

Wheat

11th -16th, July 2005

MAJOR ACTIVITY HIGHLIGHTS

- Demand, Supply And Prices At Important Centres
- International And Domestic News
- International Wheat Prices

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

In Delhi market, the wheat was traded at the range of Rs.768-770 per quintal at Lawrence road amidst less arrival and government intervention programme. The prices remained at higher side throughout this week because of less arrival from Haryana, UP and Rajasthan due to the hoarding of stock by the traders.

Ahmedabad:

The market sentiment in Ahmedabad hovered around Rs.25-30 and settled at Rs.789-790 per quintal in this week amidst less supply and more demand. The wheat crop has been supplying to MP and Rajasthan etc.

Amritsar:

The wheat prices in Amritsar market increased from Rs.695-705 to Rs.710-715 per quintal in this week amid no arrival. The godown stocks were sold in the market. The traders and big farmers are hoarding the stock to get long-term profit. There was not any significant arrival.

Ludhiana:

Ludhiana market also showed range bound with slightly strong sentiment in this week amidst moderate demand. The wheat has been quoted at the range of Rs.735-740 per quintal and in Jagraon; it was traded at the range of Rs.725-730 per quintal.

Maharashtra:

In Maharashtra, the market price for wheat witnessed to remain range bound with weak under tone in this week due to the stable demand, and monsoon activity, however the arrival remained weak throughout this week. The wheat was traded at the range of Rs.805-810 per quintal, which was decreased from Rs.810-815 per quintal of previous week range.

Haryana:

In the Hisar, Hodal and Palwal markets of Haryana, wheat is traded at almost unchanged position with the range of Rs.710-712, Rs.700-730, and Rs.700-725 per quintal. The main factor for this was stable demand. The wheat was sold from this market to Delhi mandis. However in the Karnal market the wheat was increased to Rs.4-7 at the range of Rs.742-745 per quintal.

Rajasthan:

In Rajasthan market, the wheat prices remained range bound with mixed sentiment due to less arrival, monsoon

activity, and hoarding the stock by the traders. The wheat prices at Khairtal prevailed at Rs.700 against Rs.695 per quintal of previous week range and in Alwar, it was at strong position of Rs.700 per quintal. In Kota, the wheat prices prevailed at the range of Rs.768-770 per quintal. It is expected that the price would hover in the long term due to less production in this region.

Uttar Pradesh:

In U.P. the market prices for wheat hovered around Rs.7-10 per quintal due to less supply and monsoon activity. In Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.752-760, Rs.795-800 (mill quality), Rs.792-795 as improved range and Rs.740-745 per quintal.

Vyada Bazaar:

The most active July and August contract at NCDEX witnessed a range bound with slightly weak undertone in this week. The August and September contract at NCDEX likely to increase slightly in the coming weeks. The wheat market fluctuated is mainly due to less government procurement, expected drop in production, average arrival, hoarding the stock by the traders and farmers, and monsoon activity etc.

Market Price For Wheat In Different Regions (In Rs./Quintal)

Market	16.07.05	09.07.05
Delhi (Lawrence Road)	768-770	760-762
Haryana	685-690	680-685
Ahmedabad	789-790	764-766
Ludhiana	735-740	725-730
Ludhiana (Jagraon)	720-725	715-717
Rajasthan (Kota)	768-770	766-768
Amritsar	710-715	695-705
Madhya Pradesh (Indore)	795-797	777-779
Uttar Pradesh (Bareilly)	740-745	732-734
Uttar Pradesh (Shahjahanpur)	790-792	783-785
Maharashtra	800-805	810-815

Prices of Wheat Products in This Week (in Rs.)

Wheat Products	9.07.05	16.07.05
Atta (90kg)	800	804
Maida (90kg)	822	846
Suji (50kg)	511	524
Chokar (50 kg)	243	229
Chokar (35 kg)	161	158
Chakki Atta (90kg)	745	745

CONCLUSION

The over all market prices for wheat remained almost strong sentiment in the most part of the country in this week amid moderate arrival, government selling and hoarding the stock by the firmer and traders. But at the ahead of this weekend the prices remained weak in most part of the country due to monsoon and selling activity. The market was corrected latter. The global market sentiment also remained range bound with stable tone in this week. But the strong sentiment was noticed at the weekend. Chicago Board of Trade (CBOT) wheat futures remained higher Friday amidst light speculative buying, firm midday CIF soft red winter wheat basis bids and a rally to a one-year high in Chicago Board of Trade corn futures. CBOT September wheat settled Friday up 4 cents at \$3.485 per bushel and December wheat ended up 2.75 cents at \$3.623. Cash U.S. Midwest soft red winter wheat basis bids were mixed Friday while CIF Gulf bids firmed due to this week's harvest delays amid rains from Hurricane Dennis. Meanwhile, U.S. wheat export demand has been quiet, with Thursday's weekly U.S. wheat export sales data a disappointment, according to the traders. In overnight U.S. wheat export news, Japan bought 40,000 tons of U.S. wheat in its overall tender for 90,000 tons of wheat.

Therefore it can be expected that the market price for wheat would remain strong in domestic spot as well as futures market as a long term, but in short term it might be continue the range bound with stable sentiment.

INTERNATIONAL AND DOMESTIC NEWS:

Government Estimation on Wheat Output is Optimistic

India anticipates its wheat output to be the same as the previous year, the Farm Ministry said on Friday. However according to the traders, the government's projections remained too optimistic and the wheat output would be much lower than estimated because of bad weather during the flowering season. The Farm Ministry estimated the grains output at 204.61 million tonnes in the year to June 2005 with wheat production at about 72 million tonnes, close to the output a year ago. The ministry said the grain output was set to fall sharply from 213.46 million tonnes a year ago, mainly because of lower output of rice and coarse grains.

Wheat Planting Touched 50% in Argentina for 2005-06

It is witnessed that the wheat planting in Argentina reached 50% for the 2005-06 crop by Friday, according to the latest data from the Buenos Aires Cereals Exchange. This

compares to 70% a year ago; dry weather is forcing farmers to delay planting in many parts of the country.

FCI Plans To Launch New Procurement System For Wheat

The Food Corporation of India likely to issue bonds on an average Rs 5,000 crore to reduce its loan and interest burden, its chairman V K Malhotra reported. FCI was now waiting for the RBI clearance and was expected to appear with the bonds this month itself. It is emphasized that the food stock was at satisfactory level; therefore he said there was no need to import foodgrains this year, as there was 100 days of buffer stocks. With the procurement of wheat in the current season, the stock would further build up, he said. He said the FCI was influencing state governments to switch over to decentralized procurement, because it would reduce transportation costs. Under the scheme, state governments could directly procure paddy and wheat from farmers, retain the required quantity and hand over the surplus to FCI. Three states had already switched over the new procurement system regarding to wheat, he concluded. Malhotra also said that the FCI had signed an agreement with Adoni Exports Limited, which would develop storage and transportation facilities to handle 5.5 lakh MTs of wheat. The company would build mega storage points at Moga in Punjab and Kaithal in Haryana, with a capacity of two lakh MTs and field depots of capacity, ranging from 0.50 lakh MTs at Chennai, Coimbatore, Bangalore, Navi Mumbai and Hooghly, he said. According to him, wheat procurement was 14.78 million MTs in the current year. He also noted that wheat stocks were to the tune of 16.13 Million MTs as on June 1, 2005.

World Market Eyeing If India will turn to Import Wheat

Heavy rains and hailstorms pushed the wheat crop to an estimated 70 million tonnes in this year, which would be sharply lower than earlier estimates of a record crop of 75 million tonnes. However the Ministry of Agriculture pegged the estimated production about 72 MMT, but traders say it was unlikely to reach 70 million tonnes. However the world market are continuing to keep watchful eye if India will turn to import wheat. The questions of the food supply are always a hot topic in India. Shortages of any commodity mean higher prices, which can harm the millions of Indians living on subsistence wages. The monsoon of this year, after initial hiccups due to a delayed start, has removed immediate concerns but the problems of scarce supplies and firm prices are far from over. India might be imported wheat with cutting the customs duty to keep balance its wheat prices. It is expected that the wheat prices would be firm more in October-November due to consumption of wheat will be increased so far in this time.

USDA Released Its Global Wheat Outlook Report

Projected 2005-06 global wheat production is up fractionally from last month at 612.56 million metric tons (MT), use is nearly unchanged, trade is up, and stocks are down slightly, according to the latest report from the USDA's World Agricultural Outlook Board. Foreign production is down 1.7 million MT due mostly to smaller crops in India (down 1.5 million) and Algeria (down 1.1 million). This is partially offset by larger crops in Ukraine, the EU-25, and Canada. The loss is fully offset by forecast increases in the United States. Projected global imports are up 1.75 million MT with the most noteworthy changes being a 1-million increase in India's imports (the first significant

imports in 6 years) and 0.6 million by Algeria. Forecast exports rise for Ukraine, Canada, and Iran. Global 2005-06 wheat stocks fall slightly with the largest declines forecast for Romania, Russia, India, and Algeria, which are only partially offset by increases in the United States and the EU- 25. Projected U.S. 2005-06 ending stocks of wheat are up 81 million bushels from last month due to larger beginning stocks and higher production. Forecast winter wheat production is 20 million bushels less than last month because of lower harvested area. The first survey-based spring wheat (including durum) production forecast is up 89 million bushels from last month's projection due to higher yields. Total wheat supplies are up because of increases in production and reported carry-in stocks. Projected 2005-06 use is unchanged from last month but is down 118 million bushels from last year. The first wheat supply and demand projections by class for 2005-06 indicate a large increase in the year-to-year stocks for hard red winter, with smaller increases in the stocks of other classes. The 2005-06 projected price range is \$2.60 to \$3.10 per bushel, down 5 cents on each end from last month compared with an estimated \$3.40 for 2004-05.

U.S. Durum Wheat Production

U.S. Durum wheat production is forecast at 94.1 million bushels, up 5% from 2004, according to the latest USDA crop report. The U.S. yield is forecast at 38.4 bushels per acre, 0.4 bushel more than last year. Area for 2005 grain harvest is expected to total 2.45 million acres, up 4% from last year. Harvest is nearly complete in California. Seeding began and finished ahead of normal in Montana and North Dakota. Both States also received ample rainfall during June, helping the crop get off to a good start. Condition ratings are above a year ago.

U.S. Winter wheat harvest

The estimated size of this year's winter harvest was lowered 1% for the United States, though the crop is still expected to be 2% above last year, according to the latest USDA crop report. Winter wheat production is forecast at 1.53 billion bushels. The U.S. yield is forecast at 44.5 bushels per acre, up 0.4 bushel from last month. Area harvested for grain totals 34.3 million acres, unchanged from the Acreage report released on June 30, 2005, but down 2% from the June 1 forecast. Hard Red Winter, at 924 million bushels, is down 4% from a month ago. Soft Red Winter, at 315 million bushels, is up 5% from the last forecast. White Winter is up 1% from last month and now totals 287 million bushels. Of this total, 27.0 million bushels are Hard White and 260 million bushels are Soft White. Acres harvested for grain are forecast at 34.3 million, down 1% from 2004. The harvested area is unchanged from the Acreage report released on June 30, 2005, but down 2% from the June 1 forecast. Harvest progress, in the 18 major producing States, was 62% complete by July 3. This was 2 percentage points ahead of last year and 1 point ahead of the 5-year average. Yield decreases from last month are forecast in parts of the central Great Plains, as harvest revealed that dry spring conditions had more of an impact than previously thought. Elsewhere in the Hard Red Winter growing area, yield prospects are improved from the previous forecast. Severe storms in the Texas panhandle delayed harvest during much of June. However, by the end of the month harvest progress was near normal. With harvest just getting underway in South Dakota and Montana, growers in both States expect a record high yielding crop. Yields are much better than previously

expected across nearly the entire Soft Red Winter region. Harvest is nearly complete in the southern portions of the growing area. Record high yields are expected in Kentucky, North Carolina, and Tennessee, with each State's forecast increasing 10 or more bushels from last month. White Wheat yield forecasts in the Pacific Northwest are equal to or higher than those of a month ago. The Idaho yield forecast is a record high. Harvest is just getting underway across the region.

U.S. Spring Wheat Production

Spring wheat production other than durum in the United States is forecast at 589 million bushels, up 3% from 2004, according to the latest USDA crop report. The U.S. yield is forecast at 43.2 bushels per acre, unchanged from last year's record high. Of the total production, 552 million bushels are Hard Red Spring wheat, up 5% from last season. Harvested grain area is forecast at 13.6 million acres, up 4% from last year. Planting was finished ahead of normal in Montana and North Dakota, but slightly behind average in Minnesota. Development of the crop is at or ahead of last year in all 3 States. Early spring conditions in the Pacific Northwest were very dry. However, rainfall since then has boosted yield prospects. Record high yields are expected in Idaho and South Dakota.

Morocco Boosted Its Import Duties on Wheat

It is noticed that Morocco increased its import duties on wheat and durum wheat also. Duties on durum wheat imported during the June-July period were set at excessive levels to prevent imports during these months, according to a USDA attaché report. Since the free trade agreement between U.S. and Morocco is not expected to come into effect before January 2006, the recent increase in wheat duties will greatly benefit the European Union, which will enjoy preferential duty rates on a 1.0 million ton quota, the attaché said.

Russia Exported about 782,800 MT Wheat in 2005

In May 2005 Russia exported about 782,800 tonnes of grain against 9,700 tonnes in May 2004. This is 12.5% down compared to April this year. Total volume of grain exported from Russia in July-May 2004/05 was 8 million tonnes against 6.8 million tonnes for the same period last season. Russian wheat exports in May totaled 678,700 tonnes against 3,200 tonnes in May last year. In comparison with April, wheat exports in May decreased by 11 percent. Five largest buyers of Russian wheat in May 2005 were Egypt (207,200 tonnes), Morocco (85,300 tonnes), Jordan (53,200 tonnes), Yemen (51,000 tonnes), Algeria (43,500 tonnes). Average export price of Russian wheat in May was \$117 per tonne. In July-May period wheat exports totaled 6.8 million tonnes in the same period last season. In May Russia imported 22,000 tonnes of wheat, all from Kazakhstan.

USDA: US Wheat Export Remained Down

According to the latest report of USDA that the net sales of 308,500 metric tons (MT) of US wheat were down 51 percent from the previous week and 40 percent below the prior 4-week average. Major increases for Nigeria (64,100 MT, including 22,500 MT switched from unknown destinations), Iraq (55,000 MT), the Philippines (50,000 MT), Japan (42,000 MT), Mexico (40,300 MT), Spain (24,300 MT, including 27,000 MT switched from unknown destinations and reductions of 2,700 MT), and South Korea

(23,700 MT) were partially offset by decreases for unknown destinations (19,000 MT). Exports of 302,100 MT were 34 percent below the week earlier and 24 percent under the prior 4-week average. The primary destinations were Japan (107,800 MT), Nigeria (87,300 MT), Mexico (24,500 MT), Spain (24,300 MT), and Portugal (18,000 MT).

Wheat Import Witnessed to Fade

In India, which the USDA this week forecast would need to import wheat for the first time in recent years, Agriculture Minister Sharad Pawar ruled out the possibility of wheat imports and forecast the best food grain production in recent years due to good monsoon rains. There is no question of wheat import, according to the Pawar. He also reported that he talked about such imports a month back when monsoon rains were patchy and there were fears of low farm output. But now the situation is totally different and therefore there are no such worries at present.

Global Wheat Outlook Progress

According to the European Commission, European Union cereal production for 2005-06 was forecast to be down 10%

from last year's record crop but still in line with the five-year average. It was forecast that the E.U. soft wheat output remained down at 5.2% but still up 5% from the average. Durum output was forecast down 24% on the year or about 9% down from the five-year average. Winter wheat output in Henan province of China was reported to be up 3.9% at a record 25.78 million metric tons in the 2005-06 marketing year. U.S. traders have reported that Chinese import demand remains a wildcard in global wheat trade. And in Argentina, the planting of wheat crop has been reached at 62%, well behind the 81% planted at this time last year, according to Argentina's Agriculture Secretariat.

WORLD WHEAT OUTPUT RECORD

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
						Prev.	Curr.
Production	582	581	566	555	625	604	604
Trade	102	107	105	102	106	107	108
Consumption	584	586	600	594	612	607	608
Stocks	202	198	164	124	137	132	133
Year-year Change	-2	-4	-34	-40	+13	-4	-4
Major Exporters a)	53	50	42	39	51	52	52

a) Argentina, Australia, Canada, EC, United States

Source: IGC

INTERNATIONAL WHEAT PRICES

Latest Australian wheat board exports cash prices indicative basis quotes over US futures

	ASW 10%		AH 13%		APH 13%		APH 14%	
	15-Jul	14-Jul	15-Jul	14-Jul	15-Jul	14-Jul	15-Jul	14-Jul
Jul '05	130	131	160	162	164	166	188	190
Aug '05	121	122	173	174	176	178	201	203
Sep '05	104	107	156	158	160	162	184	187
Oct '05	116	120	166	169	170	172	194	197
Nov '05	120	124	170	173	174	177	199	201
Dec'05	113	116	166	168	170	172	194	197

PORT WATCH

No latest news of current vessel position.

WEATHER WATCH

Weather during the week ending on 13th july, 2005
Meteorological analysis

Last week's well marked low pressure area over southwest Uttar Pradesh and adjoining east Rajasthan further

weakened into a low pressure area over northeast Rajasthan and adjoining Haryana on 7th. It became less marked on 8th but was seen as an upper air cyclonic circulation extending upto 5.8 km a.s.l. Over northwest Rajasthan & neighbourhood. This upper air cyclonic circulation lay over central Pakistan and adjoining northwest Rajasthan extending upto 4.5 km a.s.l. On 9th &

10th and in lower tropospheric levels during 11th to 13th. Last week's upper air cyclonic circulation over Haryana and adjoining Rajasthan and west Uttar Pradesh merged with the above system on 7th.

The other upper air cyclonic circulation over northwest Bay of Bengal off gangetic West Bengal-Orissa coast extending upto mid-tropospheric levels tilting southwestwards with height persisted on 7th. It lay over northwest and adjoining west-central Bay of Bengal off Orissa-Andhra Pradesh coast on 8th and over Orissa and adjoining Jharkhand on 9th & 10th. Moving northwestwards, it was seen over Jharkhand and adjoining Chhattisgarh on 11th & over west Uttar Pradesh and neighbourhood on 12th & 13th.

The seasonal monsoon trough remained near its normal position throughout the week.

Rainfall

During this week increased rainfall activity was experienced over northeast India, western Himalayan region and adjoining plains of northwest India, gangetic plains and adjoining central India. Southwest monsoon was active to vigorous over Arunachal Pradesh, west Uttar Pradesh, Jammu & Kashmir, Himachal Pradesh, east Rajasthan, Chhattisgarh and Telangana on some days of the week and over West Bengal & Sikkim, Jharkhand, Bihar, Punjab, Haryana, east Uttar Pradesh, Uttaranchal, west Rajasthan, Madhya Pradesh, Vidarbha, Konkan & Goa, Coastal Karnataka and Kerala on 1-2 days of the week.

Heavy to very heavy rainfall occurred over Andaman & Nicobar islands, sub-Himalayan West Bengal & Sikkim, Assam, Orissa, Uttar Pradesh, Uttaranchal, Haryana, Jammu & Kashmir, east Rajasthan, Madhya Pradesh, Goa, Telangana, coastal Karnataka, Kerala and Lakshadweep on some days of the week.

Light to moderate rain/thundershowers occurred at a few places in the remaining parts of the country outside Gujarat state, west Rajasthan, Rayalaseema, Tamil Nadu & Pondicherry and interior Karnataka where it was isolated.

Rainfall during the week (for the week ending on 13th July, 2005)

Rainfall was excess/normal in 21 and deficient/scanty in 15 out of 36 meteorological sub-divisions (actual: 68.0 mm, normal: 65.8 mm and departure: +3%).

Cumulative seasonal rainfall (1st June to 13th July, 2005)

Rainfall was excess/normal in 28 and deficient/scanty in 8 out of 36 meteorological sub-divisions (actual: 284.1 mm, normal: 282.0 mm and departure: +1%).

TECHNICAL ANALYSIS

Commodity: Wheat

Contract: JULY (Future)

Exchange: NCDEX

Perspective: Very Short Term (Daily)

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

Outlook for the week ending on July 20th, 2005

Decrease in rainfall activity likely over northwest and central India.

Enhanced rainfall activity is likely over northeastern states and east-central India.

Rainfall activity is likely to increase in the peninsular India during the first half of the week.

Forecast for next 24 hours

North: Rain/thundershowers likely at many places over Jammu & Kashmir, Uttaranchal, east Uttar Pradesh and Himachal Pradesh and at few places in the rest region.

East: Rain/thundershowers likely at most places over northeastern states, Bihar and West Bengal & Sikkim and at many places in the rest of the region.

South: Rain/thundershowers likely at a many places in the region.

West: Rain/thundershowers likely at many places over east Rajasthan and west Madhya Pradesh at a few places in the rest region outside west Rajasthan where it may be isolated.

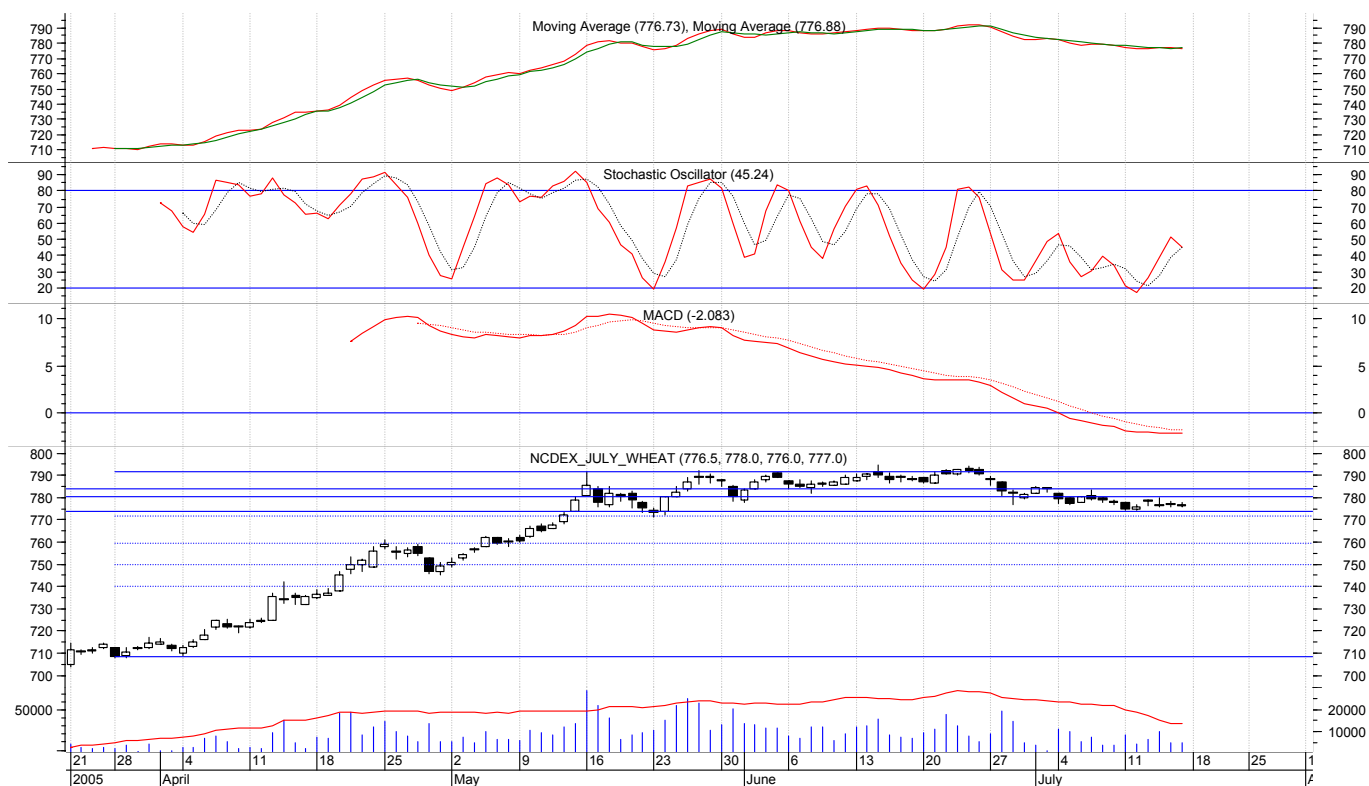
Outlook for subsequent two days

Ongoing rainfall activity over northeastern states, West Bengal & Sikkim, Bihar, east Uttar Pradesh and peninsular India is likely to continue.

Current rainfall activity over plains of northwest India and western Himalayan region likely to decrease.

Warning

Heavy to very heavy rainfall likely at a few places over West Bengal & Sikkim. Isolated heavy rainfall also likely over northeastern states, Uttaranchal, Himachal Pradesh, Bihar, Jharkhand, Orissa, west Madhya Pradesh, east Rajasthan, Kerala, Lakshadweep and coastal Karnataka.



Candlesticks: The candlestick pattern is indicating towards a slightly upward sentiment. RSI (40.34) is in neutral condition.

MACD: The MACD (7-day) is moving slightly upwards and it is still in negative territory.

Stochastic: The %K-line is going to downward direction to cross the %D-line, indicating weak ness of the market.

Moving Average: The 3-day moving average line is going to downward direction afyer cutting the 5-day moving average line, indicating weak sentiment.

Resistance and Support level:

The resistance level at present is at 780.20 marks and a support level may be seen at 773.70 marks.

Almost all the indicators are pointing towards the weak ness of the prices except candlesticks. Therefore the trading sentiment is expected to remain range bound with slightly strong undertone in the coming days. The volume and open interest are indicating that there is no strong support from the market.

Recommendation: Remain long.

Indicative Closing Forex Rate 1 USD = Rs 43.52

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