

Wheat

1st February, 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 reversed back from its recent down fall and traded on bullish side on Tuesday amidst strong physical market's price and technical buying. The difference between futures market and spot market is likely to continue till end of February. The February contract opened firm at Rs. 844.20 and went to Rs.854.40 but did not sustained and settled bullish by Rs.5.80 at Rs.847.60 today. February contract traded at the range of Rs.843.20-854.40 today. March contract traded within the range of Rs.802.60-809.00.

Price Change: February Contract

Contracts	Closing	Previous	Change
February	847.60	841.80	+5.80

Indicators: The all of the indicators are hinting slight bullish sentiment of wheat prices. Open interest is increasing but volume is decreasing. Stochastic are indicating strong bullish sentiment.

Outlook: The wheat futures are anticipated to remain bullish in the coming days but the market is too risky to take position.

Advice: Go for long position with 848.0, target near 855 then 860.0 and put stop loss at 844.0.

Support and Resistance Levels:

The current resistance levels are at 858.9 and 862.1 marks and support levels are at 844.2 and 838.5 marks as very short term.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February	844.2	838.5	858.9	862.1



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot prices in **Delhi** market witnessed strong today due to very few arrivals and strong buying interest from Chakki mills. But the demand from flourmills remained slight poor today. The market has less stock, which is also bolstered the market prices up. Wheat dara mill quality opened at Rs.910-912 per quintal at Lawrence road but traded on mostly upper side of Rs.920-925 per quintal with average arrival of 3000-4000 bags from M.P. and Haryana. According to the traders, the prices are likely to increase in the coming days due to short of arrival and less stock at the market yards as well as FCI. Government is releasing

wheat but it can not offset the market demand. At Narella mandis, wheat has traded at the range of 875-885 per quintal with 100-200 bags of arrival and it quoted at Rs.875-88 per quintal at Najafgarh mandis.

In **Uttar Pradesh** market, wheat prices improved due to moderately strong demand from mills and Chakki mills therefore the prices increased by Rs.10-15 per quintal in most of the mandis. The demand for wheat products also showed a upward trend in this state. Wheat prices remained up in Kasgang and traded at Rs.830-835 per

quintal with average arrival of 350-400 quintal and wheat dara mill quality quoted at RS.835-840 per quintal at Etha mandis with arrival of 250-300 quintal. The demand from flourmills, Chakki mills and neighbouring States improved slightly. FCI was not likely to sell wheat in this state till now, according to trade sources

In **Punjab** market, the wheat prices showed slight weak trend today. Government was likely to sell 1.25-lakh ton wheat in this State, according to traded sources therefore the prices decreased by Rs.20-25 per quintal in this state. At Khanna market, wheat prices improved slightly today due to technical buying. Release of wheat to millers by Govt. agency leads to pull down the demand. Market in **Rajasthan** also indicates slight strong sentiments and wheat in the Khairtal market traded at Rs. 825-830 with meagre arrival of 100-200 bags from M.P.

In **Gujarat** market, the wheat prices quoted at Rs.900-905 per quintal in Ahmedabad market today due to very less arrival. Demand from the flour and Chakki mills remained slight weak but few arrivals kept pressure on prices. At Saurashtra the wheat has traded at the rate of Rs.800-805 per quintal today.

The market sentiment improved slightly in **Maharashtra**. Dara wheat mill quality traded at the range of Rs.865-870 per quintal at Jalgaon as compared with Rs.850-855 quintal as of previous day with less arrival of 8-10 trucks.

In **Madhya Pradesh** mandis, wheat prices increased by Rs.20-25 per quintal today due to strong buying pressure from neighbouring states. The less arrival about 5-7 trucks kept pressure on prices. According to the traders, market has less stock and new crop is likely to hit in March. There is a gap exist between current situation and fresh arrival of new crops.

It is witnessed that the wheat crop has been affected due to the current weather and therefore the production is likely to hamper. In UP, the wheat crop was damaged by 15% where as in Maharashtra market 10-15% crop has been damaged due to high temperature, according to the traders. The government has pegged the crop production at 75-76 million metric tonnes in this year but if the current weather is continuing this trend then the production would be hampered.

However the wheat products like Atta, Maida Suji, and Chakki prices remained slight weak 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 increased in India due to upward demand from mills and Chakki mills. The paucity of arrival is also pushed up the prices and therefore the wheat prices has been increased by Rs.20-25 per quintal at some mandis and Rs.10-15 per quintal at most of the mandis today. The new wheat crop is likely to hit the market in March to April. Therefore the stockists are not reluctant to sell wheat at lower prices and they are holding their stocks. It is witnessing that the Government is handling the market and therefore the prices had declined at most of the centres in the previous week.

The wheat prices are likely to remain steady to high on coming **Wednesday** in the domestic spot market.

Indian Agribusiness Systems Pvt. Ltd., New Delhi

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	30.01.06	31.01.06
Atta (90kg)	986	977
Maida Grade 1(90kg)	1150	1138
Suji (50kg)	631	628
Chokar (50 kg)	335	325
Chokar (35 kg)	221	221
Chakki Atta (90kg)	900-905	895

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

Markets	30.01.06	31.01.06
Delhi (Lawrence Road)	905	920-925
Haryana (Karnal)	895-900	895-900
Punjab (Khanna)	940-945	923-925
Ahmedabad	845	900-905
Ludhiana	900	880-890
Ludhiana (Jagraon)	900	880-890
Rajasthan (Kota)	880-885	900-903
Amritsar	910-915	915-920
Uttar Pradesh (Kanpur)	890-895	898-903
Uttar Pradesh (Bareilly)	880-885	904-907
Uttar Pradesh (Shahjahanpur)	950-955	963-965
Maharashtra (Jalgaon)	850-855	865-870
Madhya Pradesh (Satna)	840	850-855
Madhya Pradesh (Indore)	851-865	870-875

INTERNATIONAL MARKET:

CBOT Wheat Shows Bullish Sentiment

Chicago Board of Trade (CBOT) wheat futures remained bullish Monday, bolstered by gains in Kansas City Board of Trade hard red winter wheat futures on hopes that the U.S. will acquire a major share of Iraqi tender for 1 million tons hard wheat. The other bullish factor for price up was strong U.S. weekly wheat export inspections and reduced rain forecasts for dry U.S. HRW wheat fields. The market found early buying support from the surge higher in soybeans and from a drier extended forecast for the southern plains but the early rally also attracted some long liquidation selling from speculators with talk that the fund buying spree of the past week might end soon. Cold weather in Eastern Europe has underpinned the wheat market. CBOT March wheat increased 1.75 cents at \$3.453; May finished 1.25 cents at \$3.56 per bushel. March wheat support comes in at \$3.415 and \$3.393 with resistance at \$3.49 and \$3.56. U.S. weekly wheat export inspections totalled 23.401 million bushels in the week ended Jan. 26, above analysts' estimates for 15 million to 21 million and last week's 19.212 million bushels, the U.S. Department of Agriculture reported Monday.

NEWS ANALYSIS:

Argentina: Farmers Likely to Harvest 12 MMT of Wheat

It is expected that the Argentine farmers would harvest 12.01 million metric tons of 2005-06 wheat, the Buenos Aires Cereals Exchange forecast Monday. The forecast, which is based on higher-than-expected yields in key production areas, puts production up about 200,000 tons from the previous estimate of 11.8 million tons. In the meantime, Argentina's Agriculture Secretariat reported late Friday that Argentina's year-on-year wheat exports decreased nearly 55% during December 2005, down for a seventh consecutive month. Sales were down largely because of heavy buying early last year due to Argentina's record 2004-05 harvests. Some clients loaded up on wheat earlier and now have less need to import; moreover, Argentina has less wheat to sell. This season's crop is estimated at 12 million tons, down from about 16 million the previous season. As of Jan. 27, Argentina had sold 4.12 million metric tons of 2005-06 wheat; by this time last year Argentina had sold 5.7 million tons of 2004-05 wheat.

Wheat Production Expected to Down in Uttar Pradesh

The wheat production in Uttar Pradesh is likely to decline by 15% due to erratic and unfavourable weather conditions this winter, according to a source. The situation was bolstered by the lack of decent winter rainfall in UP. According to a source, wheat had been sown in about 90-lakh hectare land in UP this year, with the production target pegged at 300 metric tonnes. But the target is likely to revise due to this abnormality of weather in this year. For ideal wheat production, the day temperature should not rise beyond 16-17 degrees Celsius, however, the

temperature remained above than the normal temperature several times this winter. The wheat crop in Poorvanchal and Bundelkhand regions of UP would be most affected compared to western districts. Agra, Meerut, Moradabad, Kanpur and Saharanpur divisions were most affected in this season.

WEATHER OUTLOOK:

NORTH: Rain/snow is likely at isolated places over higher reaches of Jammu & Kashmir. Weather will be mainly dry over the rest region.

EAST: Weather will be mainly dry over the region.

SOUTH: Weather will be mainly dry over the region.

WEST: Weather will be mainly dry over the region.

Source: IMD

The current weather situation is very congenial for Rabi wheat crop and abundant sunshine is also helpful for the crop. But the rise in temperature might be harmful for the standing wheat crop. It is expected that the wheat output would be affected in this current year if this weather pattern continues.

FOREX (As on 31st January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.07
1 Euro	53.32
100 Yen	37.50
1 British £	77.95

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