

Crop loss: India in biggest wheat import deal in 5 years

MOVE Purchase of 80,000 tonnes comes amid concerns over rain damaging crops

Reuters

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SINGAPORE/NEW DELHI: India has bought about 80,000 tonnes of Australian wheat in recent deals to address damage to crop by unseasonal rains, trade sources said on Tuesday—the biggest such imports by India in five years.

The purchases by the world's No 2 wheat consumer and producer could buoy benchmark Chicago prices, which rallied over 6% in the past two sessions and are currently near a one-week top amid concerns over weather and rising temperatures hurting the US winter crop.

India bought between 70,000 and 80,000 tonnes of Australian prime wheat for April-May shipment at \$260-\$265 a tonne. "They have bought three cargoes as some mills are taking coverage because of reports of rain damage," said a Singapore-based trading manager. "We don't expect India to buy large volumes as they have substantially large stocks but there could be some demand for higher grade wheat," he added.

India imported around 200,000 tonnes of wheat in 2010, US Department of Agriculture data shows, and purchases since then have been low because of bumper domestic production.

Traders said the top high-protein wheat producing states of Madhya Pradesh and Rajasthan have seen worst damage. While it is too early to estimate the extent of damage, winter crops in over 10 million hectares could be hit, government officials said.

India could be in the market for more shipments although large stockpiles in government silos may cap purchases. Some of the stock, which is over two-years-old, may be of average to lower quality.

The imports are also being fuelled by global freight rates, which plunged to a record low last month. "At times port-based flour-millers in south India import high-protein wheat from Australia to take advantage of freight rates and lower global prices," said Prem Gupta, a member of the Roller Flour Millers Association of India. "If international prices are lower, it becomes economical to import rather than get cargoes transported from the main production centres," he added.



■ Output of wheat and overall quality of the crop has taken a hit this year following unseasonal rain. REUTERS FILE

MAKING UP FOR THE LOSS

- The government currently holds about 19 million tonne of wheat against norms that require 7.5 million tonnes in reserves
- Indian flour millers have bought between 70,000 and 80,000 tonnes of Australian prime wheat for April-May shipment at \$260-\$265 a tonne, including cost and freight
- India imported around 200,000 tonnes of wheat in 2010, and purchases since then have been low because of bumper domestic production
- India could be in the market for more shipments although large stockpiles in government silos may cap purchases
- In addition to the rain-damage, Indian millers are importing also because of global freight rates that plunged to a record low last month