

CEREAL

Agriwatch
DAILY

WHEAT

August 29, 2007

Domestic Market Recap

During Tuesday's trade, most of the markets remain closed due to auspicious Raksha Bandhan except some markets in Haryana and Punjab. At Haryana (karnal), Punjab (Sunam loose) and Ludhiana (Jagroon loose), wheat prices traded steady in the wholesale grains following steady arrivals against steady demand from the consuming units whereas prices slashed down at Punjab (Khanna) with the increased arrivals. By July 31, India had 30 percent less wheat stocks and stood at 12 million tonnes, less than the targeted 17.1 million tonnes targeted for July 1. India has to buy at a time when the global wheat prices are at their highest amid a drop in output in the world's leading growers. The main wheat buying agency of Egypt has issued the tender to buy 55,000 to 60,000 tonnes of US, French, Australian, Canadian, German, Argentine and Kazakhstan wheat for shipment of October 16-31. This week, China's new wheat prices outlook remains stable despite the possibility of a slight fall in prices. Wheat prices is likely to rise following the International Grains Council's announcement of the fall of the carryover stock in 2007-08. Council said the global 2007-08 wheat carryover stocks would fall to a 28-year low of 111 million tonnes. With the global declining of the carry over stock, the prices of flour cloud reach new heights by Christmas.

Domestic Spot Market Prices

| Market | Variety | Prices (Rs/qttl) | | Change | Arrivals (Qtls) |
|--------------------------------------|--------------|------------------|-----------|--------|-----------------|
| | | 28.08.07 | 27.08.07 | | |
| Delhi (Lawrence Road) Ready Delivery | Mill quality | - | 1015 | - | - |
| Delhi (Narella) Loose | Mill quality | - | 970-973 | - | - |
| Haryana (Palwal) Loose | Mill quality | - | 935 | - | - |
| Uttar Pradesh (Mathura) Loose | Mill quality | - | 945 | - | - |
| Uttar Pradesh (Kosi) Loose | Mill quality | - | 940 | - | - |
| Haryana (Hodal) Loose | Mill quality | - | 938-940 | - | - |
| Gujarat (Rajkot) Loose | Mill quality | - | 960 | - | - |
| Rajasthan (Kota) | Mill quality | - | 1065-1070 | - | - |
| Uttar Pradesh (Kanpur) | Mill quality | - | 1035-1040 | - | - |
| Madhya Pradesh (Indore) | Mill quality | - | 1035-1040 | - | - |
| Uttar Pradesh (Bareilly) | Mill quality | - | 1015-1020 | - | - |

International Futures Quotes (as of August 27, 2007)

CBOT

| Contract Month | Open | High | Low | Settle | Change |
|----------------|--------|--------|--------|--------|--------|
| September 2007 | 725.00 | 727.00 | 719.00 | 722.25 | -3.50 |
| December 2007 | 742.00 | 743.00 | 734.00 | 738.00 | -4.00 |
| March 2008 | 737.00 | 741.00 | 734.00 | 739.00 | -3.00 |

KCBT

| Contract Month | Open | High | Low | Settle | Change |
|----------------|--------|--------|--------|--------|--------|
| September 2007 | 678.00 | 682.50 | 678.00 | 681.00 | -1.75 |
| December 2007 | 693.00 | 698.50 | 693.00 | 697.25 | -0.75 |
| March 2008 | 694.00 | 699.50 | 694.00 | 699.00 | +1.00 |

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International Market Recap

CBOT Wheat Futures Settled Lower

CBOT wheat futures settled lower Monday. December Wheat finished down 4 cent at \$738.00 per bushel; this was 5 off the high and 4 up from the low. September Wheat closed down 3.5 cent at \$722.25 per bushel. This was 3.25 up from the low and 4.75 off the high. Weakness in other grains on the open along with a bearish influence of outer markets pulled down the prices. The bearish sentiment is also supported by the news of overbought market and lack of aggressive selling. It was reported that Iraq purchased near about 100,000 tonnes on North American wheat and Bangladesh re-tendered for 50,000 tonnes. Open interest fell 12,800 contracts on Friday to the lowest level since June 11th. The weekly export inspections report showed wheat inspections 34.9 million bushels as compared with 32-38 million expected. Major wheat growing areas of southwestern and southeastern Australia are also experiencing dry conditions that are hampering the wheat crops in those regions.

News Analysis

Egypt Issued Tender to Import 55,000 to 60,000 Tonnes of Wheat

The main wheat buying agency of Egypt has issued the tender to buy 55,000 to 60,000 tonnes of US, French, Australian, Canadian, German, Argentine and Kazakhstan wheat for shipment of October 16-31. As per the news, tenders will have to reach to Egypt's General Authority for Supply Commodities by 12 pm Tuesday and the result will be declared around 4.30 pm same day. The bidders were also asked to submit separate freight tender.

Australian Wheat Export under Non-Bulk Wheat Quality

The arrangements for exporting wheat in bags and containers under Non-bulk wheat quality starts on Monday with Wheat Exporting Authorities formally accrediting an initial batch of 44 packer sites, 26 testing laboratory locations and five superintendence companies across five states under the scheme in Australia. Accreditation is an ongoing process with individuals and companies able to apply at any time. Companies accredited as packers include Australian Bulk Alliance and Sumitomo Corporation.

China Sold 757,900 Tonnes of Old Wheat

This week, China's new wheat prices outlook remains stable despite the possibility of a slight fall in prices. In Shandong province, a major wheat-producing region, prices of new wheat traded lower, as farmers offloaded the stocks to buy necessary commodities. Buyers remained sidelined with the relatively high prices of new wheat and preferred to buy old wheat. Last Thursday, China sold 757,900 tonnes of old wheat, which it had procured under the minimum purchase price. Government sold 64% of the 1.19 million tonnes to be sold.

India has to Pay More for Wheat Import

India, one of the largest wheat importers has to import more wheat at the record high prices to boost emergency stockpiles. By July 31, India had 30 percent less wheat stocks and stood at 12 million tonnes, less than the targeted 17.1 million tonnes targeted for July 1. India has to buy at a time when the global wheat prices are at their highest amid a drop in output in the world's leading growers. State Trading Corporation owned by the government, bought wheat from Cargill Inc., Toepfer International and Riaz Trading last month for a record \$317 a tonne to \$330 a tonne. Now India is likely to pay between \$375 to \$400/tonne. As per the US Foreign Agricultural Service, India was the world's third-biggest wheat importer in the year ended June 1, with purchases of 6.7 million tonnes.

Weather Impact Analysis

The recent rainfalls over the wheat-growing region are beneficial as these rains will be stored for the wheat crop. Heavy rainfall may affect arrivals in the market.

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