

WHEAT

14th -21st, APRIL, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Govt. Hike the MSP of Wheat to Rs.850/qlt
- Wheat Prices Bearish at Spot
- No Formal Ban on Wheat Purchase by Private Co. so far
- Farmers from Punjab and Haryana are not Satisfied with Wheat MSP
- Wheat Procurement by Govt is Down So Far

MARKET FUNDAMENTALS:

Wheat procurement by Govt. of India doesn't find its peak so far. According to the media report, Federal Govt. of India is reportedly purchase about 3.5 Mln Tonnes so far as on 17th April 2007. Last year procurement in the corresponding period stood around 5.6 Mln Tonnes. Out of the 27.29 lakh tonnes of wheat procured in Punjab so far, 24.9 lakh tonnes have been procured by the government agencies whereas 2.38 lakh tonnes have been purchased by private traders. From Rajasthan, FCI has procured 1,500 tonnes of wheat so far as against the targeted 2 lakh tonnes. The central and state agencies have been able to procure only 2,717 tonnes of wheat from U.P. The arrivals of wheat have not been on time this year as compared to last year. The reason behind of that might be the late ripening and maturity of wheat and delay caused by manual harvesting. On the other hand, it is also learned that the private companies are directly procuring the grain from growers directly from the farm. Farmers are also not showing interest to sell their crops to the FCI as private companies and agents spread out in the villages offering significantly higher prices for their produce than the government's procurement agencies. They prefer to hold back their stock in anticipation of better deal later this month on the expectation of higher demand. Total arrivals in Delhi markets stood down around 22000/day and prices at Lawrence Road were quoted at Rs.955-965 per quintal (mill quality). Arrivals at Narela and Najafgarh were placed 5000 qtls and 6000 qtls respectively with prices Rs. 900-910 per quintal Rs. 900-920 per quintal respectively. Arrivals in Karavli were placed at 4,000 qtls with prices at Rs. 900 per qtl. In western UP the prices are ranged between Rs 860 and Rs 900. The private companies are actively purchasing wheat from different mandis of Rajasthan, Gujarat, M.P. and U.P. In Kota, private companies including ITC, Cargill, Australian Wheat Board and Adani are very active in loading their warehouses. The arrivals have reportedly slowed down around 10,000-12,000 quintals. Private players are buying the good amount of wheat that is arriving at the mandis of Uttar Pradesh. Govt. is very optimistic to procure around 15 Mln Tonnes wheat in the current year. If the government able to buy 15 million tonne of new crop wheat from farmers for its buffer stocks, domestic prices certainly fall further, otherwise Govt has to think on import of gains again. Demand from rolling flour mills and local parties resist wheat prices to further decline.

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	20.04.07	21.04.07
Delhi (Lawrence Road)	955-965	950-955
Haryana (Karnal)	965-968	965-970
Punjab (Khanna)	955-960	955-958
Rajasthan (Kota)	985-990	985-988
Uttar Pradesh (Kanpur)	960-965	950-955
Madhya Pradesh (Indore)	950-955	940-945
Uttar Pradesh (Bareilly)	950-955	950-955
Punjab (Sunam) Loose	852-853	851-852
Ludhiana (Jagraon) Loose	850-856	850
Rajkot Mill Price	875	Closed
Madhya Pradesh (Bhopal)	900-905	895-905

Wheat Products	20.04.07	21.04.07
Atta (90kg)	1005	1005
Maida Grade 1(90kg)	1139	1147
Suji (50kg)	638	638
Chokar (50 kg)	337	339
Chokar (35 kg)	219	220
Chakki Atta (90kg)	920	925

PRICE DRIVERS:

- ✓ Slow down of arrivals of fresh crops amidst good demand
- ✓ Production is likely to be higher around 73.70 Mln Tonnes
- ✓ 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
- ✓ Despite the extension of duty-free imports, it is not viable at this stage as global prices of wheat quoted higher side.
- ✓ Ag. Minister recommends to reduce levies on wheat in Haryana, Punjab
- ✓ 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:

IGC: Wheat Supply and Demand for 2006-07

WHEAT: Estimated production is unchanged at 590m. tons, 30m. less than in 2005. Forecast total consumption remains at 607m. Compared with last season feed use is sharply lower, food use is little changed, and industrial use (mainly for ethanol) is up. Trade estimates for 2005/06 and 2006/07 are raised to 108.8m. tons and 106.8m. tons respectively after new information on Kazakhstan's large exports to neighbouring countries. World closing stocks are forecast at 117m. tons, including 38m. in the five major exporters. The stock forecast is 1m. tons higher than last time because of slower exports by the EU and Canada.

Source: IGC

Wheat Production to Up in Punjab

Wheat production in Punjab likely to be higher as against the amount targeted. According to the expert and trade sources the wheat production in Punjab will cross the pre set target of 145 lakh metric tonne this year despite the unseasonal rains and squall during middle of last month.

Farmers from Punjab and Haryana are not Satisfied with Wheat MSP

Farmers in Punjab and Haryana are continuously pressurizing the Govt. to increase the wheat MSP further. It is learned that the Centre may ban the wheat procurement by the private agencies during initial procurement period starting from 1st April in Punjab and Haryana. However, farmers are seen interesting to sell their crops to the private agencies because of higher prices. According to trade sources, private companies offering to higher prices around Rs.1000/qtl. Some farmers even have already granted handsome advance money from prominent private houses. Some farmers from Punjab are also interested to take their crop to Rajasthan, Madhya Pradesh or even Gujarat to get handsome amount of money from private players.

Wheat Procurement by Govt. Remains Slow

Wheat procurement by Govt. of India doesn't find its peak so far. The arrivals are also reportedly slow in the major markets of Punjab and Haryana. The reason behind of that might be the private companies are directly procuring the grain from growers directly from the farm. Farmers are also not showing interest to sell their crops to the FCI as private companies and agents spread out in the villages offering significantly higher prices for their produce than the government's procurement agencies. The price remains at higher levels as against MSP including bonus. Federal Govt. of India is reportedly purchase about 2.9 Mln Metric Tonnes so far as on 17th April 2007. Last year procurement in the corresponding period stood around 4.5 Mln Tonnes. The private companies are actively purchasing wheat from different mandis of Gujarat, M.P. and U.P. Govt. is very optimistic to procure around 15 Mln Tonnes wheat in the current year. If the government able to buy 15 million tonne of new crop wheat from farmers for its buffer stocks, domestic prices certainly fall further, otherwise Govt has to think on import of gains again.

Wheat Procurement by Govt is Down So Far

Wheat procurement by India's federal govt directly from farmers stood down at 4.5 Mln Metric Tonnes so far as on 20.04.07 compared to 6.7 Mln Tonnes during corresponding period of last year. It is declined by 32.8%. Arrivals so far this year are about at 5.9 million tons compared with around 8.25 million tons year earlier. The arrivals of wheat have not been higher on time this year as compared to last year. The reason behind of that might be the late ripening and maturity of wheat and delay caused by manual harvesting. On the other hand, it is also learned that the private companies are directly procuring the grain from growers directly from the farm. Farmers are also not showing interest to sell their crops to the FCI as private companies and agents spread out in the villages offering significantly higher prices for their produce than the government's procurement agencies. They prefer to hold back their stock in anticipation of better deal later this month on the expectation of higher demand.

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 tones.

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).

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 Highlights

Wheat: Net sales of 342,800 metric tons were down 51 percent from the previous week and 28 percent below the prior 4-week average. Increases were reported for Japan (70,600 MT), Yemen (46,000 MT), Jamaica (42,000 MT), Colombia (35,100 MT), the Dominican Republic (29,000 MT), and Algeria (19,600 MT, including 20,000 MT switched from unknown destinations, and decreases of 400 MT). Net sales of 38,500 MT for delivery in 2007/08 were for Venezuela (30,500 MT), Peru (6,000 MT), and Vietnam (2,000 MT). Exports of 693,900 MT--a marketing year high--were up 80 percent from the previous week and 75 percent above the prior 4-week average. The primary destinations were the Philippines (126,700 MT), Mexico (77,800 MT), Japan (76,400 MT), South Korea (70,200 MT), Egypt (66,800 MT), Sri Lanka (57,500 MT), and Nigeria (49,100 MT). In addition, exports to New Zealand of 21,600 MT were the first since 1999/00.

This summary is based on reports from exporters for the period April 6-12, 2007.

Source: USDA

WEATHER WATCH

Last week's low pressure area over Gulf of Mannar and neighbourhood lay over Sri Lanka and adjoining southwest Bay of Bengal on 12th and over southwest Bay off Sri Lanka coast on 13th. It was seen as a well marked low pressure area over the same region on 14th. It lay as a low pressure area over southeast and adjoining southwest Bay of Bengal on 15th. It became less marked on 16th. However, the associated upper air cyclonic circulation lay over the same region extending upto 4.5 km a.s.l. on 16th & 17th and became less marked on 18th. The cyclonic circulation at lower levels over Bihar lay over Jharkhand and neighbourhood on 12th, over Gangetic West Bengal and neighbourhood on 13th & 14th, over Bangladesh & neighbourhood on 15th and over Nagaland, Manipur, Mizoram & Tripura on 16th. It moved eastwards on 17th. The cyclonic circulation over Arunachal Pradesh also moved away eastwards on 12th. A cyclonic circulation at lower levels lay over West Uttar Pradesh and

neighbourhood on 13th & 14th; over West Madhya Pradesh and neighbourhood on 15th & 16th and over Chhattisgarh and adjoining Jharkhand on 17th. It became less marked on 18th. Another cyclonic circulation at lower levels lay over Haryana and neighbourhood on 17th and over West Uttar Pradesh and adjoining Madhya Pradesh on 18th.

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:

Isolated rain/thundershowers occurred over different sub-divisions in east & central India during a few days and over south India during many days of the week. Isolated to scattered rain/thundershowers occurred over northeastern states on 12th -13th and 17th -18th. Isolated rain/thundershowers occurred over Western Himalayan Region and adjoining northern plains during second half of the week. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 25th April 2007

Fairly widespread rain/thundershower with isolated heavy falls are likely over northeastern states from 20th April. Isolated to scattered rain/thundershowers are likely over east India and south Peninsula. Mainly dry weather is likely over west & northwest India. Gradual rise in day temperature over northwest & east India.

Source: IMD

IGC WORLD WHEAT ESTIMATES (29.03.07) (Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				22.02	29.03
Production	556	628	620	590	590
Trade	102	110	109	106	107
Consumption	596	617	623	606	607
Stocks	126	137	134	116	117
Year-Year Change	-39	+11	-3		-17
5 Major Exporters [#]	41	55	56	37	38

*Adjusted for EU-27

FOREX (As on 23rd APRIL, 2007):

Foreign Currency	Rs. per unit
1 US \$	41.99
1 Euro	57.22
100 Yen	35.36
1 British £	84.22

Source: International Grains Council

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