

Wheat

23rd –28th January, 2006

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)

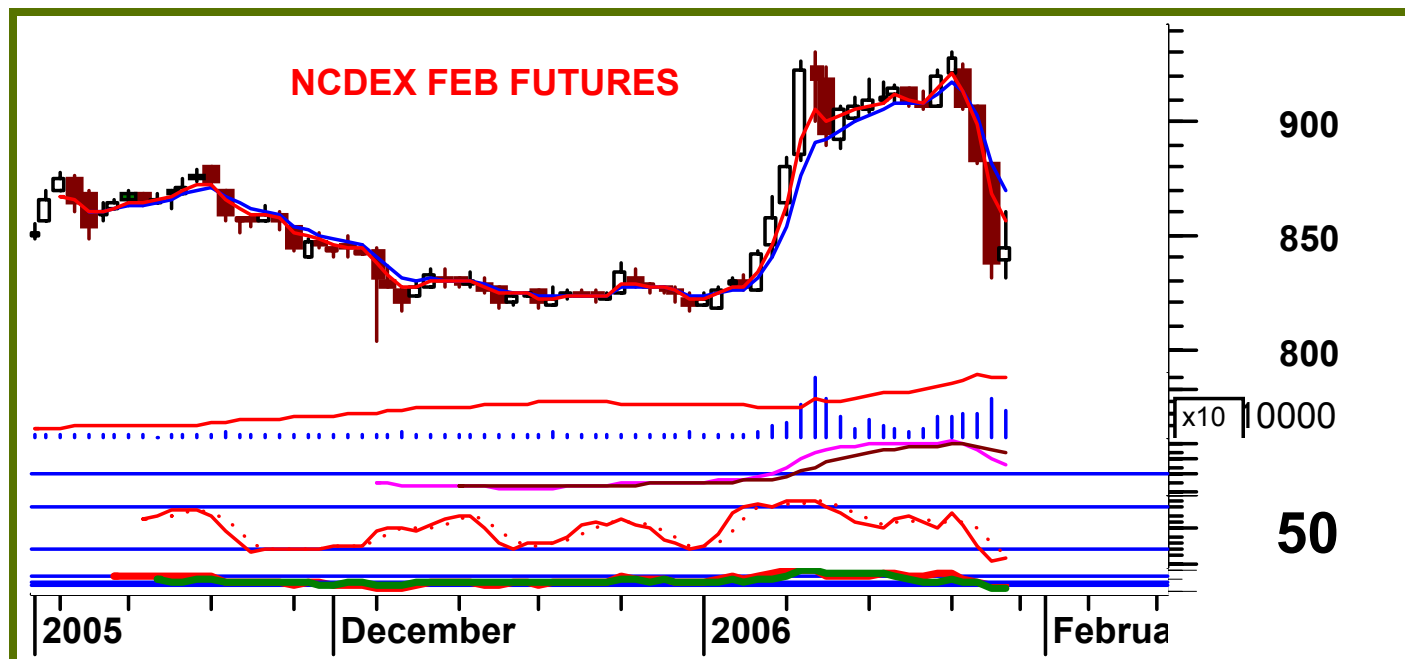
Contract: February (Future)

Wheat Futures at the NCDEX showed a downward trend in this week but improved slightly amidst technical buying support on Saturday. Government declared to release additional 1.5 lakh MT of wheat in the open market at the rate of Rs. 844/Qtl. The difference between futures market and spot market is likely to continue till end of February. The February contract opened at Rs.838.60 and increased slightly and settled mostly at Rs.844.80 Saturday. February contract traded at the range of Rs.860.80-831.00 today. The all of the

indicators are hinting bearish sentiment of wheat prices. Open interest as well as volume is increasing.

Outlook: The wheat futures are expected to remain bearish in the coming days except for short rise but the market is too risky to take position.

Advice: Go short with caution. Make profit by selling April contract.



Support and Resistance Levels:

The current resistance levels are at 891.8 and 900.3 marks and support levels are at 869.5 and 863.7 marks as very short term.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	830.36	815.73	860.06	875.33

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

The market sentiment for wheat remained mostly down in this week as compared to last week. FCI has sold additional wheat at the open market to the flourmills therefore the prices decreased abruptly by Rs.120-125 per quintal in this market. The daily average arrival is witnessed around 7000-9000 bags on Saturday. The wheat is coming from Haryana, U.P. and M.P. The arrival from M.P. remained pronounced. The demand remained weak in this week. The prices are expected to remain steady in the coming week, according to the traders.

Ahmedabad:

In this week, the wheat prices decreased many folds in this market due to government policy. Due to selling pressure from FCI pulled down the prices to Rs.885-890 per quintal at this weekend. The prices are expected to remain slight bullish in the coming week, according to the traders.

Amritsar:

Amritsar market remained weak in this week as compared to last week due to less demand from mills. There was very less stock in this market. The wheat prices decreased from Rs. 980-985 to Rs.950 per quintal at this weekend. The new crop is likely to hit in April. The godown stocks were sold in this market. The market is expected to remain steady in the coming week.

Ludhiana:

The wheat prices are witnessed slight strong as compared to previous week. At the Jagraon market wheat prices remained strong at Rs.950-955 as compared to Rs.945-950 per quintal at last weekend.

Maharashtra:

The dara wheat variety remained weak in this market in this week due to weak demand and government policy. The prices decreased from Rs. 1015-1020 per quintal to Rs.910-915 /qtl. The arrival from M.P. remained stable due to lower price in M.P. Good weather is supportive factor for superior production. The market is likely to remain steady in the coming week.

Haryana:

The most of the mandis showed a down ward trend in this week due to FCI's selling. The wheat prices remained slight weak at most of the mandis in this week as compared to last week. At the Karnal market wheat was quoted at Rs 855-860 per quintal as compared to Rs 950-955 at last weekend.

Rajasthan:

In Kota market the prices decreased to Rs.855-860 per quintal on Saturday. At Khairtal and Alwar market it prevailed at Rs.900-910 and Rs.900-910 per quintal. The weak demand from Ahmedabad and other States kept pressure on the prices. The arrival remained very less at Khairtal market.

Uttar Pradesh:

The market has decreased in Uttar Pradesh mandis due to FCI sold of wheat in this market. The demand from Delhi and other states and also domestic demand remained weak in U.P. mandis in this week. The market had very less stock. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was quoted at the range of Rs.880-885 on mostly lower side, Rs.945-950 (mill quality) on lower side and Rs.880-890 per quintal on mostly lower side at this Saturday.

Madhya Pradesh:

The market sentiment for wheat remained weak in M.P. market due to weak buying pressure from Maharashtra, Delhi, and Gujarat market. The dara wheat mill quality at Indore mandis remained weak at Rs.870-880 per quintal with average arrival of 10-15 trucks, said an Indore based trader. The prices are likely to go up further in the coming week. According to the traders, the stock in the Satna is likely to finish.

Vyada Bazaar:

The discrepancy between wheat's futures markets and spot is still remaining. Currently, the spot prices are far above the futures prices. At the futures market, the wheat prices recovered the gap but the prices are lagging behind from the spot market. The main governing factor was government intervention programme, no import situation and good spot market prices etc. The prices are expected to remain slight firm in the coming week likely Monday and expected to remain slight bullish position during mid of the coming week.

CONCLUSION

The most of the mandis showed a mostly downward trend in this week as compared to last week. The downslide in wheat prices continued unabated in the wholesale grains market after government decided to offload wheat in the open market by a week ahead for February month and lost further ground. Traders said government's decision to offload wheat in the open market by a week ahead for the month of February has brought down the price level to considerable extent. They said reduced demand from rolling flour mills too helped prices to move down. The prices are likely to stable in the coming week for three to four days and likely to go up further. Prices of wheat in India's open market have jumped in recent weeks on tight supplies and fears of a shortage.

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

Wheat Products	21.01.06	28.01.06
Atta (90kg)	1020	1001
Maida Grade 1(90kg)	1149	1149
Suji (50kg)	634	634
Chokar (50 kg)	355	340
Chokar (35 kg)	239	226
Chakki Atta (90kg)	975	905-910

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

Markets	21.01.06	28.01.06
Delhi (Lawrence Road)	1020-1022	900
Haryana (Karnal)	950-955	855-860
Punjab (Khanna)	970-975	965-970
Ahmedabad	980-985	885-890
Ludhiana	955-960	960-970
Ludhiana (Jagraon)	945-950	950-955
Rajasthan (Kota)	970-977	855-860
Amritsar	980-985	950
Uttar Pradesh (Kanpur)	977-980	880-885
Uttar Pradesh (Bareilly)	980-983	888-890
Uttar Pradesh (Shahjahanpur)	1000-1005	945-950
Maharashtra (Jalgaon)	1000-1005	910-915
Madhya Pradesh (Satna)	925-930	825
Madhya Pradesh (Indore)	980-990	870

RABI WHEAT CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (23.01.06)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
263	261.45	259.98	+1.47	Ass (-0.6, -52.4), Bih (+0.6, +2.6), Guj (+1.6, +20.5), MP(-6.8, -16.3), Maha (+2.7, +38.6), Pun (+0.8, +2.4), Raj(+1.3, +6.9), UP(+0.3, +0.4), Uttaran (+0.4, +12.0), WB(+1.0, +28.6)

Source: Department of Agriculture, Government of India

INTERNATIONAL AND DOMESTIC NEWS:

FCI: Adequate Wheat Stock Under PDS

The Food Corporation of India (FCI) reported that the wheat and wheat products prices were increasing due to non-release of wheat stocks by it. But the common people are now in problem. According to FCI General Manager, FCI had released wheat in Punjab, Haryana, Delhi, Maharashtra and Chandigarh for distribution under PDS and he included that FCI has no shortages of stock. He also included that the FCI is holding enough stocks to offset the demands of PDS as well as different welfare schemes of the Central Government. However an allocation of 80,000 and 60,000 quintals of wheat has been given for Punjab and Haryana, respectively for open sale to check the

increasing trend of prices. In Chandigarh, 20,000 quintals of wheat has been allotted for January for release to flour mills.

Gujarat: Wheat Crop Likely to Hit in Mid-February

In Gujarat, it is expected that the new wheat crop arrival in Saurashtra and Kutch region would be late by a several days this year, according to trade sources. Trade sources reported that normal arrival of wheat crop in the Saurashtra markets by the end of January. The new wheat crop will start hitting in Junagadh and Amreli markets in the mid-February. In the month of March, the wheat crop arrival would be full-scale. Traditionally, wheat crop arrival is in full swing soon after Holi. Therefore by that time, the wheat prices also get stabilized. The wheat varieties "Soneri Tukda" and "Safed Tukda" of Saurashtra are in great demand in the neighbouring state of Maharashtra, as well as in southern states.

Wheat Prices Restricted amidst FCI's Selling

According to the Government, the increasing trend of wheat prices is arresting hopefully due to release of about 1.2 lakh tonnes of wheat every month for the next four months in the open market. Wheat traders reported that the prices are likely to touch Rs.1500 per quintal if the current situation continues. But the prices has been restricted since several days due to the food ministry has ordered immediate offloading of wheat to the tune of 1.2 lakh tonnes a month till April. Food and Agriculture Minister Sharad Pawar, has also reported that in spite of wheat stocks being slightly lower than the buffer norms, the situation will be handled by releasing wheat in the open market. Flurry

Wheat Outlook for China & Argentina

According to the China's General Administration of Customs, the country's 2005 wheat imports down by 3.54 million tons, decreased by 51.2% on year. In other global news, the Buenos Aires Cereals Exchange forecast Argentine farmers would harvest 11.8 million tons of wheat during the 2005-06 wheat-marketing year, which was up 200,000 tons from the previous forecast. Farmers had harvested 96% of the 2005-06 wheat by Jan. 19, the Agriculture Secretariat reported Monday.

Wheat Acreage Touched to 26.1 Million Ha in India

According to the Ministry of Agriculture, the wheat acreage has covered 26.1 million hectares in the Nov. 1-Jan. 23 periods as against of 25.9 million hectares in the year-earlier period. The Indian wheat crop is tentatively forecast at 74-76 million tons, with sources continuing to closely follow northern India rainfall.

FCI Likely to Sell Additional Wheat in Ludhiana

Wheat flour prices have been rising since several weeks due to higher price of wheat in all over the country. In Ludhiana, the wheat flour has increased from Rs.10 to Rs.12 per kg. According to the traders, the prices of bread are likely to increase by 10% all over the country. According to Ramesh Maggoo, vice-president of All India Bread Manufacturers Association, the bread prices has already been increased in Mumbai. The FCI has declared that it will release wheat directly to the flour millers today onwards to check prices. It is anticipated that this extra release will be able to meet with the increased demand for flour, and offset the price hike. However, bread manufacturers reported that the price of refined flour (maida), the main ingredient of bread, has soared from Rs.520 to Rs.660 for a 50 kg bag in the last fortnight. Manufacturers claim that they have no choice because the wheat prices are to strong therefore the bread prices are increasing. Maggoo

specified that if the release of wheat from FCI does not help the market much, the increase in prices could be increased to 20%.

Wheat Crop Likely to Harm as Shortage of Urea

Wheat crop is likely to damage due to paucity of fertilizer basically urea. The Union Agriculture Ministry on Monday wanted a report from the Department of Chemicals and Fertilizers about the shortage and delayed availability of fertilizers for the ongoing Rabi wheat season. The wheat sowing area has increased in this year therefore the demand for urea had gone up. The demand could not be met by the fertilizer agencies. Farmers in Amritsar, Gurdaspur, Kapurthala and Hoshiarpur and in parts of Haryana and western Uttar Pradesh have reported shortage of urea.

Global Wheat Outlook on Tuesday

Overnight U.S. wheat export sales were quiet on Tuesday while Japan tendered for 121,000 tons of wheat for March 15-April 15 shipment, including 80,000 tons of U.S. wheat. In global wheat news, the International Grains Council Tuesday forecast a slight decline in global ending stocks during the 2006-07 marketing year due to a decline in northern hemisphere sowings mostly in Russia and Ukraine. But overall growing conditions for the winter crops have been favorable, the IGC indicated. Moreover, a reduction in production will likely be partly matched by a decline in feed use, the IGC said.

Wheat Flourmills Facing Serious Losses in Punjab

Roller flourmills in Chandigarh are going to a critical path due to paucity of wheat supply in the market. There are seven mills and fifty Chakkis in the union territory of Chandigarh, and all of them depend on FCI (Food Corporation of India) because Chandigarh is a non-wheat producing area. Most of the units are closed for about one month here. Entrepreneurs are expecting around 3,000 tonnes of wheat from the Punjab quota for the month of January would be supplied. Ironically, FCI has been released 10,000 tonnes of wheat for January in Punjab, but it has not been distributed as yet. New wheat crop is likely to hit in the open market in April and May. Most units Punjab are already rolling under losses as under-utilisation of existing capacity. Today, in Punjab, there are about 60 units, where as it needs only 15 units for the consumption of residents. Haryana has 35 functional and 10 non-functional units and Chandigarh has 7 functional and 4 non-functional units. Chandigarh needs only one unit to cater for its population.

Govt. Decided to Release Additional 1.5 lakh MT of Wheat

According to the Ministry of Agriculture, it is decided to release additional 1.5 lakh tonnes of wheat for the month of February under the open market sale scheme. In January, around 1.5 lakh tonnes of wheat has been already released in various centres to check the prices up. Therefore the prices have shown downward trend in Delhi and all over India. With a view to meeting the increased demand from bulk consumers in various parts of the country, the following special additional allocations of

wheat under open market sale scheme have also been released today: Delhi-20,000 tonnes, Tamil Nadu- 20,000 tonnes, Karnataka-10,000 tonnes, Kerala- 3,000 tonnes, West Bengal-10,000 tonnes, Maharashtra- 10,000 tonnes. This would be over and above the 1.5-lakh tonnes earmarked for February 2006. Wheat stocks in the central pool as on January 1, 2006 were 62 lakh tonnes. The requirement of PDS and Welfare Scheme in the country has been around 13 lakh tonnes per month. The Government, therefore, has adequate stocks to meet the monthly requirement of PDS and welfare schemes, which is around 13 lakh tonnes per month and would release further quantities of wheat, as required.

Emphasis on Greater Trade Ties Between India and Pakistan

Mahmood Qureshi, Pakistan National Assembly member on a visit to Ropar, suggested export of wheat and potato seeds to Pakistan from India. Wheat and potato is considered superior as compared to its Pakistani part. He also stressed for the import of kinnows and mangoes from Pakistan. He emphasize on opening of international border for greater trade and cooperation on the farm sector to boosts each others economy.

Wheat Estimated to be at 75.5 MT

Latest Government projection leads to increase of 3.5 MT of wheat at 75.5 MT from 72 MT, previous season. This increased estimate is based on the fact of increased area under wheat. If weather will remain supportive, then the estimate turns out to be true.

Wheat USDA Weekly Export Sale Highlights

USDA released the export sales highlight on 26.01.06 corresponding to the period of 13-19, 2006. Net sales of 375,000 metric tons (MT) were 7 percent above the previous week and 18 percent over the prior 4-week average. Major increases for Mexico (86,600 MT), the Philippines (78,000 MT), unknown destinations (48,700 MT), Thailand (45,000 MT), Japan (39,800 MT), Chile (32,000 MT), South Korea (25,300 MT), and Colombia (18,100 MT, including 15,000 MT late reporting) were partially offset by decreases for Nigeria (50,000 MT). Sales of 54,100 MT for delivery in 2006/07 were mainly for the Philippines (53,000 MT). Exports of 490,000 MT were 53 percent above the week earlier and 5 percent over the prior 4-week average. The main destinations were Mexico (80,800 MT), Egypt (56,800 MT), South Korea (55,700 MT), Japan (55,700 MT), Guatemala (51,500 MT), Iraq (51,200 MT), and Yemen (46,300 MT).

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

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%	
	25.Jan	24.Jan	25.Jan	24.Jan	25.Jan	24.Jan	25.Jan	24.Jan
Jan-06	183	184	170	170	178	178	202	202
Feb-06	183	184	170	170	178	178	202	202
Mar-06	171	172	169	169	177	177	201	202
Apr-06	174	174	170	170	178	178	203	203
May-06	164	164	173	172	181	180	205	205
Jun-06	163	164	171	171	179	179	203	204

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 28th January 2006)

Generally dry weather conditions prevailed over the country outside Orissa where light rain/thundershowers have occurred at a few places during past 24 hours. Cold wave conditions are prevailing over isolated pockets of Punjab, Rajasthan, West Madhya Pradesh, Chhattisgarh, Vidarbha, Telangana and south Madhya Maharashtra. Minimum temperatures over plains of northwest India are likely to remain 1-2 deg C below normal during next 2 days. Lowest temperature of 1 deg C in the plains of the country was recorded at Amritsar (Punjab).

The current weather situation is very congenial for Rabi wheat crop and abundant sunshine is also helpful for the crop. It is expected that the wheat output would be increased in this current year if this weather pattern continues.

FOREX (As on 28th January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.01
1 Euro	53.37
100 Yen	37.52
1 British £	78.03

Source: NCMRWF

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