

Wheat

26th-31st 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: January (Future)

The prices recovered on Monday but the prices has been decreased gradually from Tuesday in this week and settled on mostly lower side. The prices opened firm on Saturday and strong selling pressure pulled down the prices and settled mostly down, which is lifetime low. The most of the indicators are indicating to bearish trend however, Stochastic and RSI is indicating trend reversal. The open interest is steady where as volume is decreasing as compared to last week.

Outlook: The wheat futures are expected to remain slight bearish in the coming days, steady as medium term likely to Tuesday or Wednesday.

Advice: Go for short position.



Support and Resistance Levels:

The current resistance levels are at 795.9 and 791.7 marks and support levels are at 806.3 and 812.5 marks as very short term likely Monday.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January	795.9	791.7	806.3	812.5

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

Delhi market showed positive trend of wheat prices for the first few days of this week and the prices went up to Rs.918-920 per quintal with average daily arrival of 5000-7000 bags. But later the prices fell down due to higher arrival as FCI sold wheat to the traders in Haryana. Therefore the arrival at present is now around 15000-17000 bags in Delhi. The dera wheat prevailed at the range of Rs.905-907 per quintal at this weekend at the Lawrence road. The strong demand is offsetting by the higher arrival. The arrival from U.P. remained weak. The strong demand from flour and roller mills kept the wheat market steady. The market has very less stock. The prices are expected to remain bullish in the coming week, according to the traders.

Ahmedabad:

This market sentiment for wheat remained very strong in this week as compared to last week due to less stock at the market yards. The wheat prices are gradually increasing in this market. Strong demand and less stock for wheat pushed up the wheat prices further in this week. The wheat was supplying from Rajasthan and M.P. The dera mill quality wheat was quoted at the range of Rs. 930-935 per quintal as compared to Rs.915-920 per quintal of last weekend. The prices are expected to remain stable in the coming week, according to the traders.

Amritsar:

Amritsar market recovered in this week and traded on higher side in Amritsar market. There was no stock in this market. The wheat prices increased from Rs.850-860 to Rs.865-870 per quintal at this weekend. The Rabi wheat sowing is going well in this State. The new crop is likely to hit in April. The godown stocks were sold in this market. The market is expected to remain bullish in the coming week.

Ludhiana:

Ludhiana market witnessed positive under tone in this week over last week. The demand remained strong and arrival also remained weak. FCI sold wheat in this week but demand from other States kept the prices strong. The dera wheat traded at the range of Rs 855-860 per quintal as compared to Rs.840-850 per quintal of last weekend. The crop sowing is going on. At the Jagraon market wheat prices remained strong at Rs.830-835 as compared to Rs.855-860 per quintal at last weekend.

Maharashtra:

The dera wheat variety gradually increased in this market due to good demand and less arrival from M.P. The prices increased from Rs.885-890 per quintal to Rs.905-910/ql. The stockists are releasing their stocks. But the quality was not so good, according to the traders. The arrival from M.P. remained weak due to higher price in M.P. The sowing progress is proceeding well in this state. Good weather is supportive factor for superior production. The market is likely to remain steady in the coming week.

Haryana:

The wheat prices remained strong at most of the mandis in this week as compared to last week due to strong demand from Delhi and other states and also domestic demand. FCI sold around 1-lakh bags of wheat to the traders in this State

at Rs.825 per quintal. But good demand from Delhi and other States kept prices hot. At the Karnal market wheat was quoted at Rs 860-865 per quintal as compared to Rs 851-855 at last weekend. The wheat was quoted at Rs.875-880 per quintal in Hisar, Rs.810-850/ql in Palwal.

Rajasthan:

The strong demand from Gujarat and strong spot market demand is continuing to push up the prices. Therefore the prices improved from Rs.840-843 to Rs.863-865 per quintal in Kota market. At the Khairtal and Alwar market wheat prices were at Rs.810-815 per quintal and Rs.805-810 per quintal on mostly higher side. The sowing progress is completed. The arrival remained very less at Khairtal market.

Uttar Pradesh:

Strong demand from Delhi and other states and also domestic demand pushed up the wheat prices in U.P. mandis. The market had very less stock. Therefore the prices went up in this week as compared to last week. The sowing progress is progressing well and good weather is also a supportive factor. Therefore the market is expecting that the production will go up. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was quoted at the range of Rs.895-898 on higher side, Rs.910-915 (mill quality) on mostly strong and Rs.880-885 per quintal on stable side at this weekend.

Madhya Pradesh:

The market sentiment for wheat remained very hot at Indore and Satna market in Madhya Pradesh. At Satna mandis, the very poor stock of wheat pushed up the prices to higher level at Rs.870-875 as bilty price for dera wheat, according to trade sources. The dera wheat mill quality at Indore mandis remained very hot at Rs.900-930 per quintal with average arrival of 6000-7000 bags, said an Indore based trader. The wheat is supplying from this mandis to Maharashtra, South India and other States. However the freight rate has increased therefore the loading is now stable, according to trade sources. The prices are likely to go up further. According to the traders, the stock in the Satna is likely to finish. If FCI does not sell wheat in this market then the prices is likely to go beyond the prevailing range, according to the traders. The sowing area is lagging behind from previous year, but the prevailing weather is supporting the sowing progress.

Vyada Bazaar:

The disparity between wheat's futures markets and spot has been increasing from several days. Currently, the spot prices are far above the futures prices. At the futures market, the wheat prices remained strong on Monday but later it declined and settled mostly down on Saturday. The futures market does not support the physically and technically. 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 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 remain steady position during mid of the coming week.

CONCLUSION

The most of the mandis maintained strong sentiment for wheat prices during this week as compared to last week. FCI sold wheat in Haryana and therefore the prices decreased in Delhi

but the overall sentiment remained hot. 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.

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

Markets	24.12.05	31.12.05
Delhi (Lawrence Road)	908-910	905-907
Haryana (Karnal)	851-855	860-865
Ahmedabad	915-920	930-935
Ludhiana	840-850	855-860
Ludhiana (Jagraon)	830-835	855-860
Rajasthan (Kota)	840-843	863-865
Amritsar	850-860	865-870
Uttar Pradesh (Kanpur)	890-892	895-898
Uttar Pradesh (Bareilly)	882-885	880-885
Uttar Pradesh (Shahjahanpur)	895-897	910-915
Maharashtra	885-890	905-910
Madhya Pradesh (Satna)	850-860	870-875
Madhya Pradesh (Indore)	-	900-930

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

Wheat Products	24.12.05	31.12.05
Atta (90kg)	918	936
Maida Grade 1(90kg)	1015	1026
Suji (50kg)	560	566
Chokar (50 kg)	354	353
Chokar (35 kg)	245	243
Chakki Atta (90kg)	865-870	885

RABI WHEAT CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (19.12.05)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
263	207.09	192.11	+14.98	Ass (-0.6, -82.1), Bih (-1.1, -7.9), Guj (+2.2, +47.4), Har (-0.3, -1.4), HP(-0.8, -27.7), Kar (-0.5, -21.5), MP(-0.7, -2.2), Maha (+2.0, +34.8), Raj(+3.5, +30.7), UP(+11.4, +19.8)

Source: Department of Agriculture, Government of India

INTERNATIONAL AND DOMESTIC NEWS:

Wheat Sowing Area Seems to be in Full Swing

According to the latest data of Ministry of Agriculture, the Rabi wheat sowing acreage is increasing day by day and it seems to be in full swing and sowing area is up by 14.98 lakh hectares (lh) compared with the corresponding period last year. Acreage is increasing in Gujarat (2.2 lh), Maharashtra (2 lh), Rajasthan (3.5 lh) and Uttar Pradesh (11.4 lh). The coverage is lagged behind in Assam, Haryana, Karnataka, Himachal Pradesh and Assam as compared to corresponding period last year.

Pakistan: LCCI Urged to Remove Duty on Wheat Flour Export

The Lahore Chamber of Commerce & Industry (LCCI) has demanded the Central Board of Revenue (CBR) to remove the 15% duty on the export of wheat flour to Afghanistan. President Mian Shafqat Ali of LCCI stated that the regulatory duty on the export of wheat flour to Afghanistan was imposed when there was a scarcity of the commodity in the country. He also concluded that when there was no deficiency in stock of wheat in the country, there was no reason to impose the duty as owing to this duty Pakistan was fast losing the traditional Afghanistan market to Tajikistan and Uzbekistan. LCCI said that the government was not likely to generate much revenue against this duty, and it was creating problems for the flour milling industry, which already had surplus wheat.

Global Wheat Outlook on Tuesday

In global wheat news, a U.S. Department of Agriculture attaché report posted on the Foreign Agricultural Service Web site estimated Australia's 2005-06 wheat crops at 23.9 million metric tons. Agricultural analysts in Australia recent lifted their estimates closer to 25 million tons. Ukraine said it would buy 100,000 tons of intervention milling wheat for its state reserves before Dec. 29, while Indian wheat seedings remained ahead of last year's pace.

Argentina: Wheat Production Likely to Down

The wheat harvest is progressing well in Argentina. The farmers in Argentina had harvested 49.2% of the 2005-06 wheat crops by Saturday, down 3% from last year's pace, according to the Buenos Aires Cereals Exchange. The exchange's number fluctuated from Friday's Argentine agriculture secretariat report that farmers had harvested 58% of the crop by Thursday, down from the previous year's 61%. The exchange said Monday the average yield last week was 2.56 tons per hectare, remained down from 2.67 tons a week earlier. If the Exchange's forecast holds, it would put production down 30% from a year ago, when farmers produced a record 16.345 million tons. Dry weather and low wheat prices led farmers to plant less wheat this year.

Ukraine Exported around 4 MMT of Wheat

According to customs data, Ukraine exported around 3.42 million tonnes (MMT) of wheat from July to end of November 2005. According to APK-Inform estimates, over 0.5 million tonnes of wheat more have been added up over the past portion of December. Consequently, the export of the 2005 crop wheat has touched nearly 4 MMT. According to APK-Inform forecast, Ukraine likely to export around 5.5 MMT of wheat in the whole of the season. According to official statistics, Ukraine exported 4.375 MMT of wheat previous year.

Wheat Export Remains Up in Russia

The Russian agrarian market institute, or IKAR, reported Russia was expected to export 12.4 million metric tons (MMT) of grain this year, as against of 9.1 MMT in the 2004-2005 marketing year. The 2005-2006 exports will include 10.5 MMT of wheat and 1.5 MMT of barley. The wheat export situation in Russia remains up to totaled 6.9 MMT, which is up from last year's 4.5 million tons.

South America: Wheat Outlook

In South America, Argentina exported 2.075 MMT of 2005-06 wheat as of Dec. 23, remained down from 2.225 MMT of last year, according to the Agriculture Secretariat. Brazil's top wheat-producing state has decreased its projection of its wheat crop by almost 12.5% owing to heavy rains during the harvest.

Foodgrain Production Likely to be Up in India

It is expected that the kharif (harvested in winter) foodgrains production would be higher in India with overall yield estimated to be 105.25 million tonnes (MMT), about 1.87% over the 103.32 MMT kharif yield last year, according to sources. Whereas the first advance estimates have placed the overall kharif foodgrains production for 2005-06 at 105.25 MMT, the rice production at 73.83 MMT is also above the production level of 71.67 MMT achieved last year, according to agriculture ministry. The good rainfall during the southwest monsoon (June-Sept) has resulted in reasonably good scenario for foodgrains and commercial crops production. The sowing of the Rabi crop (harvested in summer) is also going well. As indicated by the latest reports of the ministry's Crop Weather Watch Group, the total coverage of Rabi coarse cereals has touched 6.75 million hectares. In case of wheat, there has been nearly 15% rise in the area sown till Dec 19 when 20.71 million hectares had been covered as against 19.21 million tonnes in the corresponding period last year.

Wheat Plantings Jumped by 1.06 Million Acres in U.S.

In U.S., both hard and soft red winter wheat sowing are likely to soar sharply by 1.06 million acres to 31 million and 1.3 million to 7.45 million, respectively, with this year's seeding conditions in the central and eastern U.S. much improved, according to a source. On the contrary, white wheat's area is anticipated to be up slightly 100,000 acres to 4.35 million due to marginally better soil conditions in the Pacific Northwest.

China Likely to Face a Shortage of Grains

China's total grain production for 2005 was anticipated to reach a record 484 million metric tons (MMT), which is up 3% from last year, because of rising yields. The country's wheat crop totaled 97.5 MMT, up from the USDA's forecast of 96 MMT. According to Agriculture Minister Du Qinglin, this is not sufficient to meet the domestic demand of grains and therefore China will likely face a shortage of grains next year. A sharp reduction in Chinese purchases of U.S. soft red winter wheat this year, following good purchases last year, has helped depress export sales and CBOT SRW wheat prices.

Disparity between Wheat Spot & Futures Continuing

The disparity between spot and futures markets of wheat is continuing the trend and the gap is widening. At present the gap is around Rs.90-100 per quintal. Most players were not capable to distinguish the market pulse. This has been the trend for the last one month. In the spot market the prices are still increasing due to paucity of arrival and shrinking in government stocks, whereas the situation is just opposite

in futures market where the prices are gradually decreasing. The futures are following the premiums that delivery centres (for the futures like Khanna, Karnal and Kota) holding. For instance, in case of ex-Khanna (in Punjab) delivery, prices are at a premium of Rs.43 per quintal than the market rates. It is witnessed that some players took NCDEX December wheat delivery at a high rate of more than Rs.970 per quintal, following the premiums, when the spot market price was about Rs.890-900 per quintal. According to various analysts, this disparity will continue until the new crop will hit the market.

Argentina: Wheat Harvesting Down

The wheat harvesting position remained below that of last year in Argentina. According to the Argentine Agriculture Secretariat, Argentine farmers had harvested 71% of their crop by Thursday, below last year's rate of 81% collected. The average yield last week went down to 2.56 tons per hectare from 2.67 a week earlier, the Buenos Aires Cereals Exchange reported earlier this week. The exchange forecasts Argentine farmers will produce 11.4 million metric tons of wheat in 2005-06, down 47% from last year's record 16.345 MMT. The USDA forecast Argentina's average yield this season at 2.39 tons/hectare and sees final output totaling 12.1 MMT.

Wheat: USDA Weekly Export Sales Highlights

According to latest report of USDA export sales highlights on wheat; the net sales of 356,500 metric tons (MT) were 32 percent below the previous week and 26 percent under the prior 4-week average. Increases for Japan (82,600 MT), Nigeria (69,200 MT, including 30,000 MT switched from unknown destinations), Colombia (42,100 MT, including 13,000 MT switched from unknown destinations), Chile (41,300 MT), Peru (36,100 MT), Venezuela (24,800 MT), and Panama (23,300 MT) were partially offset by decreases for unknown destinations (43,500 MT). Exports of 638,600 MT were 50 percent over the week earlier and 19 percent above the prior 4-week average. The main destinations were Iraq (102,000 MT), Italy (76,500 MT), Mexico (70,200 MT), Yemen (59,300 MT), Taiwan (47,800 MT), Nigeria (47,300 MT), Venezuela (46,800 MT), Chile (41,300 MT), Peru (36,100 MT), China (33,100 MT), and Cuba (27,500 MT). (This summary is based on reports from exporters for the period December 16-22, 2005.)

IGC WORLD WHEAT ESTIMATES (24.11.05)

(Million tons)

	2002-03	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%	
	22-Dec	21-Dec	22-Dec	21-Dec	22-Dec	21-Dec	22-Dec	21-Dec
Dec-05	184	188	187	187	191	191	215	215
Jan-06	184	188	187	187	191	191	215	215
Feb-06	184	188	187	187	191	191	215	215
Mar-06	174	179	194	196	197	199	222	224
Apr-06	183	183	204	204	208	208	232	232
May-06	172	174	208	207	211	211	236	235

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 30th December 2005)

ALL INDIA WEATHER FORECAST BULLETIN VALID FOR NEXT 5-DAYS

WEATHER OUTLOOK

A western disturbance of moderate intensity lies over Pakistan. The system is moving in eastward direction and may start affecting NW India from tomorrow onwards. Under its influence, scattered to fairly wide spread rain/snowfall is likely over the hilly region of NW India viz. J&K, Himachal Pradesh and Uttranchal and scattered rainfall over the plains of NW India viz., Punjab, Haryana (including Chandigarh & Delhi), north Rajasthan and Uttar Pradesh during 31 December, 2005 -2 January, 2006. There is also chance of occurrence of moderate to heavy amounts of snowfall in certain pockets in the hilly region during this period.

Due to increase in moisture level and fall in night temperatures, there is a good chance of recurrence of fog activity over plains of NW India beginning from 3 January 2006. The isolated rainfall activity is likely to occur over Andaman & Nicobar Islands and Tamilnadu, Kerala and Lakshdweep during next 24-48 hours.

ZONE-WISE WEATHER FORECAST FOR NEXT 5-DAYS

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

Scattered to fairly wide spread rain/snowfall is likely over the hilly region of NW India viz. J&K, Himachal Pradesh and Uttranchal and scattered rainfall over the plains of NW India viz., Punjab, Haryana (including Chandigarh & Delhi), north Rajasthan and Uttar Pradesh during 31 December, 2005 -2 January, 2006. There is also chance of

occurrence of moderate to heavy amounts of snowfall in certain pockets in the hilly region during this period.

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

- Mainly dry weather may prevail over the region except over East Uttar Pradesh where isolated rains are expected on 2 and 3 January, 2006..

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

- Region is likely to experience mainly dry weather condition.

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

- Isolated to scattered rainfall are likely over Andaman & Nicobar Islands, Tamilnadu, Kerala and Lakshdweep during next 24-48 hours. Mainly dry weather may prevail of rest areas of the region.

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

- Mainly dry weather is expected to prevail over the region except over North Rajasthan where isolated to scattered rains are likely on 31 December and 1 January 2006.

Source: NCMRWF

FOREX (As on 31st December, 2005):

Foreign Currency	Rs. per unit
1 US \$	44.95
1 Euro	53.22
100 Yen	38.19
1 British £	77.32

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