

WHEAT

21st -27th, APRIL, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Govt. Hike the MSP of Wheat to Rs.850/qrtl
- Wheat Prices Bearish at Spot
- No Formal Ban on Wheat Purchase by Private Co. so far
- STC is Likely to Invite Wheat Tender for Import 1 Mln Tonnes
- Wheat Procurement by Govt is Down So Far

MARKET FUNDAMENTALS:

The Govt. agencies have procured around 73.75 Lakh Tonnes of wheat so far as on 27th April this year. The Govt. agencies reportedly purchased around 90% of total wheat arrivals in the mandis of Punjab and Haryana. Wheat arrivals in the mandis of Punjab, Haryana and Uttar Pradesh remains down this year on account of the late maturing of the crop. It is also learnt that good number of large farmers in the states, with sufficient holding capacity, are stocking their produce in order to get handsome money in the coming future. They are optimistic that the prices of wheat go up in the next 3-4 months. Total arrivals in Delhi markets stood down around 10,000 qtls and prices at Lawrence Road were quoted at Rs.940-945 per quintal ready delivery (truck loaded). Narela and Najafgarh markets experienced the arrivals of 12000 qtls and 5000 qtls with the prices of Rs.918 and Rs.890-910 respectively on loose basis while Karavali experienced 5000 qtls of arrival with the price of Rs.875-880. In Achnera, the arrivals were 3000 qtls with price Rs. 870-875. ITC and Godrej were active in these markets. Glencore, for instance, is buying largely from Gujarat, while Cargill and Ruchi are sourcing from the Bundi-Kota belt of Rajasthan. AWB is similarly focussed on Gujarat and MP. Govt. of India is expected to import around 3 Mln Tonnes of wheat in case the procurement in central pool fails to reach its target around 15 Mln Tonnes this year. However, wheat production this year is estimated higher around 73.7 million tonnes as against 69.5 million tonnes during 2005-06. Moreover, IGC projected higher global wheat production by 32 Mln Tonnes to 623 Mln Tonnes in the year of 2007-08. Around 2500 tonnes Pakistani wheat has already reached at Indian shores of Tuticorin. Recently, Indian rupee appreciation makes it viable to import wheat further from Pakistan if needed. The imported wheat was bought at \$232 a tonne on cost and freight basis. Indian grain traders have made a deal to import 20,000 tonnes of Pakistani wheat. FCI should stock around 171 lakh tonnes of wheat till 1st July as per buffer stock norms.

OUTLOOK:

Short Term (One Week): Steady to slightly firm on good demand amidst steady arrivals. Holding back interest of farmers in order to get profit in coming future will support the market.

SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)

Markets	21.04.07	28.04.07
Delhi (Lawrence Road) truck loaded ready delivery	950-955	940-945
Haryana (Karnal)	965-970	962-967
Punjab (Khanna)	955-958	976-982
Rajasthan (Kota)	985-988	976-982
Uttar Pradesh (Kanpur)	950-955	950-955
Madhya Pradesh (Indore)	940-945	925-931
Uttar Pradesh (Bareilly)	950-955	937-942
Punjab (Sunam) Loose	851-852	851-852
Ludhiana (Jagraon) Loose	850	
Rajkot Mill Price	Closed	-
Madhya Pradesh (Bhopal) Loose	895-905	870-880

Wheat Products	21.04.07	28.04.07
Atta (90kg)	1005	978
Maida Grade 1(90kg)	1147	1147
Suji (50kg)	638	638
Chokar (50 kg)	339	333
Chokar (35 kg)	220	214
Chakki Atta (90kg)	925	900

Following was the status in other mandis, with active millers and private trade buying:

Place	Arrivals	Price
Mathura	5000 Qtls	Rs. 925per qtl
Kosi	5000Qtls	Rs. 865 per qtl
Hodal	1500 Qtls	Rs. 855-860 per qtl
Palwal	1800 Qtls	Rs. 875-880per qtl
Hardoi	-	-
Rajkot	5000 Qtls	Rs. 870-875 per qtl

PRICE DRIVERS:

- ✓ Wheat procurement by Govt. is lower so far as against last year
- ✓ Slow down of arrivals of fresh crops amidst good demand
- ✓ Around 2500 tonnes Pakistani wheat has already reached in Indian
- ✓ Indian rupee appreciation makes it viable to import wheat further from Pakistan if needed
- ✓ Production is likely to be higher around 73.70 Mln Tonnes
- ✓ IGC projected higher global wheat production by 32 Mln Tonnes to 623 Mln Tonnes in the year of 2007-08.
- ✓ Farmers holding back their stocks in anticipation of higher profit in coming months
- ✓ Punjab and Haryana farmers demanding further bonus on wheat MSP and not willing to buy their crops to FCI at current MSP
- ✓ As per buffer stock quantity norms of Govt. of India the wheat stock should be around 17.1 Mln Tonnes on 1st July,2007.
- ✓ The centre expected to procure around 15 Mln Tonnes of wheat for fulfilling the demand of buffer stocks.
- ✓ Govt. may import wheat in case of lower procurement
- ✓ Prominent Private Companies actively purchasing wheat from Madhya Pradesh and Gujarat mandis.
- ✓ Wheat exports have been banned upto 31.12.2007
- ✓ Department of Consumer Affairs has extended upto 31st August, 2007 notification under the EC Act enabling State Governments to impose stock limit on wheat
- ✓ World wheat stocks currently stand at 121 Mln Metric Tonnes, the lowest since 1981/82.

INTERNATIONAL AND DOMESTIC NEWS:

Pakistani Wheat Containers Waiting for Clearance in the Port

About 3500 Tonnes of Pakistani wheat reached in Tuticorin and Mumbai port and are waiting for clearance. The container will be unloading after testing the phytosanitary and health clearance measures. Roller flourmills in south India have placed orders to import about 70,000 Tonnes of wheat from Pakistan at \$224-\$235 per tonnes including the cost and freight. Moreover, about 2,000 more containers of wheat are likely to arrive Cochin and Tuticorin ports in the next 20 days, while other shipments would come in by May-last.

STC is Likely to Invite Wheat Tender for Import 1 Mln Tonnes

The State Trading Corporation (STC) is about to invite tender this week for the import of 1 Mln Tonnes of wheat. The import will safeguard in case of lower procurement. Global wheat market sentiments are remained firm. Uncertainty about Australia's wheat output this year added tight sentiments. Russian wheat is quoted much higher prices and the arrivals are yet to come in the markets. Further, the news that India is likely to import a handsome amount of wheat this year has added underlying bullish sentiments. The Canadian Wheat Board (CWB) is showing high interest to export wheat in India. The US govt. is also reportedly mounting pressure on Indian Govt to relax its imported wheat quality compliance standards. According to trade sources, Pakistan wheat is relatively better quality than the one India imports from Australia.

Punjab Farmers Hoarding Wheat

Indian Govt. is likely to procure around 11 Mln Tonnes of wheat from Punjab and Haryana. However, Govt. procurement from these states remained lower as against last year so far. Majority of the farmers from Punjab prefer to hold back their stocks in order to get better prices in coming future except those who have taken debt. FCI has set a target to procure around 15 Mln Tonnes of wheat this year. Of the total amount, Punjab is expected to bring around 9 Mln Tonnes and Haryana, around 4 Mln Tonnes. Targets for Uttar Pradesh, Madhya Pradesh and Rajasthan are 1.5 Mln Tonnes, 3 lakh tonne and 2 lakh tonne, respectively.

Govt. Agencies Have Procured Around 73.75 Lakh Tonnes of Wheat

The Govt. agencies have procured around 73.75 Lakh Tonnes of wheat so far as on 27th April this year. The Govt. agencies reportedly purchased around 90% of total wheat arrivals in the mandis of Punjab and Haryana. However, the arrivals are seen lower as against of last year. A higher wheat crop of 73.7 Mln Tonnes has been estimated this year and harvesting of wheat in Punjab and Haryana is in peak.

GOI to Import 3 Mln Tonnes of Wheat if Procurement Fails

Govt. of India is expected to import around 3 Mln Tonnes of wheat in case the procurement in central pool fails to reach its target around 15 Mln Tonnes this year. The Food Corporation of India (FCI) had procured a lower amount of 4.58 Mln Tonnes of wheat so far as on 19th April, against 6.78 million tonnes in the corresponding period last year. A draft note on wheat imports is reportedly prepared by the empowered committee on wheat and submitted for discussion at a meeting of the empowered group of ministers (e-GoM) on April 18. The e-GoM has also suggested that the government allocate Rs 40 crore for call options of wheat in the international market, so that its agencies can procure the commodity at competitive prices.

Punjab MARKFED to Buy 50,000 MT Wheat

Punjab MARKFED to Purchase around 50,000 Metric Tonnes of wheat this year above minimum support price (MSP) of Rs. 750+ 100 as bonus under commercial trading pool. The targeted amount is higher this year as against 20,000 Metric Tonnes during last year in same pool.

No Formal Ban on Wheat Purchase by Private Co. so far

There is no formal ban from the Govt. side on private traders for buying wheat from farmers in any parts of the country. However, Private traders should need to unfold details about their stock position if they purchase more than 50,000 tonnes of wheat in a year. Under the Essential Commodities Act, companies have to provide this piece of information if their total purchases are over 50,000 tonnes. Ag. Minister is optimistic about that wheat output in 2006-07 would cross 72.6 million tonnes.

Govt. Wheat Stocks Up

The Govt. wheat stocks are reportedly higher more than 4.5 Mln Tonnes on April 1st as compared to the 2 Mln Tonnes during corresponding period of last year. Therefore, the stock on April is satisfied with the Govt buffer stocks quantity norms i.e.; 4 Mln Tonnes. As per buffer stock quantity norms of Govt. of India the wheat stock should be around 17.1 Mln Tonnes on 1st July, 2007. Therefore, The government is expected to buy 15 million tonnes to raise wheat stocks during coming three months. Stocks fell last year as the government managed to buy only 9.2 million tonnes from farmers against the targeted 13 million. Low buffer stock at the beginning of last fiscal was also a main reason of lower stocks.

India may Import Wheat if Needed

According to Union Agriculture Minister Sharad Pawar the situation of wheat procurement is so far comfortable and if required the Government would import wheat.

Govt. Expand Duty Free Wheat Import by STC

Govt. extended the closing date of duty free wheat imports of 55 lakh tonnes for PDS and other social welfare schemes by two months till April 30. However, the govt has not extended the time limit for zero duty wheat import contracts by private traders after it expired on February 28. More than 53 lakh tones of wheat imported by STC has already reached to the country.

FCI Looking for Good Procurement of Wheat from U.P.

Procurement of wheat under MSP operations carried out by the government is open-ended and no targets are fixed. However, center reportedly fixed an unofficial target to procure 151.5 lakh tones of wheat in the marketing season 2007-08. Most of the procurement is likely to be in Punjab (75 LT), Haryana (45 LT), Uttar Pradesh (15 LT), Bihar (10 LT), Madhya Pradesh (3 LT), Rajasthan (2 LT), Uttarakhand (1 LT) and Gujarat (0.5 LT). Last season, big corporate house such as Adani, Cargill and ITC purchased a huge amount of wheat from UP. This season, the target for wheat procurement in UP is a good near 15 lakh tones. The stock position of wheat in the central pool has improved and will be more than the buffer norm of 40 lakh tonnes at the start of the next procurement season.

Duty Free Import of Wheat has Stopped

The duty free import of wheat permitted by the Centre in September last year has closed on February 28 and 50 per cent duty on wheat imports was back again. No extension

has been issued for private duty-free wheat imports. In June last year, the government had permitted private players to import wheat at an eased duty of 5 per cent. In September, the 5 per cent duty was cut down to zero to cut off the domestic wheat shortage. On December 22, the nil-duty was further extended till February. However, Flour millers are not welcomed the decision and are seeking an extension of the zero duty.

Govt. to Procure 151.5 lakh tones of Wheat in 2007-08

Govt. is likely to procure 151.5 lakh tones of wheat in the marketing season 2007-08. State Food Secretaries and Food Corporation of India assured that sufficient number of procurement centers would be opened in all districts in the States where there is marketable surplus of wheat. Most of the procurement is likely to be in Punjab (75 LT), Haryana (45 LT), Uttar Pradesh (15 LT), Bihar (10 LT), Madhya Pradesh (3 LT), Rajasthan (2 LT), Uttarakhand (1 LT) and Gujarat (0.5 LT).

IGC Peg Carryover Stock 2007-08: Wheat Up; Maize Down

The International Grain Council has released its first comprehensive grain projections for 2007/08. They peg world wheat carryover 2 MMT above 2006/07 at 117 MMT, with corn carryover expected to drop 9 MMT to 85 MMT. Total grain stocks in 2007/08 are projected at 242 MMT, down from 249 MMT the current marketing year. In their report, the IGC says they foresees that substantially larger crops of the main grains may not entirely match the further growth in consumption, boosted in recent years by fast-rising biofuel demand. "World grain production is projected to rise by some 100 MMT to 1,666 MMT, exceeding the 2004/05 record. However, consumption is placed even higher, at 1,674 MMT," they note. "As a result, world carry-over stocks in 2007/08, already set to be the smallest this year since the 1970s, will remain low."

Source: IGC

IGC: Wheat Supply Demand Projection for 2007-08

WHEAT: Northern hemisphere weather problems, including a severe frost in US winter wheat areas and very dry conditions in most of Europe, parts of North Africa and in China, have not yet significantly affected forecast total production. It is now projected at 623m. tons, 1m. less than last month's forecast, but 32m. Tons more than in 2006. The biggest increases compared with last year are in the EU, the CIS, the US, India and Australia. World wheat consumption is forecast at 622m. Tons, unchanged from last month's initial projection. Half of the 13m. Tons increase over this season's estimate will be in feed use, encouraged by high feed grain prices and likely greater availabilities of wheat, particularly in the EU and the CIS. There will also be significant growth in industrial use as new plants to produce ethanol from wheat are opened in the EU and Canada. With expected total production and use evenly matched, there is little chance of a significant recovery in global stocks during 2007/08. The new projection of the end-year carryover is 117m. tons, 1m. tons down from last month's, and only 2m. more than this season's 26-year low. Exporters' stocks, in particular, are expected to remain tight. No change is made to the world wheat trade forecast of 107m. Tons, which is close to the estimate for 2006/07. Compared with this season, increased requirements are expected by Morocco and Iraq, and the EU will likely buy more feed wheat from the Black Sea exporters, but India's milling wheat imports should be much lower.

Source: IGC

USDA Long-Term Projections: Global Wheat Imports

Growth in wheat imports is concentrated in those developing countries where robust growth in income and population underpins increases in demand. Important growth markets include Sub-Saharan Africa, Brazil, Egypt, and Pakistan. World wheat trade (including flour) expands by nearly 27 million tons (23 percent) between 2007 and 2016 to 140 million tons.

- Egypt maintains its position as the world's largest importing country, as imports climb slowly to nearly 10 million tons. Imports by Brazil, another large importer, are projected to approach 9 million tons. Brazil's climate generally does not favor wheat, and in some key wheat-producing states, winter corn is expected to have better returns than wheat.

- Imports by developing countries in Sub-Saharan Africa, North Africa, and the Middle East rise 11 million tons and account for 40 percent of the total increase in world wheat trade. In most developing countries, little change in per capita wheat consumption is expected but imports expand modestly because of population growth and limited potential to expand production.

- Changing consumption patterns will boost wheat imports by some major importing countries. In Indonesia, strong economic growth and diversification of diets are projected to increase per capita wheat consumption. Mexican consumers are projected to continue substituting wheat for corn in their diets.

- Lower wheat-to-corn price ratios during most of the projection period enable wheat to compete effectively with corn for feed use in a number of countries. South Korea is projected to substitute 1 million tons of feed wheat for corn annually by 2016. Europe is expected to continue to account for the largest share of global wheat feeding.

- China has been a small net exporter of wheat in recent years, but production constraints cause it to become a net importer by 2009/10 and to import nearly 2 million tons annually by 2016.

Source: USDA

Global Wheat Production Projected 1.1 MT Up from Last Month

Global wheat production for 2006/07 is projected at 593.1 million tons, up 1.1 million from last month on higher production in India. Production for India is raised 1.4 million tons, more than offsetting a downward revision in EU-25 of 0.2 million tons. A small reduction in Former Soviet Union output accounts for the rest of this month's 2006/07 production changes. Global consumption is raised 1.2 million tons with increases for EU-25, India, and Australia. Higher wheat feeding in Australia is expected to offset some of the decline in sorghum production and pasture and forage availability as a result of the ongoing drought. Global exports are lowered 1.0 million tons this month, reflecting a like drop in EU-25 exports. Lower production and rising domestic consumption in EU-25 are expected to limit the availability of wheat for export. Global ending stocks for 2006/07 are raised 0.4 million tons as higher stocks in India and Australia more than offset a reduction in EU-25. An upward revision this month in 2005/06 production raises 2006/07 supplies and ending stocks for Australia.

Source: WASDE

USDA Wheat Export Sales Decline by 19%

Wheat: Net sales of 278,200 metric tons were down 19 percent from the previous week and 37 percent below the prior 4-week average. Increases reported for Japan (106,400 MT), Mexico (73,000 MT), Indonesia (58,000 MT, switched from unknown destinations), Taiwan (40,000 MT), Morocco (37,500 MT, including 35,000 MT switched from unknown destinations), and Spain (30,000 MT, switched from unknown destinations), were partially offset by decreases for unknown destinations (60,500 MT), Guatemala (13,000 MT), and El Salvador (8,800 MT). Net sales of 143,200 MT for delivery in 2007/08 were mainly for the Philippines (69,000 MT), South Korea (21,200 MT), Guatemala (15,200 MT), Mexico (13,500 MT), and Nigeria (12,700 MT). Exports of 349,300 MT were 50 percent below the previous week and 25 percent under the prior 4-week average. The primary destinations were Mexico (101,000 MT), Yemen (50,300 MT), Venezuela (35,200 MT), the Philippines (28,200 MT), the Dominican Republic (27,800 MT), Morocco (27,500 MT), and Singapore (21,700 MT).

This summary is based on reports from exporters for the period April 13-19, 2007.

Source: USDA

WEATHER WATCH

A trough in the westerlies at times with embedded cyclonic circulation ran from Sub-Himalayan West Bengal & Sikkim to north Orissa/north Bay of Bengal in lower tropospheric levels throughout the week. Last week's cyclonic circulation over West Uttar Pradesh and adjoining West Madhya Pradesh at lower levels lay over East Uttar Pradesh and neighbourhood on 19th, over Jharkhand and adjoining Bihar and West Bengal on 20th, central West Bengal and neighbourhood on 21st and became less marked on 22nd. A cyclonic circulation lay over East Rajasthan and adjoining West Madhya Pradesh extending up to 1.5 Km a.s.l. on 19th & 20th and became less marked on 21st. Another cyclonic circulation lay over north Pakistan and adjoining Jammu & Kashmir and Punjab on 22nd extending up to 2.1 Km a.s.l. It lay over Himachal Pradesh and adjoining Uttarakhand on 23rd and moved away eastward on 24th. However a fresh cyclonic circulation lay over central Pakistan and neighbourhood extending up to 0.9 Km a.s.l. on 24th. It lay over central Pakistan and adjoining Rajasthan on 25th. A north-south oriented trough at times with embedded cyclonic circulation at lower levels ran across south peninsula throughout the week.

LONG RANGE FORECAST FOR 2007 SOUTH-WEST MONSOON SEASON RAINFALL

Based upon the newly- adopted statistical forecast system, IMD's long range forecast for the 2007 south-west monsoon season (June to September) is that the rainfall for the country as a whole is likely to be 95 % of the long period average with a model error of $\pm 5\%$.

Rainfall:

Fairly widespread rain/thundershowers with isolated heavy to very heavy falls occurred over northeastern States during the week. Scattered to fairly widespread rain/thundershowers also occurred over Sub-Himalayan West Bengal & Sikkim on most of the days during the week. Isolated rain/thundershowers occurred over remaining sub-divisions of east India during a few days of the week. Isolated rain/thundershowers occurred over extreme south peninsula on many days and over remaining parts of south peninsula, central India and Western Himalayan region on few days of the week.

Isolated dust storm/thunderstorm occurred in the plains of the northwest India during a few days of the week.

Outlook for the week ending on 02nd May 2007

Gradual rise in day temperature leading to heat wave conditions over some parts of northwest, central and east India during second half of the week. Decrease in rainfall activity over northeastern states.

Source: IMD

IGC WORLD WHEAT ESTIMATES (26.04.07) (Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)		07/08 Proj.
				22.02	29.03	
Production	556	628	620	590	591	623
Trade	102	110	109	106	107	107
Consumption	596	617	623	606	607	622
Stocks	126	137	134	116	115	117
Year-Year Change	-39	+11	-3		-19	+2
5 Major Exporters [#]	41	55	56	38	36	38

*Adjusted for EU-27

FOREX (As on 30th APRIL, 2007):

Foreign Currency	Rs. per unit
1 US \$	41.07
1 Euro	55.84
100 Yen	34.34
1 British £	81.69

Source: International Grains Council

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