

WHEAT

12th -19th 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
- Govt. Wheat Procurement Surpasses 10 Mln Tonnes

MARKET FUNDAMENTALS:

Wheat procurement by Government surpasses last year procurement as on May 18 and stood around 10.3 Mln Tonnes. The Centre had bought a total of 9.22 Mln Tonnes of the food grain last year. The trend is rising the hopes that Govt. will be able to procure around 12 Mln Tonnes of the food grain this year. Procurement has been steadily increasing since the past two weeks after the government announced import tenders and ruled out an increase in the minimum support price or an incentive bonus. The govt. is also likely to import around 3-4 Mln Tonnes foodgrain to build enough stocks so that it can intervene in the market if prices rise. Wheat stocks in central pool have also increased by 30.3% to 11.6 Mln Tonnes as on 1st May this year due to higher carryover from last year. Further, around 1.20 Mln Tonnes are procured in the month of May so far. Total requirement of wheat to meet its public distribution is stood around 13-14 Mln Tonnes. Therefore, it is expected that Govt. will build sufficient amount of stocks this time and wheat price is very unlikely to go much higher this year. Arrivals across the country are also improving in the last week and touches around 13.12 Mln Tonnes so far likewise same period of previous year. The procurements are higher in the states of Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan as compared to last year but still away from achieve the target levels. However, in Punjab the procurement remained sharply lower around 6.29 Mln Tonnes so far as against about 6.94 Mln Tonnes during same period of last year. Around 14 lakh tonnes of foodgrain has still to be procured from Punjab to reach the targeted level of 75 lakh tonnes for the state. Global wheat production for 2007/08 is projected 4 percent higher than in 2006/07, but remains below 2004/05 and 2005/06. 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. Currently, wheat is trading down about 920-930 rupees per qtl for ready delivery (truck loaded) at Lawrence Road on the back of arrivals around 15,000-25,000 qtls daily. At Narela and Najafgarh markets the price remains 875-885/qlt, and 870-876/ qtl respectively (loose basis) on the back of arrivals 2500qtls and 2000qtls respectively.

OUTLOOK:

Short Term (One Week): Steady to down on higher arrivals amidst lower buying support.

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

Markets	12.05.07	19.05.07
Delhi (Lawrence Road) truck loaded ready delivery	935-940	920-925
Haryana (Karnal)	957-962	945-950
Punjab (Khanna)	943-948	942-948
Rajasthan (Kota)	952-957	962-968
Uttar Pradesh (Kanpur)	952-957	955-960
Madhya Pradesh (Indore)	911-916	925-930
Uttar Pradesh (Bareilly)	945-950	930-935
Punjab (Sunam) Loose	851-852	850-851
Ludhiana (Jagraon) Loose	851	851
Rajkot Mill Price	-	-
Madhya Pradesh (Bhopal) Loose	870	870

Wheat Products	12.05.07	19.05.07
Atta (90kg)	978	969
Maida Grade 1(90kg)	1084	1054
Suji (50kg)	603	588
Chokar (50 kg)	365	372
Chokar (35 kg)	226	227
Chakki Atta (90kg)	890	870

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

Place	Arrivals	Price
Mathura	4000 Qtls	Rs. 860-865 per qtl
Kosi	1500 Qtls	Rs. 850-860 per qtl
Hodal	2000 Qtls	Rs. 850-855-per qtl
Palwal	2500 Qtls	Rs. 850-855 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 9.66 million tonnes as on 17.05.07 compared with the last year's corresponding procurement of 9.20 million tonnes
- ✓ Arrivals across the country are stood at 13.12 Mln Tonnes more or less same at 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.
- ✓ 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.

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 Ludhina and Khanna mandis and that leads to increase in prices to between Rs.880-890/ctl. The flour millers are offering Rs.885-890/ctl 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

A low pressure area formed over eastcentral Bay of Bengal and neighbourhood on 11th morning. It persisted over the same area on 12th. It concentrated into a depression and lay at 0300 UTC of 13th over eastcentral Bay near lat. 15.0° N /Long. 90.5° E about 400 km northwest of Port Blair. Moving in a north-northeasterly direction. It intensified in a deep depression at 2100 UTC of same day. It intensified into a cyclonic storm and lay centred at 0300 UTC of 14th near Lat. 16.5° N /Long. 91.0° E about 750 kms southeast of Kolkata. Continuing north-northeastward movement, it crossed south Bangladesh coast close to south of Cox's Bazar in the early morning of 15th and weakened gradually. It lay as a well marked low pressure area over south Assam and adjoining areas of Manipur, Mizoram, Bangladesh and Myanmar in the same evening and became less marked on 16th. Last week's cyclonic circulation over West Uttar Pradesh and neighbourhood at lower levels lay over central Uttar Pradesh and neighbourhood on 10th & 11th and became less marked on 12th. A cyclonic circulation at lower levels lay over East Rajasthan & adjoining Madhya Pradesh on 11th and became less marked on 12th. However, an eastwest trough at 0.9 km a.s.l. extended from West Rajasthan to East Madhya Pradesh on 12th & 13th and from northwest Rajasthan to Chhattisgarh on 14th, 15th & 16th. Mainly northwesterly winds prevailed at lower levels over central and Peninsular India during many days of the week.

MONSOON WATCH

Southwest monsoon set in over parts of southeast Bay of Bengal, Nicobar islands and Andaman Sea on 10th. It further advanced into some more parts of southeast Bay of Bengal and Andaman Sea on 11th. The northern limit of monsoon as on 11th passed through Lat. 5.0° N /Long. 86.0° E, Lat. 11.0° N /Long. 90.0° E, Maya Bandar and Lat. 14.0° N /Long. 97.0° E. The predictors for this year suggest an early monsoon onset over Kerala. The forecast Model Suggests that the monsoon onset over Kerala is likely to be on 24th May 2007 with a model error of ± 3 days.

Rainfall:

Fairly widespread/ widespread rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week. Isolated heavy to very heavy falls also occurred during a few days. Widespread rainfall with isolated heavy falls occurred over

northeastern States on 15th & 16th, scattered to fairly widespread rainfall occurred over the region during remaining days of the week. Scattered to fairly widespread rain/thundershowers occurred over Orissa, West Bengal & Sikkim on 15th & 16th and activity was isolated to scattered on remaining days of the week. Isolated rain/thundershowers occurred over central & south India and remaining parts of east India and western Himalayan region during many days of the week. Isolated duststorm/thunderstorm occurred over Rajasthan and plains of northwest India during many days of the week.

Conditions are favourable for further advance of monsoon to some more parts of south Bay and east central Bay of Bengal. Scattered rain/thundershower activity likely over east and northeast India. Heat wave conditions likely to abate from Coastal Andhra Pradesh and Tamil Nadu. Rise in day temperature over northwest India and adjoining west & central India during second half of the week.

Source: IMD

Outlook for the week ending on 23rd May 2007

IGC WORLD WHEAT ESTIMATES (26.04.07)

(Million tons)

FOREX (As on 21st MAY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.60
1 Euro	54.87
100 Yen	33.48
1 British £	80.13

	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

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