

WHEAT

10th -14th 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
- Australia's Victoria Wheat Production Around 4.4 MT

MARKET FUNDAMENTALS:

Wheat traded firm in domestic markets during the week starting September 10 on strong demand for wheat flour ahead of festive season against a steady supply. Government's planning of wheat import of 5 million tonnes at higher price and around double price the government offered to farmers for minimum support price of Rs.850/qrtl that ended in June further boosted the market sentiment. Increasing demand from India to Egypt and weather damages to crops from Canada to Australia have driven up global wheat prices by 80 per cent this year. Due to crop damage and growing imports have pushed the global stockpiles toward a 26-year low.

However, prices declined in Delhi mandis and neighbouring Delhi mandis due to increased arrivals against a normal demand towards midweek. In Delhi (Lawrence road) ready delivery, Haryana (Palwal loose) and UP (Mathura) loose basis traded down Rs.1010, Rs.930-932 and Rs.945/qrtl against the healthy arrivals of 21000, 700 and 3000 qtls respectively. In some soybean growing states, farmers are busy to unload their stockpiles to give storage to soy crops, which will be harvested early next month further imparted bearishness in market sentiment. In other major mandis, prices are remained steady to firm on good buying against the normal arrival.

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.340 for 50 kg. Weekending saw domestic wheat prices remained steady with the report of the reserves at state-run warehouses totalled 10.9 million tonnes by September 9, which is more than 4 million tonnes required to cope with emergencies. In the meanwhile, Delhi High Court sought a response from the centre within two weeks on a petition alleging that wheat was being imported at very high prices.

OUTLOOK:

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

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

Markets	08.09.07	14.09.07
Delhi (Lawrence Road) truck loaded ready delivery	1010	990-1000
Haryana (Karnal)	995-1000	990
Punjab (Khanna)	1015-1020	1035
Rajasthan (Kota)	1055-1060	1060
Uttar Pradesh (Kanpur)	1025	1005-1010
Madhya Pradesh (Indore)	1055-1060	1030-1035
Uttar Pradesh (Bareilly)	1010-1015	995-1000
Punjab (Sunam) Loose	920-922	920
Ludhiana (Jagraon) Loose	890	900
Rajkot Loose Price	960-970	950-955
Madhya Pradesh (Bhopal) Loose	990-995	990

Wheat Products	08.09.07	14.09.07
Atta (90kg)	1055	1055
Maida Grade 1(90kg)	1256	1256
Suji (50kg)	710	710
Chokar (50 kg)	338	340
Chokar (35 kg)	224	221
Chakki Atta (90kg)	950	945

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

Place	Arrivals	Price
Mathura	800 Qtls	Rs.940/qrtl

Kosi	300 Qtls	Rs.940-942/qlt
Hodal	300 Qtls	Rs.930-937/qlt
Palwal	600 Qtls	Rs.930-938/qlt
Narella	2000 Qtls	Rs.980-985/qlt

PRICE DRIVERS:

- ✓ Excluding industrial use, wheat consumption in India is estimated at 71.32 million tonnes for 2007 against 65.52 million tonnes procurement.
- ✓ As on September 9, reserves at state-run warehouses totaled 10.9 million tonnes.
- ✓ Delhi High Court has sought clarification from centre of importing wheat on high prices by two week
- ✓ Global stockpiles reached a 26-year low due to crop damage in Australia and Canada
- ✓ The forecast of world wheat production is reduced by 7million tonnes, to 607m. But is a still 16million tonne 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.
- ✓ Australia's wheat production fall to 18 million tonnes from a previous forecast of 23 million tonnes
- ✓ Due to high prices, world wheat consumption is placed at 614 million tonnes, down by 3million tonnes from July prediction, IGC.

INTERNATIONAL AND DOMESTIC NEWS:

Wheat Availability is Short of Projected Consumption for Fiscal 2006-07: Agriculture Minister

Although the availability of wheat for the fiscal 2006-07 has been increased but still short of the projected consumption. Excluding industrial use, the consumption requirement of wheat is estimated at 71.32 million tonnes against 65.52 million tonnes procured in 2006-07 compared to last year's consumption of 70.29 million tonnes. The wheat production has also seen a surge in 2006-07 to 74.89 million tonnes against 69.35 million tonnes in the previous year. Availability of wheat would also be higher in the country in 2006-07 at 65.52 million tonnes compared to 60.68 million tonnes in the previous year. The availability of wheat has been taken as 87.5 per cent of the production, by excluding 12.5 per cent of the grain on account of seed, feed and wastage. The procurement of wheat has also increased to 11.10 mt in 2007-08 marketing season compared to 9.22 mt in the previous year, Union Agriculture Minister Sharad Pawar said.

India Turned Down US Suggestion To Relax Wheat Import Norms

Government of India has rejected a U.S. suggestion to relax quality norms to import U.S. wheat. The request of the U.S. for relaxation of phytosanitary norms was not accepted, in view of the likely threat of entry of quarantine weed seeds into the country, which is non-existent in India. There are speculation in trading circles that India may consider relaxing quality norms for wheat imports to enhance participation and competition in its purchase tenders.

Australian Wheat Crop Estimated 15-19 MT

Indian Agribusiness Systems Pvt. Ltd., New Delhi

As per the estimate by Rabobank Australia Ltd, Australia's wheat crop production is likely to reach 15 million to 19 million metric tonnes. However, the production may go down if the weather remains dry in coming weeks. RAL also said the first two weeks of September will be critical in determining the size and quality of the grain crop. The recent rainfall helped crops in northern New South Wales and southern Queensland, but New South Wales, Victoria and parts of South Australia and Western Australia "are in critically dry condition and have been affected by unseasonably warm conditions. Production forecast for the new wheat crop in Western Australia state was cut 8.9% to 5.1 million tonnes as at September 1, from 5.6 million tonnes a month earlier.

Brazil '07 Wheat Production at 3.8 Million Tonnes

Compared to last year's during the same time, Brazil's wheat crop is doing much better than it was at this time in 2006. Last year, a late winter frost wiped out half of the estimated 4 million-tonne harvests. According to the Monday morning forecast by Southern Marine Weather Service, warm, spring-like weather is expected throughout the main wheat growing regions in Rio Grande do Sul and Parana states. At the moment, harvest is going well, with no major weather problems on the horizon at the moment. Emater, an economist said 16% of the state's crop is in the flowering phase with another 7% of the crop in the grain development phase. According to the National Commodities Supply Corp., Brazil is expected to produce around 3.8 million tonnes of wheat from the ongoing 2007-08 crop.

Canada's Wheat Supplies Pegged at 6.828 MT: Statistics Canada.

Statistics Canada pegged all-wheat supplies in Canada at the end of the 2006-07 (August/July) crop year at 6.828 million metric tonnes compared with the pre-report estimates that ranged from 7.000 million to 8.000 million tonnes. All-wheat supplies at the same time in 2005-06 totalled 9.638 million tonnes. According to the government agencies, the lower wheat stocks were the result of above-average export demand brought on by the tight world supply and demand situation. There is also talk in some quarter that the supply tightness in Canada may be offset by report of higher-than-expected yield potential from wheat crops in central and northern Alberta. However, the problem is that the crop is late in maturity and in turn the quality may be downgraded by frost. Stats Canada pegged canola supplies as of July 31 at 1.820 million tonnes, which was at the high end of pre-report ideas that ranged from 1.300 million to 1.800 million tonnes. Canola supplies at the end of the 2005-06 crop year totaled 2.007 million tonnes.

Iraq Plans to Import Australian Wheat

Government officials from Iraq have started talks with Australian wheat exporter AWB (AWB.AU) to purchase large quantities of hard wheat. The Trade Ministry in cooperation with the AWB has started talks with senior government officials to purchase Australian wheat, Trade Minister said. The two country had no commercial relationship since February, 2006, following revelations at an Australian inquiry investigating kickbacks of U.S. \$221.7 million paid by AWB to Saddam Hussein's regime to secure wheat sales under the U.N. oil-for-food programme. The requirement for Iraq to buy annually is about 3.8 million tonnes of wheat.

Australia's Victoria Wheat Production Around 4.4 MT

According to an Agronomist with the Department of Primary Industries, production from a new wheat crop in Australia's Victoria state could reach a record 4.4 million metric tonnes. If there is a poor finish, wheat production would be around 2.5 million tonnes and if there is good finish; yield could be around 5.5 million tonnes. Since 1996-97, the country generally produces above 20 million tonnes or around 10 million tonnes, which shows when Australia misses, misses in a big way. This year, Australia's wheat production would be around 18 million tonnes. At present, good rainfall is required to maintain current crop yields.

China's Wheat Output Around 107 MT in 2007

Central government expects China's wheat output in 2007 to stand around 107 million tonnes, up 2.54 million tonnes from last year. The increased production is due to increase in output per hectare following the promotion of good quality wheat seeds.

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. Topefer 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 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/mtl 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 2,132,400 metric tons--a marketing-year high--were three times the previous week and double the prior 4-week average. Increases were for Egypt (413,800 MT, including 180,000 MT switched from unknown destinations, and 50,000

MT switched from Yemen), unknown destinations (350,800 MT), Iraq (200,000 MT), Morocco (191,900 MT, including 22,000 MT switched from unknown destinations), Japan (161,100 MT), Algeria (129,300 MT, including 55,000 MT switched from unknown destinations), and Nigeria (122,100 MT, including 8,100 MT switched from unknown destinations). Exports of 728,700 MT were 37 percent below the previous week and 27 percent under the prior 4-week average. The primary destinations were Egypt (71,800 MT), Nigeria (71,400 MT), Peru (63,400 MT), Mexico (63,300 MT), Taiwan (48,300 MT), Algeria (48,100 MT), and the United Arab Emirates (44,100 MT). Note: Accumulated exports for Spain were adjusted down 7,600 MT for soft red winter wheat.

This summary is based on reports from exporters for the period August 31-Sept. 6, 2007.

Source: USDA

WEATHER WATCH

Last week's upper air cyclonic circulation over Gangetic West Bengal and neighbourhood extending upto mid-tropospheric level lay over Jharkhand and adjoining West Bengal & Bihar on 6th. It lay over Bihar and adjoining East Uttar Pradesh on 7th and became less marked on 8th. An off-shore trough extended from Maharashtra coast to Kerala coast during first half of the week. A trough in westerlies extending upto mid-tropospheric level ran from north Pakistan to north Arabian Sea during the week. An upper air cyclonic circulation extending upto 4.5 km a.s.l. lay over extreme south peninsula on 10th. It persisted over the same area extending upto 3.1 km a.s.l. on 11th and became less marked on 12th. A north-south trough extended from Sub-Himalayan West Bengal & Sikkim to north Bay of Bengal across Gangetic West Bengal in lower tropospheric levels on 11th & 12th. The axis of the monsoon trough lay near its normal position during 6-8th and ran close to foothills of Himalayas during 9th-12th.

Rainfall:

Under the influence of the above systems:

Fairly widespread to widespread rainfall occurred over North-East India during the week. Fairly widespread to widespread rainfall occurred during 6-11th and Scattered rainfall on 12th over West Bengal & Sikkim, Orissa and Jharkhand. Isolated to scattered rainfall occurred over rest

of East India outside East Uttar Pradesh where mainly dry weather prevailed on 11th & 12th. Fairly widespread rainfall occurred over Chhattisgarh & Vidarbha and isolated to scattered rainfall occurred over Madhya Pradesh during the week. Fairly widespread rainfall occurred on 6th & 7th and isolated to scattered rainfall on remaining days of the week over Konkan & Goa, and East Rajasthan.

Isolated to scattered rainfall occurred over remaining parts of the West India during the week. Fairly widespread rainfall occurred during 6-9th and isolated to scattered rainfall on remaining days of the week over Coastal Karnataka, Kerala and Lakshadweep. Isolated to scattered rainfall occurred over Interior Karnataka, Tamil Nadu & Puducherry and Andaman & Nicobar Islands during the week.

Fairly widespread rainfall occurred on 9th & 10th and mainly dry weather prevailed on remaining days of the week over Rayalaseema. Fairly widespread rainfall occurred on 10th and isolated rainfall on remaining days of the week over Telangana. Isolated rainfall occurred over Coastal Andhra Pradesh during the week.

Scattered rainfall occurred on 6th, 10th & 11th and isolated rainfall on many days of the week over Punjab, Haryana and Himachal Pradesh. Isolated rainfall occurred during 9-11th and mainly dry weather prevailed on remaining days of the week over the rest regions of North West India.

Outlook for the week ending on 19th September 2007

- ✓ Scattered to fairly widespread rainfall is likely over northeast, adjoining east India and extreme south peninsula.
- ✓ Numerical Weather Prediction models suggest that subdued rainfall activity is likely to continue over northwest, central and adjoining west India.

Source: IMD

IGC WORLD WHEAT ESTIMATES (23.08.07)

	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

(Million tons)

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 17th September, 2007):

Foreign Currency	Rs. per unit
1 US \$	40.47
1 Euro	56.17
100 Yen	35.09
1 British £	82.07

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