

■ W H E A T

■ Oct. 3, 2007

Domestic Market Recap

During Monday's trade, wheat mostly traded steady to lower on a subdued demand from the consuming units against the slightly increased daily arrivals. But at Rajkot (Gujarat), wheat traded up on good demand ahead of the festive season amidst slightly lower supply of 2500 qtls. In Delhi (Lawrence road) Mill Delivery traded steady at Rs.1008/qty against the arrival of 15000 qtls while Narella loose quoted down at Rs.965-975/qty on a lower offtake against the steady arrival of 3000 qtls. However, in most of the major mandis in north, wheat quoted lower on a subdued demand from the roller flour millers against the steady to slightly increased arrivals. On a subdued demand, Khanna (Punjab) traded down Rs.1005-1010/qty against the previous level Rs.1010-1015 whereas arrival stood steady. The bearish sentiment also further supported by the unloading of wheat by the farmers to give storage to soya crops. In Delhi mandis, different wheat products quoted steady, as Atta (90 kg) Rs.1037, Maida Grade 1 (90kg) Rs.1220, Suji (50kg) Rs.695 and Chokar (50 kg) traded steady 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. Although at present, wheat is trading range bound but 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/qty)		Change	Arrivals (Qtls)
		01.10.07	29.09.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1008	1008	-	15000
Delhi (Narella) Loose	Mill quality	965-975	975-985	-10	3000
Haryana (Palwal) Loose	Mill quality	925	925	-	300
Uttar Pradesh (Mathura) Loose	Mill quality	950	950	-	1300
Uttar Pradesh (Kosi) Loose	Mill quality	926	925-930	-4	300
Haryana (Hodal) Loose	Mill quality	930	935-945	-15	80
Gujarat (Rajkot) Loose	Mill quality	975	970	+5	2500
Rajasthan (Kota)	Mill quality	1045	1045	-	1800
Uttar Pradesh (Kanpur)	Mill quality	1015-1020	1015-1020	-	900
Madhya Pradesh (Indore)	Mill quality	1040-1045	1040-1045	-	2500
Uttar Pradesh (Bareilly)	Mill quality	995-1000	1005	-5	1000

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

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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