

■ W H E A T

■ Oct. 12, 2007

Domestic Market Recap

During Thursday's trade, wheat firmed up on good offtake by stockists and locals amid slightly reduced supply from the producing centres. Markets mostly found support on the government's declaration of Rs.1000/qtl MSP for the current Rabi season. India, second largest wheat consumer, on Tuesday increased the Wheat MSP to encourage the farmers for more wheat planting. Prices have jumped 69% this year in Chicago and set record highs 23 times in the three months ended 28 September. India had bought 1.3 million tonnes wheat at record prices since July. Government wants farmers to produce 75.5 million tonnes of wheat in the year that ends in June, compared with 74.9 million tonnes in the last year. To check the surging prices, government has banned exports of wheat flour for an indefinite period and has also extended the ban on exports of wheat for an indefinite period, the ban was to lapse on Dec. 31, 2007. Meanwhile, Pakistan's inflation, as measured by the consumer price index, accelerated to a nine-month high in September because of higher wheat costs. In Delhi (Lawrence Road) Ready Delivery quoted higher at Rs.1070/qtl against the lower arrival of 7000 bags. But in UP (Mathura) loose dipped on a subdued trading activity. In Delhi, various wheat products firmed up on good demand, as Atta (90kg) traded up at Rs.1037, Maida grad 1 (90kg) at Rs.1229 while Suji (50kg) quoted higher at Rs.720 and Chaki Atta (90Kg) up at Rs.990 and Chokar 50kg quoted higher at Rs.382. In coming days, against a tight supply, wheat may likely trade firm.

Domestic Spot Market Prices

Market	Variety	Prices (Rs/qtl)		Change	Arrivals (Qtls)
		11.10.07	10.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1070	1030	+40	7000
Delhi (Narella) Loose	Mill quality	1020	-	-	2000
Delhi (Najafgarh) Loose		1015	-	-	1500
Haryana (Palwal) Loose	Mill quality	985	965	+20	250
Uttar Pradesh (Mathura) Loose	Mill quality	990	1000	-10	1600
Uttar Pradesh (Kosi) Loose	Mill quality	1005	990	+15	600
Gujarat (Rajkot) Loose	Mill quality	1005	995-1000	+5	1700
Rajasthan (Kota)	Mill quality	1050-1055	1040-1050	+5	600
Uttar Pradesh (Kanpur)	Mill quality	1035-1040	1025-1035	+5	600
Madhya Pradesh (Indore)	Mill quality	1065-1070	-	-	800
Uttar Pradesh (Bareilly)	Mill quality	1020-1025	1015-1020	+5	300

International Futures Quotes (as of October 10, 2007)**CBOT**

Contract Month	Open	High	Low	Settle	Change
December 2007	845.00	858.50	841.00	853.00	+7.50
March 2008	858.50	872.00	855.50	868.50	+10.00
May 2008	800.00	814.00	799.00	813.00	+13.00

KCBT

Contract Month	Open	High	Low	Settle	Change
December 2007	845.00	857.25	841.25	856.25	+12.00
March 2008	849.00	862.00	845.00	861.25	+11.75
May 2008	810.00	821.00	806.00	812.00	+10.50

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

CBOT wheat futures settled down Tuesday. December Wheat finished down 14.5 cent at \$845.50 per bushel; this was 29.5 cent to the high and 1.5 cent from the low. July Wheat closed up 3.25 cent at \$660.50 per bushel. This was 3.5 up from the low and 10.5 off the high. The market closed sharply lower on profit taking after long rally despite the bullish news from the importing countries. Traders also believe that this breakdown is due to overbought. The recent weakness has encouraged bears. Taiwan is tendering to buy 62,800 tonnes of US wheat. Tunisia is tendering to buy 92,000 tonnes of optional origin milling wheat and 75,000 tonnes of durum. Turkey is also planning to buy 280,000 tonnes of soft wheat. Some areas of Australia received rain but more may be needed to stabilize losses ahead of harvest. Weekly export inspections, released showed wheat exports at 31.5 million bushels as compared with trade expectations for 28-34 million. Cumulative shipments have already reached 44.6% of the USDA forecast for the season as compared with 35% as the 5-year average for this time of the year. For the USDA supply/demand report for Friday morning traders are looking for 2007/08 ending stocks to come in near 289 million bushels as compared with 362 million posted in the September USDA report.

News Analysis**Government Wants Farmers To Produce 75.5 Million Tonnes Wheat**

Wheat futures in CBOT declined on speculation that farmers will increase global planting to capitalize on the highest prices ever. India, second largest wheat consumer, on Tuesday increased the Wheat MSP to encourage the farmers for more wheat planting. Prices have jumped 69% this year in Chicago and set record highs 23 times in the three months ended 28 September. India raised the minimum purchase price of the grain by 18% to encourage domestic planting, finance minister P. Chidambaram said on Wednesday in New Delhi. India had bought 1.3 million tonnes wheat at record prices since July. Government wants farmers to produce 75.5 million tonnes of wheat in the year that ends in June, compared with 74.9 million tonnes in the last year.

Pakistan Inflation 8.37% on Wheat Prices

Pakistan's inflation, as measured by the consumer price index, accelerated to a nine-month high in September because of higher wheat costs. Consumer prices rose 8.37 percent from a year earlier after gaining 6.45 percent in August, Federal Bureau of Statistics, Islamabad. September inflation rose because of higher wheat prices. Although Pakistan had a bumper wheat crop in 2007, but hoarding and smuggling pushed prices up 30 percent in August from July. The government plans to import 1 million tonnes of wheat this year to keep prices affordable until the new crop arrives in May.

India Bans Wheat Flour Exports

Government has banned exports of wheat flour for an indefinite period and has also extended the ban on exports of wheat for an indefinite period, the ban was to lapse on Dec. 31, 2007. This ban will be valid till further orders. The government has also allowed restriction-free imports of wheat for an indefinite period, which was earlier allowed until Dec. 31, 2007. Indian mills had plans to export up to 100,000 metric tonnes of wheat flour by March 2008.

Russian Govt Imposes Wheat and Barley Export Duty

The Russian cabinet of ministers decided to approve the imposition of seasonal export duty on wheat and barley. The exact figures and the duration of the new export duties for wheat and barley have yet to be announced officially. However, officials said earlier the duty for wheat would be 10% and for barley 30%. The wheat export duty isn't prohibitive, designed to keep wheat exports in the current marketing year within 12 million- 14 million metric tonnes.

Wheat Stocks Totaled At 10.12 Million Metric Tonnes As Of Oct. 1

According to Chairman, Food Corporation of India, Country's wheat stocks totaled at 10.12 million metric tonnes as of Oct. 1.

Weather Impact Analysis

Incessant rainfall in the wheat producing regions and the resulting increase in moisture content in soil would benefit the crop. Wheat sowing is likely to be started from October end to November.

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