

WHEAT

03rd -08th September, 2007

MAJOR ACTIVITY HIGHLIGHTS

- India to Import Wheat at \$389.45/Tonne
- Government to Import 7.95 lakh tonnes at an Average Price of \$389.45/Tonne
- Australian Wheat Output Around 18.5 Million Metric Tonnes: Emerald Group
- Manitoba Wheat Harvest Nearing Completion
- South Africa's Wheat Production Pegged At 1.664 Million Tonnes for 2008-09

MARKET FUNDAMENTALS:

Wheat traded steady to mostly firm in domestic markets during the week starting September 3 on a normal demand-supply situation. However, in mid week, wheat traded slightly down in north India on a lower offtake from the consuming units against the slightly increased arrivals. However, towards end of the week, prices recovered in Haryana, UP and MP and traded steady on a normal demand from wheat roller flour mills prior to the festive season. During the week, wheat traded steady in South markets (Karnataka) in the range of Rs.1190-1220/mtl on a steady supply. Total arrivals in Delhi (Lawrence Road) have been slightly increased from previous week's 11-12,000 qtls to 15000 qtls and prices quoted down at 1000 from last week's 1010-1020/mtl. In Narela and Najafgarh markets the price quoted down around 960-965/mtl, and 962-964/mtl (loose basis) on the back of increased arrivals around 3000 and 3500 qtls respectively. In Punjab, prices quoted down on a subdued demand against healthy arrivals.

However, the price of different wheat products traded steady as, Atta quoted at Rs.1055/90kg. Maida and sooji traded at Rs.1256/90 kg and Rs.710 a 50 kg bag respectively where as Chokar quoted higher at Rs. 336 for 50 kg. Domestic market sentiment also boosted up with the support of rising global prices as CBOT futures edged up on good demand from the importing countries. With the government's decision to import 7.95 lakh tonnes wheat at an average price of \$389/tonne through the State Trading Corporation may jack up the commodity in the local markets. The latest import price is about 90% higher than the minimum support price of Rs.850/mtl that was fixed for the current marketing period that ended in June. Due to growing demand during the festive and winter season coupled with import at higher prices may see the wheat trading on higher side.

OUTLOOK:

Short Term (One Week): Steady to slightly up on tight supply against a good festive demand.

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

Markets	01.09.07	08.09.07
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Delhi (Lawrence Road) truck loaded ready delivery	1010-1012	1010
Haryana (Karnal)	1000	995-1000
Punjab (Khanna)	1020	1015-1020
Rajasthan (Kota)	1050-1055	1055-1060
Uttar Pradesh (Kanpur)	1030-1035	1025
Madhya Pradesh (Indore)	1030-1035	1055-1060
Uttar Pradesh (Bareilly)	1010-1020	1010-1015
Punjab (Sunam) Loose	915	920-922
Ludhiana (Jagraon) Loose	900	890
Rajkot Loose Price	-	960-970
Madhya Pradesh (Bhopal) Loose	970-980	990-995

Wheat Products	01.09.07	08.09.07
Atta (90kg)	1055	1055
Maida Grade 1(90kg)	1256	1256
Suji (50kg)	710	710
Chokar (50 kg)	329	338
Chokar (35 kg)	220	224
Chakki Atta (90kg)	945	950

Following was the status in other mandis, with active millers and private trade buying: (08.09.07)

Place	Arrivals	Price
Mathura	1400 Qtls	Rs.946-947 per qtl
Kosi	400 Qtls	Rs. 940 per qtl
Hodal	400 Qtls	Rs. 950per qtl

Palwal	500 Qtls	Rs. 935-938 per qtl
Narella	4500 Qtls	Rs. 960-982 per qtl

PRICE DRIVERS:

- ✓ The forecast of world wheat production is reduced by 7million tonnes, to 607m. but is still 16million tonnes higher than in 2006.
- ✓ IGC lowered EU's wheat crop production by 3.9 million tonnes
- ✓ IGC lowered Canada's wheat production by 2million tonnes.
- ✓ Due to high prices, world wheat consumption is placed at 614 million tonnes, down by 3million tonnes from July prediction, IGC.
- ✓ IGC forecast of wheat stocks at the end of 2007/08 are at 2 million tonnes, lower than previously at 111 million tonnes
- ✓ Government had procured 11 million tonnes wheat from farmers, 1.8 million tonnes more than the last year
- ✓ With the government's decision to import 7.95 lakh tonnes wheat at an average price of \$389/tonne through the State Trading Corporation may jack up the commodity in the local markets.
- ✓ The latest import price is about 90% higher then the minimum support price of Rs.850/qlt that was fixed for the current marketing period that ended in June.
- ✓ As per the estimates of Emerald Group Australia Pty. Ltd., production from Australia's wheat crop to be harvested may be stood around 18.5 million metric tonnes, down from the earlier official June estimate of 22.5 million tonnes.
- ✓ In Manitoba, due to favourable weather conditions, harvest is nearing for completion and New-crop winter wheat seeding is in full swing with 65% complete.
- ✓ Egypt bought 470,000 metric tonnes of U.S. and Russian wheat through the state-owned General Authority for Supply Commodities.
- ✓ Japan will buy 175,000 Tonnes Wheat and the tender will be concluded on September 6.
- ✓ Four South Korean flour mills, namely Dongah, Daehan, Youngnam and CJ Corporation have bought 24,400 metric tonnes of U.S. No.1 wheat from trading house Cargill.
- ✓ South Africa's Crop Estimates Committee predicted wheat production for the 2008/09 seasons around 1.664 million tonnes, the lowest production since 2003.
- ✓ 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.
- ✓ CBOT wheat futures continuously closed higher
- ✓ The domestic prices are likely to rise as the high prices quoted in the recent wheat import tender.
- ✓ IGC forecasts global wheat production to be unchanged at 614 million tonnes
- ✓ 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:

India to Import Wheat at \$389.45/Tonne

The centre has asked the STC to import 7.95 lakh tonnes of wheat at an average price of \$389.45/tonne, cost and freight. The decision was taken by the Empowered Group of Ministers to allow STC to import 7.95 lakh tonnes. Out of 7.95 lakh tonnes, the Glencore International AG will supply the bulk of 7.4 lakh tonnes. The Company will be supplying 5.2 lakh tonnes at Mundra port for \$385/tonne in October, \$387/tonne in November and \$390/tonne in December. It wil also deliver 2.2 lakh in Kandla for \$388/tonne in October and \$391/tonne in November. Alfred C.Toepfer of Germany will supply 50,000 tonnes at Chennai for \$397/tonne.

Hihg Import Rates Likely to Push up the Local Wheat Prices

With the government's decision to import 7.95 lakh tonnes wheat at an average price of \$389/tonne through the State Trading Corporation may jack up the commodity in the local markets. The latest import price is about 90% higher then the minimum support price of Rs.850/qlt that was fixed for the current marketing period that ended in June. Roller Flour Miller Associations in India argued that wheat import prices might send a signal to the local traders that the government anticipates high wheat prices in future. The Association also argued that instead of floating a global tender, government could have floated local tenders because of the enough wheat production is reported in the country. This will also give a chance to the farmers to sell their wheat stocks after two months at the import price rates.

Japan Agriculture Ministry will buy 175,000 Tonnes Wheat

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Drought May Lower Australian Wheat Output

Drought over the wheat growing regions in Australia could destroy the Australia's wheat yield. In many parts of Australia there has been some relief and a quite large wheat crop was planted, trade minister reported. At present, the crop is deteriorating especially in New South Wales and parts of Victoria. Australia is the world's third largest wheat exporter. Farmers are pinning their hopes on rain that is forecast over these areas over the next 4-5 days, which will revitalise the crop. It would be devastating for farmers if they have another poor wheat crop following on last year's sort of almost record low.

Australian Wheat Output Around 18.5 Million Metric Tonnes: Emerald Group

As per the estimates of Emerald Group Australia Pty. Ltd., production from Australia's wheat crop to be harvested which spans from October to December may stood around 18.5 million metric tonnes, down from the earlier official June estimate of 22.5 million tonnes.

If rain not favours which is required for maturity of crop, the production may further drop to 15 million tonnes. The lower production in Australia may limit the export of wheat, which may further push up the prices in future.

Most of the wheat crop growing areas is short of required rainfall and experiencing dry spell in recent weeks. Australia exports in bulk during the harvesting period, as traders prefer to trade on old crop to make way for the new crop.

Egypt Bought 470,000 Tonnes US & Russian Wheat

Egypt bought 470,000 metric tonnes of U.S. and Russian wheat in a tender floated by the state-owned General Authority for Supply Commodities. Of the total volume, 300,000 tonnes of mixed U.S. wheat and 170,000 tonnes of Russian wheat

Manitoba Wheat Harvest Nearing Completion

In Manitoba, due to favourable weather conditions, harvest made significant progress although rains over some wheat growing regions slowed down the harvest. New-crop winter wheat seeding is in full swing with 65% complete, and some producers are waiting for rain due to extreme dryness, Manitoba Agriculture said. Harvest of wheat crop in the southern and eastern regions of the province were virtually complete and nearing completion in rest areas.

South Africa's Wheat Production Pegged At 1.664 Million Tonnes for 2008-09

South Africa's Crop Estimates Committee predicted wheat production for the 2008/09 seasons around 1.664 million tonnes, the lowest production since 2003 and 441,000 tonnes lower than last season. The crop is likely to be planted on 629,500 hectares; the lowest acreage since 1934 and 135,300 hectares lower than last season. Due to the dry climate in the central part, the Free State and North West, the wheat production predicted lower whereas Western Cape, the biggest grain grower has good soil moisture favourable for wheat production.

Japan's Weekly Wheat Tender This Week Likely

According to the Ministry officials, Japan's Ministry of Agriculture will hold the weekly wheat purchase tender this week. Ministry imports wheat from the U.S., Canada and Australia through weekly tenders and sells to domestic flour millers. Private traders are not allowed to import wheat.

Glencore Quoted Lowest at \$385/Tonne for Wheat Import

According to a senior government official, among the bids offered by the companies, Glencore is the lowest in a tender issued by India's State Trading Corporation to import wheat. Parts of the cargoes offered by Glencore were around \$385/tonne, cost and freight, for delivery at Mundra. Hamburg-based Alfred C. Toepfer International has offered 70,000 tonnes of wheat at around \$390/tonne for delivery at Mundra port.

Australia Winter Wheat Crop Estimation at 20 to 22 Million Tonnes

There is growing concern in Australia of the impact on wheat crop due to lack of rain in some areas. Production estimates for now remain mostly in a range of 20 million to 22 million metric tons. For the domestic consumption, Australia needs around 6 million-7 million tonnes and the

balance go for export. Industry concerns also are playing out in trading of ASX January 2008 futures, the most active local milling wheat contract, which traded early Wednesday at A\$343 a metric tonne, down A\$6 from Tuesday's close, but still 60% higher than a low of A\$215 early in April. Rainfall in the recent weeks in northern New South Wales and southern Queensland wheat lands has helped buttress industry estimates. More rainfall is needed soon because when the weather warms up crops grow faster and use more soil moisture.

Domestic Wheat Price May Surge As Bids Quote Higher Rates

In the latest tender floated by the State Trading Corporation for wheat import for the unspecified quantity, six suppliers have offered to sell 5.3 lakh tonnes in a price range of \$385-434/tonne. Earlier, government cancelled the tender of 4.09 lakh tonnes at the price of \$370/tonne. If the government had bought the above quantity with the above rate, could have saved around Rs.25 crore. The bidders for the current tender and the quantity to be supplied are as follows: Glencore (3 lakh tonnes), Cargill (80,000 tonnes), Toepfer (70,000 tonnes), PEC (50,000 tonnes), Ameropa (25,000 tonnes) and Starcom (5,000 tonnes). The purchase will be finalized by September 3. Although the government procured 11 million tonnes from farmers, 1.8 million tonnes more than the last year, but it is lower than the projected requirement of 15 million tonnes for the year. Currently the domestic wheat prices surged by Rs.70-85/qtl due to high import prices in the last import tender. Further, the domestic prices are likely to rise as the high prices quoted in the recent wheat import tender.

80 Per cent Wheat Harvest Completed in England & Wales

By last week, around 80 per cent wheat harvest is completed in England and Wales but production are likely to be lower due to weather extremes, reported by National Farmer's Union. NFU further reported that if current dry and sunny weather continues then the majority of the wheat harvest will be finished soon. NFU also said that most farmers need four to five weeks to recover from this summer's record rainfall, especially to prepare land for autumn sowing.

Argentina June Wheat Exports Down 22%

In June, Argentina exported 659,794 tonnes of wheat, down by 22% from the 847,175 tonnes exported in June 2006. Brazil was the major buyer of Argentine wheat in June with the quantity of 560,986 tonnes followed by Mozambique with 35,901 tonnes.

Four S Korea Flour Mills Buy 24,400 Tonnes US No.1 Wheat

Four South Korean flour mills, namely Dongah, Daehan, Youngnam and CJ Corporation have bought 24,400 metric tonnes of U.S. No.1 wheat from trading house Cargill. The shipment is expected to reach South Korea during the month of October.

IGC Wheat Production Forecast

The forecast of world wheat production is reduced by 7m. tonnes, to 607m., but is still 16m. higher than in 2006. The EU crop is placed 3.9m. tonnes lower than before, and the estimate for Canada is reduced by 2m. tonnes. Because of a cut in the feed use forecast, largely due to high prices, world consumption is placed at 614m. tonnes (610m.), down by 3m. from July. Although much of the reduction in the world crop estimate is offset by lower consumption, forecast wheat stocks at the end of 2007/08 are placed 2m. tons lower than previously, at 111m.

(117.2m.), the smallest since 1979/80, with those in the five major exporters expected to be especially tight. World trade in wheat and wheat flour in 2007/08 is expected to dip by 3.3m. tonnes, to 107.4m, following bigger crops in India and Brazil. However, the total is 0.5m. higher than last month, with milling wheat demand in several importers appearing more robust than anticipated, despite high prices and record ocean freight rates. Reduced availabilities in several exporters have significantly boosted US export prospects.

Source: IGC, 23.08.2007

USDA Wheat Weekly Export Sales

Net sales of 718,600 metric tons were 42 percent below the previous week and 34 percent under the prior 4-week average. Increases reported for Yemen (155,400 MT, including 103,400 MT switched from unknown destinations), the Philippines (129,100 MT), Egypt (66,600 MT, including 60,000 MT switched from unknown destinations), Kenya (54,500 MT), Taiwan (50,500 MT), Morocco (50,000 MT), and Sudan (44,200 MT, including 42,000 MT switched from unknown destinations, the first activity since 2000/01), were partially offset by decreases for unknown destinations (161,600 MT). Exports of 1,158,600 MT--a marketing-year high--were 15 percent above the previous week and 27 percent over the prior 4-week average. The primary destinations were Egypt (306,600 MT), Yemen (105,400 MT), Sri Lanka (87,700 MT), South Africa (82,700 MT), Indonesia (63,400 MT), and Venezuela (53,600 MT).

This summary is based on reports from exporters for the period August 24-30, 2007.

Source: USDA

WEATHER WATCH

An upper air cyclonic circulation lay over West-Central Bay of Bengal off North Coastal Andhra Pradesh extending between 2.1 and 5.8 km above mean sea level on 31st August. Under its influence, a low-pressure area formed over West-Central and adjoining North-West Bay of Bengal and North Coastal Andhra Pradesh on 1st September. It persisted over the same area on 2nd and became less marked on 3rd. However; an upper air cyclonic circulation extending upto mid-tropospheric level lay over Orissa and neighbourhood on 3rd. It lay over Bihar and neighbourhood extending upto 3.1 km above mean sea level on 4th and became less marked on 5th. The axis of the monsoon trough lay to the south of its normal position during many days of the week. The eastern end lay more southward compared to the western end of the monsoon trough in association with the low-pressure area over West-Central and adjoining North-West Bay of Bengal. An off shore trough extended from South Gujarat coast to Kerala coast during first half and from Konkan coast to Kerala coast during second half of the week. A cyclonic circulation lay

over Sub-Himalayan West Bengal and adjoining Bihar in lower tropospheric levels on 1st September and moved eastwards across northeastern States during 2nd-5th. Another upper air cyclonic circulation lay over Gangetic West Bengal and neighbourhood extending upto mid-tropospheric level on 5th. Last week's cyclonic circulation over South-West Madhya Pradesh and neighbourhood extending upto mid-tropospheric level persisted over the same area on 30th and became less marked on 31st August. Last week's upper air cyclonic circulation over East Uttar Pradesh and neighbourhood extending upto 3.1 km above mean sea level lay over North-East Rajasthan and neighbourhood extending upto 1.5 km above sea level on 30th and over North-West Rajasthan and neighbourhood on 31st August. It became less marked thereafter.

Rainfall:

Under the influence of the above systems:

Widespread/fairly widespread rainfall occurred over Andaman & Nicobar Islands, Lakshadweep, Kerala, Coastal Karnataka and Konkan & Goa during the week. Scattered to fairly widespread rainfall occurred on many days over Madhya Maharashtra, Marathwada and remaining parts of peninsular India outside Tamil Nadu where it was isolated on many days. Widespread/fairly widespread rainfall occurred over northeastern States, Sub-Himalayan West Bengal & Sikkim during many days of the week. Scattered to fairly widespread rainfall occurred over Gujarat State and East Rajasthan during first half of the week and it was isolated to scattered thereafter. Scattered to fairly widespread rainfall occurred over Orissa, Chhattisgarh and Vidarbha during second half of the week. The rainfall was deficient over Northwest India with isolated rainfall activity during the week. The rainfall was also less over remaining parts of East, Central and West India where isolated/scattered rainfall occurred during many days of the week.

Outlook for the week ending on 12th September 2007

Widespread rainfall with scattered heavy to very heavy falls is likely over Bihar, Sub-Himalayan West Bengal & Sikkim and northeastern States during the week. Fairly widespread rainfall with isolated heavy to very heavy falls is also likely over remaining parts of East India during first half of the week and decrease thereafter. Scattered to Fairly widespread rainfall activity is likely over northwest India. Decrease in rainfall activity over South peninsula where scattered rainfall is likely.

Source: IMD

IGC WORLD WHEAT ESTIMATES (23.08.07)

(Million tons)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				26.07	23.08
Production	628	620	591	614	607
Trade	110	109	111	107	107
Consumption	617	624	610	617	614
Stocks	140	136	117	112	111
Year-Year Change	+12	-4	-19	-4	-6
5 Major Exporters [#]	58	57	36	30	29

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 10th September, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.71
1 Euro	55.66
100 Yen	35.36
1 British £	82.26

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