

WHEAT

16th -23rd JUNE, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Govt. Hike the MSP of Wheat to Rs.850/qrtl
- Wheat Prices Bullish at Spot on Lower Arrivals
- MMTC Ltd. Extended Shipment Period for Wheat Import Tender
- Govt Released 1 Lakh Tonnes Additional Wheat for APL Line Families

MARKET FUNDAMENTALS:

Wheat procurement by Government stood up around 11,058,390 tonnes so far as on June 20, against 9.2 million tonnes a year ago. It is now expecting that the procurement of wheat this year likely to be around 11.2 million tonnes as against the targeted 15 million tonnes as the procurement season is over in the key wheat growing states of Punjab and Haryana. However, the procurement will be continuing in Uttar Pradesh, Rajasthan, and Delhi till June end as progressive procurement is remained steady. In Bihar, procurement operations continue until Jul 15. Wheat sentiments in Punjab and Haryana have firm up after government procurement in the state ended on 15 June. The local flour millers have stepped up buying for their own consumption and this is supporting the sentiments in spot markets. Flour millers in the state of Punjab have so far purchased around 350,000 tonnes of wheat to fill up their stock out of the annual requirement around 650,000 tonnes. Punjab has contributed the lower amount of 6,758,756 tonnes to the Central pool (short by 2.7%) as against the last year procuremenr around 6,945,762 tonnes. The target this year is stood around 75 lakh tonnes. However, in the states of Haryana, U.P., M.P. and Rajasthan it is higher as compared to last year. The total procurement in Haryana stood up around 3,346,480 tonnes as against the previous year procurement of 2,228,725 tonnes. The arrivals are remained good in the states of U.P. and M.P. and stood above 20,000 tonnes. It is learnt that to increase the buffer stocks to keep a lid on prices throughout 2008, the government is planning to import around 5 million tonnes of wheat this year. Earlier, government decision to scrap an import tender for one million tonnes of wheat because of higher prices is unlikely to yield favourable result as global wheat prices jumped up further on erratic weather disrupting the US winter wheat harvest, and drought in Ukraine and Russia amidst sharply decreasing wheat stocks. USDA has projected global year-ending wheat stocks for 2007-08 at 112.03 million tonnes – a 30-year-low. Further it is learnt that, government would hold a tender to import 2 million tonnes of the grain by the end of June. India will now have to pay around to \$290-300 a tonne to buy wheat as prices have been soaring at the CBOT. CBOT rose to 11-year highs of above \$6 a bushel last week and continued at higher levels. However, the stock position of wheat in central pool is satisfactory to meet domestic demand on higher production, higher beginning stocks and higher procurement as compared to last year. Wheat spot prices likely to increase in the coming months on restricted arrival amidst increased offtake from

roller flour mills. However, higher wheat availability in the market will restrict the rallies. The arrivals likely to improve at some higher prices due to inability of small farmers to hold stocks.

OUTLOOK:

Short Term (One Week): Up on lower arrivals amidst some buying support.

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

Markets	18.06.07	23.06.07
Delhi (Lawrence Road) truck loaded ready delivery	950-955	950-955
Haryana (Karnal)	945-950	945-950
Punjab (Khanna)	986-991	956-1001
Rajasthan (Kota)	985-990	992-998
Uttar Pradesh (Kanpur)	962-967	960-966
Madhya Pradesh (Indore)	945-950	965-971
Uttar Pradesh (Bareilly)	960-965	965-970
Punjab (Sunam) Loose	860	865-875
Ludhiana (Jagraon) Loose	860	865-875
Rajkot Loose Price	865	865
Madhya Pradesh (Bhopal) Loose	865	865

Wheat Products	18.06.07	23.06.07
Atta (90kg)	987	987
Maida Grade 1(90kg)	1063	1081
Suji (50kg)	593	603
Chokar (50 kg)	362	362
Chokar (35 kg)	224	224
Chakki Atta (90kg)	890	900

Following was the status in other mandis, with active millers and private trade buying: (23.06.07)

Place	Arrivals	Price
Mathura	1000 Qtls	Rs.880 per qtl
Kosi	800 Qtls	Rs. 887-890 per qtl
Hodal	300 Qtls	Rs. 888-890 per qtl
Palwal	500 Qtls	Rs. 878 per qtl
Rajkot	-	Rs. 865 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, government has so far procured over 11.05 million tonnes as on 20.06.07.
- ✓ Wheat procurement is end in Punjab and Haryana
- ✓ Government is likely to import around 4-5 Mln Tonnes of wheat during Aug-Dec to build buffer stocks
- ✓ MMTTC Ltd. extended shipment period for wheat import tender.
- ✓ IGC lowered its forecast for world wheat output in 2007/08 to 621 million tonnes from 623 million tonnes, cutting world stocks to 115 mln tonnes their lowest levels since 1981.
- ✓ Global wheat Production forecast is still sharply up against the 2006 harvest of 592.5 million tonnes.
- ✓ Global wheat prices up, India may take phased approach in imports
- ✓ CBOT July contract tested 11-Year high
- ✓ GOI has rejected the wheat import tender
- ✓ Pakistan government has suspended the export of wheat
- ✓ Ukraine will not allow wheat exports from July
- ✓ STC has received seven bids regarding the import of 1 million tonnes of wheat by August 15. However, the price quoted is on average 20 percent higher than those paid 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.
- ✓ 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.

- ✓ 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 Released 1 Lakh Tonnes Additional Wheat for APL Line Families

Government has released 1 lakh tonnes of wheat for APL line families in June in addition with 933,377 tonnes allocated for targeted public distribution schemes this month. The government had allocated 908,860 tonnes wheat each in April and May for public distribution schemes. It seems that the government has enough wheat stocks to meet requirements till March. The government has bought 11.04 million tonnes wheat so far, which coupled with last year's carry-over stocks of 4.7 million tonnes, is adequate to meet the requirement for the state-run welfare schemes till March. Further, it is learnt that to increase the buffer stocks to keep a lid on prices throughout 2008, the government is planning to import around 5 million tonnes of wheat this year.

Wheat Procurement Remained Good amidst steady Arrivals

Wheat procurement by Government stood up around 11,058,390 tonnes so far as on June 20, against 9,231,004 tonnes a year ago. It is now expecting that the procurement of wheat this year likely to be around 11.2 million tonnes as against the targeted 15 million tonnes as the procurement season is over in the key wheat growing states of Punjab and Haryana. However, the procurement will be continuing in Uttar Pradesh, Rajasthan, and Delhi till June end as progressive procurement is remained steady amidst good market arrivals. In Bihar, procurement operations continue until Jul 15. Different government agencies of Punjab have procured the lower amount of 6,756,756 tonnes as against the last year procurement around 6,951,404 tonnes. The target this year is stood around 75 lakh tonnes. However, in the states of Haryana, U.P., M.P. and Rajasthan it is higher as compared to last year. The total procurement in Haryana stood up around 3,346,460 tonnes as against the previous year procurement of 2,228,725 tonnes. U.P. has contributed larger amount of wheat around 50,996,1 tonnes to the central pool so far as compared to 48,873 tonnes last year. The procurement in M.P. and Rajasthan remained up so far around 56,997 tonnes and 380,505 tonnes respectively as against the total procurement of last year's 20 tonnes and 1582 tonnes respectively. Delhi contributed a good amount of 873 tonnes as compared to nil procurement last year. Bihar also witnessed good procurement around 5024 tonnes by the government agencies as against zero procurement last year. The arrivals are remained good in the states of U.P. and M.P., Rajasthan, Chandigarh, Delhi, Bihar and stood above 21,500 tonnes in toto. It is learnt that Government is keen on building a wheat buffer of at least 6.5

million tonnes by Apr 1 as against the buffer norms of 4 million tonnes. Therefore, the government is planning to import around 5 million tonnes of wheat by the month of March next year.

Total Wheat Arrivals Increased by 0.13 Mln tonnes This Week

Total wheat arrivals are increased by around 0.13 million tonnes this week and stood around 151,598,46 tonnes so far as on 20.06.07 as against 150,250,21 tonnes on June 14 in the country as Government is still buying around 7000 tonnes of wheat daily. The pace of procurement is lower as government has discontinued the bonus prices of Rs.100/ql on wheat MSP in the key producing states such as Haryana and Punjab. The daily market arrivals is lower around 22000 tonnes as against 57000 tonnes last week. Majority of daily arrivals (85%) are reported from U.P. and M.P.. The daily arrivals remained steady to higher in Delhi and Uttarakhand as compared to last week. There are ten agencies procuring wheat during 2007-08 rabi marketing season. The agencies are FCI, NAFED, St. Govt., C.S.C., CO-OP, CONFED, AGRO, SWC, SFC, USS. Among the agencies CO-OP has procured largest amount above 302,863,9 tonnes so far as on 20.06.07.

Govt. is Looking for Higher Buffer Stocks of Wheat

Government is keen on building a higher wheat buffer of at least 6.5 million tonnes by Apr 1 as against the buffer norms of 4 million tonnes. Therefore, the government is planning to import around 5 million tonnes of wheat by the month of March next year. Government already procured more than 11.05 million tonnes wheat and 4.7 million tonnes as beginning stocks in addition. Total requirement for PDS system is around 12 million tonnes annually. Therefore, stock position is good and government is looking for a higher reserve so that it keeps wheat prices under control this year as well as the next. Earlier, government decision to scrap an import tender for one million tonnes of wheat because of higher prices is unlikely to yield favourable result as global wheat prices jumped up further on erratic weather disrupting the US winter wheat harvest, and drought in Ukraine and Russia amidst sharply decreasing wheat stocks. USDA has projected global year-ending wheat stocks for 2007-08 at 112.03 million tonnes – a 30-year-low. Further it is learnt that, government would hold a tender to import 2 million tonnes of the grain by the end of June. India will now have to pay around to \$290-300 a tonne to buy wheat as prices have been soaring at the CBOT. CBOT rose to 11-year highs of above \$6 a bushel last week and continued at higher levels. However, the stock position of wheat in central pool is satisfactory to meet domestic demand on higher production, higher beginning stocks and higher procurement as compared to last year. Wheat spot prices likely to increase in the coming months on restricted arrival amidst increased offtake from roller flour mills. However, higher wheat availability in the market will restrict the rallies.

MMTC Ltd. Extended Shipment Period for Wheat Import Tender

MMTC Ltd. has extended the shipment period for its wheat import tender of 50,000 tonnes to August-September instead of July -August. The organization might be looking for the Australian crop arrival (which is reportedly delayed) for getting wheat at competitive price. Other terms and conditions remain unchanged. The tender is set to close on June 19 and the bids are valid till June 29.

Govt to Import 4-5 Mln Tonnes of Wheat During Aug-Dec

Government is likely to import around 4-5 Mln Tonnes of wheat during Aug-Dec to build buffer stocks and may restart the process of importing wheat before August. However, the wheat stocks in the country are enough to meeting the demand of 12 Mln Tonnes annually for public distribution requirements. The country has a 4.7 Mln Tonnes carryover stocks from last year. Government is considering on the relaxation of wheat import quality norms so that it can incorporate the competitive bidders from U.S.

Ukraine Will Not Allow Wheat Exports from July

The Ukraine will allow wheat exports in June but the severe drought is likely to prompt the government to ban exports from July. Ukraine will allow the export of 900,000 metric tonnes of grain already held by traders, but there will be no exports of the drought-reduced 2007-08 crop until reserves are built.

Wheat Production in Pakistan Surpassed the Set Target

Pakistan wheat production has set a record and surpassed the set target of 22.5 Mln Tonnes for the year 2006-07. The production has increased by 6 per cent as against last year and estimated to around 23 Mln Tonnes. Balanced use of fertiliser and sufficient availability of water for the crop helped in achieved the higher growth in production.

Pakistan Government has Suspended the Export of Wheat

Pakistan Government has suspended the export of wheat from the country because of sudden hike in local wheat prices on hoarding interest of traders. However, it is not a full ban on the wheat export. The exporters had started large-scale purchases, pushing prices of the new crop to Rs1,155 and Rs1,175 per ql. The atta prices have also increased by Rs.80-100/ql in Karachi. The country has already exported 4 lakh tons of wheat from the export target of 8 lakh tons for the current season. Pakistan wheat production has set a record and surpassed the set target of 22.5 Mln Tonnes for the year 2006-07. The production has increased by 6 per cent as against last year and estimated to around 23 Mln Tonnes. The current carry-forward stocks stood at 5 Mln Tonnes. This means that there would be an good surplus this year.

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 Cut Down Global Wheat Out Put Forecast

Forecast production is 2m. tons lower than last month at 621m. tons, 28m. up from last year. Dry spring weather significantly reduced crop prospects in the EU and Morocco but heavy rains much improved the outlook in Australia. The US winter wheat crop is likely to yield substantially more than last year despite April's frost. In

Canada, a switch from wheat to oilseeds and barley is expected to reduce output. World wheat consumption is forecast at 624m. tons, up 2m. from last month as a result of greater feed use in the US, where maize will remain in tight supply. Food consumption growth in some developing countries is being contained by high import costs. The new closing stock projections for 2007/08 are sharply lower, especially in the EU.

The total may be only 115m. tons, the smallest since 1981, with less than 34m. held in the five major exporting countries. Trade in 2007/08 is now expected to

reach 109m. tons, 2m. more than the last forecast, due to renewed purchases by India to maintain safe stock levels, more imports by the EU from Black Sea sources, and larger shipments to Morocco after its poor harvest.

Source: IGC

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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

U.S. Wheat Ending Stocks are Projected Down

WHEAT: U.S. wheat ending stocks for 2007/08 are projected down 26 million bushels this month as lower production and higher projected exports more than offset a small increase in forecast carryin. Forecast winter wheat production is lowered 6 million bushels this month. Carryin is forecast 5 million bushels higher this month as a 5-million-bushel increase in 2006/07 imports raises old-crop ending stocks. Exports for 2007/08 are projected 25 million **bushels higher reflecting stronger expected demand** for U.S. wheat as production shortfalls in key exporting countries lower world supplies. The 2007/08 marketing year average farm price is projected at \$4.50 to \$5.10 per bushel, up 15 cents per bushel on each end of the range reflecting tighter world supplies. The 2006/07 price forecast is unchanged at \$4.27 per bushel.

Source: WASDE

Global Wheat prod Projected Lowered 6.7 MT from Last Month

Global 2007/08 wheat production is lowered 6.7 million tons from last month. FSU-12 output is projected 7.3 million tons lower as dry weather and heat in Ukraine and Russia sharply reduce crop prospects. The most adverse conditions coincided with key reproductive stages of winter wheat development in both countries. Production for Moldova is also lowered. Production is lowered 0.6 million tons this month for Morocco as severe drought sharply reduced winter wheat output. Partly offsetting these reductions is an increase in Argentina production, raised 1.2 million tons reflecting higher expected area as producers respond to high world prices. With reduced 2007/08 global production and tighter supplies this month, global imports, exports, and consumption are all projected lower. The largest import reduction is projected for EU-27, down 1 million tons due to tighter FSU-12 supplies. The largest export declines are projected for Russia and Ukraine, down 2 and 3 million tons, respectively. A projected 1-million-ton increase in exports for Argentina still leaves world exports down 2.9 million tons this month. Even with a projected 3.8-million-ton reduction in global consumption, ending stocks decline 1.3 million tons. At 112.0 million tons, global stocks are projected down 8 percent from 2006/07, the lowest in 30 years.

Source: WASDE

Wheat Export Sales Increased by 19%

Net sales of 413,100 metric tons were 19 percent above the previous week. Increases reported for Nigeria (122,000 MT), unknown destinations (62,000 MT), Indonesia (61,800 MT, including 60,000 MT switched from unknown destinations), Japan (40,700 MT), and Venezuela (28,300 MT), were partially offset by decreases for the United Kingdom (24,200 MT) and Guatemala (11,600 MT). Exports of 267,600 MT were 46 percent below the previous week and the prior 4-week average. The primary destinations were Japan (57,000 MT), Indonesia (51,500 MT), Mexico (46,900 MT), Venezuela (35,600 MT), Nigeria (25,500 MT), and Spain (23,100 MT).

This summary is based on reports from exporters for the period June 1-7, 2007.

Source: USDA

MONSOON WATCH

Southwest monsoon further advanced into some more parts of Telangana, remaining parts of coastal Andhra Pradesh, northwest Bay of Bengal & Gangetic West Bengal, some parts of Chhattisgarh, Orissa, Jharkhand and East Uttar Pradesh and some more parts of Bihar on 14th June. It advanced into some more parts of Central Arabian sea, Konkan & Goa, some parts of Madhya Maharashtra & Marathawada, some more parts of Telangana, Jharkhand, Bihar & East Uttar Pradesh and some parts of Uttarakhand on 15th June. It advanced into remaining parts of central Arabian sea and Konkan & Goa, some more parts of Madhya Maharashtra and Marathawada, remaining parts of Telangana, some parts of Vidarbha and some more parts of Chhattisgarh, Orissa and Jharkhand on 18th June. Northern limit of monsoon passed through lat. 20.0 °N/ long. 60.0 E°, lat. 20.0 °N/ long. 70.0 E°, Dahanu, Parbhani, Brahmapuri, Raipur, Sambalpur, Keonjhar, Ranchi, Varanasi, Sultanpur, Bharaich and Mukteswar (Map Enclosed).

WEATHER WATCH

An off-shore trough extended from Gujarat coast to Kerala coast during 14th to 19th June and from Konkan coast to Kerala coast on 20th June. A Low pressure area formed over East central Bay of Bengal on 19th June and became well marked on 20th. A cyclonic circulation lay over West Uttar Pradesh & neighbourhood extending upto 3.1 Km a.s.l. on 14th. It persisted over the same area extending upto 0.9 km a.s.l. on 15th & 16th and became less marked on 17th. A cyclonic circulation lay over Central Pakistan and neighbourhood at lower tropospheric levels on 14th & 15th. It lay over central Pakistan and adjoining Rajasthan on 16th, over Punjab & neighbourhood on 17th & 18th and over Jammu & Kashmir & neighbourhood on 19th. It moved away eastwards thereafter. Another Cyclonic circulation at lower levels lay over South Pakistan & neighbourhood on 18th & 19th and over central Pakistan and adjoining Rajasthan on 20th. A Cyclonic Circulation lay over Haryana & neighbourhood on 19th & 20th extending upto 0.9 km a.s.l. An upper air trough ran from Bihar to North Orissa at lower tropospheric Levels on 18th, it ran from west Assam to North Orissa across Bangladesh, West Bengal & Jharkhand on 19th and became less marked on 20th.

Rainfall:

FOREX (As on 25th JUNE, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.71
1 Euro	54.63
100 Yen	32.84
1 British £	81.24

Southwest Monsoon was active with fairly widespread / widespread Rainfall and isolated heavy to very falls over northeastern states during 14th to 17th. It was also active over Sub-Himalayan West Bengal & Sikkim during 17th to 19th. The southwest monsoon was active along the West Coast during 18th to 20th. Fairly wide spread / widespread rainfall with isolated heavy to very heavy falls occurred along the west coast during remaining days of the week. Scattered to fairly widespread rainfall occurred over remaining parts of Peninsula, east India and Madhya Maharashtra during many day of the week. Isolated to scattered rain/thundershower occurred over Northwest, Central and remaining parts of West India during many days of the week.

Outlook for the week ending on 27th June 2007

The well marked low pressure area over east-central & adjoining west-central Bay of Bengal is likely to concentrate into a depression and move in a west-northwesterly direction across north Andhra Pradesh, Vidarbha, Madhya Maharashtra and Gujarat. Under its influence, Widespread rains with scattered heavy to very heavy falls are likely over Andhra Pradesh, south Orissa, south Chhattisgarh and Vidarbha during 21 to 23 June. Subsequently, with the likely west-northwestward movement of the system, the enhanced rainfall belt is likely to shift to rest Maharashtra, Goa, Karnataka, south Madhya Pradesh, Gujarat and southeast Rajasthan during 23 to 26 June. Isolated extremely heavy rains of more than 25 cm are also likely over Coastal Andhra Pradesh, Telangana and Vidarbha during 21 to 23 June and over Coastal Karnataka, rest Maharashtra including Mumbai, Goa and Gujarat during 23 to 26 June. In association with the above system, southwest monsoon is likely to advance further into remaining parts of Orissa, Chhattisgarh & Maharashtra, entire Gujarat and parts of Madhya Pradesh and Rajasthan during next 5 days. Widespread rainfall with scattered heavy to very heavy falls are likely to continue along the west coast. Decrease in rainfall activity over Orissa, Andhra Pradesh, Tamil Nadu during second half of the week. Decrease in rainfall activity over northeastern states. Another Low pressure area is likely to form over the north Bay of Bengal around 27th June, 2007.

Source: IMD

IGC WORLD WHEAT ESTIMATES (24.05.07)

(Million tons)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				26.04	24.05
Production	628	620	593	623	621
Trade	110	109	107	107	109
Consumption	617	624	610	622	624
Stocks	140	136	118	117	115
Year-Year Change	+12	-4	-18		-3
5 Major Exporters [#]	55	56	36	38	34

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

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