

WHEAT

Oct. 1, 2007

Domestic Market Recap

During Saturday's trade, wheat traded steady to higher on good demand ahead of the festive season against the normal arrivals. Empowered Group of Ministers recommendation of the import of 10-lakh tonnes wheat further at higher price further added positive tone. If govt. imports on such high prices (\$390/tonne), traders and stockists may hold back the stocks to sell on higher price when govt. imports. This may create a tight supply to the open market and may lead to price rise. At present, wheat mostly ruling range bound with sufficient supply. But a govt. official reported there is no plan to import in near future. Successive highs in CBOT wheat futures along with global tight supply and crop damage further imparted bullish sentiment. Delhi (Narella) loose and Haryana (Hodal) loose traded firm on a tight supply against a good demand. However, in most of the markets, wheat mostly traded steady on a steady demand-supply situation. Delhi (Lawrence road) ready delivery mostly traded steady at Rs.1008/qtl against the increased daily arrival of 14900 qtls. On a subdued demand, Khanna (Punjab) traded down Rs.1010-1015/qtl against the previous level Rs.1030-1035 whereas arrival stood steady. In Delhi mandis, different wheat products quoted steady while Chokar (50 kg) traded up at Rs.369. Government's wheat procurement by July 19 was at 11.1 million tonnes, which was way below the 16.8 and 14.8 million tonnes recorded in 2004-05 and 2005-06 respectively. In near future, wheat may rule at higher side ahead of the festive season along with lower buffer stocks.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qtl)		Change	Arrivals (Qtls)
		29.09.07	28.09.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1008	1008	-	14900
Delhi (Narella) Loose	Mill quality	975-985	975	+10	3000
Haryana (Palwal) Loose	Mill quality	925	926	-1	300
Uttar Pradesh (Mathura) Loose	Mill quality	950	950	-	1500
Uttar Pradesh (Kosi) Loose	Mill quality	925-930	927	+3	350
Haryana (Hodal) Loose	Mill quality	935-945	935	+10	200
Gujarat (Rajkot) Loose	Mill quality	970	965	+5	2000
Rajasthan (Kota)	Mill quality	1045	1040-1045	-	2000
Uttar Pradesh (Kanpur)	Mill quality	1015-1020	1015-1020	-	800
Madhya Pradesh (Indore)	Mill quality	1040-1045	1045-1050	-5	2500
Uttar Pradesh (Bareilly)	Mill quality	1005	1000-1005	-	900

International Futures Quotes (as of September 28, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
September 2007	933.00	961.75	921.75	939.00	+6.00
December 2007	933.25	966.50	925.00	947.00	+10.50
March 2008	837.50	871.00	831.50	852.50	+11.50

KCBT

Contract Month	Open	High	Low	Settle	Change
September 2007	909.25	949.50	904.00	929.25	+9.75
December 2007	907.75	936.25	903.00	930.75	+24.50
March 2008	853.00	860.00	853.00	857.00	+17.00

CEREAL

Agriwatch
DAILY

W H E A T

Oct. 1, 2007

International Market Recap

CBOT Wheat Futures Settled Up

CBOT wheat futures settled up Friday. December Wheat finished up 6 cent at \$939.00 per bushel; this was 22.75 cent to the high and 3 up from the low. July Wheat closed up 10.5 cent at \$681.00 per bushel. This was 11 up from the low and 13 off the high. The close below the opening after positing a new high could spark some technical selling in the overbought wheat market early next week. Weakness in the other grains and profit-taking at the end of the month and the end of the quarter helped spark the set-back into the mid-session, however, fund buying emerged to support. The USDA pegged September 1st wheat stocks at 1.717 billion bushels as compared with trade expectations at 1.833 billion bushels. This is also below last year's stocks at 1.751 billion. Other spring wheat production was pegged at just 479.05 million bushels as compared with the average trade estimate of 506 million bushels. This compares with 500 million as the August estimate. All wheat production came in at 2.067 billion bushels from expectations near 2.118 billion bushels and came in well under the August USDA estimate of 2.114 billion. The flooding during the winter wheat harvest in Oklahoma and Kansas caused producers to sell wheat as feed grain. Iraq finalized a deal to buy 200,000 tonnes of US wheat in addition to the 500,000 tonnes bought last week.

News Analysis

EGoM Nodded Import of 10 Lakh Tonnes of Wheat

Contrary to the view of Union Agriculture Minister, the empowered group of ministers (EGoM) headed by Pranab Mukherjee has recommended import of 10 lakh tonne of wheat before the end of this financial year. But Agriculture Minister said in public that government will not import at a global higher price and cited that govt. has enough stocks to meet domestic demand. But the EGoM concluded that the central pool stocks could fall to 31.14 lakh tonnes, much below 40 lakh buffer norm by the end of this financial year. However, the UPA government is reeling under pressure because of the decision to buy 8 lakh tonnes at \$390/tonne after cancelling an earlier tender at \$263. Now the government may find it more difficult to buy at the high global price, which has been ratched up more than 50% in last two months. Due to crop damage in some of the major producing countries along with lower stocks with the biggest exporting countries against a strong global demand, prices may further surge up. The government has also decided that Mineral and Metal Trading Corporation along with PEC Ltd., another public sector company in addition to State Trading Corporation would import wheat. But a senior government official said that govt. is not importing wheat in near future.

FMC May Pressure Govt. to Lift Ban on Wheat Futures Trading

Seven months after the ban on wheat futures, market regulator Forward Markets Commission (FMC) is planning to push the government to resume futures trading in these commodities. The government had banned futures contracts on wheat on February 28 to control inflation. Government took such decisions after receiving complaints that futures trading in these commodities were fuelling prices. Following this, many studies have been conducted and found that the rise in prices was a result of supply-demand mismatches rather than futures trading. This has made the FMC to review its decision. According to the FMC, they are waiting for Sen Committee report to be submitted soon. The Sen Committee is widely expected to endorse the view that prices are determined by factors such as demand and supply. The FMC, meanwhile, had appointed IIM-Bangalore to study the impact of futures on prices. Wheat-sowing season will begin by October end and farmers should have a hedging facility.

Weather Impact Analysis

Fairly widespread rainfall with isolated heavy to very heavy falls in various parts of country is beneficial for the wheat crop. The crop plantation is likely to be started from October end to November.

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