

■ W H E A T

■ August 10, 2007

Domestic Market Recap

In Thursday's trading, Wheat sentiments remained mix on higher arrivals amidst some buying support from local millers. However, slump in the demand from South Indian flour mills have pressurised the sentiments. The price of different wheat products remained steady to 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 17000 qtls and prices quoted higher steady at Rs.1025 per quintals. At Narela and Najafgarh markets the price remained around 977-980/ctl, and 960-975/ctl (loose basis) on the back of higher arrivals around 4500 qtl and 3000 qtl respectively. Karavalli market witnessed the arrivals around 2000 qtls. and price remained around Rs.950-952 /ctl.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/ctl)		Change	Arrivals (Qtls)
		09.08.07	08.08.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1025	1025-1030	-5	9500
Delhi (Narella) Loose	Mill quality	977-980	Closed	-	-
Haryana (Palwal) Loose	Mill quality	950	955	-5	700
Uttar Pradesh (Mathura) Loose	Mill quality	958-960	965	-5	20200
Uttar Pradesh (Kosi) Loose	Mill quality	950	960	-10	1500
Haryana (Hodal) Loose	Mill quality	958-960	970	-10	400
Gujarat (Rajkot) Loose	Mill quality	1010-1020	1005-1015	+5	200
Rajasthan (Kota)	Mill quality	1065-1070	1060-1065	+5	
Uttar Pradesh (Kanpur)	Mill quality	1045-1050	1045-1050	-	
Madhya Pradesh (Indore)	Mill quality	1045-1050	1043-1048	+2	200
Uttar Pradesh (Bareilly)	Mill quality	1025-1030	1035-1040	+10	

International Futures Quotes (as of August 08, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
September 2007	661.50	682.00	661.00	679.00	+16.50
December 2007	682.00	704.00	681.00	701.00	+18.50
March 2008	676.00	697.00	676.00	692.00	+12.50

KCBT

Contract Month	Open	High	Low	Settle	Change
September 2007	648.00	666.00	646.75	662.00	+14.00
December 2007	660.00	681.00	660.00	678.00	+13.75
March 2008	665.00	676.00	664.75	672.25	+6.75

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

CBOT wheat futures settled up Wednesday. For the USDA Crop Production report on Friday, the average trade estimate for all wheat production came in at 2.13 billion bushels (2.086-2.165) as compared with the July USDA estimate of 2.138 billion bushels and last year's production at 1.812 billion. Winter wheat production is expected at 1.55 billion bushels (1.53-1.572) as compared with the July USDA estimate of 1.562 billion bushels and last year's production at 1.298 billion. Traders look for spring wheat production to increase 9 million bushels from the July forecast to 507 million bushels (range 472-535).

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 affect the market arrivals.

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