

Wheat

28th 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 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 at Rs.881 but speculative selling pressure pulled down the prices and settled mostly low Rs.43.20 to Rs.837.80 today. February contract traded at the range of Rs.881.00-831.20 today. March contract also down by Rs.37 to Rs.781.00 and traded within the range of Rs.812-781.

Price Change:

Contracts	Closing	Previous	Change
February	837.80	882.80	-45.8

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.

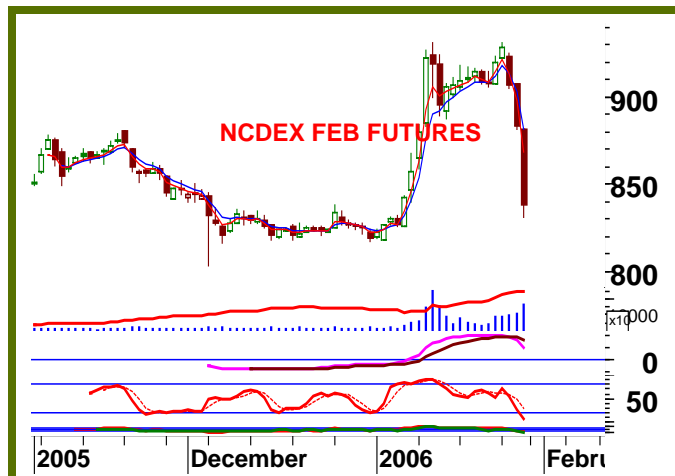
Advice: Take caution

Support and Resistance Levels:

S1-819.00, S2-800.20, R1-868.80, R2-899.80S

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	819.00	800.20	868.80	899.80



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.900 per quintal in the morning and remained stable throughout the day, average arrival of 7000-8000 bags from M.P. and Haryana at the Lawrence road. It is witnessed that around Rs.100 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.860-870 per quintal.

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 traded at Rs.915 per quintal. The demand from flourmills, Chakki mills and neighbouring States remained weak. At Kasgang, the wheat prices remained down and prevailed at Rs.830 per quintal with average arrival of 400-500 quintal.

In **Punjab** market, the wheat prices showed slight downward trend today. Government is likely to sell 1.25 lakh ton wheat in this State. At Khanna market, wheat prices decreased slightly today due to poor demand. At Ludhiana, wheat has traded at the range of Rs. 960-970 per quintal wheat prices also decreased slightly today at

Ludhiana. Wheat trade at Rs.950 per quintal in Amritsar today.

In **Gujarat** market, the wheat prices quoted at Rs.890 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 remained stable in **Maharashtra**. Dara wheat mill quality traded at the range of Rs.940-950 per quintal at Jalgaon with less arrival of 5-8 trucks

In **Madhya Pradesh** mandis, wheat prices again decreased by Rs.40-45 per quintal today and prevailed at Rs.860 per quintal at Indore market and Rs.775-780 per quintal at Satna market due to Govt. intervention to release quota. The arrival remained 700-800 bags in Satna market and 15-20 trucks in Indore Mandi 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.

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 1.5 lakh MT of wheat in all over India. It is anticipated that the wheat price to deal on lower side on Saturday at most of the mandis.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	25.01.06	27.01.06
Atta (90kg)	1001	1001
Maida Grade 1(90kg)	1149	1149
Suji (50kg)	634	634
Chokar (50 kg)	345	340
Chokar (35 kg)	230	226
Chakki Atta (90kg)	975	905-910

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

Markets	25.01.06	27.01.06
Delhi (Lawrence Road)	975-980	900
Haryana (Karnal)	955-957	835
Ahmedabad	955-960	890
Ludhiana	945-950	960-970
Amritsar	975-980	950
Uttar Pradesh (Kanpur)	945-950	915
Maharashtra (Jalgaon)	1000-1010	940-950
Madhya Pradesh (Satna)	865-870	775-780
Madhya Pradesh (Indore)	900-905	860

INTERNATIONAL MARKET:

CBOT Wheat Future Settled High

Chicago Board of Trade (CBOT) wheat futures remained strong on Thursday. March Wheat settled up 2.50 cent at \$3.4450, 1 cent off the high and 4cent up from the low. May Wheat settled up 3 cent at \$3.5575. This was 4.25 cent up from the low and 0.75 cent off the high. March wheat settled at its highest level in over three weeks due to crop concerns and fund interest. Weekly US export sales for wheat came in at 429,100 metric tonnes. Extreme cold in Russia and Ukraine and dry weather in the Southern plains are the region for getting support for the prices. Winter cold is expected to damage of 10-30% of the crops, than 5-10% in a normal year. The International Grain Council indicated that world wheat production for the 2006/2007 season could drop to just 595 million tonnes as compared with 614.8 million tonnes for the current year. World ending stocks would be the lowest at 119.7 million tonnes, since 1981.

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 27th January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.91
100 Yen	37.92
1 British £	78.57

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.