

WHEAT

21st JULY -28th JULY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Wheat Prices Bullish at Spot on Lower Arrivals
- India has Issued 1 Mln Tonnes Wheat Import Tender
- 4th Advance Estimate: Wheat Production Up
- Wheat Procurement Remained Around 11.1 Million Tonnes
- PEC to Sell 21,478 tonnes of Imported Russian wheat in Domestic Market

MARKET FUNDAMENTALS:

Wheat sentiments turned soft somewhat this week as against the rising trend of last fortnight on farmer's interest to release their stocks at higher prices. Wheat (dara) was quoted at Rs 1,025-1035 a quintal for ready delivery (truck loaded) in Lawrence road on the arrivals around 10,000-12,000 qtl daily. The price has declined by Rs 10-15/ qtl from last week. The demand from rolling flour mills and consuming industries are remained good. Different wheat products prices continued firm on good demand amidst steady arrivals. Atta traded at Rs 1068-1070 a 90-kilo-bag. Maida and Sooji quoted steady at Rs 1256/90 kilo bags and Rs 700 per 50 kilo bags respectively. The wheat stock with government is satisfactory this year. Government has already bought around 11.1 million tonnes from farmers and now has total stocks of 13 million tonnes. Further, the country would likely to import total around 5 million tonnes wheat this marketing season. Despite hopes of a higher crop (74.89 million tonnes), the Centre has already decided to import 5.11 lakh tonnes of wheat at an average \$325.59 a tonnes c&f. Therefore, government is confident it will have wheat buffer stocks of at least 4-5 million tonnes on April 1, 2008. Higher output this year and imports would no doubt help to build the stocks. The wheat sentiments in the coming days are depends on demand from flour mills in the South. As per trade sources, flour mills in the South have good stocks at present and are in no hurry to buy huge amount right now. Flour mills in the South are currently getting wheat at lower prices between Rs 12,500-12,700 a tonne as against the price at which the Centre has contracted wheat for imports. PEC, State-owned trading firm likely to sell 21,478 tonnes of imported Russian wheat in domestic market by August 3. Further, producers have started to liquidate their stocks they had been holding. Further, they about to increasing liquidate their wheat stocks after kharif crop sowing, they are engaged in right now. The small and marginal producers won't be able to holding their stocks for longer period. Unless further demand emanates, there is little scope for prices to rise very high. However, upcoming festivals season will support the market to some extent.

OUTLOOK:

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

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

Markets	21.07.07	28.07.07
Delhi (Lawrence Road) truck loaded ready delivery	1025	1035-1040
Haryana (Karnal)	1012-1017	1007-1012
Punjab (Khanna)	1063-1068	1057-1062
Rajasthan (Kota)	1072-1078	1074-1079
Uttar Pradesh (Kanpur)	1042-1047	1065-1070
Madhya Pradesh (Indore)	1055-1060	1060-1065
Uttar Pradesh (Bareilly)	1050-1055	1050-1055
Punjab (Sunam) Loose	960	930-935
Ludhiana (Jagraon) Loose	960	930-940
Rajkot Loose Price	1015-1020	1000-1010
Madhya Pradesh (Bhopal) Loose	1015-1025	1010-1015

Wheat Products	21.07.07	28.07.07
Atta (90kg)	1077	1068
Maida Grade 1(90kg)	1256	1256
Suji (50kg)	700	700
Chokar (50 kg)	299	311
Chokar (35 kg)	198	202
Chakki Atta (90kg)	975	970

Following was the status in other mandis, with active millers and private trade buying: (28.07.07)

Place	Arrivals	Price
Mathura	1700 Qtls	Rs.988-990 per qtl
Kosi	1500 Qtls	Rs. 978 per qtl
Hodal	500 Qtls	Rs. 975 per qtl
Palwal	600 Qtls	Rs. 965-967 per qtl
Narella	4000 Qtls	Rs. 1000-1005 per qtl

PRICE DRIVERS:

- ✓ According to the fourth advance estimate of government of India the wheat production in the year of 2006-07 stood up around 74.89 million tonnes as against the production of 69.35 million tonnes during last year.
- ✓ PEC to Sell 21,478 tonnes of imported Russian wheat in domestic market
- ✓ This year, government has so far procured 11.1 million tonnes.
- ✓ Government of India decided to import 511,000 tonne wheat at a higher weighted average price of \$325 a tonne
- ✓ 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.
- ✓ 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:

PEC to Sell 21,478 tonnes of Imported Russian wheat in Domestic Market

PEC, State-owned trading firm likely to sell 21,478 tonnes of imported wheat of Russian origin that was imported last year. The wheat stored in several warehouses of Tuticorin will be sold in domestic market by August 3. According to PEC, the last date of submission of bids is July 30 and the price quotations would be opened on the same day. The decision will no doubt benefit flour millers in the south as they would have to pay less on transport of the foodgrain from Tuticorin.

4th Advance Estimate: Wheat Production Up

According to the fourth advance estimate of government of India the wheat production in the year of 2006-07 stood up around 74.89 million tonnes as against the production of 69.35 million tonnes during last year.

India Likely to Float Regular Wheat Import Tender

Government of India is seen very desperate this time to increase the buffer stocks of wheat so that it can intervene in the market when price will rise. In the last week, the government decided to import 511,000 tonne wheat at a higher weighted average price of \$325 a tonne, hardly a month after it rejected offers to buy about 300,000 tonne at \$263 per tonne from global market because of higher prices. The country would like to import total around 5 million tonnes wheat this marketing season. For that, government will regularly float tenders to import wheat through the State Trading Corp despite higher global prices. This year government started with 4.7 million tonnes as carry forward wheat and procured around 11.1 million tonnes. 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.

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 descending 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, Uttarakhand and Delhi. Wheat procurement from Bihar increased 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 166,402.7 from Punjab followed by 128,915.8 tonnes from Haryana. NAFED has procured its largest amount around 145,818 tonnes from U.P. so far as on 30.06.07.

Wheat Procurement Remained Around 11.1 Million Tonnes

Wheat procurement by Government stood up around 11.1 million tonnes so far, 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 535,731 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 57,308 tonnes and 38,328.8 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.

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.

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.

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.

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

IGC Forecasts Global Wheat Production to be Unchanged at 614 MMT this Month

Production is forecast at 614m. tons, unchanged from last month, and 23m. more than in 2006. Higher estimates for China, India and Kazakhstan balance further reductions in the EU and Canada. Bad weather in Europe, as well as reducing yields, affected crop quality. Weather conditions in North America raised concern for premium wheat supplies, but the US harvest forecast is unchanged at 58m. tons, 9m. more than last year. Planting in Argentina was delayed by cold, dry weather and fertiliser shortages may affect yields, but conditions in Australia remain much better than last season. Forecast consumption is down 2m. tons from last month at 617m. tons because of smaller supplies of wheat for animal feed in the EU. World food use is stable as high prices suppress demand, but industrial use is increasing as more ethanol plants come into use. Although the total stocks forecast has been increased by 1m. tons, it remains, at 112m., the lowest for 28 years. Stocks of Hard Red Winter wheat in the US will be particularly tight. Trade in 2007/08 is forecast at 107m. tons, unchanged from last month, and 2m. less than the (increased) estimate for 2006/07. Compared with last year, imports by the EU, Morocco and Iraq are expected to be larger, while less will be bought by the US, Brazil and India. With less competition US exports are forecast to increase to 28.5m. tons, 3.6m. more than last year and the highest since 2003/04.

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

USDA Wheat Weekly Export Sales Up

Net sales of 2,077,500 metric tons--the highest since the marketing year began June 1--were two and seven-tenths times the previous week and the prior 4-week average. Increases were reported for unknown destinations (602,500 MT), Egypt (428,200 MT), Italy (135,800 MT), Brazil (118,000 MT), Bangladesh (106,000 MT, the first hard red winter sales since 1999/00), the United Arab Emirates (105,500 MT), and Japan (88,000 MT). Exports of 432,300 MT were 9 percent below the previous week and 5 percent under the prior 4-week average. The primary destinations were Nigeria (101,900 MT), Egypt (59,200 MT), Japan (53,600 MT), Mexico (49,400 MT), and Guatemala (34,300 MT). Note: Accumulated exports for South Africa were adjusted down 14,100 MT.

This summary is based on reports from exporters for the period July 13-19, 2007.

Source: USDA

WEATHER WATCH

The axis of the monsoon trough at sea level ran close to the foothills of the Himalayas during many days of the week. Last week's low pressure area over East Uttar Pradesh and adjoining Bihar became less marked on 19th July. However, the associated upper air cyclonic circulation lay over Bihar & neighbourhood extending upto 3.1 km a.s.l. on 19th and became less marked on 20th. A north-south trough in lower tropospheric levels extended from Bihar to north coastal Andhra Pradesh on 20th and became less marked on 21st. An upper air cyclonic circulation in the lower tropospheric levels lay over Bangladesh & neighbourhood on 21st & 22nd and over Assam & neighbourhood on 23rd July. It moved away eastwards thereafter. Another upper air cyclonic circulation at lower tropospheric levels lay over Sub-Himalayn West Bengal & neighbourhood on 24th and east Assam & adjoining Arunachal Pradesh on 25th July. A cyclonic circulation lay over westcentral Bay of Bengal off south Coastal Andhra Pradesh extending upto 3.1 km a.s.l. on 23rd; over southwest Bay of Bengal off north Tamil Nadu coast on 24th and over Tamil Nadu & neighbourhood on 25th July. Last week's upper air cyclonic circulation over Jammu & Kashmir and neighbourhood moved away eastwards on 19th. A trough in westerlies extending upto mid-tropospheric level ran from north Pakistan to north Arabian Sea during 19-21st and from Jammu & Kashmir to north Arabian Sea across Pakistan during 22-25th July. An embedded cyclonic circulation lay over north Pakistan at lower tropospheric levels during 19-21st and over Jammu & Kashmir and neighbourhood during 22-25th.

Rainfall:

Under the influence of the above systems:

Rainfall activity was subdued over central, west & adjoining northwest & peninsular India with isolated to scattered rainfall during many days of the week. Widespread/fairly widespread rainfall occurred over northeastern states, West Bengal & Sikkim and Bihar throughout the week. Southwest monsoon was active/vigorous over the above regions during many day of the week. Widespread/fairly widespread rainfall also occurred

over Jharkhand and East Uttar Pradesh during many days of the week. Fairly widespread rainfall occurred over western Himalayan Region during 2nd half of the week. Widespread/ fairly widespread rainfall occurred along the west coast and Lakshadweep during many days of the week.

Outlook for the week ending on 01st August 2007

Numerical Weather Prediction models suggest that southwest monsoon is likely to remain in a weak phase during the week. Hence, rainfall activity over central and adjoining peninsular & northwest India will remain subdued during the same period. Enhanced rainfall activity with isolated heavy to very heavy fall is likely to continue over

IGC WORLD WHEAT ESTIMATES (26.07.07)

northeastern states, Sub-Himalayan West Bengal & Sikkim and Bihar during the week. Increase in rainfall activity along the west coast towards 2nd half of the week.

Source: IMD

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				28.06	26.07
Production	628	620	591	614	614
Trade	110	109	109	107	107
Consumption	617	624	611	619	617
Stocks	140	136	116	111	112
Year-Year Change	+12	-4	-20		-4
5 Major Exporters [#]	58	57	36	31	30

(Million tons)

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 30th JULY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.54
1 Euro	55.31
100 Yen	34.17
1 British £	82.02

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