

WHEAT

14th JULY -21st 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**

MARKET FUNDAMENTALS:

Wheat spot prices continued to be firmed in the wholesale grain market during the week following holding back of stocks by bulk stockists in view of bullish trend at global markets. Speculative fresh buying by stockists and increased demand from rolling flour mills and consuming industries against restricted arrival, also gave push to rising wheat prices. Wheat dara prices remained firm at Rs 1025-1030 a quintal for ready delivery (truck loaded) in Lawrence road on the arrivals around 10,000-12,000 qtl daily. Different wheat products prices continued to soar on good demand amidst restricted arrivals. Atta climbed to at Rs 1070-1077 a 90-kilo-bag in line with wheat. Maida and Sooji quoted higher at Rs 1250-1256/90 kilo bags and Rs 700 per 50 kilo bags respectively. 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. 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. Therefore, there is still a good stock in the markets and arrivals are likely to be increased at higher price levels as small and marginal farmers won't be able to holding their stocks for longer period of time.

OUTLOOK:

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

Markets	14.07.07	21.07.07
Delhi (Lawrence Road) truck loaded ready delivery	1070-1075	1025
Haryana (Karnal)	1020-1025	1012-1017
Punjab (Khanna)	1090-1095	1063-1068
Rajasthan (Kota)	1068-1072	1072-1078
Uttar Pradesh (Kanpur)	1045-1050	1042-1047
Madhya Pradesh (Indore)	1058-1064	1055-1060
Uttar Pradesh (Bareilly)	1060-1065	1050-1055
Punjab (Sunam) Loose	985	960
Ludhiana (Jagraon) Loose	980	960
Rajkot Loose Price	1020	1015-1020
Madhya Pradesh (Bhopal) Loose	1010-1025	1015-1025

Wheat Products	14.07.07	21.07.07
Atta (90kg)	1050	1077
Maida Grade 1(90kg)	1193	1256
Suji (50kg)	665	700
Chokar (50 kg)	284	299
Chokar (35 kg)	194	198
Chakki Atta (90kg)	975	975

Following was the status in other mandis, with active millers and private trade buying: (21.07.07)

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

Indian Agribusiness Systems Pvt. Ltd., New Delhi

Mathura	2000 Qtls	Rs.964 per qtl
Kosi	1200 Qtls	Rs. 963 per qtl
Hodal	300 Qtls	Rs. 958-960 per qtl
Palwal	600 Qtls	Rs. 945 per qtl
Narella	5000 Qtls	Rs. 987-990 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.
- ✓ 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.
- ✓ The wheat market is in turmoil, worldwide stocks are either low or not there.
- ✓ WASDE projected Global 2007/08 wheat production is 2.1 million tons higher this month
- ✓ 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:

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, 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 11.1 Million Tonnes

Wheat procurement by Government stood up around 11.1 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 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.

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

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

USDA Wheat Weekly Export Sales Down

Net sales of 767,300 metric tons were 35 percent below the previous week, but 7 percent above the prior 4-week average. Increases reported for Mexico (161,300 MT), Nigeria (144,000 MT, including 45,000 MT switched from unknown destinations), Egypt (117,000 MT, including 57,000 MT switched from unknown destinations), Japan (82,400 MT), Spain (69,400 MT), the Philippines (58,000 MT), and Brazil (50,000 MT), were partially offset by decreases for unknown destinations (89,500 MT). Exports of 473,300 MT were 46 percent above the previous week and 10 percent over the prior 4-week average. The primary destinations were Nigeria (69,600 MT), Peru (66,100 MT), Iraq (54,800 MT), Taiwan (42,800 MT), and Japan (41,200 MT).

This summary is based on reports from exporters for the period July 6-12, 2007.

Source: USDA

WEATHER WATCH

An upper air cyclonic circulation extending upto mid-tropospheric level lay over north Bay of Bengal on 12th. Under its influence, a low pressure area formed over northwest Bay of Bengal off north Orissa and West Bengal coasts on 13th. It became well marked over the same area on 14th. It lay over northwest Bay of Bengal and coastal areas of north Orissa and West Bengal on 15th, over Jharkhand & neighbourhood on 16th and over East Uttar Pradesh and adjoining Bihar on 17th. It lay as a low pressure area over East Uttar Pradesh and adjoining Bihar on 18th. The axis of the monsoon trough passed through normal position during beginning of the week. However, the western end of the monsoon trough gradually shifted northwards and lay close to the foothills of the Himalayas on 18th. The eastern end of the monsoon trough ran from centre of low pressure area, Patna, Asansol and thence southeastwards to northeast Bay of Bengal. An off-shore trough ran from Konkan coast to Kerala coast during the week. An upper air cyclonic Circulation lay over north Pakistan and adjoining Jammu & Kashmir extending between 1.5 to 5.8 km a.s.l. on 13th. It lay over Punjab & neighbourhood in the lower troposphere levels during 14th to 17th. It lay over Jammu & Kashmir and neighbourhood on 18th. Last week's upper air cyclonic circulation over central Rajasthan & neighbourhood extending upto mid-tropospheric level lay over central Pakistan and adjoining Rajasthan on 12th extending upto 1.5 km a.s.l. It persisted over the same area and extended upto 0.9 km a.s.l. on 13th and became less marked on 14th.

Rainfall:

Under the influence of the above systems:

Southwest monsoon was active/vigorous over Gangetic West Bengal & Orissa on 16th; Jharkhand on 15th & 16th; Sub-Himalayan West Bengal & Sikkim & Bihar on 17th; East Uttar Pradesh on 14th, 17th & 18th and Chhattisgarh on 14th, 16th & 17th. Widespread/fairly widespread rainfall occurred over Gangetic West Bengal on 15th, 17th & 18th; Jharkhand on 17th; Sub-Himalayan West Bengal & Sikkim on 15th & 18th; Bihar on 18th; East Madhya Pradesh on 17th & 18th; Chhattisgarh & East Uttar Pradesh on 13th. Southwest monsoon was active/vigorous over Assam & Meghalaya on 16th & 18th and Nagaland, Manipur, Mizoram & Tripura on 17th & 18th. Fairly widespread rainfall occurred over Arunachal Pradesh on 14th & 16th-18th; Assam & Meghalaya on 14th & 17th and Nagaland, Manipur, Mizoram & Tripura on 16th. Southwest monsoon was active over Kerala during last two days of the week. Widespread/ fairly widespread rainfall occurred over Kerala during remaining days of the week. Widespread/fairly widespread rainfall occurred over Konkan & Goa and Coastal Karnataka throughout the week. Southwest monsoon was also active over Coastal Andhra Pradesh, Telangana, North & South Interior Karnataka, Chhattisgarh, Vidarbha, Punjab, Haryana, Chandigarh & Delhi, Uttarakhand, West Uttar Pradesh, East Rajasthan for one or two days during the week. Isolated to scattered rainfall occurred over these sub-divisions during many days of the remaining period of the week. Isolated to scattered rainfall occurred over remaining parts of the week.

Outlook for the week ending on 25th July 2007

Enhanced rainfall activity with scattered heavy to very heavy falls are likely over northeastern states, Sub-Himalayan West Bengal & Sikkim and Bihar during next week. Isolated extremely heavy falls (>25 cm) are also likely over Assam & Meghalaya on a few days. Increase in rainfall activity over southeast peninsula. Subdued rainfall activity likely over remaining parts of the country.

Source: IMD

(Million tons)

IGC WORLD WHEAT ESTIMATES (28.06.07)

FOREX (As on 23rd JULY, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.33
1 Euro	55.65
100 Yen	33.01
1 British £	82.63

	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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