

WHEAT

01-06 September, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Canadian Government Approved Increase to Wheat Initial Payments
- Govt. May Buy 4.5 Lakh Tonnes Of Wheat Flour
- Eastern Washington State Saw Record Wheat Prices
- Punjab Will Replace The Wheat Seed Varieties In Phased Manner: State Agriculture Department
- IGC Wheat Production Forecast 601 Million Tonnes

MARKET FUNDAMENTALS:

Week starting October 1, wheat traded mostly steady to lower in domestic markets on lower offtake from the consuming units amidst steady arrivals. Wheat prices dipped further with lower buying from the south flour millers. Unloading of stocks by wheat farmers to house soy crops coupled with the government's planning to relax 37% import duty on wheat flours further added the negative tone. Agriculture Ministry is waiting for the Empowered Group of Ministers' (EgoM) decision on import of 4.5 lakh tonnes of wheat flour with the value around Rs.8,000 crore. If wheat flour is imported, local wheat flour prices will fall; millers in turn will buy less wheat from farmers, traders reported. Meanwhile, government has received 51.836 tonnes of wheat at Mundra port, the first shipment of imported wheat contracted this year. In another development, EgoM headed by Pranab Mukherjee has recommended import of 10 lakh tonnes of wheat before the end of this financial year.

Indian Rabi wheat sowing is starting now and Punjab, which is the key contributor to the central pool, is expecting 14.5 million tonnes production (same as last year) with 20% seed replacement. Punjab is planning to bring 33.75 lakh hectares of land under wheat cultivation in the coming rabi season against last year's 34.67 lakh hectares. During the week, Delhi (Lawrence road) ready delivery ruled at Rs.995-1005 against the daily arrival of 9000-15000 qtls. In Rajasthan (Kota) and Madhya Pradesh (Indore) traded down Rs.1015-1020, 1030-1035 compared to last week's Rs.1040-1045 and 1045-1050/qty respectively while Gujarat (Rajkot) traded up at Rs.965 from Rs.970/qty. Different wheat products in Delhi mandis mostly traded range bound while Chokar (34kg) quoted up Rs.240 from last week's Rs.238. On global tight supply, crop damage in Canada and Australia along with good domestic demand during festive and winter season, wheat prices may prop up.

OUTLOOK:

Short Term (One Week): wheat may rule range bound at higher side.

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

Indian Agribusiness Systems Pvt. Ltd., New Delhi

Markets	29.09.07	06.10.07
Delhi (Lawrence Road) truck loaded ready delivery	1008	995-1000
Haryana (Karnal)	995	985-988
Punjab (Khanna)	1010-1015	1005-1010
Rajasthan (Kota)	1045	1015-1020
Uttar Pradesh (Kanpur)	1015-1020	1020-1025
Madhya Pradesh (Indore)	1040-1045	1030
Uttar Pradesh (Bareilly)	1005	1005-1010
Punjab (Sunam) Loose	935-945	915-920
Ludhiana (Jagraon) Loose	910	905
Rajkot Loose Price	970	970
Madhya Pradesh (Bhopal) Loose	975-980	960

Wheat Products	29.09.07	06.10.07
Atta (90kg)	1037	1028
Maida Grade 1(90kg)	1220	1220
Suji (50kg)	695	695
Chokar (50 kg)	369	375
Chokar (35 kg)	238	244
Chakki Atta (90kg)	945	940

Following was the status in other mandis, with active millers and private trade buying: (06.10.07)

Place	Arrivals	Price
Mathura	1500 Qtls	Rs.950/qty
Kosi	150 Qtls	Rs.929/qty

Hodal	10 Qtls	Rs.912/qtl
Palwal	400 Qtls	Rs.916/qtl
Narella	2000 Qtls	Rs.965/qtl

INTERNATIONAL AND DOMESTIC NEWS:

Canadian Government Approved Increase to Wheat Initial Payments

Minister of Agriculture and Agri-Food and Ministry for the Canadian Wheat Board, on Tuesday issued the letter regarding Government's approval of a Canadian Wheat Board (CWB) request to increase initial payments for wheat and barley. Farmers work hard to grow the grain they sell and they should get paid for that work as quickly as possible. Government is committed to delivering action for farm families and is also committed to accountability. Agriculture Minister also said that hard working Canadian farmers produce some of the highest quality food in the world and they deserve every opportunity to choose and benefit from the marketing options to make the most of the high prices they are currently enjoying.

Govt. May Buy 4.5 Lakh Tonnes Of Wheat Flour

Although the domestic wheat production has gone up 8% this year, still government is planning to import more than 4.5 lakh tonnes of wheat flour with the value around Rs.8,000 crore. Ministry of Agriculture is planning to bring the matter before GoM headed by Pranab Mukherjee. In the meeting, they will also discuss the proposal of removing the existing 37 per cent duty on import of wheat flour. According to sources, consumer affairs, food and public distribution secretary Nandkumar have already approved the proposal. Government plans to control rising domestic prices of primary commodities. Therefore, it wants to import wheat flour even though the prices of wheat are currently cheaper in domestic market (below Rs 1,100 per quintal) by over 30 per cent compared to international prices (Rs 1,600 per quintal). But the Import of wheat flour will have an adverse impact on farmers. If wheat flour is imported, local wheat flour prices will fall; millers in turn will buy less wheat from farmers. But the trade sources reported that this is just a move to enable the import of US wheat through the backdoor." US wheat with 12,000 weeds per 200 kg compared to Indian specifications of only 100 weeds per 200 kg fails to meet Indian quality standards. The constant lobby pressures on the Government to bend rules to give market access to US wheat exporters. As wheat flour cannot be transported in loose, this needs to be packaged, which would be more expensive.

Eastern Washington State Saw Record Wheat Prices

Record prices are still rising for soft white wheat from the Palouse region of Eastern Washington and northern Idaho. Prices paid in Portland, Ore., was about \$10.25 a bushel Friday, more than four times the price of a few years ago.

A year ago, soft white wheat sold for \$4.14 a bushel. Frost and rainfall, low harvests, small stockpiles and surging demand are key reasons behind the higher price. In addition, wheat harvests by U.S. competitors, including Canada and the European Union, were low this year. The crop in Australia won't be harvested until November and

December and is also expected to be much smaller than usual because of drought.

Egypt's GASC Buys 80,000 Tonnes Russian Wheat

Egypt's state-owned General Authority for Supply Commodities reported Tuesday that it has bought 80,000 metric tonnes of Russian wheat. Of the total GASC bought 30,000 tonnes from Egyptian Traders, 25,000 tonnes from Friends Trading, and 25,000 tonnes from Alexandria Grain at \$385.46/tonne.

Iraq Bought 700,000 Tonnes From US For 2007-08

On Tuesday, Iraq confirmed of buying some 700,000 metric tonnes of hard red winter wheat from the U.S. The delivery will take place in the marketing year 2007-08. One Iraq trader said that Iraq has recently bought 50,000 tonnes of Canadian wheat. The Grain Board of Iraq has been issuing a new tender to buy wheat every month. Iraq needs to buy some 3.8 million metric tonnes of hard wheat every year.

India received first shipment of imported wheat

As per the senior govt. official, India has received 51.836 toones of wheat at Mundra port, the first shipment of imported wheat contracted this year but not known where it originated. Govt. has agreed to buy 1.3 million tonnes so far in 2007. India has received the entire quantity of wheat it had ordered. The wheat import programme received wide range of criticisms both within and outside the government. According to the farm ministry, India is likely to produce 74.89 million tonnes of wheat in 2007, up from 69.48 million tonnes last year. The official also said that India is expecting to receive the 1.3 million tonnes by the end of October. According to the Food Corporation of India, India had adequate wheat stocks and hopes to build a buffer of 5.3 million tonnes on April 1 2008.

Punjab Will Replace The Wheat Seed Varieties In Phased Manner: State Agriculture Department

According to the State Agriculture Department, Government of Punjab is planning to bring 33.75 lakh hectares of land under wheat cultivation in the coming rabi season and expects to produce 145 lakh metric tonne of the food grain. Although the area under wheat in coming rabi season will be reduced by one lakh hectares but still government is optimistic to produce 145 lakh tonne of wheat. Last year, the area under wheat stood at 34.67 lakh hectares and production stood around 145.96 lakh metric tonne. Government is also planning for the seed replacement in phased manner to boost production. For the seed replacement, this year would be around 20%, next year would be around 40% and by the third year, there would be 100% replacement of seed varieties. Source: Economic Times

Haryana Targets For 102 lakh Metric Tonne Wheat For Coming Rabi Season

According to Agriculture Department, Haryana is likely to achieve higher wheat yield of 42.50 quintal per hectare with a total production target of 102 lakh metric tonnes for the coming Rabi season. The state achieved maximum wheat productivity last year at 42.32 quintal per hectare after experiencing a decline in previous years. The wheat yield in the state had declined from 41.65 quintal per hectare in 1999-2000 to 38.44 quintal in 2005-06, but suddenly shot up to 42.32 quintal in 2006-07 because of favourable weather conditions. Source: The Hindu

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 601 Million Tonnes

Production is now forecast at 601million tonnes, 11 million tonnes more than last year, but 6 million tonnes down from last month because of fast-deteriorating prospects in Australia. Estimates for the EU, Morocco and South Africa are also reduced but there are increases for Argentina, China, India and Kazakhstan. Total consumption is projected at 612 million tonnes, 2 million tonnes less than last month and only 3 million tonnes more than in 2006/07. Limited supplies and escalating prices reduce feed use to 93 million tonnes, 4 million tonnes less than last year: despite steeply increasing wheat prices and transportation costs, total food use is still forecast to rise by 3 million tonnes to 444 million tonnes. To soften the impact of the high prices, some countries have relaxed import tariffs or increased consumer subsidies. Stocks of wheat in the five major exporters are forecast to tumble by 13 million tonnes to a 34-year low of 25 million tonnes, 4 million tonnes less than last month. Projected US stocks, at less than 9 million tonnes, would be the lowest since 1951/52. World trade is now forecast at 105 million tonnes, 2 million tonnes less than last month. High prices are leading some importing countries such as Iraq and Egypt to draw on their stocks, while in others, such as Nigeria, consumption is being reduced. Forecast exports by Argentina, the US, Russia, Kazakhstan and China are higher than last month but, because of limited supplies, sales by Australia, the EU and Pakistan are lower. First indications are for an increase in wheat plantings for the 2008 harvest as growers respond to record prices. Winter wheat planting conditions in the northern hemisphere is generally favourable and the overall area expansion may be comparable to the 3% (6 million ha.) increase in 2007. However, the extent of sowings will depend on weather conditions and likely returns from other crops.

Source: IGC, 27.09.2007

CBOT Wheat Futures Settled Up

CBOT wheat futures settled mixed Friday. December Wheat finished down 16 cent at \$890.00 per bushel; this was 20 cent to the high and 1.5 up from the low. July Wheat closed up 7.5 cent at \$686.50 per bushel. This was 13.5 up from the low and 1.5 off the high. US wheat futures settled mixed as profit taking and bear spreading pressure nearby contracts. With the news of Australia expecting some rainfall in next week, which is likely to stabilize the crop, yield and the weaknesses in soya crop further added the negative tone. Algeria bought 200,000 tonnes of US wheat for delivery in the 2008/2009 season which supported July

wheat. South Korea bought 46,000 tonnes of US wheat which was seen as routine business. Tightness in world supply and fears that the Australia crop numbers could tighten further due to a lack of widespread rain in the past week helped provide underlying support. Analysts in Australia believe that the crop is likely under 15 million tonnes and might move toward 12 million without rains late in the growing season.

USDA Wheat Weekly Export Sales Up

Net sales of 1,598,100 metric tons were 6 percent over the previous week and 10 percent above the prior 4-week average. Increases reported for Algeria (584,500 MT, including 55,000 MT switched from unknown destinations), unknown destinations (237,100 MT), Mexico (190,900 MT), Nigeria (110,000 MT, including 30,000 MT switched from unknown destinations), Thailand (94,000 MT), Colombia (78,100 MT), and Morocco (77,100 MT, including 74,800 MT switched from unknown destinations), were partially offset by decreases for Italy (9,400 MT). Exports of 1,151,500 MT--a marketing-year high--were 11 percent above the previous week and 20 percent over the prior 4-week average. The primary destinations were Morocco (127,100 MT), Egypt (123,000 MT), Mexico (95,000 MT), Brazil (85,800 MT), Japan (78,900 MT), Algeria (78,300 MT), Nigeria (57,800 MT), and Italy (55,300 MT).

This summary is based on reports from exporters for the period September 21-27, 2007.

Source: USDA

WEATHER WATCH (WEEK ENDING ON 26th September, 2007)

- Southwest monsoon withdrew from most parts of West Rajasthan and some parts of Punjab, Haryana, East Rajasthan and north Arabian Sea on 30th September 2007. It further withdrew from entire Jammu & Kashmir, Himachal Pradesh, Uttarakhand, remaining parts of Punjab, Haryana, Rajasthan, most parts of West Uttar Pradesh & Gujarat, some parts of East Uttar Pradesh & West Madhya Pradesh on 2nd October.
- Withdrawal line passed through Kheri, Kanpur, Lalitpur, Ujjain, Baroda, Porbander, Lat. 22.0°N/ Long. 65.0°E and Lat. 22.0°N/ Long. 60.0°E on 2nd October.
- An upper air cyclonic circulation extending upto mid-tropospheric levels lay over Gangetic West Bengal and neighbourhood on 27th, over Jharkhand and neighbourhood on 28th, over Bihar and neighbourhood on 29th & 30th, over Bihar and adjoining Sub-Himalayan West Bengal on 1st & 2nd October and over northeastern states on 3rd October.
- An upper air cyclonic circulation extending upto mid-tropospheric levels lay over coastal Andhra Pradesh & neighbourhood on 30th September, over West-Central Bay of Bengal off Coastal Andhra Pradesh during 1st - 3rd October.
- An upper air cyclonic circulation in the lower levels lay over North-East Arabian Sea and adjoining Coastal areas of Gujarat and Maharashtra coasts on 27th, over Madhya Maharashtra & neighbourhood on 28th, over Marthawada & neighbourhood on 29th and became less marked on 30th.
- An offshore trough at mean sea level extended from South Gujarat coast to Karnataka coast on 27th and

from Konkan coast to Karnataka coast on 28th & 29th September.

- Last week's upper air cyclonic circulation over West Uttar Pradesh and neighbourhood extending upto mid-tropospheric level persisted over the same region in the lower levels during 27th - 29th and became less marked on 30th.
- Last week's low-pressure area over north Gujarat and adjoining southwest Madhya Pradesh became less marked on 27th. However, the associated upper air cyclonic circulation in the lower levels lay over the same region on 27th and became less marked on 28th.

Rainfall:

Under the influence of the above systems:

- Fairly widespread/ scattered rainfall occurred over Andaman & Nicobar Islands, Konkan & Goa, Coastal Karnataka and Kerala during many days of the week. Isolated/ scattered rainfall occurred over remaining parts of peninsula & Maharashtra and over Gujarat region during many days of the week.
- Fairly widespread/scattered rainfall occurred over Bihar & Jharkhand during many days of the week.

- Fairly widespread/scattered rainfall occurred over Madhya Pradesh, East Uttar Pradesh and Uttarakhand during first half of the week.
- Fairly widespread/ scattered rainfall occurred over Chhattisgarh, Orissa, West Bengal & Sikkim during first half of the week and isolated /scattered during 2nd half of the week.
- Isolated/ scattered rainfall occurred over northeastern states during many days of the week.
- Isolated rainfall occurred over different subdivisions of Northwest India, Rajasthan, Saurashtra & Kutch during first half of the week and weather was mainly dry thereafter.

Outlook for the week ending on 3rd October 2007

- ✓ Southwest monsoon is likely to further withdraw from remaining parts of West Uttar Pradesh & Gujarat, some more parts of Madhya Pradesh and some parts of Maharashtra.
- ✓ Increase in rainfall activity is likely over Coastal Andhra Pradesh, Orissa, West Bengal & Sikkim and northeastern states.

Source: IMD

IGC WORLD WHEAT ESTIMATES (27.09.07)

	2004-05	2005-06	2006-07 Est.	2007-08 (Forecast)	
				23.08	27.09
Production	628	620	590	607	601
Trade	110	109	111	107	105
Consumption	617	624	610	614	612
Stocks	140	136	117	111	107
Year-Year Change	+12	-4	-19	-	-11
5 Major Exporters [#]	58	57	36	29	25

(Million tons)

*Argentina, Australia, Canada, EU, United States

Source: International Grains Council

FOREX (As on 8th October, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.43
1 Euro	55.66
100 Yen	33.66
1 British £	80.44

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