

## ■ W H E A T

■ Oct. 10, 2007

**Domestic Market Recap**

During Tuesday's trade, wheat firmed up on good offtake by stockists and locals amid slightly reduced supply from the producing centres. Markets also witnessed good demand from the roller flour millers ahead of the festive and winter season. Wheat traded higher at Rs.1250-1300/qtl in south Indian markets as roller flour millers have raised the price level. In Delhi (Lawrence road) ready delivery firmed up Rs.1020/qtl against the restricted arrival of 8700 qtls. Concerns about tight global wheat supplies and loss of yield potential in Australia, a key wheat exporter further added the bullish sentiment in the domestic market. As per the market sources, ahead of festive and winter season, there is growing demand from the consumers as well as stockists whereas supply was declined. As per the government sources, stockists and suppliers are holding back stocks for the price rise in future. The government is planning to relax wheat flour import duty to stabilise the domestic markets. The duty free wheat flour import will compel the stockists to release their stocks. The official also said that if price rises, stockists will be benefited and not farmers as they do not have any stocks. In Delhi, various wheat products mostly traded steady. However, against a subdued trading activity, wheat traded down at UP (Bareilly) and (Mathura) loose against the arrival of 800 and 1600 qtls. In coming days, against a tight supply (holding back of stocks by stockists and suppliers) on rising demand, wheat may likely trade firm.

**Domestic Spot Market Prices**

Market	Variety	Prices (Rs/qtl)		Change	Arrivals (Qtls)
		09.10.07	08.10.07		
Delhi (Lawrence Road) Ready Delivery	Mill quality	1020	1005	+15	8700
Delhi (Narella) Loose	Mill quality	995-115	965-990	+25	2000
Haryana (Palwal) Loose	Mill quality	940	925	+15	300
Uttar Pradesh (Mathura) Loose	Mill quality	960	961	-1	1600
Uttar Pradesh (Kosi) Loose	Mill quality	960-972	945-950	+22	350
Haryana (Hodal) Loose	Mill quality	-	-	-	0
Gujarat (Rajkot) Loose	Mill quality	980	975	+5	1700
Rajasthan (Kota)	Mill quality	1025-1030	1020-1025	+5	800
Uttar Pradesh (Kanpur)	Mill quality	1025-1030	1020-1030	-	600
Madhya Pradesh (Indore)	Mill quality	1040-1045	1030-1040	+5	900
Uttar Pradesh (Bareilly)	Mill quality	1010-1015	1015-1020	-5	800

**International Futures Quotes (as of October 8, 2007)****CBOT**

Contract Month	Open	High	Low	Settle	Change
December 2007	886.50	889.00	860.00	860.00	-30.00
March 2008	899.50	899.50	872.00	872.00	-30.00
May 2008	832.00	832.00	802.50	802.50	-30.00

**KCBT**

Contract Month	Open	High	Low	Settle	Change
December 2007	895.00	894.50	864.50	864.50	-30.00
March 2008	896.00	895.75	865.75	865.75	-30.00
May 2008	804.00	822.00	803.00	803.00	-30.00

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

CBOT wheat futures settled down Monday. December Wheat finished down 30 cent at \$860.00 per bushel; this was 10 cent to the high and equal to the low. July Wheat closed down 29.25 cent at \$657.25 per bushel. This was .75 up from the low and 19.75 off the high. US wheat futures settled lower on aggressive selling pressure. The downward movement was supported by the weak in metal and crude oil markets along with some rainfall in Australia, which is beneficial for higher yield. Jump in dollar and weaknesses in other commodities supported the bearish sentiment. With the rumours that some export orders may be cancelled and Russia may export more than expected further weakened the wheat futures.

**News Analysis****Russia May Impose Wheat, Barley Export Duty**

Ministry of Trade and Economic Development, Russia submitted a draft decree to the cabinet providing for an increase in the export duty on wheat and barley. Government's concern is the current increase in the rate of inflation, which is threatening to exceed the planned 8% this year as higher agricultural products prices as the main reason. The Ministry cited the reason of increasing demand from the fast-developing economies of China and India, as well as the recent cuts in government subsidies to farmers in the European Union, had contributed to rising prices of agricultural products. To keep prices stable at home was to impose higher export duty on grain. According to officials, the ministry was proposing to impose a 10% wheat export duty and 30% barley export duty in November.

**Australian Wheat Crop Production Around 10 MM Tonnes: GNC.AU**

According to chairman of agribusiness GrainCorp Ltd. (GNC.AU), Australia's arid wheat crop to be harvested by year-end will likely yield a little more than last year's drought-reduced crop. Also very little time left for major improvements. The chairman also said that the new wheat crop could be marginally bigger than the 10 million metric tonnes produced in 2006, which was down about 60% from the 25 million tonnes produced in 2005, which may reduce wheat export quantity.

**Govt. Worries About Holding Back Stocks By Traders and Millers: T Nandakumar**

According to food and public distribution secretary T Nandakumar, govt. is worried about the holding of stocks by millers and wheat flour traders for prices to rise. He said if prices of wheat and wheat flour rise, the Government may intervene by removing the 37% import duty on wheat flour. The earlier proposal to remove the import duty on wheat flour seems to be a move to pressurise such domestic players to release their stocks. He also said government is considering removal of the 37% import duty on wheat flour since it did not make sense to have it while wheat has a zero import duty. In reply, millers claim that they are holding stocks only to meet their existing contractual commitments, as there may be no open sale of wheat by Food Corporation of India (FCI) during the lean season this year. According to millers and traders, given the already falling prices of wheat and holding costs such as interest rates, warehousing charges and shrinkage, the industry has no reason to be holding back stocks. Nandakumar also said that on the issue of floating domestic tenders for the procurement of wheat rather than importing, there have been demands for local procurement of wheat rather than imports. Local procurement would push up domestic prices, which would benefit only the traders who are now holding stocks.

**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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