

■ W H E A T

■ August 11, 2007

Domestic Market Recap

In Friday's trading, Wheat sentiments remained lower on higher arrivals amidst some buying support from local millers. However, slump in the demand from South Indian flour mills still have pressurised the sentiments. The price of different wheat products remained steady as, Atta quoted at Rs.1073/90kg. Maida and sooji traded at Rs.1256/90 kg and Rs.700 a 50 kg bag respectively. 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. Total arrivals in Delhi (Lawrence Road) remained up at 24000 qtls and prices quoted higher steady at Rs.1020 per quintals. At Narela and Najafgarh markets the price remained around 975-980/qtl, and 965-970/qtl (loose basis) on the back of higher arrivals around 3500 qtl and 2500 qtl respectively. Karavalli market is closed.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qtl)		Change	Arrivals (Qtls)
		10.08.07	09.08.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1020	1025	-5	24,000
Delhi (Narella) Loose	Mill quality	975-980	977-980	-	3500
Haryana (Palwal) Loose	Mill quality	940-942	950	-8	500
Uttar Pradesh (Mathura) Loose	Mill quality	950	958-960	-10	2500
Uttar Pradesh (Kosi) Loose	Mill quality	940	950	-10	1800
Haryana (Hodal) Loose	Mill quality	955	958-960	-5	300
Gujarat (Rajkot) Loose	Mill quality	1010-1015	1010-1020	-5	200
Rajasthan (Kota)	Mill quality	1065-1071	1065-1070	+1	
Uttar Pradesh (Kanpur)	Mill quality	1050-1055	1045-1050	+5	
Madhya Pradesh (Indore)	Mill quality	1045-1050	1045-1050	-	200
Uttar Pradesh (Bareilly)	Mill quality	1045-1050	1025-1030	+20	

International Futures Quotes (as of August 09, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
September 2007	690.00	696.00	670.00	673.50	-5.50
December 2007	704.00	710.50	688.00	691.00	-10.00
March 2008	697.00	701.00	683.00	683.50	-8.50

KCBT

Contract Month	Open	High	Low	Settle	Change
September 2007	669.00	674.00	660.00	660.25	-1.75
December 2007	683.00	686.00	672.00	673.25	-4.75
March 2008	676.00	680.00	665.00	665.00	-7.25

International Market Recap**CBOT Wheat Futures Settled Down**

CBOT wheat futures settled down Thursday. December Wheat finished down 10 cents at \$6.91 per bushel; this was 19.5 off the high and 3 up from the low. September Wheat closed down 5.5 cents at \$6.735 per bushel. This was 3.5 up from the low and 22.5 off the high. Strong demand for wheat despite the 11-year high price, solid export sales news and continued concerns for tightening world supply helped spark higher trade and new contract highs on the opening. The French Farm Ministry cut their forecast for 2007 soft wheat production to 32.9 million tonnes, down 1.8 million tonnes from last month's forecast and below 33.3 million harvested last year. Weekly US export sales for wheat came in at 890,900 metric tonnes as compared to trade expectations between 600,000-1.0 million tonnes. Cumulative sales have already reached 45.8% of the USDA forecast for the entire marketing year as compared to 30.5% on average over the last five years. Sales of 359,100 metric tonnes per week are needed to reach the USDA estimate.

News Analysis**Import Duty Likely to cut on Wheat Flour**

The government of India is considering on the cut of import duty on wheat flour from the current 30% level. This will facilitate the private sector to import wheat flour from global market economically at internationally competitive rates. The upcoming festive season will drive up the wheat demand and prices also. Therefore, the competitive import can reduce the supply pressure. This decision is also looking favourable to open the way for American wheat as a value-added product to entering in Indian market. Since wheat flour will not be tested for the same phytosanitary specifications as wheat grain, it will find a way around the objections raised by the agriculture ministry against US wheat.

Flour Millers are Against the Plan to Cut Import Duty on Wheat Flour

Roller flour millers are against the government's plan to scrap customs duty on wheat flour from the current 30 per cent level. According to them, the movement would adversely affect the industry, especially those mills located in south India. There are 800-1,000 flour mills across the country. The country such as Sri Lanka and Malaysia has a surplus milling capacity and they can downpour the wheat flour in India because of cost advantage and consequently the domestic flour millers would be most affected as they are running at 45-50% of their capacities. However, the plan would no doubt help in lessening in prices of wheat flour with an increase in supply in the country.

Pakistan is Showing Interest to Export Wheat Flour in India

Pakistan is showing their interest to export wheat flour in India. Indian government's plan to abolish 30 percent import duty on wheat flour is encouraging Pakistan wheat flour millers to supply the commodity. Near about 0.6 million tonnes of wheat flour was being exported to neighbouring country Afghanistan annually and that brought large amount of foreign money for the country and also helped local flour mills industry to flourish. The price of Pakistani wheat flour is comparatively cheap than other regional countries including India and Bangladesh. Pakistan's wheat output this year is estimated higher around 23 million tonnes against last year's 21.7 million tonnes. Economic Coordination Committee (ECC) of Pakistan had imposed complete ban on exports of wheat for an indefinite period in June 2007 due to rise in prices at local market. However the export of the flour and other by-products was allowed.

Weather Impact Analysis

Harvesting of wheat is complete in the country. So weather is not a major concern. However, heavy rains may

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