

Wheat

2nd -8th October, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Demand, Supply and Prices at Important Centres
- International and Domestic News
- International Wheat Prices

Technical Analysis

Commodity: Wheat

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: October (Future)

Candlesticks: The candlestick pattern is indicating weak sentiment for the next trading day. The prices opened below the last day's closing price and settled on lower side.

MACD: The MACD (7-day) is going upwards and remained above its EMA and it is lying in positive territory. Indicating strong sentiment as long-term basis.

Stochastic: The %K-line is going to downward after cutting the %D-line from up, remained in overbought condition. Indicating bearish sentiment.

Relative Strength Index (RSI): The RSI (7-day) (73.86) is in the neutral condition. Indicating bullish sentiment.

Price ROC: 9-day price ROC (+2.808) indicating bearish sentiment.

Moving Averages (MA): The 3-day MA bent slightly to downward but it remains above its 5-day MA. Indicating slight bearish sentiment.

The open interest as well as the volume of trade is gradually decreasing.

The first resistance is seen at 805.00 marks and the second at 812.6 marks. The first support is seen at 795.4 marks and the second at 792.8 marks.



Outlook: All of the indicators are indicating bearish sentiments in wheat futures market except RSI and MACD. The wheat futures are likely to remain bearish for very short-term period. However, the wheat futures are likely to remain strong in long term. Openings of the prices may be on lower side in the coming days.

Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
October	805.00	812.6	795.4	792.8

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

The wheat prices on the wholesale grain market remained very strong amidst increased demand from rolling flourmills and restricted arrival. Traders said that increased demand from rolling flourmills and restricted arrival is mainly attributed to rise in wheat prices. Wheat dara (for mills) quoted higher at Rs 805-807 a quintal at this weekend. The advent of festival season kept pressure on the wheat prices at most of the centre. The wheat prices remained strong throughout this week. It is expected that the prices would be stable in the coming week.

Ahmedabad:

Ahmedabad markets for wheat maintained its strong sentiment throughout this week and traded at the range of Rs.815-817 per quintal at this weekend as compared to last week. The positive factor were mainly strong support from flourmills and good local demand. Less stock in the market is also a positive factor. The market is expecting the price would be increase further in the coming week.

Amritsar:

At the Amritsar market, the wheat prices also hovered around Rs.10-20 per quintal and settled on Rs.725-730 per quintal at this weekend. The leading factor was strong demand, however there was no arrival. The godown stocks were sold in the market. Wheat prices are likely to remain stable in the coming week.

Ludhiana:

The increasing trend for wheat prices is also witnessed in the Ludhiana market in this week over last week amidst good demand from flourmills. The wheat was traded at the range of Rs.785-790 per quintal at this weekend. At the Jagraon market it remained strong at Rs.755-760 per quintal at this weekend.

Maharashtra:

A positive upward ness of prices also noticed in Maharashtra market in this week as compared to last week amidst strong support from flourmills and roller mills around the country, well demand for wheat products and government intervention programme. The wheat was traded at the range of Rs.850-855 per quintal at this weekend, which was higher from Rs. 830-840 per quintal of previous week.

Haryana:

Haryana mandis for wheat was traded on higher side in this week as compared to last week amidst strong demand from flourmills and less arrival and navaratri festival. At the Karnal, Hodal and Palwal market wheat was quoted at Rs 750-752, Rs 720 and Rs 725 per quintal, respectively. At the Hisar market, wheat was offered at a higher range of Rs 760-765 per quintal at this weekend.

Rajasthan:

The wheat prices at the Rajasthan markets remained firm throughout this week as against of last week. At the Khairtal and Alwar market wheat was quoted at Rs 720-725 and Rs 710-715 per quintal, respectively at this weekend due to more demand and less stock. The arrival remained poor. The average arrival in this market was on an around 50-80 gunny bags, according to the traders. At the Kota market

wheat was available at a higher price of Rs 786-788 per quintal at this weekend.

Uttar Pradesh:

Strong demand from flourmills and surrounding areas kept pressure on prices at the UP mandis in this week. In most of the market the prices remained on higher side. At the Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.775-780, Rs.788-790 (mill quality), Rs.792-795 and Rs.770-775 per quintal at this weekend.

Vyada Bazaar:

At the futures market, the wheat futures maintained its uptrend throughout this week. The prices hovered drastically at first few days of this week. The technical correction takes place at the end of the week. The wheat futures at the NCDEX are expected to trade range bound with bearish in very short-term period. However, slight uptrend is likely in the long term. The wheat futures were governed by the factors like government procurement, supply scenario, hoarding of stock and weather concern.

Spot Market Price For Wheat (In Rs./Quintal)

Markets	1.10.05	8.10.05
Delhi (Lawrence Road)	774-775	805-807
Haryana (Dhabwali)	685-690	715-725
Ahmedabad	800-805	815-817
Ludhiana	750-755	785-790
Ludhiana (Jagraon)	735-740	755-760
Rajasthan (Kota)	776-778	786-788
Amritsar	710-715	725-730
Madhya Pradesh (Indore)	793-795	800-810
Uttar Pradesh (Bareilly)	749-751	770-775
Uttar Pradesh (Shahjahanpur)	785-788	805-810
Maharashtra	830-840	850-855

Prices of Wheat Products in This Week in Delhi (in Rs.)

Wheat Products	1.10.05	8.10.05
Atta (90kg)	798	835
Maida Grade 1(90kg)	920	957
Suji (50kg)	539	551
Chokar (50 kg)	280	296
Chokar (35 kg)	184	198
Chakki Atta (90kg)	745	785

CONCLUSION

The wheat market witnessed an upward trend at most of the mandis in this week. The positive factor was strong demand from flourmills due to good demand of wheat products as navaratri is going on. The other main relating factor is MSP for coming rabi wheat crop have been increased by the government. FCI has increased its selling price of wheat in Delhi mandis; therefore it was also a positive factor for price hike up, according to trade sources. At the futures market also the wheat

was maintained its uptrend sentiment. It is expected that the wheat prices would strong in spot as well as futures market as long-term basis likely in this month due to festival season.

INTERNATIONAL AND DOMESTIC NEWS:

Bangladesh Likely to Import Wheat from Hungary

Hungary's WJ Grain likely to deliver 100,000 tonnes of wheat to Bangladesh at \$176.27 per tonne. They said an offer of \$174.38 a tonne from Dhaka-based Bulk Trade International was the lowest among nine bidders but Bangladesh's Food and Disaster Management Ministry ruled it out of order. By the end of October, the wheat will be shipped to Chittagong port, with the cost of the cargo, insurance and freight including stevedoring on the seller's account. It was noticed that Bangladesh imported 2.29 million tonnes of food grain in 2003/2004, including about 800,000 tonnes of rice and the rest in wheat.

Wheat Inspections Remain below Expectations in U.S.

Soybean and wheat export inspections for the week ending September 29 were below pre-report estimates. Wheat came out at 15.659 million bushels, down 12.735 million from the previous week and 15.778 million less than a year ago. Prior to the report, analysts had been expecting 26 million to 30 million bushels. For the marketing year to date, inspections are 325.781 million bushels, compared to 397.295 million a year ago.

U.S. Winter Wheat Crop Planting Improving

The U.S. winter wheat crop was 54% planted as of Oct. 2, up from 39% the previous week and in line with the 53% five-year average. With seedings progressing at a good pace, traders will now concentrate on moisture levels in the southern Plains. Mostly dry conditions were seen in the central and southern Plains wheat areas Tuesday, with scattered light showers developing in central and northern locations by evening. Scattered light showers with locally heavier rain amounts are seen on Wednesday, with dry conditions and below-normal temperatures expected Thursday through Saturday, DTN Meteorlogix said.

Wheat: MSP Hike Up has a Remarkable Impact on Trading

The government's move to announce a modest hike of less than 1.5 per cent in the minimum support prices of rabi crops well ahead of their sowing season, is remarkable for several reasons. But the trading circles feared that Indian wheat would be priced out of the global bazaar. However this is irrelevant because there is no surplus wheat stock to the government. The government's wheat stocks, which were being given to the exporters at concessional prices, have declined and domestic wheat production is not rising in accordance with the growth in demand. The real issue to consider is why the present system of fixing farm prices and open-ended procurement should continue, especially after these commodities have been allowed to be traded in the futures market. The argument that entails that government procurement would lead to a price crash in the post-harvest peak marketing season, to the loss of small farmers who have no holding capacity, does not carry much conviction and demonstrates a lack of understanding of futures trading. Therefore if the government desires to continue the public distribution system to feed the genuinely poor, it can do so by buying stocks from the market or even through futures contracts that will facilitate surprising supplies over the year so that government storage costs are minimised.

Global Wheat News on Wednesday

In addition, news of a larger-than-expected Canadian wheat crop and Egypt buying 55,000 metric tons of U.S. hard red winter wheat instead of soft red contributed to price pressure in Chicago. Statistics Canada reported 2005-06 all-wheat production at 25.55 million tons, up from 24.715 million in the July report and higher than many trade estimates. Export competition is also heating up for U.S. wheat as Argentina is offering wheat at well below U.S. prices. In addition, the Australian harvest will begin in November and more supply will be coming into the world markets.

Wheat Import by India is Not Feasible

It was reported by the Indian Farm Minister that the current wheat stocks are adequate to run government welfare schemes such as the recently launched National Rural Employment Guarantee Program, or NREGP. The government procures wheat and rice from farmers at fixed base prices, which is called Minimum Support Prices (MSP) and sells them to consumers at lower rates. This stock is also used to run special programs like NREGP under which workers are paid part of their wages in the form of grains. Last week, an official of Australia's AWB Ltd. (AWB.AU) reported of the possibility of wheat sales to India reaching 2.0 million metric tons in the current marketing year ending March 31, 2006. According to the agriculture minister, the Indian government is against holding huge stocks of food grains and is now keeping only what is required to meet domestic demand. In June 2002, the government's wheat stocks reached a record high of 41.3 million tons, and since then, have been steadily declining. According to official estimates, the government has around 10 million tons of wheat in its godowns as of Oct. 1, down from 14.2 million tons on the same day last year. Therefore there is no need to import wheat at that time.

USDA: Latest Export Sales Highlights on Wheat

Wheat: According to the latest export sales data of USDA, the net sales of 475,500 metric tons (MT) wheat were 20 percent below the previous week and 33 percent under the prior 4-week average. Major increases were reported for Taiwan (93,600 MT), unknown destinations (76,300 MT), Thailand (46,000 MT), the Philippines (45,700 MT), Spain (36,400 MT), Mexico (33,400 MT), Italy (31,100 MT), Indonesia (25,000 MT), and China (22,700 MT). Exports of 584,300 MT were 4 percent below the week earlier, but 5 percent above the prior 4-week average. The main destinations were the Philippines (109,700 MT), Mexico (70,800 MT), Japan (69,600 MT), China (61,100 MT), Taiwan (58,700 MT), Egypt (57,500 MT), Nigeria (43,200 MT), and Yemen (41,000 MT). (This summary is based on reports from exporters for the period September 23-29, 2005).

IGC WORLD WHEAT ESTIMATES (28.09.05)

(Million tons)

	2002-03	2003-04	2004-05	2005-06 (Forecast)	
				24.08	28.09
Production	566	555	623	610	609
Trade	106	103	106	108	109
Consumption	600	593	613	613	615
Stocks	165	127	138	134	132
Year-Year Change	-34	-38	+11	-3	-5
5 Major Exporters [#]	43	40	52	51	49

[#] Argentina, Australia, Canada, EC, United States

Source: International Grains Council

INTERNATIONAL WHEAT PRICES

Latest Australian wheat board exports cash prices indicative basis quotes over US futures

(US dollar / MT)

Contract	ASW 10%		AH 13%		APH 13%		APH 14%	
	5-Oct	4-Oct	5-Oct	4-Oct	5-Oct	4-Oct	5-Oct	4-Oct
5-Oct	189	187	199	196	203	200	227	224
5-Nov	187	185	199	196	203	200	227	224
5-Dec	172	171	196	193	199	197	224	222
5-Jan	173	174	196	196	200	200	225	224
6-Feb	173	174	196	196	200	200	225	224
6-Mar	166	167	198	199	202	203	226	227

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 5th October, 2005)

Withdrawal of southwest monsoon

Southwest monsoon has withdrawn from the remaining parts of Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana including Delhi, Rajasthan, entire Uttaranchal & Uttar Pradesh, most parts of Madhya Pradesh & Gujarat and some parts of north Chhattisgarh & Bihar. The withdrawal line passes through Raxaul, Motihari, Patna, Daltonganj, Pendra, Seoni, Khandwa, Surat, 20° N/69° E and 20° N/60° E as on 5th.

Meteorological Analysis

Last week's upper air cyclonic circulation over Saurashtra & Kutch extending between 1.5 & 5.8 km a.s.l. persisted upto 1st October. It lay over Saurashtra & Kutch and adjoining southeast Pakistan on 2nd. It became less marked on 3rd.

Under the influence of the last week's upper air cyclonic circulation over north Bay of Bengal, a low pressure area formed over westcentral Bay of Bengal on 29th September. The associated upper air cyclonic circulation extended upto mid-tropospheric levels. It persisted on 30th and lay over northwest and adjoining westcentral Bay of Bengal off Orissa -West Bengal coast on 1st & 2nd October. The system then moved north-northeastwards, became well marked and lay over southern parts of Gangetic West Bengal & neighbourhood on 3rd. It was seen as a low pressure area over Gangetic West Bengal and adjoining Bangladesh on 4th. The system became less marked on 5th. However, the associated upper air cyclonic circulation persisted extending upto 2.1 km a.s.l.

A western disturbance as an upper air system moved across Jammu & Kashmir during 2nd half of the week.

An upper air cyclonic circulation extending in the mid-tropospheric levels was seen over southeast Bay of Bengal on 3rd & 4th. It moved westwards and lay over southwest Bay of Bengal on 5th.

Another upper air cyclonic circulation extending between 1.5 & 3.1 km a.s.l. lay over southeast Arabian Sea and neighbourhood on 4th & 5th.

Rainfall

Under the influence of the above systems, rain/thundershowers occurred at many places with isolated heavy falls over Andaman & Nicobar Islands, northeastern states, West Bengal & Sikkim, coastal areas of Orissa,

Konkan & Goa, Andhra Pradesh and Tamil Nadu & Pondicherry. Light to moderate rainfall also occurred over Madhya Maharashtra, Kerala & Lakshadweep on some days of the week and over East Uttar Pradesh, Bihar, Jharkhand, interior Orissa, Rayalaseema and south Chhattisgarh on one or two days of the week. Weather was mainly dry in the rest regions of the country.

Rainfall During The Week (Week ending on 5th October, 2005)

Rainfall was excess/normal in 8, deficient/scanty in 23 and no rain in 5 out of 36 meteorological sub-divisions (Actual: 17.3 mm, Normal: 28.3 mm and Departure: -39%).

Cumulative Seasonal Rainfall (1st June to 30th September, 2005)

Rainfall was excess/normal in 32 and deficient/scanty in 4 out of 36 meteorological sub-divisions. (Actual: 879.3 mm, Normal: 892.5 mm and Departure: -1%).

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

Outlook For The Week Ending On October 12th, 2005

Moderate rainfall likely over northeastern states with heavy falls over Assam and Sub-Himalayan West Bengal & Sikkim during 1st half of the week.

Scattered light to moderate rainfall likely over south peninsula.

Mainly dry weather likely to prevail over northwest and central India.

Isolated light to moderate rainfall/thundershowers may occur over Western Himalayas towards the end of the week.

FOREX (As on 8th October, 2005):

Foreign Currency	Rs. per unit
1 US \$	44.32
1 Euro	53.95
1 British £	78.63
100 Yen	39.06

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