnes by the government's Australian Bureau of Agricultural and Resource Economics. The latest forecast by the bank, a major agricultural lender, represents an upward revision by 700,000 tons from last week and 1.4 million tons since August, and is up 2.1 million tons on actual output of 21.7 million tons in the last crop year ended March 31, 2010. "While a crop of 25.1 million tons certainly is possible, at this stage we feel it is too early to call such a large crop Western Australia, which usually accounts for 40% of national wheat output, could also face further downward revisions depending on weather conditions, NAB reported. Higher national wheat harvest estimates have improved export prospects, with the bank forecasting last week exports from the new crop could swell to 17 million tons, compared with 15 million tons from the previous crop, maintaining Australia's position as a major supplier to the global trade.

Argentina Wheat Crop Seen At 11.3 MT

Wheat production is likely to increase in Argentina this season, sharply up from last year's output. Wheat output may touch 11.3 MMT. Recent showers have helped boost the crop prospects. Argentina's Agriculture Ministry has estimated production from the developing wheat crop at 10 million to 11.2 million metric tonnes. That's on the low end compared with private forecasts and significantly down from the 12 million tonnes forecast by the U.S. Department of Agriculture. Private estimates range from 9 million tonnes up to 14 million tons, but most see output at between 11 million and 12 million tonnes. According to the government, last year Argentina grew 7.5 million tons of wheat, although the USDA estimates that the crop was larger, at 9.6 million tonnes. The exchange also upped its forecast for sunflower-seed planting to 1.62 million hectares, compared to the 1.53 million hectares forecast last week.

Canadian Wheat Board Outlooks For 2010-11:

The Canadian Wheat Board has both raised and lowered its price projections for wheat that will be delivered by western Canadian producers during the 2010-11 crop year. The 2010-11 crop year begins Aug. 1. Depending on the grade and class of wheat, values were raised by C\$6 a metric ton from the May projection while some grades of wheat were lowered by C\$1 a ton. "Obviously, if we look out our back door we see excessive moisture across large swaths of the western Canadian growing region with as much as one-fifth of total acreage unplanted in its outlook. Many more acres have been inundated with moisture, and without drier weather there will be reductions in yield and quality. However, the CWB said many of the fundamentals in the global wheat market remain tilted toward the bearish side of the equation. It said the world remains deep in wheat, although somewhat challenged in terms of protein supplies.

World wheat production for 2010/11 is projected to decline this month 7.5 million tons following an 11.5-million-ton projected drop in foreign production that more than offsets a 4.0-million-ton increase in U.S. wheat output. FSU-12 is dominant in this decline, as wheat production in this region is projected down 7.5 million tons- 4.5 million tons for Russia and 3.0 million tons for Kazakhstan due to drought like conditions in the two countries' spring wheat belts.

Canadian wheat production is cut by 4.0 million tons to 20.5 million this month, which is 236 percent lower than Canada's 2009 wheat output. The decrease is entirely based on a 1.5-millionhectare reduction in sown area, down to 7.7 million hectares. Wheat production in the EU-27 for 2010/11 is projected down 1.1 million tons this month to 141.8 million. Indian wheat production is reduced 1.0 million tons to 79.0 million, and in Turkey wheat production prospects are down 0.5 million tons to 17.0 million. Foreign wheat supplies are projected 12.3 million tons lower than last month, but still 0.9 million tons higher than in the previous year. Projected 2010/11 world ending stocks are down 6.9 million tons this month to 187.0 million, while foreign ending stocks decline almost 6 percent, or 9.7 million tons, to 157.3 million, as U.S. stocks increase 2.8 million tons. U.S. export prospects are boosted due to increased supplies and reduced competition.

World wheat consumption Up One Percent:

World wheat consumption is forecast to increase by 1 per cent to 652 million tonnes in 2010-11, but nevertheless remain below forecast world production. This increase is largely driven by higher food use. Feed use is expected to remain largely unchanged, while the use of wheat in ethanol production is expected to increase. The use of wheat for human consumption is forecast to increase by 1 per cent, to around 457 million tonnes, in line with world population growth. Lower forecast wheat prices are not expected to have any significant influence on per person food consumption of wheat. Feed consumption is forecast to remain largely unchanged at around 104 million tonnes in 2010-11.

Global wheat supply:

Global wheat supplies for 2010/11 are reduced with world production projected 7.5 million tons lower as smaller crops in FSU-12, Canada, EU-27, India, and Turkey more than offset higher production in the United States and China. Production for Canada is lowered 4 million tons as persistent June rains limited seeding in the Western Prairies.

Production is lowered 4.5 million tons and 3.0 million tons, respectively, for Russia and Kazakhstan as continued drought and high temperatures reduce yield prospects for spring wheat. EU-27 production is lowered 1.1 million tons reflecting early indications of lower-than-expected yields in northern Europe. India production is lowered 1.0 million tons on indications that heat during late grain fill reduced yields.

PRICE BEHAVIOUR

Wheat is likely to trade in the range of Rs 1250 to Rs1350 in this fortnight and would be under pressure on back of huge stock, expected higher supply and bumper crop amid favourable weather. Prices of wheat slipped from higher level at the end of last week on better prospects of higher production, favorable weather conditions and increased area in major growing regions during the week under review. Demand from flour millers has increased and they are now active buyers. Supply is likely to increase this fortnight through FCI stocks. Prices are likely to go down due to mounting pressure of selling from federal govt's stock, prospects of record production.

New crop is now only two months away and huge stock is cutting down the undertone. Millers, medium and small buyers are eying on govt. stock and due to lower availability in open market offtake is likely to go up from federal govt. stock in January, February and March. This year even Gujarat and Rajasthan, besides Punjab and Haryana, are going to contribute more wheat for central pool, given the normal weather condition and higher area coverage. Favorable weather is not only helpful in natural irrigation but also aiding tillering of wheat crop. This year we are heading towards record production once again.

EXCHANGE RATE (SOURCE: RBI)

Foreign Currency	Jan.19,2011 Rs. per unit	Dec.30,2010 Rs. per unit
1 US \$	45.38	45.15
1 British £	72.71	69.70
1 Euro	61.15	59.32
100 Yen	55.15	54.55

NCDEX WHEAT (CONTRACT: Feb.,10):

Candle stick chart shows sellers support in the future market. Wheat may trade range bound in the price band of Rs 1320 to Rs1375. If it crosses the resistance level of Rs 1385, it may go up. Fundamental is not very supportive to the wheat market so far. Players should opt selling at higher level. Market indicator also show range bound movement with weak bias. Prices are likely to go down on stock and increased supply pressure. For medium term market is looking to take support at 1320, a break below could see a test of 1290 and where as resistance is now likely to be seen at 1385, a move above could see prices testing 1400..



TRADE RECOMENDATION (Medium Term)

Contract	Call	Entry	T1	T2	SL
NCDEX, Feb.	Sell	>1375	1330	1315	1387

SUPPORT & RESISTANCE

S2	S1	PCP	R1	R2
1300	1320	1368	1375	1400



International: CBOT Wheat Futures (Soft Red Winter):

CBOT Futures Prices (USD per Metric Tonnes)				
Futures Month	% Change Over Previous Month	Today (18.01.11)	Week Ago	Month Ago
Mar'11 (\$/MT)	1.67	291.44	284.37	286.66
Mar'11 (INR/MT)	1.67	13202.23	12881.85	12985.87
May'11 (\$/MT)	1.92	302.09	294.56	296.40
May'11 (INR/MT)	1.92	13684.89	13343.70	13426.92
July'11 (\$/MT)	3.87	310.91	301.64	299.34
July'11 (INR/MT)	3.87	14084.32	13664.08	13560.06
Sept'11 (\$/MT)	4.34	317.80	307.88	304.57
Sept'11 (INR/MT)	4.34	14396.39	13947.02	13797.23

Note:1 Bushel=27.216kg.

PROGRESS OF PROCUREMENT AS ON 26.09.10

	State	2010-11	2009-10	2008-09
1	Punjab	101.80	107.47	99.39
2	Haryana	63.35	69.12	52.31
3	Uttar Pradesh	16.42	38.82	31.23
4	Madhya	35.77	19.56	23.37
5	Rajasthan	4.73	11.52	9.35
6	Gujarat	2.30	---	---
7.	All India	225.80	252.92	225.44

Weather Update
Weather is conducive for wheat, mustard, and chickpea

Fog intensity over NW India will reduce over the next two days. There will be some sunlight, and people will feel comfortable because maximums are expected to increase. But we are expecting light rainfall across the plains of NW India and snow and rain in Himachal Pradesh and Uttarakhand around December 29 and 31. After this, the probability of dense fog over Delhi in particular and NW India in general is very high. India is expected to get colder as maximums are forecast to plummet after December 31. And the fog layer might sustain for a couple of days into the new year. This weather is conducive for wheat, mustard, and chickpea that are in growth stage. Dense fog occurred in north Rajasthan and adjoining Pakistan on Friday (December 24) due to mixing of warm south westerly wind and moist north-westerly wind. And the light south westerly wind expanded the fog layer from north Rajasthan to western UP enveloping, south Punjab, Haryana and Delhi. Though minimum temperatures are stable, people are feeling cold due to plummeting maximums caused by prolonged fog layer during day time. The good news is that fog intensity over NW India will reduce over the next two days. There will be some sunlight, and people will feel comfortable because maximums are expected to increase. But we are expecting light rainfall across the plains of NW India and snow and rain in Himachal Pradesh and Uttarakhand around December 29 and 31. After this, the probability of dense fog over Delhi in particular and NW India in general is very high. India is expected to get colder as maximums are forecast to plummet after December 31. And the fog layer might sustain for a couple of days into the new year. This weather is conducive for wheat, mustard, and chickpea that are in growth stage. There is a brewing circulation over southwest Bay of Sri Lanka coast. Wide spread rainfall is expected over south Tamil Nadu and adjoining Kerala over the next two days. The same system is forecast to gradually move north/northwestward and cause clouding and isolated rain thundershowers over Karnataka, south and central Maharashtra and south-west Madhya Pradesh. Scattered rainfall is also expected over central/northern Andhra Pradesh.

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