

WHEAT

07th JUNE -14th JULY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Wheat Prices Bullish at Spot on Lower Arrivals
- India has Issued 1 Mln Tonnes Wheat Import Tender
- GOI to Buy 5.11 Lakh Tonnes of Wheat below the Price \$330/tonne
- Wheat Procurement Remained Around 11090106 tonnes
- Wheat buffer Stock Stood Down as against Norms

MARKET FUNDAMENTALS:

Spot prices of wheat in the domestic market have shot up this week by over Rs 70 per quintal following the disclosure of tender prices floated by the State Trading Corporation of India. Prices in the Capital went up to Rs 1075-1082 a quintal for ready delivery (truck loaded) in Lawrence road. Increased demand from rolling flour mills and consuming industries against restricted arrival is underpinning the tone. The arrivals remained at 10,000 qtl. The higher prices of wheat products have added further firmness. Atta quoted higher at Rs.1068/90kg. Maida and sooji moved up to Rs.1238/90 kg and Rs.690 a 50 kg bag respectively in line with wheat. Government of India likely to buy around 511,000 tonnes of wheat at \$317-\$330 per tonne from the import tender declared last month to purchase 1 million tonnes of the food grain. Only A.C. Toepfer, Cargill and Rias Trading have submitted the bids to sell wheat below \$330 a tonnes. It is learnt that the maximum quantity of imported wheat will come from Canada. The high bids prices restricted the government to import total 1 million tonnes. On the other hand, the wheat buffer stock in FCI reportedly stood around at 129.39 lakh tonnes as on July 1 is satisfactory to meet the country's requirement for PDS system showing not urgency in import at higher prices. This year government started with 4.7 million tonnes as carry forward wheat and procured around 11.1 million tonnes so far. The amount is enough to cover its requirement of 16 million tonnes till March, including 12 million tonnes for PDS system, and a carry-over of 4 million tonnes for next year. However, government is interested to import around 5 million tonnes of wheat this marketing season to build a wheat buffer over 6.5 million tonnes by Apr 1 next year so that it can intervene in the market when price will rise. Global wheat prices, however, have firmed up and are likely to remain bullish for some time. However, it is likely that government can have a better deal if it affords to wait at least until November when the Australian crop will hit the global market and world prices likely to ease a bit.

OUTLOOK:

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

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

Markets	07.07.07	16.07.07
Delhi (Lawrence Road) truck loaded ready delivery	975-980	1075-1082
Haryana (Karnal)	982-987	1020-1026
Punjab (Khanna)	1032-1037	1090-1095
Rajasthan (Kota)	1060-1066	1068-1072
Uttar Pradesh (Kanpur)	998-1002	1045-1050
Madhya Pradesh (Indore)	1050-1056	1058-1064
Uttar Pradesh (Bareilly)	1015-1020	1060-1065
Punjab (Sunam) Loose	915-920	985
Ludhiana (Jagraon) Loose	915-920	990
Rajkot Loose Price	955-960	1020
Madhya Pradesh (Bhopal) Loose	960	1010-1025

Wheat Products	07.07.07	14.07.07
Atta (90kg)	1032	1050
Maida Grade 1(90kg)	1193	1193
Suji (50kg)	665	665
Chokar (50 kg)	278	284
Chokar (35 kg)	189	194
Chakki Atta (90kg)	955	975

Following was the status in other mandis, with active millers and private trade buying: (07.07.07)

Place	Arrivals	Price
Mathura	1500 Qtls	Rs.900.912 per qtl
Kosi	600 Qtls	Rs. 907-910 per qtl
Hodal	200 Qtls	Rs. 906-910 per qtl
Palwal	500 Qtls	Rs. 892 per qtl
Rajkot	-	Rs. 955-962 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 11.1 million tonnes so far.
- ✓ Government of India likely to buy around 5.11 lakh tonnes of wheat bids below \$330/tonnes from the STC's import tender
- ✓ Government is likely to import around 4-5 Mln Tonnes of wheat during Aug-Dec to build buffer stocks
- ✓ The wheat buffer stock in FCI reportedly stood down at 129.39 lakh tonnes as on July 1, against the buffer norms of 171 lakh tonnes.
- ✓ India received seven bids so far for the wheat import tender at higher prices between \$317.95 and \$370 per tonne cost & freight
- ✓ The wheat market is in turmoil, worldwide stocks are either low or not there
- ✓ Wheat purchases by big private firms remained lower to 1.4 million tonnes this year compared with 2 million tonnes purchased in last year.
- ✓ WASDE projected Global 2007/08 wheat production is 2.1 million tons higher this month
- ✓ Total wheat arrivals are increased to over 15363361 tonnes so far as on 30.06.07
- ✓ 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..

INTERNATIONAL AND DOMESTIC NEWS:

GOI to Buy 5.11 Lakh Tonnes of Wheat below the Price \$330/tonne

Government of India likely to buy around 5 lakh tonnes of wheat bids below \$330/tonnes from the import tender declared last month to purchase 1 million tonnes of the food grain. Only A.C. Toepfer, Cargill and Rias Trading have submitted the bids to sell wheat below \$330 a tonnes and the total quantity of wheat offered by them below the stipulated price is around 511,000 tonnes. State Trading Corp had received bids between \$317.95 to \$328.95 a tonnes in the tender that closed on Jul 4.

Wheat buffer Stock Stood Down as against Norms

The wheat buffer stock in FCI reportedly stood down at 129.39 lakh tonnes as on July 1, against the buffer norms of 171 lakh tonnes. However, the stock is satisfactory to meet the country's requirement for PDS system. The government requires 10 lakh tonnes of wheat every month for PDS.

India Received Wheat bids Ranging \$317.95-\$370/tonne Cost & Freight

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. India received seven bids so far for the wheat import tender at prices between \$317.95 and \$370 per tonne cost & freight. Alfred C. Toepfer International of Germany, Cargill Inc of the US, Glencore AG of Switzerland, Concordia Agritrading and Louis Dreyfus of France are among the bidders. However totals quantity of bids remained lower around 9.2 lakh tonnes. The lowest bid of \$317.95 per tonne has come from Alfred C. Toepfer to supply 1.28 lakh tonnes for the delivery at Mundra. The bid is nearly 40 percent above an average \$230 paid for imports in 2006.

Wheat Procurement by Ten Govt Agencies has Increased

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 around 3031320 tonnes so far as on 30.06.07. The other agencies have procured like, St. Govt. 2215355 tonnes, CSC 156,282,4 tonnes, FCI 1539458 tonnes, AGRO 1134369 tonnes, SWC 1071231 tonnes, CONFED 266,574 tonnes, NAFED 199591 tonnes, USS 35780 tonnes, SFC 33604 tonnes, in decending order. SFC and USS have procured wheat only from Uttar Pradesh. CONFED only from Haryana and CSC from Punjab. FCI procures wheat from Punjab, Haryana, U.P., M.P., Bihar, Rajasthan, Uttarkhand and Delhi. Wheat procurement from Bihar increase to 7856 tonnes this week as against 6689 tonnes and in Delhi remained flat around 873 tonnes as compared to last week. There was no procurement of wheat by government agencies from the states during last year. St. Govt. has purchased its maximum quantity around 127,464.9 tonnes from Punjab followed by 813,724 tonnes from Haryana. CO-OP has

procured its largest amount around 1664027 from Punjab followed by 1289158 tonnes from Haryana. NAFED has procured its largest amount around 145818 tonnes from U.P. so far as on 30.06.07.

Wheat Procurement Remained Around 11090106 tonnes

Wheat procurement by Government stood up around 11090106 tonnes so far as on 30.06.07, against 9,231,004 tonnes a year ago. 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 535731 tonnes to the central pool so far as compared to 48,873 tonnes last year. The procurement in M.P. and Rajasthan remained up around 57308 tonnes and 383288 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 7856 tonnes by the government agencies as against zero procurement last year. The arrivals are declining in the states of U.P. and M.P., Rajasthan, Chandigarh, Delhi, Bihar. 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.

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

Further Waiting in Wheat Import May not Yield Premium

Government decision to scrap an import tender for one million tonnes of wheat in the month of May 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. Despite the price towering to 11-year highs at CBOT and remained at around \$6 per bushel, up more than 28 percent against three to four weeks ago, India a few days ago has issued a wheat tender to import of 1 million tonnes of the food grain. Government procures around 11.08 million tonnes wheat so far as on 27.06.07 and had 4.7 million tonnes as beginning stocks in addition. However, government is looking for a higher reserves at least 6.5 million tonnes by Apr 1 next year so that it keeps wheat prices under control this year as well as in the next year. Presently, wheat is available from Europe, France, and Canada. Australia's crop won't be available until November and U.S. wheat is unlikely to meet phytosanitary standard of India's requirement. Ukraine and Russia are facing a drought. Further, according to the latest estimate of IGC, global wheat production in 2007-08 is forecast at 614 million tonnes against the global consumption of 619 million tonnes. Moreover, USDA has projected global year-ending wheat stocks for 2007-08 at 112.03 million tonnes – a 30-year-low. It is assuming that bids for the latest tender could range between \$300 and \$320 per tonne, including cost and freight, about 20 percent higher than prices of around \$263 it received for its May tender. Market sources believe that India won't go for importing of full amount of wheat that is called in tender because of higher rate. It is unlikely that global wheat prices will cool down at significantly lower side in coming months. Therefore, it may not yield premium over further waiting.

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

WASDE Forecasts Lower Winter Wheat Production in U.S.

U.S. wheat supplies for 2007/08 are projected 10 million bushels higher this month as higher carryin more than offsets a 29-million-bushel reduction in forecast production. Forecast winter wheat production is lowered 48 million bushels as heavy June rains reduced yields in Kansas and Oklahoma. Lower hard red winter (HRW) wheat production is partly offset by higher soft red winter (SRW) wheat production. The first survey-based forecast of spring wheat (including durum) production is 576 million bushels, up 8 percent from last year, and up 18 million bushels from last month's projection. Wheat feed and residual use is lowered 15 million bushels this month based on higher expected prices. Exports for 2007/08 are raised 50 million bushels as reduced supplies in major exporting countries provide more opportunities for U.S. wheat sales. The projected season-average farm price range is raised 30 cents on each end to \$4.80 to \$5.40 per bushel, well above the 2006/07 estimate of \$4.26 per bushel and the 1995/96 record of \$4.55 per bushel.

Source: WASDE

WASDE Projected Higher Global Wheat Out Put by 2.1 Mln Tonnes

Global 2007/08 wheat production is projected 2.1 million tons higher this month, mostly reflecting higher expected production for China. Harvested area and yield are both raised this month for China leaving projected production up 5 million tons. Production in the four major export competitor countries, however, is projected 1.8 million tons lower with major reductions for Canada and EU-27 more

than offsetting an increase for Australia. A 2-million-ton reduction for Canada is based on reduced planted area this spring and is consistent with a similar downward revision to 2006/07 production. EU-27 production for 2007/08 is projected 0.7 million tons lower reflecting reduced production prospects mostly in eastern Europe and Greece. Australia production is raised 0.9 million tons reflecting improved rainfall, particularly in the eastern growing areas of the country since early June. Production is lowered for FSU-12 with reductions for Ukraine and Moldova only partly offset by an increase for Kazakhstan.

World exports for 2007/08 are increased only slightly this month as increases for Australia, Kazakhstan, and the United States are nearly offset by reductions for Canada, Ukraine, and Syria. World wheat feeding is lowered 0.9 million tons mainly reflecting reductions in Canada and EU-27. Global ending stocks are projected 4.5 million tons higher this month, mostly reflecting a projected 4.4-million-ton increase for China. Global ending stocks remain at their lowest level since 1981/82.

Source: WASDE

WEATHER WATCH

Last week's low pressure area over central parts of Rajasthan became less marked on 5th July. However the associated upper air cyclonic circulation lay over East Rajasthan & neighbourhood extending upto mid-tropospheric level. It lay over same area extending upto 4.5 km a.s.l on 6th and became less marked on 7th. Last week's depression over Bangladesh coast moved northwestwards and lay centred at 0830 hrs. IST of 5th over Gangetic West Bengal about 50 km north of Kolkata. It remained practically stationary and intensified into a deep depression in the same evening. It then moved westwards and lay centred at 0830 hrs. IST of 6th over Gangetic West Bengal near Bankura. The system further moved west-northwestwards, weakened into a depression and lay centred at 0830 hrs. IST of 7th July over north Chhattisgarh and neighbourhood close to Ambikapur. It lay centred at 0830 hrs. IST of 8th July over east Madhya Pradesh about 50 km southeast of Sagar. It then moved northwestwards and lay centred over northwest Madhya Pradesh close to Shivpuri on 9th morning. It weakened into a well marked low pressure area and lay over northwest Madhya Pradesh and adjoining East Rajasthan on 10th morning and became less marked on 11th morning. However, the associated upper air cyclonic circulation lay over central Rajasthan and neighbourhood extending upto mid-tropospheric level on 11th. An off-shore trough extended from south Konkan coast to Kerala coast during many days of the week. An upper air cyclonic circulation lay over north Pakistan and adjoining Jammu & Kashmir at lower levels during 7th -9th and became less marked on 10th.

Rainfall:

Under the influence of the above systems:

Ü Southwest Monsoon was vigorous/active over East Rajasthan and Gujarat region during many days and over West Rajasthan, Konkan & Goa and Madhya Maharashtra on a few days of the week. Widespread / fairly widespread rainfall occurred over these regions during remaining days of the week. Scattered heavy to very falls with isolated extremely heavy falls also occurred over Gujarat region and Rajasthan on a few days. Southwest monsoon was vigorous/active over Gangetic West Bengal, Jharkhand & Orissa during 5th to 7th, Chhattisgarh on 7th, East Madhya Pradesh on 7th & 8th and West Madhya Pradesh on 9th. Fairly widespread /widespread rainfall also occurred over West Madhya Pradesh during many days and East Madhya Pradesh & Chhattisgarh on a few days of the remaining period of the week. Scattered heavy to very heavy

rainfall with isolated extremely heavy falls occurred over Gangetic West Bengal & Orissa during 5th-7th and over West Madhya Pradesh during 8th & 9th. It was active/vigorous over Kerala, Karnataka and Vidarbha during a few days of the week. Rain/thundershowers occurred at many places over these sub-divisions during remaining days of the week. Southwest monsoon was active over Western Himalayan region on 6th, 8th and 9th when fairly widespread rain/thundershower with isolated heavy falls occurred over this region.

Ü Fairly widespread /widespread rainfall occurred over Andaman & Nicobar Islands and Nagaland, Manipur, Mizoram & Tripura during many days and Assam & Meghalaya, Arunachal Pradesh, Sub-Himalayan West

FOREX (As on 16th JULY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.37
1 Euro	55.67
100 Yen	33.13
1 British £	82.18

Bengal & Sikkim and Bihar on a few days of the week. Isolated to scattered rainfall occurred over remaining parts of the country during many days of the week. .

Outlook for the week ending on 18th July 2007

A low pressure area is likely to form over north Bay of Bengal around 13th. Under its influence, increase in rainfall activity likely over east & adjoining central India during 13th-15th. Increase in rainfall activity over plains of 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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