

WHEAT

24th -31st, MARCH, 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
- Farmers from Punjab and Haryana are not Satisfied with Wheat MSP
- Govt. Wheat Stocks Up

MARKET FUNDAMENTALS:

Wheat prices fell on the wholesale grains market on increased fresh arrivals amidst lower buying support. Thin market activities are also witnessed because of forthcoming March ending. At Delhi, wheat dara for mills traded down between Rs.1015-1020/qrtl on steady arrivals around 4,000-5,000 bags from Madhya Pradesh. The arrivals of old stocks decreased to 1000 bags. The prices of wheat products have also declined on increased arrivals amidst lower demand. Punjab mandis saw weak sentiments on the eve of starting fresh arrivals. About 1 lakhs bags of arrivals are reported from different mandis of Punjab. Price decline to 900/qrtl in Sunam mandis on the back of fresh arrivals around 2,000 bags daily. Traders are expecting huge arrivals within a fortnight. The farmers unions and politicians are continuously pressuring the Govt. for a bonus of Rs.100/qrtl further above the MSP of Rs.850/qrtl. According to the media sources 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/qrtl. However, there is no formal ban from the Govt. side on private traders for buying wheat from farmers in any parts of the country. Under the Essential Commodities Act, private traders should need to unfold details about their stock position if they purchase more than 50,000 tonnes of wheat in a year. The prominent privates corporate already started wheat procurement from the different markets of Gujarat and Madhya Pradesh. Moreover, because of high overhead costs in Punjab and Haryana as compared to Rajasthan, Madhya Pradesh and Gujarat, the companies, will likely to avoid the market of Punjab and Haryana. The stock limits will also restrict the companies to procure huge amount. This time the government has decided to purchase a majority of its own wheat procurement targets from Punjab, Haryana and U.P. It hopes to have stocks with Govt. around 4-4.5 Mln Tonnes on 1st April 2007. 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 near about 15 million tonnes to raise wheat stocks during coming three months. To have a good purchasing this year Govt already increase the MSP of Wheat by

Rs.200/qrtl to Rs.850/qrtl as against the MSP of Rs.650/qrtl initially during 2006 and gave bonus of Rs.50/qrtl at later period. If Govt. fails to procure sufficient amount of wheat this season the country will again go for import likewise previous year and that will no doubt welcome the debate of India's food security. The global market of wheat is firm. World wheat stocks currently stand at 121mt, the lowest since 1981/82. The world wheat stocks-to-use ratio currently stands at 20%, the lowest ever. World wheat export prices are also remained at stronger side.

OUTLOOK:

Short Term (One Week): Down on increase fresh crop arrivals amidst lower demand of wheat as well as wheat products. Higher MSP of Rs.850/qrtl this year will support the market at lower levels.

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

Markets	24.03.07	31.03.07
Delhi (Lawrence Road)	1060	995-1000
Haryana (Karnal)	1040-1045	995-1000
Punjab (Khanna)	1060-1065	Closed
Rajasthan (Kota)	920-925	916-922
Uttar Pradesh (Kanpur)	1035-1040	Closed
Madhya Pradesh (Indore)	965-970	Closed
Uttar Pradesh (Bareilly)	1070-1075	Closed
Punjab (Sunam) Loose	950	915-925
Ludhiana (Jagraon) Loose	960	920
Rajkot Mill Price	920-925	Closed
Madhya Pradesh (Bhopal)	910-925	Closed

Wheat Products	24.03.07	31.03.07
Atta (90kg)	1041	1032
Maida Grade 1(90kg)	1201	1183
Suji (50kg)	688	683
Chokar (50 kg)	334	334
Chokar (35 kg)	217	208
Chakki Atta (90kg)	955	935

PRICE DRIVERS:

- Increased arrivals of fresh crops amidst lower demand
- Centre declared bonus of Rs.100/qtl on the MSP of wheat
- Punjab farmers demanding further bonus on wheat MSP
- The centre expected to procure around 15 Mln Tonnes of wheat for buffer stocks.
- Govt. may import wheat in case of lower procurement
- Ag. Minister recommends to reduce levies on wheat in Haryana, Punjab
- Prominent Private Companies actively purchasing wheat from Madhya Pradesh and Gujarat mandis.
- Govt. discontinued the duty free wheat import by private traders
- Govt. Expand Duty Free Wheat Import by STC
- Wheat exports have been banned upto 31.12.2007
- Wheat production likely to cross 72.5 Mln Tonnes this year
- MNC's are actively purchasing wheat from Gujarat and M.P. mandis
- Decision was taken to release 4 lakh tonnes of wheat under OMSS to cool the market prices
- 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:

Area Under Winter Wheat crop Likely to be Lower in South Africa

The winter wheat acreage in South Africa is likely to be lower this year. According to the South African crop estimates committee wheat producers of that country intend to plant about 78,000 hectares this year. This is about 10.2 percent less wheat area compare to the area in 2006. The decrease in the expected planting of wheat could mainly be because of dry conditions in large areas of the Free State and North West Province.

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.

Ag. Minister Recommends to Reduce Levies on Wheat in Haryana, Punjab

Agriculture and Food Minister recommends to reduce mandi charges and other levies on wheat purchases in the states of Haryana and Punjab. The state levies are about more than 10 per cent in Punjab and Haryana. According to the Minister, the farmers will be benefited and get more prices in wheat if the mandi charges cut down. However, according to the trade sources, the levies are generally paid by the buyers not by the farmers. Therefore, this step is likely to help the consumers, that is also a good sign in the scenario of rising inflation. The farmers unions and politicians are continuously pressuring the Govt. for a bonus of Rs.100/qtl further above the MSP of Rs.850/qtl.

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 Increased by 7%

Wheat: Net sales of 474,900 metric tons were 7 percent above the previous week and 16 percent over the prior 4-week average. Increases were reported for South Korea (90,200 MT), Nigeria (85,200 MT, including 45,000 MT switched from unknown destinations), Japan (72,800 MT), the Philippines (70,300 MT), Yemen (46,000 MT), and Mexico (44,200 MT). Sales of 42,200 MT for delivery in 2007/08 were for the Philippines (18,000 MT), Mexico (12,200 MT), and Nigeria (12,000 MT). Exports of 426,800 MT were 22 percent below the previous week and 16 percent under the prior 4-week average. The primary destinations were Indonesia (105,600 MT), Nigeria (61,200 MT), Egypt (57,700 MT), Mexico (53,600 MT), Taiwan (42,200 MT), and Guatemala (30,600 MT).

This summary is based on reports from exporters for the period March 9-15, 2007.

Source: USDA

WEATHER WATCH

Last week's western disturbance as an upper air system over Jammu & Kashmir and neighbourhood moved away eastward on 22nd. The induced cyclonic circulation at lower levels over central Pakistan and adjoining Punjab & Rajasthan lay over Haryana and neighbourhood on 22nd and became less marked on 23rd. An upper air trough in the westerlies ran from Bihar to North Interior Karnataka across Chhattisgarh and Vidarbha extending upto 1.5 km a.s.l. on 22nd. It ran from Sub-Himalayan West Bengal & Sikkim to north Bay of Bengal on 23rd and became less marked on 24th. However, a cyclonic circulation at lower levels lay over Assam and neighbourhood on 24th. It was seen as a trough extending from Assam to north Bay of Bengal at lower tropospheric levels on 25th and became less marked on 26th. Strong northwesterly winds prevailed over Indo-Gangetic plains during 2nd half of the week. A trough/line of wind discontinuity at lower tropospheric levels ran across south India during many days of the week.

Rainfall:

Fairly widespread precipitation occurred over Jammu & Kashmir, Himachal Pradesh, Uttarakhand and Punjab and scattered precipitation occurred over Haryana, Chandigarh, Delhi and Uttar Pradesh on 22nd. Isolated to scattered rain/thundershowers occurred over Bihar and Jharkhand on 22nd & 23rd, Sub-Himalayan West Bengal & Sikkim on 22nd to 24th, northeastern States on 22nd to 26th and Gangetic West Bengal and Orissa on 23rd. Isolated rain/thundershowers also occurred over Orissa on 25th. Isolated rain/thundershowers occurred over south India during many days of the week. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 04th April 2007

- ✓ Under the influence of a fresh western disturbance as an upper air system, scattered precipitation likely over Jammu & Kashmir and isolated over Himachal Pradesh, Uttarakhand, Punjab and north Haryana during 31st March and 1st April onwards. Scattered rain/thundershowers are likely over northeast India from 1st onwards.

Source: IMD

IGC WORLD WHEAT ESTIMATES (29.03.07)
 (Million tons)

Source: International Grains Council

*Adjusted for EU-27

FOREX (As on 02nd APRIL, 2007):

Foreign Currency	Rs. per unit
1 US \$	43.59
1 Euro	58.14
100 Yen	37.00
1 British £	85.53

	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

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