

Wheat

31st January, 2006

MAJOR ACTIVITY HIGHLIGHTS

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

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: February (Future)

Wheat Futures at the NCDEX maintained its downturn. Government declared to release additional 1.25 lakh MT of wheat in the open market at the rate of Rs. 858/Qtl. The difference between futures market and spot market is likely to continue till end of February. The February contract opened at Rs. 847.60 and decreased slightly and settled at Rs.842.80 today. February contract traded at the range of Rs.851.20-836.60 today. March contract traded within the range of Rs.807-798.60.

Price Change: February Contract

Contracts	Closing	Previous	Change
February	842.80	844.80	-2.0

Indicators: The all of the indicators are hinting bearish sentiment of wheat prices. Open interest as well as volume is increasing. %K line crossed from below %D line showing possible trend reversal.

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.

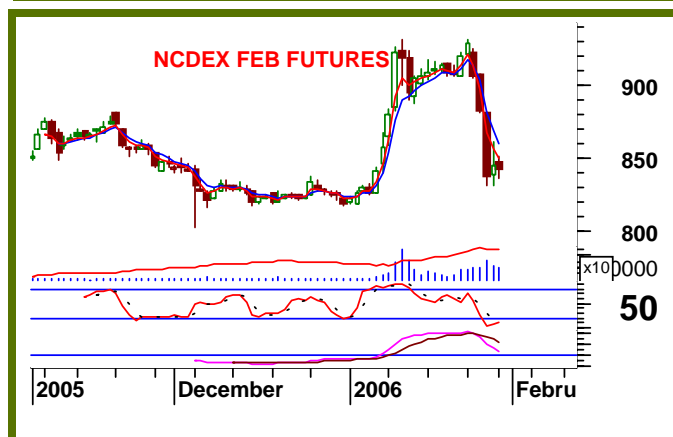
Advice: Go short with caution.

Support and Resistance Levels:

S1-835.86, S2-828, R1-850.46, R2-858.13

The current resistance levels for March future are at 805.4 and 807.4 marks and support levels are at 800 and 796.6 marks as very short term.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	835.86	828.93	850.46	858.13



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot prices retreat slightly at the domestic spot market in **Delhi**. Wheat dara mill quality opened at Rs.905 per quintal in the morning and remained stable throughout the day, average arrival of 10,000 bags from M.P. and Haryana at the Lawrence road. It is witnessed that around Rs.15 per quintal increased as compared to previous days. The main governing factor is technical buying from flourmills and Chakki mills, beside this improved demand for wheat products also helps to retreat the market. The stockists are releasing their stock at the domestic market and millers are not reluctant to purchase wheat at higher prices. Government's intervention programme is also

pushing the market to bearish side. At Narella, wheat prices improve to Rs.900 per quintal.

In **Uttar Pradesh** market, wheat prices remained slight up by Rs. 20-25 per quintal today amidst improve demand of Maida from Delhi and other states. The demand for wheat products also showed a upward trend in this state. Wheat prices remained up in Kanpur and traded at Rs.910-915 per quintal. The demand from flourmills, Chakki mills and neighbouring States improved slightly. Millers have good stock and therefore pose steady demand. At Kasgang, the wheat prices remained stable and prevailed at Rs.805-810 per quintal with virtually no arrivals.

In **Punjab** market, the wheat prices showed slight improvement today. Government is likely to sell 1.25 lakh ton wheat in this State. At Khanna market, wheat prices improved slightly today due to technical buying. At Ludhiana, wheat has traded at Rs. 900 per quintal wheat prices also decreased by Rs. 50 today at Ludhiana. Wheat trade at Rs.910-915 per quintal in Amritsar that is Rs. 35-40 less as compared to previous closing price. Release of wheat to millers by Govt. agency leads to pull down the demand. Market in **Rajasthan** also indicates weak sentiments and wheat in the Khairtal market traded at Rs. 815-820 with meagre arrival of 200-300 bags from M.P.

In **Gujarat** market, the wheat prices quoted at Rs.845 per quintal in Ahmedabad market today due to less demand from the flour and Chakki mills coupled with arrival pressure of new wheat from Saurashtra. The market sentiment improved slightly in **Maharashtra**. Dara wheat mill quality traded at the range of Rs.925 per quintal at Jalgaon with less arrival of 7-8 trucks.

In **Madhya Pradesh** mandis, wheat prices remained stable and range bound today and prevailed at Rs.850-865 per quintal at Indore market and increased slightly at Rs. 840 per quintal at Satna market due to technical buying support. The arrival remained 1000 bags in Satna market and 2000-3000 bags in Indore Mandi today. There is a gap exist between current situation and fresh arrival of new crops. Therefore, there are meagre chances of deflation of prices further from current situation. According to the traders, new wheat crop is likely to hit the market at end of February.

However the wheat products like Atta, Maida Suji, and Chakki prices remained steady today due to the millers got wheat from the FCI at lower prices. Apart from this the domestic demand for wheat products remained stagnant and the people are taking away from the market.

The wheat prices remained weak in India because the flour and Chakki mills have got wheat from the FCI. Therefore they have adequate stocks for four to five days. It is witnessing that the Government is handling the market and therefore the prices has declined at most of the centres. FCI is likely to sell additional wheat in Ludhiana market. According to a source, FCI is likely to sell additional 1.25 lakh MT of fresh wheat lot in all over India.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	30.01.06	28.01.06
Atta (90kg)	986	1001
Maida Grade 1(90kg)	626	1149
Suji (50kg)	631	634
Chokar (50 kg)	335	340
Chokar (35 kg)	221	226
Chakki Atta (90kg)	900-905	905-910

SPOT MARKET PRICE FOR WHEAT (In Rs./Quintal)

Markets	30.01.06	28.01.06
Delhi (Lawrence Road)	905	885-900
Haryana (Dhabwali)	850	850
Ahmedabad	845	885
Ludhiana	900	950
Amritsar	910-915	950
Uttar Pradesh (Kanpur)	910-915	890
Maharashtra (Jalgaon)	925	910-915
Madhya Pradesh (Satna)	840	825
Madhya Pradesh (Indore)	865-851	870

INTERNATIONAL MARKET:

CBOT Wheat Future Settled High

Chicago Board of Trade (CBOT) remained closed on Saturday and Sunday.

NEWS ANALYSIS:

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. **Source: PIB**

Global Wheat Outlook

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).

Sources: USDA

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.

WEATHER OUTLOOK:

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).

Source: NCMRWF

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 27^h January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.14
1 Euro	53.43
100 Yen	37.61
1 British £	78.03

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