

Wheat

2nd-7th 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: January (Future)

Wheat prices bounced back from its recent losses and remained very strong throughout this week. The prices recovered firmly from Friday and settled on mostly strong position on Saturday. The prices recovered from Rs.799.4 of last Saturday to Rs.839.60 today. The prices opened very firm on Saturday and remained very strong due to strong buying pressure and reduced subsidies of foodgrains by the government. The most of the indicators are indicating to bullish trend however, Stochastic and RSI is indicating trend reversal as they have reached at overbought condition. The

open interest is falling down but volume is increasing indicating profit booking.

Outlook: The wheat futures are expected to remain bullish in the coming days, weak as medium term likely to Tuesday or Wednesday.

Advice: Go for long position for short term.



Support and Resistance Levels:

The current resistance levels are at 845.6 and 848.9 marks and support levels are at 836.5 and 832.0 marks as very short term likely Monday.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January	836.5	832.0	845.6	848.9

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

Wheat prices gradually increased in this week in Delhi market due to less stock and very less arrival, which exacerbate the situation. The daily average arrival is witnessed in this week around 3000-5000 bags from Haryana and U.P. But less stock in Haryana and U.P. could not offset the strong demand in Delhi market. The dara wheat mill quality traded at the range of Rs.942-945 per quintal at Lawrence road on Saturday with average arrival of 8000-9000 bags from Khanna and U.P. The NCDEX quality wheat has reached at the market. The arrival from U.P. remained very weak. The strong demand from flour and roller mills kept the wheat market very strong. The market has very less stock. The prices are expected to remain bullish in the coming week, according to the traders.

Ahmedabad:

In this week, the wheat prices increased Rs.40-45 per quintal to Rs.970-975 per quintal due to negligible arrival from Rajasthan and strong demand from flour and Chakki mills. The wheat prices were gradually increasing in this market. Strong demand and less stock for wheat pushed up the wheat prices further in this week. The prices are expected to remain bullish in the coming week, according to the traders.

Amritsar:

Amritsar market remained firm in this week as compared to last week due to less local arrival. Demand from Chakki mills was promising. The sowing progress is going well and the crop condition is very good, according to the traders. There was very less stock in this market. The wheat prices increased from Rs.865-870 to Rs.880-885 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 bullish in the coming week.

Ludhiana:

The wheat prices have reached its peak level in Ludhiana market due to paucity of arrival and upward demand. The most of the stock, which was given by FCI, has already sold. The dara wheat traded at the range of Rs 890-900 per quintal as compared to Rs.855-860 per quintal of last weekend. The crop condition is very good. At the Jagraon market wheat prices remained strong at Rs.870-880 as compared to Rs.855-860 per quintal at last weekend.

Maharashtra:

The dara wheat variety gradually increased in this market due to good demand and less arrival from M.P. The prices increased from Rs. 905-910 per quintal to Rs.945-950 /qtl. FCI sold wheat in this market at Rs.880-885 per quintal, according to the traders. But very strong demand kept the prices bullish. The stockists are also releasing their stocks. But the quality was not so good, according to the traders. The arrival from M.P. remained weak due to higher price in M.P. Good weather is supportive factor for superior production. The market is likely to remain steady in the coming week.

Haryana:

Very very less stock and strong demand from Delhi kept the prices on mostly strong in Haryana market. The most of stock has released and now the stock is likely to finish. The

wheat prices remained strong at most of the mandis in this week as compared to last week. FCI sold around 1-lakh bags of wheat to the traders in this State at Rs.825 per quintal. But all of the stock has finished. At the Karnal market wheat was quoted at Rs 873-875 per quintal as compared to Rs 860-865 at last weekend. The wheat was quoted at Rs.895-900 per quintal in Hisar, Rs.870-875/qtl in Palwal.

Rajasthan:

In Jaipur the prices remained at Rs.975-980 per quintal on higher side. But in Kota market the prices increased Rs.35-40 per quintal to Rs.898-900 per quintal at this weekend. At Khairtal and Alwar market it prevailed at Rs.845 and Rs.840-845 per quintal. The promising demand from Ahmedabad and other States kept the prices mostly strong in this region. The strong demand from Gujarat and strong spot market demand is continuing to push up the prices. The arrival remained very less at Khairtal market.

Uttar Pradesh:

Strong demand from Delhi and other states and also domestic demand pushed up the wheat prices in U.P. mandis. The market had very less stock. Therefore the prices went up in this week as compared to last week. The sowing progress is progressing well and good weather is also a supportive factor. Therefore the market is expecting that the production will go up. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was quoted at the range of Rs.948-950 on higher side, Rs.955-960 (mill quality) on mostly strong and Rs.940-943 per quintal on strong side at this weekend.

Madhya Pradesh:

The market sentiment for wheat remained steady in M.P. market but at Satna market the prices has increased many folds due to scarcity of arrival. At Satna mandis, the very poor stock of wheat pushed up the prices to higher level at Rs.890-900 as bilty price for dara wheat, according to trade sources. The dara wheat mill quality at Indore mandis remained steady at Rs.925-930 per quintal with average arrival of 15-20 trucks, said an Indore based trader. The wheat is supplying from this mandis to Maharashtra, South India and other States. However the freight rate has increased therefore the loading is now stable, according to trade sources. The prices are likely to go up further. According to the traders, the stock in the Satna is likely to finish. If FCI does not sell wheat in this market then the prices is likely to go beyond the prevailing range, according to the traders. The sowing area is lagging behind from previous year, but the prevailing weather is supporting the sowing progress.

Vyada Bazaar:

The disparity 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 prices improved firmly in this week as compared with last week. The main governing factor was government intervention programme, no import situation, good spot market prices etc. The prices are expected to remain firm in the coming week likely Monday and expected to remain slight bearish position during mid of the coming week.

CONCLUSION

The most of the mandis maintained strong sentiment for wheat prices during this week as compared to last week. FCI sold

wheat in Maharashtra but the overall sentiment remained hot. The positive factor was less arrival at the market yards. Recently the prices were quite heated up and a little bearish news like increase in sowing area was enough for the market to tumble. We don't see any sharp downward movement further.

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

Markets	31.12.05	7.01.06
Delhi (Lawrence Road)	905-907	942-945
Haryana (Karnal)	860-865	873-875
Ahmedabad	930-935	970-975
Ludhiana	855-860	890-900
Ludhiana (Jagraon)	855-860	870-880
Rajasthan (Kota)	863-865	898-900
Amritsar	865-870	880-885
Uttar Pradesh (Kanpur)	895-898	948-950
Uttar Pradesh (Bareilly)	880-885	940-943
Uttar Pradesh (Shahjahanpur)	910-915	955-960
Maharashtra	905-910	945-950
Madhya Pradesh (Satna)	870-875	890-900
Madhya Pradesh (Indore)	900-930	925-935

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

Wheat Products	31.12.05	7.01.06
Atta (90kg)	936	959
Maida Grade 1(90kg)	1026	1059
Suji (50kg)	566	584
Chokar (50 kg)	353	355
Chokar (35 kg)	243	243
Chakki Atta (90kg)	885	900

RABI WHEAT CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (2.01.06)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
263	242.96	240.88	+2.08	Bih (+0.7, +3.5), Guj (+2.5, +40.8), Kar (-0.5, -21.5), MP(-6.7, -16.5), Maha (+2.0, +31.2), Raj(+1.1, +6.1), UP(+0.8, +1.1), WB(+1.0, +28.6)

Source: Department of Agriculture, Government of India

INTERNATIONAL AND DOMESTIC NEWS:

Karnataka: Bumper Foodgrains Production in 2005

Late revival of South West Monsoon increased the food grain production in Karnataka in 2005. Officials are now expecting a bumper foodgrain production. Overall, the state is put to surpass the production of 2000-01 (109.60 lakh tonnes of foodgrains during fiscal 2005-06). The acreage under Kharif and Rabi remained good and good progressing of summer crops is indicating the state will surpass the 110-lakh tonnes of foodgrains (of this cereals constitute 101 lakh tonnes and pulses 9 lakh tonnes). A good rainfall during June-September assisted increase acreage. Therefore it is expected to higher foodgrain output in 2005 than 2004. The area under Kharif crops was 72.70 lakh hectares, as compared to normal 69-lakh hectares and 72.25 lakh hectares of 2004. On the other hand good post-monsoon rains in October-November also brightened the prospects for the main Rabi crop, especially wheat.

Good Weather Congenial for Wheat Sowing Area

According to the ICAR (Indian Council for Agriculture Research), good climatic conditions are encouraging the Rabi season crop and in October, temperature for 10 days was low by 5-6 degrees Celsius, which is very congenial for rabi season crop. In addition, the cold in November and December was also good for crops. This year, the lack of fog during the day has also been fine for crops. Fog in night doesn't affect crops, however during the day it affects photosynthesis. Regarding wheat, the acreage had augmented by 5%. According to the Crops Division of the Agriculture Ministry, wheat coverage is now 242.96-lakh hectare as compared to 240.88-lakh hectare in the same period last year. In Uttar Pradesh, Maharashtra, Rajasthan and Gujarat, the area has been increased but lower coverage has been reported in Madhya Pradesh.

Wheat: FCI Likely to Trade in Domestic Commodity Exchanges

According to FCI sources, FCI is likely to trade its surplus wheat and rice in the domestic commodity exchanges through futures transactions. FCI is planning to enter itself only as a seller in the domestic commodity exchanges. For buying, it is already trading at international commodity exchanges like the Chicago Board of Trade. Therefore this will affect the interests of brokers and the trader communities in the exchanges. If FCI enters as a seller then it would finish all speculations and stabilise the prices of commodities. Consequently the profit making would be minimizing. However the situation could be reversed if FCI enters as a buyer because FCI could steady the foodgrain market, as information of the surplus and shortage would be out in the public sphere. The three largest national commodity exchanges viz. NCDEX, MCX and NMCE are not comfortable to this decision. Till recently they were fighting for increasing trading volumes through futures in grain, but FCI's entry has made them uneasy. They are worried that FCI's entry at this stage in futures trading is risky because it could significantly affect the futures prices due to its large operation.

U.S. Export Sales Remained Quiet on Tuesday

U.S. wheat export sales remained calm on Tuesday while the USDA reported weekly U.S. wheat export inspections totaled 9.994 million bushels, below expectations of 19 million-24 million and below last week's inspections of 24.834 million bushels.

India: Wheat Planting Increasing amidst Tight Supply

India's wheat plantings touched 24.3 million hectares in the 1st Nov- 2nd Jan periods, as against of 24.1 million hectares in the year-earlier period, according to the ministry of agriculture. India's wheat plantings are increasing this year due to tight supplies; farmers fetched good return and the possibility of imports in the near term. It was speculated by the U.S. wheat traders in early December that India would need to import wheat

before March, however the Indian government has consistently denied that rumor. India's wheat production had hit a record of 76.4 million tons in 1999-2000 but has since seen a steady decline. The country produced only 72 million tons against a target of 79.5 million tons in 2004-05.

Argentina to Harvest around 12 MMT of Wheat

The Buenos Aires Cereals Exchange forecasted that Argentina should harvest 11.6 million metric tons of wheat in 2005-06. This forecast was based on better than expected yields in southeastern Buenos Aires Province, which is up from 11.4 million tons previously. The USDA, which has forecast the average yield this season at 2.39 tons/hectare, sees final Argentine wheat output totaling 12.1 million tons.

Wheat Import Not Feasible in India

According to the Agriculture Minister, there is no need to import wheat, as there is no shortage of the grain. According to Pawar, they are monitoring that the wheat prices on a regular basis, and he did not think that they have gone up. In the last two days, wheat mill delivery prices in Jaipur have increased by over Rs.30 per quintal. On Tuesday, the prices were in the range of Rs.930-935 per quintal. But traders are speculating that the wheat prices will go up by Rs.20-30 per quintal in the next few days. Where as according to the chief executive of ITC International Business Division (ITC-IBD), wheat imports could pull down prices and affect farmers' prospects. On the other hand, traders have been seeking wheat imports to hold rise in prices and protect the interest of consumers.

Wheat Prices Increasing amidst Trickling Arrivals

According to a Jaipur-based trader, wheat arrivals in Jaipur mandis were poor due to stocks with the FCI as well as private traders are short. Wheat prices in Jaipur are already at Rs. 935 per quintal from Rs 910 per quintal of previous week. Heavy demand from flour and roller mills and low arrivals will only exacerbate the situation. A similar spurt was reported in Indore, where wheat prices have gone up by over Rs 35-40 per quintal in just two weeks. In Indore, wheat prices have increased up to Rs.925-930 per quintal and are expected to cross the Rs 950 mark as trickling arrivals. In Satna, the stock is already depleted and therefore wheat prices have shot up by Rs.875-880 per quintal. Wheat crop in Madhya Pradesh and Gujarat is likely to delay because of low rainfall and drought in parts of central India. According to the traders, new transport norms announced that the government is also contributing to the price rise. The government has pegged the limit of weight of the cargo trucks at 9,000 kg, they reported. Earlier trucks carried around 20,000 kg per trip. Since the weight they are allowed to carry had been limited, freight costs have increased considerably. In New Delhi, traders have to pay a premium of Rs 15-20 per quintal on wheat arriving from Rajasthan, Uttar Pradesh and Haryana due to higher freight costs.

FCI Sold around 4 Lakh MT of Wheat in Open Market

According to a source, FCI has sold 337,000-4,00,000 tonne of wheat in April-December period in the open market to stabilize the wheat prices. They have sufficient stocks to meet the country's requirement till the next procurement season begins. The next procurement season is likely to start in mid March. The FCI had earlier ruled out the need for wheat imports and reported that the wheat stocks in the country were comfortable. The country's wheat stocks prevailed at 6.61 million tonne as on December 26.

Pakistan Removed 15% Duty on Wheat Export

The Economic Coordination Committee (ECC) in Pakistan has removed the regulatory duty on the wheat export about 15% and wheat flour to restart wheat flour exports to Afghanistan. They has also discarded a suggestion for levying 20% regulatory duty on the import of wheat into Pakistan. It had been suggested by the provinces to the centre that the imported wheat was much lower than the wheat available in official reserves and the government should make a policy decision to off load the available wheat. According to a source, Pakistan has 3.578 million tonnes of wheat in official treasury, 2.32 million tonnes in Punjab, 466,000 tonnes in Sindh, 167,000 tonnes in NWFP, 100,000 tonnes in Balochistan, and 525,000 with PASCO.

U.S. Wheat Exports Remained Same as of Last Year

U.S. wheat exports remained same in 2005 as compared to last year's space in spite of USDA forecasts for fewer sales in marketing year 2005/06. On the basis of last 2005 export sales report, USDA reported commitments of 19.825 million metric tons (MMT), compared to 19.823 MMT at the same time last year. According to USDA, U.S. wheat exports estimated at 27.22 MMT in 2005/06, a 6% drop from 2004/05. Nigeria was the main buyer of U.S. wheat in the world, importing 2.55 MMT so far, up 57% from this point last year. Japan is coming in slightly behind Nigeria, at 2.25 MMT, very close to their sales pace last year. The third major U.S. wheat customer is Iraq, purchasing 2.13 MMT compared to only 160,000 metric tons at the same time in 2004. Other markets buying more than a million tons of U.S. wheat include Mexico (1.8 MMT), the Philippines (1.29 MMT) and the EU (1.27 MMT).

US Wheat Export Outlook

Sales of hard red winter wheat continue to look outstanding so far, coming in 27% ahead of last year. Durum sales are also up 27%. Sales of hard red spring wheat are holding steady, only one percent behind last year's pace, with increased purchases from Venezuela, Japan and the EU making up for the large drop off in sales to China. With fewer sales to Egypt, China and Pakistan, white wheat exports are down 17%. Soft red winter wheat exports have made up a little ground from the 60 percent deficit earlier this year, although sales are still down by 46 percent. Mexico is the leading SRW importer, followed by Nigeria.

U.S. Wheat Sowings Behind in the Current Year

According to the USDA Economic Research Service, U.S. wheat sowings are about 30% below in this year as compared to the early 1980s. The plantings remained down due to changing domestic consumer preferences and strong global competition in export markets, they reported. The Government intervention programme is also a contributing factor, according to the analysts. The report points out that the U.S. wheat sector is facing several challenges. But low stocks and wheat prices above \$3 per bushel will prevent a large decline in acreage.

Rabi Wheat Sowing Still Increasing

Wheat sowing area is still increasing in this year as compared to last year. According to the agricultural Ministry, wheat coverage has increased to 242.96 lakh in this year as compared to 240.88 lakh during the corresponding period last year. The sowing is up in Bihar, Gujarat, Maharashtra, Rajasthan, West Bengal and Uttar Pradesh. The sowing is behind in Karnataka and Madhya Pradesh.

Food Grain Supply for Poor People Cut

Indian poor people will obtain less foods grain supplies from the government in near future. On Thursday, The government

decided to modify the central issue price of wheat and rice for those living above and below the poverty line. They also decided to reduce the distribution of the grains among the weaker sections. The decision has taken in a meeting held on Thursday. The issue price has been made 70% of the economic cost for the above poverty line (APL) category and for below poverty line (BPL), it is 50%. The quantum and food grain supplies to APL and BPL categories have been cut.

Wheat: USDA Weekly Export Sales Highlights

According to latest weekly sales report of USDA, the net sales of 224,600 metric tons (MT)--a marketing-year low--were 37 percent below the previous week and 56 percent under the prior 4-week average. Major increases were reported for Nigeria (98,300 MT, including 22,500 MT switched from unknown destinations), Yemen (41,100 MT), the Dominican Republic (29,900 MT), South Korea (21,700 MT), Mexico (13,500 MT), and Colombia (10,000 MT). Sales of 14,500 MT for delivery in 2006/07 were for the Philippines. Exports of 331,000 MT were 48 percent below the week earlier and 41 percent under the prior 4-week average. The main destinations were Japan (119,400 MT), Nigeria (71,000 MT), Egypt (59,000 MT), Mexico (33,500 MT), and the Dominican Republic (21,500 MT). (This summary is based on reports from exporters for the period December 23-29, 2005)

Wheat: Global Exporters Eyeing on India's Situation

The wheat exporters in the global markets are speculating that India is likely to import wheat as paucity of supply and less stock to the governments, according to a source.

India's decision to cut sales of subsidized grain should increase internal stocks and ease import needs, analysts said. The actual issue price for wheat for APL stands at Rs.705 per quintal and for rice it is Rs.915 a quintal. The economic cost of rice in 2000 was ruling at Rs.1130 and that of wheat was Rs.830 a quintal. The decision results in an increase of 85 paise and 95 paise per kg for rice and wheat in the central issue prices in relation to supplies for APL households. Therefore the market is speculating that the government has less stock so they reduced the subsidy. Consequently the futures market has increased many folds. The Indian government has denied its need to import wheat, speculation of which circulated in U.S. wheat markets late last year.

IGC WORLD WHEAT ESTIMATES (24.11.05)

(Million tons)

	2002-	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

[#] Argentina, Australia, Canada, EC, United States

Source: International Grains Council

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%	
	6-Jan	5-Jan	6-Jan	5-Jan	6-Jan	5-Jan	6-Jan	5-Jan
Jan-06	184	184	185	187	189	191	213	215
Feb-06	184	184	185	187	189	191	213	215
Mar-06	174	175	187	191	190	195	215	220
Apr-06	181	179	193	195	197	199	221	223
May-06	173	170	199	200	202	204	227	204
Jun-06	172	172	198	201	202	205	227	205

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 6th January 2006)

ALL INDIA WEATHER FORECAST BULLETIN VALID FOR NEXT 5-DAYS

WEATHER OUTLOOK

A western disturbance (W.D.) lies over J&K and north Pakistan. It is likely to move in eastward direction causing scattered snowfall in hilly regions of J&K and H.P. during next 24 Hrs. Model prediction suggests that another western disturbance is likely to approach J&K and adjoining areas of NW India around 9th January 2006. Under its influence parts of NW India viz. J&K, H.P., Uttaranchal and adjoining plains of Punjab, Haryana, north Rajasthan and west U.P. are likely to experience snowfall and rain during 9-10 January. An upper air cyclonic circulation lies over south Bay of Bengal. It is likely to cause scattered rainfall

activity over southern Peninsular India during next 2-3 days.

ZONE-WISE WEATHER FORECAST FOR NEXT 5-DAYS

NORTH & NORTH NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

- Hilly regions of NW India viz. J&K and Himachal Pradesh are likely to receive scattered to fairly widespread snowfall/rains during next 24 hours. and reduce thereafter.

- Under the influence of another W.D. scattered to fairly wide spread snowfall/rains is likely over J&K, H.P. and Uttaranchal and isolated to scattered rainfall over adjoining

Punjab, Haryana, Delhi and west U.P. during 9-10 January 2006.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

- Mainly dry weather may prevail over the region during next 4-5 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

- Region is likely to experience mainly dry weather condition. There may be fall in night temperatures by about 2 deg C over the region during next 2 days and subsequently rise by same magnitude.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

- Scattered rainfall are likely over Andaman & Nicobar islands, Tamilnadu, Kerala and Lakshadweep during next 2-3 days.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

- Mainly dry weather is expected to prevail except over north Rajasthan where isolated to scattered rainfall may occur during 9-10 January 2006.

Warning

- Prevailing cold wave to severe cold wave conditions over J&K, Punjab, Haryana, Rajasthan and Uttar Pradesh are likely to continue and cover some more parts of north India up to Bihar during next 2 days. Thereafter the night temperatures over northwest India are likely to increase, with the approach of the western disturbance around 9th January 06.

- Frost is likely to continue over most parts of Punjab, Haryana, Rajasthan and Uttar Pradesh and cover more parts of Indogangetic plains during next 24-48 Hrs.

Source: NCMRWF

FOREX (As on 7th January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.66
1 Euro	54.24
100 Yen	39.01
1 British £	79.07

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