

WHEAT

27th APRIL -05th, 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 Procurement by Govt is Down So Far

MARKET FUNDAMENTALS:

The Govt. agencies have procured a lower amount around 8.55 Mln Tonnes of wheat so far as on 03.05.07 as against the procurement of 9.04 Mln Tonnes during corresponding period of last year. The corporation had set a target of 15 million tonnes this year as against 9.3 million tonnes last year. However, industry watchers see the procurement to be lower in the range of 11-12 million tonnes. In case of lower procurement government may have to import around 3-4 million tonnes. Meanwhile, State Trading Corp. and Food Corp. of India have already made the first move of the process of importing wheat. It is a clear reflection that the government expects to fall short of its procurement target this year also. Arrivals across the country stood down at 10.91 Mln Tonnes so far as on 03.05.07 compared with 12.26 Mln Tonnes year ago on account of the late maturing of the crop. It is also learnt that good number of large farmers in the states of Punjab, Haryana, 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. However, the estimated production of wheat is likely to be higher this year. Further, the total wheat stocks (as on 1.4.2007) were 47 Lakh Tonnes 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. Therefore, it is unlikely that wheat price will be skyrocketing this year as of last year. Govt. is closely monitoring the essential commodities and it may release some stocks whenever prices rise. Procurement in Punjab is still lower around 57.10 Lakh Tonnes so far as on 03.05.07 against 67.96 Lakh Tonnes during corresponding period of last year. However, Government agencies have procured a record amount around 26.80 Lakh Tonnes of wheat from Haryana so far as against 22.05 Lakh Tonnes during the last season. Farmers from Punjab are in mood to oppose the Centre's move to import the grain. They are demanding to stop importing wheat which may cost more prices and instead give Rs1,140 per quintal minimum support price (MSP) to farmers. The wheat import price this year is about to higher around \$245-250 as against \$206.38 in the previous year. Freight values have also increased substantially. The wheat import from Russia and Canada may cost more as against from Pakistan. Wheat at \$240-250 a tonne is available only from Pakistan because of lower freights. Pakistan Govt. allowed export of about 5 Lakh Tonnes of

wheat to India in the connection of the tender floated by State Trading Corp. 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. Total arrivals in Delhi markets stood around 35,000 qtls and prices at Lawrence Road were quoted down at Rs.940 per quintal with arrivals down about 14000 qtls for ready delivery (truck loaded). Narela and Najafgarh markets experienced the arrivals of 14000 qtls and 8000 qtls respectively with the prices of Rs.900-905 and Rs.880-900 respectively on loose basis while Karavali saw arrivals around 3000 qtls and price quoted at 905/qlt market has closed. Achnera market saw the arrivals around 5000 qtls and price remained at Rs. 885-890/ qtl.

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	28.04.07	05.05.07
Delhi (Lawrence Road) truck loaded ready delivery	940-945	940
Haryana (Karnal)	962-967	960-965
Punjab (Khanna)	976-982	965-970
Rajasthan (Kota)	976-982	977-982
Uttar Pradesh (Kanpur)	950-955	950-955
Madhya Pradesh (Indore)	925-931	940-945
Uttar Pradesh (Bareilly)	937-942	940-945
Punjab (Sunam) Loose	851-852	851-852
Ludhiana (Jagraon) Loose	-	851
Rajkot Mill Price	-	-
Madhya Pradesh (Bhopal) Loose	870-880	870

Wheat Products	28.04.07	05.05.07
Atta (90kg)	978	978
Maida Grade 1(90kg)	1147	7720
Suji (50kg)	638	625
Chokar (50 kg)	333	346
Chokar (35 kg)	214	216
Chakki Atta (90kg)	900	890

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

Place	Arrivals	Price
Mathura	7000 Qtls	Rs. 890 per qtl
Kosi	6000 Qtls	Rs. 870 per qtl
Hodal	2000 Qtls	Rs. 855-860 per qtl
Palwal	1500 Qtls	Rs. 870-875 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 8 million tonnes as on 30.04.07 compared with the last year's corresponding procurement of 8.8 million tonnes
- ✓ Wheat stocks (as on 1.4.2007) were around 47 Lakh Tonnes 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.
- ✓ 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.
- ✓ State Trading Corporation had floated a tender for importing 1 million tonne of wheat. The tender will open on May 10 and offers should be valid till May 18. The tender seeks deliveries between May and July.
- ✓ The Food Corp. initiated call options to import up to 2-mln-tn wheat by Aug-Jan.
- ✓ Pakistan Govt. allowed export of about 5 Lakh Tonnes of wheat to India
- ✓ Large MNC's are unwilling to offer wheat to STC
- ✓ Punjab farmers are protesting against wheat import decision
- ✓ Local flour millers are actively purchasing wheat from Ludhiana and Khanna mandis
- ✓ The wheat arrivals are remained slow in major mandis of Punjab

INTERNATIONAL AND DOMESTIC NEWS:

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.

Australia proj wheat output in year to Jun 2008 is 625 Mln Tonnes

Australia projected wheat output in year to Jun 2008 is 625 Mln Tonnes, up 36 Mln Tonnes as against last year. The wheat production is likely to increase in Australia, India, the European Union, and U.S on increase acreage and higher yield. However, wheat production in China likely to decline by 3% from last year on lower yield.

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/ql. The flour millers are offering Rs.885-890/ql 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.

Punjab Farmers are Protesting Against Wheat Import Decision

Government-run agencies, State Trading Corp. and Food Corp. of India, have made the first move of the process of importing wheat from global market. However, farmers from Punjab are in mood to oppose the Centre's move to import the grain. They are demanding to stop importing wheat which may cost more prices and instead give Rs1,140 per quintal minimum support price (MSP) to farmers.

Wheat Arrivals Remains Lower in Khanna Mandi

The wheat arrivals are remained slow in Khanna mandis, the largest grain market in Asia. The mandi arrivals are reportedly 7000-8000 bags per day. The mandi saw a total arrivals around 5 Lakh Metric Tonnes so far as on 01.05.07, that is much lower as compared to last year's arrivals around 8 Lakh Metric Tonnes. Some of the mandi in Punjab observed meager arrivals. However, the mandis located in the south-western parts of Punjab witnessed some arrivals. Total procurement target of Govt agencies from Punjab state is 8 Mln Tonnes. Now everybody are looking forward to see whether the target will achieve or not.

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 take 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 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.

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

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 45%

Wheat: Net sales of 152,700 metric tons were down 45 percent from the previous week and 60 percent below the prior 4-week average. Increases were reported for Nigeria (70,800 MT, including 22,500 switched from unknown

destinations), South Korea (22,500 MT), Colombia (16,500 MT), unknown destinations (15,500 MT), and Mexico (12,900 MT). Net sales of 62,500 MT for delivery in 2007/08 were mainly for Guatemala (29,900 MT), the Philippines (13,500 MT), and El Salvador (12,400 MT). Exports of 445,600 MT were up 28 percent from the previous week, but down 2 percent from the prior 4-week average. The primary destinations were Nigeria (98,100 MT), Japan (81,000 MT), Morocco (75,400 MT), Indonesia (60,100 MT), Guatemala (30,000 MT), and Venezuela (29,700 MT).

This summary is based on reports from exporters for the period April 20-26, 2007.

Source: USDA

WEATHER WATCH

Last week's cyclonic circulation over Central Pakistan and adjoining Rajasthan lay over Haryana and adjoining West Uttar Pradesh on 26th, over East Uttar Pradesh and neighbourhood on 27th and became less marked on 28th. A feeble western disturbance as an upper air cyclonic circulation lay over Jammu & Kashmir and neighbourhood on 26th and moved away eastwards on 27th. Another feeble western disturbance as an upper air cyclonic circulation moved over western Himalayan region during 30th April to 2nd May. A trough in lower level extended from East Uttar Pradesh to Assam with embedded cyclonic circulation over Assam and neighbourhood during 26-28th. Also a trough in westerlies at 700 hPa ran from Sub-Himalayan West Bengal & Sikkim to north Bay/north Orissa during this period. A north-south oriented trough in lower levels at times embedded with cyclonic circulation lay over south peninsula throughout the week. An upper air cyclonic circulation extending upto mid-tropospheric level lay over Gulf of Thailand on 28th and over Gulf of Thailand & adjoining south Andaman Sea on 29th. It lay over south Andaman Sea and neighbourhood on 30th. Under its influence, an extended low pressure area formed over south Andaman Sea and neighbourhood on 1st May. It was seen as a low pressure area over the same region on 2nd May with associated cyclonic circulation extending upto mid tropospheric level.

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 western Himalayan region on 26th April, 1st & 2nd May. Isolated to scattered rain/thundershowers occurred over different meteorological sub-divisions of east India outside East Uttar Pradesh during many days of the week. Isolated to scattered rain/thundershowers occurred over Tamil Nadu and Kerala on many days and isolated rain/thundershowers occurred over remaining parts of peninsula and Maharashtra on a few days. Scattered to fairly widespread rain/thundershowers with isolated heavy falls occurred over northeast India during 26-28th April. Isolated rain/thundershowers occurred over these regions thereafter. Scattered to fairly widespread rain/thundershowers occurred over Andaman & Nicobar Islands 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 09th May 2007

Under the influence of the well marked low pressure area over north Andaman Sea and neighbourhood, which is likely to concentrate into a depression, widespread rainfall with isolated heavy to very heavy falls are likely over Andaman & Nicobar Islands during first half of the week and decrease thereafter. Squally winds with speed reaching 40-50 kmph are also likely over Andaman & Nicobar Islands during next 48 hours. Scattered rain/thundershower activity is likely over West Bengal & Sikkim, northeast India and south Peninsula during the week. Gradual rise in day temperature over northwest, central and east India..

Source: IMD

FOREX (As on 07th MAY, 2007):

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

Source: International Grains Council

Foreign Currency	Rs. per unit
1 US \$	40.90
1 Euro	55.47
100 Yen	34.01
1 British £	81.29

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