

Wheat

5th-10th December, 2005

MAJOR ACTIVITY HIGHLIGHTS

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

Technical Analysis

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: December (Future)

The prices remained weak in this week as compared to last week however it recovered slightly at last few days of this weekend. The prices opened firm but selling pressure pulled down the prices and settled on lower side Saturday. The most of the indicators are indicating to bearish trend however, stochastic indicator is indicating bullish. The open interest as well as the volume of trade is increasing.

Outlook: The wheat futures are likely to remain slight bearish in the next two to three days, steady as medium term.

Advice: Go for short position as price decline. One should wait for clear signal before taking long position.



Support and Resistance Levels:

The current resistance levels are at 817 and 819 marks and support levels are at 812 and 809 marks as very short term likely Monday.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December	812	809	817	819

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

The wheat prices recovered in this week and remained steady as compared to last week. The prices bounced back and hold its strong sentiment at mid of this week. The FCI had sold wheat to roller mills therefore the prices remained slight weak at first few days of this week. The wheat dara mill quality traded at Rs.884-885 per quintal at this weekend at Lawrence road with average arrival of 4500-5000 bags. According to the traders, the FCI sold the wheat around Rs.840 per quintal to the mills in Delhi. The less arrival also put some pressure on prices. The prices are expected to remain steady in the coming week, according to the traders.

Ahmedabad:

Weak demand for wheat kept the wheat prices on slight lower side in Ahmedabad markets. The wheat was supplying from Rajasthan and M.P. The less stock at the market yards restricted the price movement on lower side abruptly. The dara mill quality wheat was quoted at the range of Rs. 860-862 per quintal as compared to Rs.865-870 per quintal last weekend. Arrivals were around 7000-8000 bags. The prices are expected to remain strong in the coming week, according to the traders.

Amritsar:

Sturdy demand and less stock as well as less arrival helped in maintaining the healthy prices in the Amritsar market. The Rabi wheat sowing is going on in this State. According to the traders, the wheat was traded at the range of Rs.860-862 per quintal at this weekend.

Ludhiana:

The wheat prices improved further in Ludhiana market in this week as compared to last week. The demand remained stable. The local arrival of 4000-5000 quintals of wheat is witnessed at this weekend. The godown stocks were sold in this market. The wheat was traded at the range of Rs 8540-855 per quintal as compared to Rs.835-840 per quintal at last weekend. The crop sowing is going on. At the Jagraon market it remained subdued at Rs 850-855 as compared to Rs.820-825 per quintal at last weekend.

Maharashtra:

The dara wheat variety recovered and remained on strong position in Maharashtra market although the prices remained slight weak at first few days of this weekend and went to Rs.875-880 per quintal, but recovered at this weekend and traded on Rs.890-895 per quintal. The traders are not interested to sell wheat at lower side. The arrival was from M.P. the market is likely to remain steady in the coming week.

Haryana:

The wheat prices remained stable in the Haryana market. The less stock and less arrival are one of the factors for price stable. At the Karnal market wheat was quoted at Rs 837-840 per quintal as compared to Rs 835-837 at last weekend. The wheat was quoted at Rs.835-838 per quintal in Hisar, Rs.825-840/qlt in Palwal.

Rajasthan:

The strong demand from Gujarat and strong spot market demand supported wheat prices strong. At the Khairtal and

Alwar market wheat prices were at Rs.780-785 per quintal and Rs.775 per quintal. At the Kota market wheat was available at a lower price of Rs 819-822 per quintal at this weekend. The sowing progress is almost complete. The arrival remained 50-100 bags at Khairtal market.

Uttar Pradesh:

U.P mandis showed slight weak undertone in this week as compared to last week as demand remained slight weak due to selling pressure remained strong. The sowing progress is going well. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was traded at the range of Rs.840-842 on lower side, Rs.865-867 (mill quality) on stable and Rs.846-848 per quintal on lower side at this weekend.

Vyada Bazaar:

At the futures market, the wheat prices remained down in this week as compared to last week. In this week, the prices remained weak at first few days but later it bounced back and holds its strong sentiment for two days but settled on lower side at this weekend Saturday at the NCDEX. The main governing factors were good sowing progress, releasing stock by the governments and selling pressure at the futures market. Some bearishness came from the report that the wheat sowing area has increased by around 19.3% as compared to the corresponding period of the previous year. The prices are expected to remain bearish in the coming week likely Monday and expected to bounce back on its strong position during mid of the coming week.

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

Markets	3.12.05	10.12.05
Delhi (Lawrence Road)	870-872	884-885
Haryana (Karnal)	835-837	837-840
Ahmedabad	865-870	860-862
Ludhiana	835-840	850-855
Ludhiana (Jagraon)	820-825	850-855
Rajasthan (Kota)	825-827	819-822
Amritsar	850-855	860-862
Uttar Pradesh (Kanpur)	850-855	840-842
Uttar Pradesh (Bareilly)	855-857	846-848
Uttar Pradesh (Shahjahanpur)	865-867	865-867
Maharashtra	885-887	890-895

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

Wheat Products	3.12.05	10.12.05
Atta (90kg)	903	898
Maida Grade 1(90kg)	1014	1003
Suji (50kg)	560	554
Chokar (50 kg)	332	332
Chokar (35 kg)	230	228
Chakki Atta (90kg)	830	900

CONCLUSION

The most of the mandis witnessed strong prices for wheat during last week as compared to last week. The positive factor was less arrival at the market yards. Recently the prices were quite heated up and a little bearish news like increase in sowing area was enough for the market to tumble. We don't see any sharp downward movement further.

INTERNATIONAL AND DOMESTIC NEWS:

Remote Sensing Tech. to Assess Wheat Insurance in India

Remote sensing technology will be used to crop insurance. The Agriculture Insurance Company (AIC) will be using satellite images to capture crop vigor (biomass) and evaluates claim payouts to farmers, which will be used first time in India. Mr Suparas Bhandari, Chairman and Managing Director in Agriculture Insurance Company, the technology will be used for wheat insurance. For this purpose the crop vigor will be projected in terms of Normalized Difference Vegetative Index (NDVI) through remote sensing based satellite images. This will be used as a parameter for deciding indemnity paid to the farmers, according to him. Therefore Risk Management Solutions India and Birla Technology Services has been hired by the Agriculture Insurance Company for processing the satellite images. He also included that wheat insurance product is being launched in six districts viz. Ambala, Karnal and Rohtak in Haryana and Bhatinda, Ferozepur and Kapurthala in Punjab. The cultivation area is around 10 lakh hectares in these districts. Besides NDVI, high temperature in March will also be used as parameter for the claim payout. The maximum payout has been pegged at Rs 10,000/Ha, which includes Rs 5,000 under each of the parameters. The premium will range between Rs 300 and Rs 500/Ha.

Argentina's Wheat Outlook

Argentina's wheat prices went up due to more demand for wheat and there are more ships loading at ports. The most of the demand is coming from Brazil because of the low production there. The wheat production is down in Brazil and remains around 2 million tons from a year ago. Solid demand from local millers is also pushing prices up. As of Saturday farmers had harvested around 14% of the 2005-06 wheat crop in Argentina, according to the Buenos Aires Cereals Exchange. Where as planted area is behind about 1 million hectares from a year ago due to bad weather and low wheat prices during key planting periods. The U.S. Department of Agriculture has pegged Argentina's 2005-06 wheat harvests at 12.1 MMT, compared with 16 MMT a year ago. The USDA expects Brazil to import mainly from Argentina around 5.2 MMT of 2005-06 wheat 2005-06. As of Nov. 25, Argentina had exported 11.085 MMT of 2004-05 wheat, up from 9.11 MMT a year earlier, according to Secretariat data. More than one third of wheat or 4.15 MMT has gone to Brazil.

Overnight U.S. Wheat Export Summary on Monday

Egypt bought 505,000 tonnes of wheat over the weekend with 115,000 tonnes of the total from the US. Taiwan is tendering to buy 82,760 tonnes of US wheat. The weekly export inspections report showed wheat exports at 19.3 million bushels as compared with trade expectations at 16-22 million. Cumulative exports for the marketing year came in at 51.2% of the USDA forecast as compared with 54.5% as the 5-year average for this time of the year. Some light

rain is expected for the southern plains for Tuesday and Wednesday, which might ease the dryness concerns.

Increase in Temperature Likely to Reduce Wheat Yield

Recent study of climate change and its impact on agricultural crop production envisages that the yields of wheat, rice, sorghum and maize would be affected in India. Increase in temperature is likely to reduce the production of wheat and rice, according to the study. In our country, the wheat production is effecting in every year and the production is stagnating from couple of years.

Pakistan Likely to Buy More Wheat to Stabilize Prices

Pakistan is expected to buy more wheat after the government deregulated imports earlier this year. The main aim is to stabilize the domestic wheat prices and prevent a shortage due to rising annual consumption. According to Najib Balagamwala, chief executive of Seatrade Group, a leading private sector importer, the buying orders is expected to total 800,000 metric tons (MT) by the year's end, with orders for about 650,000 MT finalized and rest are in the pipeline. The remaining portion is likely to be placed for shipment during the next two to three months, according to him. In July, the government allowed private dealers to import wheat duty free in order to increase domestic supplies and check prices under control. Balagamwala said wheat imports from Russia this year accounted for around 500,000 tons, while rest of the deals were made with Australia, Canada and the U.S. Pakistan aims to grow 22 MMT of wheat this crop year, slightly higher than the 2004-05 crop year's actual production of 21.6 MMT.

Australian Wheat Production Increasing Every Year

According to trade report, Australian wheat production will continue to grow due to higher Asian demand as personal incomes in the region rise and diets become more Westernized. Productivity growth is also increasing and therefore it support to increase in production. Australia's 2005 crop, harvested mostly in November and December, looks like coming in at around 24 million metric tons (MMT). But in the long term, production could grow to 40 MMT a year or more, believes Peter Reading, managing director of industry-and government-funded Grains Research & Development Corp. Australian wheat production is increasing every year. Annual wheat production was averaged 15.0 MMT in the 1980s; it was 17.4 MMT in the 1990s, and already this decade it has averaged 20.5 MMT, which includes just 10.4 MMT from the drought-affected 2002-03 crop. The biggest crop was 25.7 MMT in 2003-04. The domestic demand is around 5.5 MMT and remaining part is available for export, sometimes earning in excess of Australian \$4.5 billion a year.

India Govt. Likely to Plan Sell Wheat in Open Market

According to sources, India said that it planned to sell about 400,000 metric tons of wheat in the open market before March 2006 to ensure price stability and ample domestic supplies. U.S. wheat traders have been hoping India will need to import grain before March. Therefore the wheat prices are likely to fall in futures market in India.

Global Wheat Outlook on Tuesday

Japan said it would tender for 125,000 tons of wheat on Thursday, including 44,000 tons of U.S. western white and dark northern spring wheat. And Australia's monopoly wheat exporter AWB Ltd. (AWB.AU) Tuesday said that it will export 18.5 million metric tons of wheat in 2005-06, and that it will bid for supply of wheat to Iraq as and when the country floats tenders. AWB's managing director also said the company was planning to increase its exports to China in the current year. The company already sold 2.5 million tons wheat to China last year. AWB is also planning to set trading arms in countries in eastern Europe

and Latin America, the company's director said. Statistics Canada is scheduled to report production on Wednesday, while analysts forecast the U.S. Department of Agriculture would slightly lower its U.S. 2005-06 wheat end stocks Friday to 526 million bushels from last month's 530 million.

Global Wheat Export Summary on Wednesday

In overnight export news, Egypt bought 85,000 metric tons of Russian wheat and no U.S. grain; moreover, there was no confirmation of this week's news that Iraq was buying 200,000 tons of U.S. wheat. In overnight wheat export news, Taiwan bought 83,160 metric tons of U.S. wheat, and Syria canceled a tender to sell 50,000 tons of wheat.

Indian Govt. Likely to Cut Monthly Grain Supplies

The Indian government reported it would consider a cut in monthly grain supplies under its subsidized sales program, according to a senior government official. Each Indian household is now eligible to buy 35 kilograms foodgrains monthly under the program. He also concluded that if the proposal gets through, government's annual wheat requirements would be only 15.6 million tons (MMT) as compared to actual distribution of 18.3 MMT in 2004-05. U.S. wheat exporters have speculated that India will need to import wheat because of low stocks before its crop year-ends on March 31. However, Indian officials have persistently denied the need to import wheat near-term.

Wheat Import Likely If, Govt. Stock Go Down Significantly

It is expecting that India would import about 1 million metric tonnes (MMT) of wheat in the current year if, the procurement and buffer stock level are go down significantly. According to official data, Government wheat stocks on December 5, 2005, prevailed on 7.43 MMT, as against of 10.7 MMT a year ago, and 14.6 MMT two years ago. This is also lower than the buffer stock norm of maintaining 11.0 MMT as on Oct 1 and 8.2 MMT on Jan 1. Therefore the domestic wheat prices are increasing and ordinary milling wheat prevailed at Rs.875-877 per quintal in Delhi spot market, compared with Rs. 780 per quintal a year ago. Consequently various analyses and figures point to the need for wheat imports, but the chairman of the Food Corporation of India (FCI), the government grain procurement and distribution agency, was recently quoted that the chances for wheat import is nil at present. It is witnessed that, whenever government wheat stocks were down to around 2.5 MMT, the government began wheat imports.

Wheat Sowing Area Hits 14.2 million ha

According to a official data, that the wheat sowing area in India touched to 14.2 million hectares, which is up by 19.3% in this year as compared to last year. Therefore it is expected that the wheat production is likely to go up.

Global Wheat Outlook on Thursday

According to a source, Japan bought 45,000 tons of U.S. wheat in an overall tender of 125,000 tons and South Korea said it would buy 22,000 tons of U.S. wheat Friday. In other global wheat news, the E.U. reported offers into 2005-06 E.U. grain intervention climbed 936,995 metric tons for the week ended Dec. 4 to 4.686 million tons. Most of the rise came from an increase in Hungary, where offers climbed by 601,697 tons to 2.133 million tons and Poland where offers rose by 105,864 tons to 640,807 tons. Of the total E.U. intervention amount, wheat climbed 256,161 tons on the week and now accounts for 1.957 million tons or 47% of the total grain.

Wheat: USDA Weekly Export Sales Data

According to latest export sales data of USDA on wheat, the net sales of 451,400 metric tons (MT) were 80 percent above the previous week, but 31 percent under the prior 4-week average. Major increases were reported for Iraq (202,000 MT), the Philippines (80,100 MT), Mexico (55,200 MT), Japan (36,300 MT), Israel (24,200 MT), and Algeria (17,000 MT). Sales of 10,000 MT for 2006/07 deliveries were reported for Cuba. Exports of 490,900 MT were 10 percent below the week earlier, but 9 percent above the prior 4-week average. The main destinations were Iraq (112,000 MT), Mexico (68,400 MT), Israel (54,600 MT), Taiwan (49,900 MT), the Philippines (47,500 MT), and the Dominican Republic (31,300 MT). (This summary is based on reports from exporters for the period November 25 - December 1, 2005)

About 600 MT of Wheat Damaged in FCI Godowns

According to the current report by the Government, during 2004-05, around 600 MT of wheat was damaged and remained unfit for human consumption in Food Corporation of India (FCI) godowns in Punjab as compared to 12000 MT in 2003-04 and 800 MT in 2002-03. The extent of damage of wheat stocks, when compared with total procurement of wheat in the respective years, is around 0.18%, 0.34% and 0.18% respectively. On the number of FCI depots, according to the Minister that as on September 30, 2005, the FCI had a total of 1,451 godowns (owned/hired/covered/CAP) with a total capacity of 247.74 lakh MT. However, in Bihar State, the six godowns are under construction by Central Warehousing Corpn. (CWC)/State Warehousing Corpn. under Seven Years Guarantee Scheme.

World Wheat Production Summary

According to the latest report, the wheat production for Australia remains up 1.5 million to 24 million metric tons (MMT); the production rate is also higher in Canada that is up of 1.3 million to 26.8 MMT; and China, up 1 million to 96 million. The USDA left unchanged its 2005-06 Argentine, Russian and Indian crop production estimates, slightly lowered its European Union estimate to 122.52 million tons from last month's 122.67 million; and slightly raised its FSU-12 estimate to 92.86 million metric tons from last month's 91.56 million.

U.S. Traders Still Eyeing on Wheat Import by India

India said in a mid-year economic review that the present wheat stocks are adequate to fulfill the country's requirements until the next marketing year starting April 2006. U.S. wheat traders are still eyeing on Indian wheat import as they have speculated that India will need to import wheat due to low stocks before its crop year ends March 31.

Argentina: Wheat Harvest Position

Traders also eyed harvest reports from key Southern Hemisphere producers Argentina and Australia. Argentine farmers had collected 22% of the country's 2005-06 wheat harvest by Thursday, down from last year's 35%, the Agriculture secretariat reported Friday. The average yield last week was 2.35 tons per hectare, below the USDA's last forecast of an average yield this season at 2.39 tons/hectare.

USDA: WASDE Report on Wheat

No changes are made to projected U.S. 2005/06 all wheat production; imports, domestic use, and export; leaving ending stocks at 530 million bushels. Relative to last month, Hard Red Winter (HRW) wheat exports are up 5 million bushels, while Durum exports are down 5 million. HRW and Hard Red Spring (HRS) domestic use are lowered 3 and 2 million bushels respectively, but Durum domestic use is up 5 million. Ending

stocks of HRW fall 2 million bushels to 173 million, 20 million less than the previous year. HRS ending stocks rise 2 million to 121 million bushels, but are 38 million less than the previous year. The projected 2005/06-price range is \$3.25 to \$3.50 per bushel, down 5 cents on the upper end from last month, compared with \$3.40 for 2004/05.

WASDE Report on Global Wheat Production

Global wheat production in 2005/06 is up nearly 5 million tons from last month; consumption rises nearly 2 million; exports and imports increase slightly; and ending stocks increase nearly 4 million. Foreign production rises due primarily to larger crops in Australia, Canada, China, Uzbekistan, and Kazakhstan. Projected global imports are up fractionally due to larger imports by Pakistan, Brazil, South Africa, and the Philippines. Imports by China are down 0.5 million tons to just 2 million, well below the previous year's imports of 6.75 million. Forecast exports rise for Australia, Canada, and Brazil but fall for Syria. Consumption is up in a number of countries, with the largest month-to-month increases occurring in Pakistan, Brazil, Australia, Canada, and Uzbekistan. Due mostly to higher ending stocks in Australia, Canada, China, and Kazakhstan, global 2005/06 wheat ending stocks rise to

143.4 million tons, up 3.8 million from last month, but down nearly 7 million from the previous year.

Source: USDA

IGC WORLD WHEAT ESTIMATES (24.11.05)

(Million tons)

	2002-	2003-04	2004-05	2005-06 (Forecast)	
				26.10	23.11
Production	566	555	623	609	611
Trade	106	103	106	109	109
Consumption	600	593	613	616	616
Stocks	165	127	138	130	131
Year-Year Change	-34	-38	+11	-7	-5
5 Major Exporters [#]	43	40	52	46	47

[#] 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%	
	8-Dec	7-Dec	8-Dec	7-Dec	8-Dec	7-Dec	8-Dec	7-Dec
Dec-05	196	200	188	195	192	198	216	223
Jan-06	196	201	189	195	192	199	217	223
Feb-06	196	201	189	195	192	199	217	223
Mar-06	188	192	197	206	201	209	226	234
Apr-06	189	193	203	210	207	214	231	238
May-06	177	183	206	211	210	215	234	240

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 9th December 2005)

ALL INDIA WEATHER FORECAST BULLETIN VALID FOR NEXT 5-DAYS

WEATHER OUTLOOK

• Yesterday's **Cyclonic Storm "FANOOS"** moved in somewhat west-south-westerly direction during the last 48hrs and lay its centre around 10.3 deg N/82.7 deg E over South-west Bay of Bengal about 400 km south-east of Chennai at 7.30 UTC (1300 hrs IST). The estimated central pressure in the storm is about 980 hecta Pascal and maximum sustained wind speed of about 100-110 Km/Hr and is expected to move in a west-south-westerly direction and possibly **make a landfall over south Tamilnadu coast by tomorrow noon**. Under its influence, coastal Tamilnadu and south coastal Andhra Pradesh are likely to receive fairly widespread to widespread rains with isolated heavy to very heavy falls beginning from today. **Strong on-shore winds** of the order 60-70 kmph are likely to be experienced over the coastal **districts of south Andhra Pradesh and Tamilnadu beginning from tomorrow morning**.

• With the FANOOS coming closer to the coast, the zone of fairly widespread to widespread rains with pockets of heavy to very heavy rains are expected to extend to interior regions of Tamilnadu and south Andhra Pradesh. The areas of scattered to fairly widespread rainfall activity is also expected to extend over to Rayalaseema, south interior Karnataka, Kerala, entire coastal Andhra Pradesh as well.

• A **weak western disturbance** lies over north Pakistan and adjoining J & K region. Under its influence isolated to scattered snow/rainfall is expected over upper reaches of J & K and Himachal in coming days. **Gradually, the mid-latitude westerly trough in middle levels is likely to gain strength and extend southwards in coming days.**

ZONE-WISE WEATHER FORECAST FOR NEXT 5-DAYS

NORTH & NORTH NORTH-WEST INDIA [J&K, HP, UTTANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

• A fresh spell of isolated to scattered snow/rain spell is expected over upper reaches of J & K, Himachal and

Uttaranchal initially and possibly could extend to lower reaches as well in coming days.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

- Mainly dry weather may prevail over the region except over Orissa and NE States where some isolated scattered rainfall activity is expected from 9-10 Dec., 2005.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

- Mainly dry weather is expected over the region till 12th Dec. 2005.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

- Coastal Tamilnadu and south coastal Andhra Pradesh are likely to receive fairly widespread to widespread rains with isolated heavy to very heavy falls beginning from today. With cyclone coming closer to the coast, the zone of fairly widespread to widespread rains with pockets of heavy to very heavy rains are expected to extend to interior regions

of Tamilnadu and south Andhra Pradesh. The areas of scattered to fairly widespread rainfall activity is also expected to extend over to Rayalaseema, south interior Karnataka, Kerala, entire coastal Andhra Pradesh as well.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

- Mainly dry weather is expected to prevail over the region.

Source: NCMRWF

FOREX (As on 9th December, 2005):

Foreign Currency	Rs. per unit
1 US \$	46.22
1 Euro	54.56
100 Yen	38.33
1 British £	80.91

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