

Wheat

27th 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 remained drastically down today amidst strong selling pressure and weak physical market price. Government again declared to release additional 1.5 lakh MT of wheat in the open market. The difference between futures market and spot market is likely to continue till end of February. The February contract opened firm at Rs.907.40 but speculative selling pressure pulled down the prices and settled mostly low Rs.23.40 to Rs.882.80 today. February contract traded at the range of Rs.881.00-907.40 today. March contract also down by Rs.10 to Rs.815.80 and traded within the range of Rs.810.20-823.00.

Price Change:

Contracts	Closing	Previous	Change
February	882.80	906.20	-23.40

Indicators: The all of the indicators are hinting strong bearish sentiment of wheat prices. Open interest as well as volume is increasing.

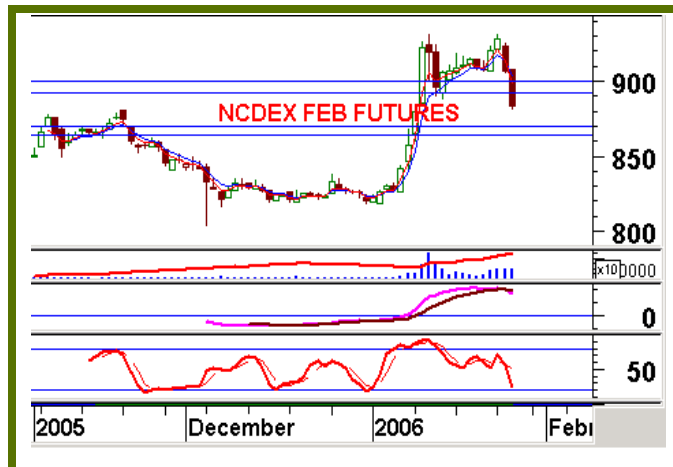
Outlook: The wheat futures are expected to remain bearish in the coming days but the market is too risky to take position.

Advice: Go for short position near 884.5 with target near 875.0, next 872.5 and put stop loss near 890.5.

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
January	869.5	863.7	891.8	900.3



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot prices fell down further at the domestic spot market in **Delhi**. Wheat dara mill quality opened at Rs.985-990 per quintal in the morning but weak demand pulled down the prices to low at Rs.975-980 per quintal with average arrival of 4000-5000 bags from M.P. and Haryana at the Lawrence road. It is witnessed that around Rs.20-25 per quintal decreased as compared to last days. The main governing factor is poor demand from flourmills and Chakki mills, beside this weak demand for wheat products also underpinning 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 fell down to Rs.965-970 per quintal.

Najafgarh mandis also witnessed bearish undertone and wheat has traded at Rs.965-970 per quintal today.

In **Uttar Pradesh** market, wheat prices remained slight down by Rs.5-10 per quintal today amidst weak demand from Delhi and other states. The demand for wheat products also showed a downward trend in this state. Wheat prices remained down in Kanpur and Shahjahanpur but Bareilly market showed steady undertone. Wheat has traded at Rs.980-990 per quintal at Hapur mandis and Rs.1040-1045 per quintal in Baranasi mandis. The demand from flourmills, Chakki mills and neighbouring States remained weak. At Kasgang, the wheat prices remained slight stable and prevailed at Rs.880-882 per quintal with average arrival of 350-450 quintal. At Etah mandis, the

wheat has traded at Rs.900-905 per quintal today with arrival of 300-350 quintal on lower side.

In **Punjab** market, the wheat prices showed slight downward trend today. Government is likely to sell additional wheat in this State. At Khanna market, wheat prices decreased slightly today due to poor demand. At Chandigarh, wheat has traded at the range of 1030-1040 per quintal, Rs.995-1000 per quintal at Samana, and Rs.980-990 per quintal at Jalandhar market. At Ludhiana, wheat prices also decreased slightly today.

In **Gujarat** market, the wheat prices again decreased by Rs.20-30 per quintal in Ahmedabad market today due to less demand from the flour and Chakki mills. The arrival remained around 6000-7000 bags from M.P.

The market sentiment remained stable in **Maharashtra** market due to paucity of arrival from M.P. Dara wheat mill quality traded at the range of Rs.1000-1010 per quintal at Jalgaon with less arrival of 1-2 trucks. While wheat dara has traded at the range of Rs.1000-1020/quintal in Pune and Rs.1000-1020/quintal in Mumbai. Wheat Lok-1 variety prevailed at Rs.1090-1110/quintal in Mumbai.

In **Madhya Pradesh** mandis, wheat prices again decreased by Rs.25-30 per quintal today and prevailed at Rs.900-905 per quintal at Indore market and Rs.865-870 per quintal at Satna market due to poor demand from Orissa, Chhattisgarh, Maharashtra, Gujarat and Delhi. According to a trader, FCI has sold 8000 tonnes of wheat at Rs.960 per quintal in Orissa and they have sold wheat in Chhattisgarh also. The demand from South India remained remarkable in this State. The arrival remained 25-30 trucks in Indore market today. The stockists are also releasing stock in the market. The early variety of wheat has reached in this market but very few. According to the traders, new wheat crop is likely to hit the market at end of February. FCI did not sell wheat in this market.

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 to check prices up. According to a source, FCI is likely to sell additional 1.5 lakh MT of wheat in all over India. If FCI sells wheat periodically then the prices would be checked.

It is anticipated that the wheat price to deal on lower side on Friday at most of the mandis.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	24.01.06	25.01.06
Atta (90kg)	1001	1001
Maida Grade 1(90kg)	1149	1149
Suji (50kg)	634	634
Chokar (50 kg)	350	345
Chokar (35 kg)	239	230
Chakki Atta (90kg)	975	975

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

Markets	24.01.06	25.01.06
Delhi (Lawrence Road)	1005-1010	975-980
Haryana (Karnal)	952-955	955-957
Punjab (Khanna)	990-995	985-990
Ahmedabad	975-980	955-960
Ludhiana	950-955	945-950
Ludhiana (Jagraon)	950-955	945-950
Rajasthan (Kota)	960-965	932-935
Amritsar	980-985	975-980
Uttar Pradesh (Kanpur)	950-955	945-950
Uttar Pradesh (Bareilly)	965-967	965-970
Uttar Pradesh (Shahjahanpur)	982-985	975-980
Maharashtra (Jalgaon)	1000-1010	1000-1010
Madhya Pradesh (Satna)	880-890	865-870
Madhya Pradesh (Indore)	925-930	900-905

INTERNATIONAL MARKET:

CBOT Wheat Remains Strong on Technicals

Chicago Board of Trade (CBOT) wheat futures remained strong Tuesday amidst technical buying triggered by late speculative gains in the U.S. wheat class with the most bearish fundamental balance sheet. The dryness in the southern plains continues to provide underlying support to the market. Strong gains in Kansas City and fears of smaller production from the US and the Ukraine and the impact on world supplies underpinned the futures market. In the weekly crop progress report, Texas winter wheat was pegged at 33% poor and 52% very poor. CBOT March wheat finished up 6.5 cents at \$3.325 after dipping briefly below the key 50-day moving average of \$3.253; while May ended up 6.25 cents at \$3.433 per bushel. March wheat support comes in at \$3.273 and \$3.235 with resistance at \$3.343 and \$3.373. Cash U.S. soft red winter wheat remained steady Tuesday while delayed March fell 1 cent.

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 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.

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WEATHER OUTLOOK:

The Western disturbance as an upper air system over Jammu & Kashmir and adjoining Himachal Pradesh has moved away eastwards leading to clear weather situation in entire NW India. Another Western Disturbance is expected to approach NW India by 27th January 2006. Under its influence, hilly region of NW India is likely to receive isolated snowfall/ rainfall during 27-29 January 2006. During past 24 hours, cold wave condition prevailed in one or two places in Punjab. Many places in the plains of NW India are experiencing 1-2 deg C below normal night temperatures. It is expected that there could be slight increase of the order of 1-2 deg C in night temperatures over the region during next 2-3 days. Some pockets of Central India may experience slight fall by 1-2 deg C in minimum temperatures during next 48 hours and subsequent rise by same amount. Certain pockets of Indo Gangetic Plains may experience light fog condition during next 2-3 days.

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 25th January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.29
1 Euro	54.38
100 Yen	38.53
1 British £	79.01