

WHEAT

05th -12th MAY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Govt. Hike the MSP of Wheat to Rs.850/qlt
- Wheat Prices Bearish at Spot
- Government of India Extended the Date of Wheat Import Tender
- GOI Ruled Out Increasing MSP on Wheat
- Wheat Stocks in Central Pool Increased by 30.3%

MARKET FUNDAMENTALS:

Wheat procurement by Govt is stood at per with last year purchase around 9.15 Mln Tonnes so far as on 10.05.07 as compared to 9.16 Mln Tonnes during same period of last year. The procurements are higher in the states of Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan as compared to last year. However, in Punjab it is much lower around 6.03 Mln Tonnes so far as against about 6.90 Mln Tonnes during same period of last year. Despite a 4 Mln Tonnes projected increase in output the total procurement is still weak as farmers are hoarding wheat in anticipation of a further rise in its prices. Arrivals across the country are stood down around 12.47 Mln Tonnes compared with 12.82 Mln Tonnes a year ago. To ensure higher buys this year Govt has set up 13,128 wheat procurement centres in 2007 crop year as against 8,985 centres last year. Govt. has also extended 2.5% commission to all agencies that help in wheat procurement in Uttar Pradesh, Rajasthan and Haryana. This year the government may continue to buy wheat till June-end to achieve the target instead of terminate the process in may as usual. However, it is talk in the markets that Govt. may not allow bonus of Rs.100/qlt after the current month. Government had floated wheat import tenders and ruled out an increase in the minimum support price or an incentive bonus. India may need to import 4-5 mln tn of the food grain to meet its domestic requirement in case procurement fails to achieve its target. However, procurement expected to increase in the coming days because of psychological pressure of imports mounted by the government to ensure better market arrivals. Therefore, farmers with small and medium holdings are expected to release their holding stocks in the coming days. Government of India extended the wheat import tender up to 1.0 Mln Tonnes by May 21 and offers should be valid till around May 30 as against the earlier date of closing on May 10 and sale offers to be made by suppliers were valid until May 21. The schedule for arrival of imported wheat at Indian ports is now July-August instead of the earlier May-June. Extension in date for the wheat import tender could allow entry to key players dealing with EU and American wheat. The EU wheat crop would come to the world market in August, making for more competitive prices of imports for India. Total arrivals in Delhi markets stood flat around 35,000 qtls and prices at Lawrence Road decline by Rs.5/qlt to Rs. 940/qlt as against last week. Narela and Najafgarh markets experienced the higher arrivals of 8000 qtls and 15000 qtls respectively with

the prices of Rs.880-900 and Rs.900-905 respectively on loose basis while Karavali experienced 4000 qtls of arrival with the price of Rs.890 per qtls. Local flour millers are the actively buyers.

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	05.05.07	12.05.07
Delhi (Lawrence Road) truck loaded ready delivery	940	935-940
Haryana (Karnal)	960-965	957-962
Punjab (Khanna)	965-970	943-948
Rajasthan (Kota)	977-982	952-957
Uttar Pradesh (Kanpur)	950-955	952-957
Madhya Pradesh (Indore)	940-945	911-916
Uttar Pradesh (Bareilly)	940-945	945-950
Punjab (Sunam) Loose	851-852	851-852
Ludhiana (Jagraon) Loose	851	851
Rajkot Mill Price	-	-
Madhya Pradesh (Bhopal) Loose	870	870

Wheat Products	05.05.07	12.05.07
Atta (90kg)	978	978
Maida Grade 1(90kg)	7720	1084
Suji (50kg)	625	603
Chokar (50 kg)	346	365

Chokar (35 kg)	216	226
Chakki Atta (90kg)	890	890

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

Place	Arrivals	Price
Mathura	400	900
Kosi	6000 Qtls	Rs. 865 per qtl
Hodal	2000 Qtls	Rs. 855-per qtl
Palwal	2500 Qtls	Rs. 865-870 per qtl
Rajkot	5000 Qtls	Rs. 870-875 per qtl

PRICE DRIVERS:

- ✓ According to the Third Advance Estimates of Govt the estimated production of wheat is likely to be 73.7 million tonnes in crop year 2006-07 compared to 69.3 million tonnes in crop year 2005-06.
- ✓ This year, the FCI has so far procured 9.15 million tonnes as on 10.05.07 compared with the last year's corresponding procurement of 9.16 million tonnes
- ✓ Arrivals across the country are stood down around 12.47 Mln Tonnes compared with 12.82 Mln Tonnes a year ago.
- ✓ Wheat carry over stocks (as on 1.4.2007) was around 47 Lakh Tonnes this year that is more than the buffer norms of 40 lakh tonnes at the start of RMS 2007-08. The stock was also higher against the last year stock of 20 Lakh Tonnes of the same period.
- ✓ Wheat stocks in central pool has increased by 30.3% to 11.6 Mln Tonnes as on 1st May this year. The government's wheat stocks are higher despite lower procurement due to a higher carryover from last year.
- ✓ State Trading Corporation had floated a tender for importing 1 million tonne of wheat.
- ✓ STC postpones opening of wheat import bids. The revised date for opening of bids is May 21 compared to the original schedule of May 10.
- ✓ ITC, Cargill and AWB Purchased over 50,000 tonnes of wheat so far this year
- ✓ Private companies imported 937,000 Tonnes wheat at zero duty as of May 3
- ✓ 13128 centers for wheat procurement have been opened by Government agencies in RMS 2007-08 as compared to 8985 centers in RMS 2006-07.
- ✓ Wheat exports on private account have been banned upto 31.12.2007. Wheat exports from Central Pool are also banned.

- ✓ According to the Essential Commodities Act 1955 on 1.3.2007 any Company or Firm or individual which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held in stock.
- ✓ Department of Consumer Affairs has extended upto 31st August, 2007 notification under the EC Act enabling State Governments to impose stock limit on wheat and pulses
- ✓ Import of wheat on private account at zero duty has been permitted upto 31.12.2007.
- ✓ The International Grains Council is forecasting that world production of wheat in 2007-8 will be close to 623 million tonnes, 32 million tonnes above the previous season. However, demand for wheat is set to rise by 13 million tonnes to 622 million tonnes, which will leave stocks at a dangerously low level.
- ✓ The schedule for arrival of imported wheat at Indian ports is now July-August instead of the earlier May-June.
- ✓ Pakistan Govt. allowed export of about 5 Lakh Tonnes of wheat to India
- ✓ Local flour millers are actively purchasing wheat from Ludhina and Khanna mandis

INTERNATIONAL AND DOMESTIC NEWS:

Govt. May Discontinue Wheat Procurement After May31

Govt. may discontinue the wheat procurement after May31 this year. Govt. has adequate wheat stocks in its central pool to meet the requirements for the state-run government welfare schemes. Wheat stocks in central pool has increased by 30.3% to 11.6 Mln Tonnes as on 1st May this year. The government's wheat stocks are higher despite lower procurement due to a higher carryover around 47 Lakh Tonnes from last year. The procurement till date is over 9.23 Mln Tonnes. The annual requirement for public distribution schemes is around 12 Mln Tonnes. The Govt is still likely to import 4-5 Mln Tonnes of wheat from global market to build its buffers reserves for emergencies.

ITC, Cargill and AWB Purchased over 50,000 Tonnes of Wheat So Far This Year

The companies like ITC Ltd., Cargill India Pvt. Ltd. and AWB India Pvt. Ltd purchased over 50,000 tonnes of wheat each. ITC reportedly purchased around 261,007 tonnes wheat till May 4, Cargill had bought around 170,880 tonnes wheat till May 3, while AWB purchased around 69,010 tonnes of the food grain till Apr 27. According to the Essential Commodities Act 1955 on 1.3.2007 any Company or Firm or individual which purchases wheat beyond 50,000 tonnes during 2007-08 shall furnish to the Central Government a return indicating the name/address of the company, quantity of wheat purchased and quantity of wheat held in stock. Last year private companies had purchased huge amount of wheat directly from the farmers and that leads to lower amount of the food grains in central pool and resulting into import from global market.

Wheat Stocks in Central Pool Increased by 30.3%

Wheat stocks in central pool has increased by 30.3% to 11.6 Mln Tonnes as on 1st May this year. The government's wheat

stocks are higher despite lower procurement due to a higher carryover from last year. Wheat carry over stocks (as on 1.4.2007) was around 47 Lakh Tonnes this year that is more than the buffer norms of 40 lakh tonnes at the start of RMS 2007-08. The stock was also higher against the last year stock of 20 Lakh Tonnes of the same period.

Government of India Extended the Date of Wheat Import Tender

Government of India extended the wheat import tender up to 1.0 million metric tons by May 21 and offers should be valid till around May 30 as against the earlier date of closing on May 10 and sale offers to be made by suppliers were valid until May 21.

GOI Ruled Out Increasing MSP on Wheat

Despite the demand from farmers association of Punjab to increase the bonus of wheat MSP, Government of India ruled out any such steps. The government had fixed Rs 750 per quintal as MSP and Rs 100 as bonus for this season.

Local Flour millers are Actively Purchasing Wheat from Khanna Mandis

Local flour millers are actively purchasing wheat from Ludhiana and Khanna mandis and that leads to increase in prices to between Rs.880-890/mtl. The flour millers are offering Rs.885-890/mtl for wheat in Khanna mandis. Big farmers from Punjab are hoarding wheat in order to get handsome profit in coming months. According to trade sources, they are supposed to release their stocks during July-August. Lower Wheat arrivals in Ludhiana including Khanna, are continued and have witnessed around 5 lakh tonnes of arrivals so far as on 1 May against 6.35 lakh tonnes in the same period last year.

Large MNC's Are Unwilling to Offer Wheat to STC

Large MNC's are unwilling to offer wheat to STC because of some disagreement on demurrage for the extra days their ships were kept waiting in the last year due to congestion at Kandla and Mundra ports. As their claims not yet settled, global trading giants are not showing interest of coming to the deal again.

Pakistan Allowed Export of 5 Lakh Tonnes of wheat to India

Pakistan Govt. allowed export of about 5 Lakh Tonnes of wheat to India in the connection of the tender floated by State Trading Corp. The export will be taken on by the private sector by the way of sea as well as railways.

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.

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 foresee 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

US Wheat Production Projected 20%Up

WHEAT: The 2007/08 U.S. wheat outlook is for higher production with increased feed use and exports and a modest growth in ending stocks. Total production is projected at 2.2 billion bushels, up 20 percent from 2006/07. The survey-based forecast of winter wheat production is up 24 percent as area and yield are higher than last year. Spring wheat production is expected to rebound from last year's drought in the Northern Plains despite lower planted area for 2007 as reported in Prospective Plantings. Durum and other spring wheat are projected at 558 million bushels, up 9 percent from 2006/07, based on 10-year harvested-to-planted ratios and trend yields. Total wheat supplies are projected up 7 percent from 2006/07 as lower carryin partly offsets higher expected production. Ending stocks for 2006/07 are reduced 10 million bushels this month reflecting an increase in the 2006/07 export projection. Total wheat use for 2007/08 is projected 6 percent higher as domestic use and exports are expected to rise year-to-year. Food use is

projected at 930 million bushels, up 5 million from the current year reflecting small, but steady growth in domestic demand for wheat-based products. Feed and residual use is projected at 230 million bushels, up 35 percent from 2006/07 as high corn prices encourage domestic wheat feeding. Exports are projected at 975 million bushels, up 7 percent from 2006/07 as tight world supplies boost demand for U.S. milling quality wheat. Ending stocks are projected up 57 million bushels. At 469 million bushels, 2007/08 ending stocks would be the second lowest since 1996/97. Relatively tight stocks, strong export demand, and higher corn prices are expected to boost 2007/08 farm prices. The national average farm price for 2007/08 is projected at \$4.35 to \$4.95 per bushel, well above the 2006/07 forecast of \$4.27 per bushel. Due to forward contracting, prices received by farmers in 2007/08 will also reflect strong prices during early 2007 for new-crop delivery.

Source: WASDE

Global Wheat Production Projected 4% Higher

Global wheat production for 2007/08 is projected 4 percent higher than in 2006/07, but remains below 2004/05 and 2005/06. Higher projected production in Australia, Brazil, FSU-12, India, and the United States is partly offset by lower expected output by Argentina, Canada, and China. EU-27 production is expected to be up just 2 percent from 2006/07 due to dry April weather and freezes that reduced yield prospects, especially in Germany and Poland. Tight exportable supplies in key export competitors such as Argentina, Australia, Canada, and EU-27 are expected to

boost U.S. wheat exports and prices. World wheat feeding is expected to fall 3 percent in 2007/08 with declines in Canada and EU-27 more than offsetting higher wheat feeding in the United States. Wheat imports are expected to increase for Egypt, EU-27, Morocco, and several smaller countries, but decline for Brazil and India with larger crops expected in both countries. World exports are projected higher with increases for Australia, Russia, Ukraine, and the United States more than offsetting lower exports for Canada and EU-27. Global ending stocks for 2007/08 are projected at 113.4 million tons, down 6 percent from 2006/07, and the lowest since 1981/82.

Source: WASDE

USDA Wheat Export Sales Increased by 21%

Wheat: Net sales of 185,000 metric tons were up 21 percent from the previous week, but 50 percent below the prior 4-week average. Increases for South Africa (38,700 MT, including 44,000 MT switched from unknown destinations, and decreases of 5,300 MT), Taiwan (31,800 MT), Mexico (26,000 MT), Morocco (23,100 MT, including 22,000 MT switched from unknown destinations), and Indonesia (23,000 MT, including 20,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (49,000 MT) and Guatemala (21,900 MT). Net sales of 75,400 MT for delivery in 2007/08 were mainly for the Philippines (29,000 MT), Nigeria (23,100 MT), and Guatemala (14,600 MT). Exports of 436,900 MT were down 2 percent from the previous week and 7 percent under the prior 4-week average. The primary destinations were Morocco (118,100 MT), Japan (67,000 MT), Mexico (58,300 MT), South Korea (46,800 MT), South Africa (38,700 MT), and Nigeria (33,000 MT).

This summary is based on reports from exporters for the period April 27-May 3, 2007.

Source: USDA

WEATHER WATCH

Last week's low pressure area over south Andaman Sea became well marked on 3rd and concentrated into a depression in the same evening over north Andaman Sea and adjoining

east central Bay of Bengal, about 200 km north of Port Blair. Moving in a northerly direction, it lay centred at 0830 hours IST of 4th over east-central Bay of Bengal and adjoining north Andaman Sea, about 300 km north of Port Blair. Further moving north-northeastwards, it crossed Arakan coast during the morning hours of 5th. A cyclonic circulation at lower levels lay over northwest Rajasthan and neighbourhood on 3rd and 4th, over central Rajasthan on 5th, over northwest Uttar Pradesh and adjoining Utarakhand on 6th and moved away eastwards on 7th. A fresh cyclonic circulation at lower levels lay over north Rajasthan on 7th, over north east Rajasthan & adjoining Haryana on 8th and over West Uttar Pradesh and neighbourhood on 9th. A cyclonic circulation at lower levels lay over West Madhya Pradesh on 3rd, central Madhya Pradesh on 4th, over East Madhya Pradesh and adjoining Chhattisgarh & East Uttar Pradesh on 5th, over north Chhattisgarh & adjoining Jharkhand on 6th, over Jharkhand & neighbourhood on 7th and over north Orissa and neighbourhood on 8th & 9th. A north south oriented trough in lower level at times embedded with cyclonic circulations lay over 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:

FOREX (As on 14th MAY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.93
1 Euro	55.42
100 Yen	34.03
1 British £	81.20

Isolated to scattered rain/thundershowers occurred over western Himalayan region during the week. Isolated to scattered duststorm/thunderstorm occasionally accompanied with squall occurred over plains of northwest India and Rajasthan during the week. Isolated rain/thundershowers occurred over Orissa, West Bengal & Sikkim during the first half and the activity was scattered with isolated thundersquall during second half of the week. Isolated rain/thundershowers occurred over remaining parts of east India and northeastern States throughout the week. Rain/thundershowers occurred at many places over Andaman & Nicobar Islands and at a few places over south Peninsula & Lakshadweep during many days of the week. Isolated heavy rain also occurred over these regions on a few days. Isolated rain/thundershowers occurred over north Peninsula and central India during many days of the week.

Outlook for the week ending on 16th May 2007

Conditions are favourable for onset of southwest monsoon over south Andaman Sea and adjoining southeast Bay of Bengal during next 72 hours. A low pressure area is likely to form over east central Bay of Bengal and adjoining north Andaman Sea around 12th. Fairly widespread rainfall with isolated heavy falls are likely over Andaman & Nicobar Islands and northeastern States during the week. Rise in day temperature over south India during first half of the week and fall thereafter. Rise in day temperature over central and east India and fall over northeastern States during the week.

Source: IMD

IGC WORLD WHEAT ESTIMATES (26.04.07) (Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)		07/08 Proj. 26.04.07
				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**

Source: International Grains Council

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
© 2005 Indian Agribusiness Systems Pvt Ltd.

