

WHEAT

23rd -30th JUNE, 2007

MAJOR ACTIVITY HIGHLIGHTS

- **Wheat Prices Bullish at Spot on Lower Arrivals**
- **India has Issued 1 Mln Tonnes Wheat Import Tender**
- **Wheat Purchase by Private Firms Remained Lower this Year**
- **MMTC Ltd. Postponed the 50,000 tonnes Wheat Import Tender**

MARKET FUNDAMENTALS:

Total wheat arrivals are increased by more than 112510 tonnes this week and stood around 15272348 tonnes so far as on 27.06.07 as Government is still buying good amount of wheat daily. However, the pace of procurement is lower as government has discontinued the bonus prices of Rs.100/qlt on wheat MSP in the key producing states such as Haryana and Punjab. The daily market arrivals are lower as against last week. Majority of daily arrivals are reported from U.P. and M.P.. The ten agencies namely FCI, NAFED, St. Govt., C.S.C., CO-OP, CONFED, AGRO, SWC, SFC, USS are continuously procuring wheat. Among the agencies CO-OP has procured largest amount around 3030658 tonnes so far as on 27.06.07 followed by St. Govt. 2211344 tonnes, CSC 1562824 tonnes, FCI 1537995 tonnes. Wheat procurement from Bihar increased to 6689 tonnes this week as against 5024 tonnes and in Delhi remained flat around 873 tonnes as compared to last week. NAFED has procured its largest amount around 140501 tonnes from U.P. so far as on above mention date. It is learnt that Government likely to build wheat buffer of at least 6.5 million tonnes by Apr 1 next year 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. Wheat purchases by big private firms remained lower to 1.4 million tonnes so far this year compared with 2 million tonnes purchased in last year, following the government regulation on stock declaration of purchases. The low purchase by the private companies, coupled with better production, has helped the government procure higher quantity of wheat around 110,759,09 tonnes so far as on 27.06.07 and had 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 in the next 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. MMTC Ltd. has reportedly postponed the 50,000 tonnes wheat import tender that had floated on June 7 due to higher global prices. Further, India has issued a wheat tender to import of 1 million tonnes of the food grain. The bids would open on July 4 and would be valid until July 10. Shipments would be made between August and November. Wheat futures at the Chicago Board

of Trade are tested 11-years high and remained at around \$6 per bushel, up more than 28 percent against three to four weeks ago. Presently, India has to pay around \$300 per tonne for the grain that is much higher from the bids of around \$263 per tonne received in the earlier tender. However, some possibility of relaxation in prices at the month of October November on the harvesting of Australia's wheat crop can not be ruled out. 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. Wheat for ready delivery (truck loaded) traded up between Rs.970-975/qlt in Delhi's Lawrence Road mandi despite of higher arrivals around 12,000-17,000qtls. as against last week.

OUTLOOK:

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

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

Markets	23.06.07	30.06.07
Delhi (Lawrence Road) truck loaded ready delivery	950-955	972-975
Haryana (Karnal)	945-950	965-970
Punjab (Khanna)	956-1001	1035-1040
Rajasthan (Kota)	992-998	1028-1032
Uttar Pradesh (Kanpur)	960-966	990-995
Madhya Pradesh (Indore)	965-971	988-993
Uttar Pradesh (Bareilly)	965-970	980-985
Punjab (Sunam) Loose	865-875	885
Ludhiana (Jagraon) Loose	865-875	885
Rajkot Loose Price	865	930
Madhya Pradesh (Bhopal) Loose	865	920

Wheat Products	23.06.07	30.06.07
Atta (90kg)	987	1005
Maida Grade 1(90kg)	1081	1193
Suji (50kg)	603	665
Chokar (50 kg)	362	285
Chokar (35 kg)	224	193
Chakki Atta (90kg)	900	910

Following was the status in other mandis, with active millers and private trade buying: (30.06.07)

Place	Arrivals	Price
Mathura	3000 Qtls	Rs.906 per qtl
Kosi	1200 Qtls	Rs. 898-902 per qtl
Hodal	500 Qtls	Rs. 902-905 per qtl
Palwal	1000 Qtls	Rs. 894 per qtl
Rajkot	-	Rs. 930 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 11.07 million tonnes as on 27.06.07.
- ✓ Government is likely to import around 4-5 Mln Tonnes of wheat during Aug-Dec to build buffer stocks
- ✓ India has issued a wheat tender to import of 1 million tonnes
- ✓ Wheat purchases by big private firms remained lower to 1.4 million tonnes this year compared with 2 million tonnes purchased in last year.
- ✓ Total wheat arrivals are increased by more than 112502 tonnes this week as against 151,598,46 tonnes on 21.06.07
- ✓ MMTc Ltd. has reportedly postponed the 50,000 tonnes wheat import tender that had floated on June 7.
- ✓ IGC lowered its forecast for world wheat output in 2007/08 to 614 million tonnes down by 7 mln tn from May forecast.
- ✓ 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

- ✓ Pakistan government has suspended the export of wheat
- ✓ Ukraine will not allow wheat exports from July
- ✓ 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.
- ✓ Private companies imported 937,000 Tonnes wheat at zero duty as of May 3
- ✓ 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:

India has Issued 1 Mln Tonnes Wheat Import Tender

India has issued a wheat tender to import of 1 million tonnes of the food grain. The bids would open on July 4 and would be valid until July 10. Shipments would be made between August and November. The quality specifications remained same as in previous tenders. Earlier in the month of May an identical amount of wheat tender was cancelled due to higher global prices. However, global wheat price has increased steadily in the recent period. Wheat futures at the Chicago Board of Trade are tested 11-years high and remained at around \$6 per bushel, up more than 28 percent against three to four weeks ago. Presently, India has to pay around \$300 per tonne for the grain that is much higher from the bids of around \$263 per tonne received in the earlier tender. However, market sources are optimistic that India won't buy the entire amount on higher international prices of the commodity. However, Australia's wheat crop likely to harvest in the month between October November of this year. Therefore, some possibility of relaxation in prices at that time can not be ruled out.

Wheat Purchase by Private Firms Remained Lower this Year

Wheat purchases by big private firms remained lower to 1.4 million tonnes this year compared with 2 million tonnes purchased in last year, following the government regulation on stock declaration of purchases. Of this, ITC Ltd. has bought 7.80 lakh tonnes, Cargill India Pvt. Ltd. Purchased around 2.50 lakh tonnes, Britannia 1.38 lakh tonnes and Delhi Flour Mills 0.86 lakh tonnes. This year, the government had issued orders for the declaration of wheat stocks on a regular basis if the total purchases are more than 0.5 lakh tonnes by a company or an individual under the Essential Commodities Act. This was done to minimise the potential for market distortions by purchase of large quantities of wheat by corporate trading firms. The companies have to submit weekly declarations to the government till June and monthly statements from July to December. The low purchase by the private companies, coupled with better production, has helped the government procure higher quantity of wheat over 11.06 million tonnes this time as against 9.2 million tonnes last year.

MMTC Ltd. Postponed the 50,000 tonnes Wheat Import Tender

MMTC Ltd. has reportedly postponed the 50,000 tonnes wheat import tender that had floated on June 7. The reason behind that may be of higher global prices on concerns about the lagging domestic harvest of U.S. winter wheat and unfavourable weather such as drought in Ukraine and Russia coupled with shrinking global supplies. Global wheat price has increased steadily in the recent period. Wheat futures at the Chicago Board of Trade are tested 11-years high and remained at around \$6 per bushel, up more than 28 percent against three to four weeks ago. Presently, India has to pay around \$300 per tonne for the grain that is much higher from the bids of around \$263 per tonne received in the earlier tender of STC.

Total Wheat Arrivals Increased by 112502 tonnes This Week

Total wheat arrivals are increased by more than 112502 tonnes this week and stood around 15272348 tonnes so far as on 27.06.07 as against 151,598,46 tonnes on 21.06.07 in the country as Government is still buying good amount of wheat daily. The pace of procurement is lower as government has discontinued the bonus prices of Rs.100/qlt on wheat MSP in the key producing states such as Haryana and Punjab. The daily market arrivals is lower as against last week. Majority of daily arrivals 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.

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.

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

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.

Global Wheat Production Forecast Down by 7 Mln Tonnes

WHEAT: Forecast production is 7m. tons lower than last month at 614m. tons (593m. last year). This follows hot, dry conditions in Ukraine, southern Russia and south-east Europe. While heavy rains in some northern member States may affect wheat quality, EU production should increase from last year. Spring plantings in Canada were lower than expected and the quality of some US hard winter wheat is below normal, leading to concerns about premium milling wheat supplies. Encouraged by high prices, plantings should increase in Argentina and rains significantly improved prospects in Australia. Projected world wheat consumption is down 5m. tons from last month at 619m. because of reduced feed use estimates, especially in the CIS and EU. The forecast of closing stocks is reduced by 4m. tons to 111m., including 31m. in the five major exporters, the lowest for 12 years. With tighter availabilities, world trade is now forecast to be lower than last year, at 107m. tons, 2m. less than last month. Forecast purchases by Sub-Saharan Africa are reduced because of high import costs. With less wheat available from the Black Sea region, shipments by Argentina, Australia and the US are placed higher than before, but tight supplies will constrain exports by Canada and the EU.

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

USDA Wheat Weekly Export Sales Increased by 15%

Net sales of 622,800 metric tons were 15 percent above the previous week. Increases were reported for unknown destinations (243,500 MT), Taiwan (90,400 MT), Mexico (58,500 MT), South Korea (43,900 MT), Costa Rica (33,400 MT), Japan (25,600 MT), and Honduras (24,800 MT). Exports of 443,900 MT were 20 percent above the previous week and 17 percent over the prior 4-week average. The primary destinations were Egypt (186,700 MT), Mexico (60,300 MT), Yemen (59,400 MT), Colombia (23,100 MT), and Japan (20,600 MT).

This summary is based on reports from exporters for the period June 15-21, 2007.

SOURCE: USDA

MONSOON WATCH

Southwest monsoon further advanced into the remaining parts of Arabian sea, most parts of Saurashtra & Kutch, some parts of Gujarat region, the remaining parts of Madhya Maharashtra & Marathawada, some more parts of Vidarbha, Orissa and Jharkhand on 24th June. It advanced into remaining parts of Gujarat, some parts of southeast Rajasthan and south Madhya Pradesh, some more parts of Chhattisgarh and remaining parts of Vidarbha, Orissa and Jharkhand on 25th June. It further advanced into some more parts of East Uttar Pradesh, remaining parts of Uttarakhand, entire Himachal Pradesh, Jammu & Kashmir and northern parts of West Uttar Pradesh, Haryana and Punjab on 26th June. Northern limit of monsoon passed through lat. 25.0 °N/ long. 60.0° E, lat. 25.0 °N/ long. 65.0° E, Deesa, Idar, Hoshangabad, Pendra, Ambikapur, Varanasi, Sultanpur, Lucknow, Bareilly, Ambala and Amritsar (Map Enclosed).

WEATHER WATCH

Last week's well marked low pressure area over east-central & adjoining west-central Bay of Bengal concentrated into a depression at 0830 hrs. IST on 21st over west-central Bay of Bengal near lat. 15.5 °N/ long. 86.0° E about 430 km east-southeast of Kakinada. It moved west-northwestwards and intensified into a deep depression around the same evening. Moving further west-northwestwards, it crossed Andhra Pradesh coast near Kakinada around 0430 hrs. IST of 22nd June. Continuing its west-northwestward movement, it weakened into a depression and lay centred over Marathawada close to Osmanabad in the morning of 23rd June. It further moved north-westwards and weakened into a well marked low pressure area and lay over northeast Arabian Sea and adjoining Saurashtra & Kutch on 24th morning. The system again concentrated into a depression and lay centred at 0830 hrs. IST on 25th June near lat. 23.5 °N/ long. 67.5° E about 150 km west-northwest of Naliya. Continuing its west-northwestward movement, it further intensified into a deep depression in the same evening near lat. 23.5°N/ long.66.5° E about 250 km west-northwest of Naliya. The system moved north-westwards and crossed Pakistan coast near long. 64.0° E between 0730 and 0830 hrs. IST of 26th. A cyclonic circulation lay over north Bay of Bengal on 25th extending upto mid-tropospheric levels. Under its influence a low pressure area formed over northwest Bay of Bengal off Orissa coast on 26th June. It lay as a well marked low pressure area over north and adjoining central Bay of Bengal on 27th. An off-shore trough extended from Gujarat coast to Kerala coast during 21st to 23rd June and from Gujarat to Karnataka coast from 24th to 27th. A Cyclonic Circulation lay over north Pakistan and adjoining Jammu & Kashmir extending upto 2.1 km a.s.l. from 22nd to 25th June. An upper air cyclonic circulation extending upto mid-tropospheric levels lay over

northwest Rajasthan & neighbourhood on 21st; over East Rajasthan & neighbourhood on 22nd and became less marked on 23rd. A cyclonic circulation extending upto 1.5 km a.s.l lay over west Assam & neighbourhood on 22nd & 23rd June and over east Assam & Neighbourhood during 24th to 26th.

Rainfall:

Southwest Monsoon was vigorous/active along the west coast during many day of the week. It was also vigorous/active over Andhra Pradesh during first half and over Interior Karnataka and Maharashtra during 2nd half of the week. Scattered heavy to very falls with isolated extremely heavy falls occurred over south Coastal Andhra Pradesh, Rayalaseema, Telangana, Kerala, Karnataka, Konkan & Goa and Madhya Maharashtra during the few days of the week. Southwest monsoon was also active over Orissa during the last two days of the week. Rain/thundershowers occurred at many places over Andaman & Nicobar Islands, Lakshadweep, Gangetic West Bengal & Orissa on many days; Chhattisgarh, east Madhya Pradesh, Vidarbha, Marathawada & Gujarat state on a few days of the week. Isolated to scattered rain/thundershower

FOREX (As on 02nd JULY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.75
1 Euro	54.79
100 Yen	33.04
1 British £	81.63

occurred over remaining parts of the country during many days of the week..

Outlook for the week ending on 04th July 2007

The well marked low pressure area over north & adjoining central Bay of Bengal is likely to concentrate into a depression. Under its influence, widespread rainfall with scattered heavy to very heavy falls and isolated extremely heavy falls (> 25 cms.) are likely over Orissa, Chhattisgarh and north Andhra Pradesh during next 2-3 days. The enhanced rainfall activity is likely to extend into Vidarbha, Madhya Pradesh, Madhya Maharashtra, Konkan & Goa and Gujarat from 29th onwards. Decrease in rainfall activity over Orissa, Andhra Pradesh, Chhattisgarh during second half of the week. Conditions are favourable for further advance of southwest monsoon in some more parts of west, central and northwest India.

Source: IMD.

IGC WORLD WHEAT ESTIMATES (28.06.07)

(Million tons)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				24.05	28.06
Production	628	620	593	621	614
Trade	110	109	108	109	107
Consumption	617	624	613	624	619
Stocks	140	136	116	115	111
Year-Year Change	+12	-4	-20		-5
5 Major Exporters [#]	58	57	35	34	31

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

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