

Wheat

25th 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 bounced back from its recent gains and traded on mostly lower side today amidst strong selling pressure and weak physical market price. The difference between futures market and spot market is likely to continue till end of February. The February contract opened mostly down at Rs.923.00 and settled mostly low Rs.22.40 to Rs.906.00 today. February contract traded at the range of Rs.905.20-925.00 today.

Price Change:

Contracts	Closing	Previous	Change
February	906.00	928.40	-22.40

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

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

Advice: Go for short position near 907.2 with target near 900.1, next 892.0 and put stop loss near 914.1.

Support and Resistance Levels:

The current resistance levels are at 919.0 and 931.0 marks and support levels are at 900.1 and 892.0 marks as very short term.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January	900.1	892.0	919.0	931.0



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot prices continued its downward trend at the domestic spot market in Delhi due to low demand from flourmills and Chakki mills as they have sufficient stocks. Wheat dara mill quality opened at Rs.1010 per quintal and traded at Rs.1005-1010 per quintal with average arrival of 4000-5000 bags from M.P., Haryana and U.P at Lawrence road. Most of the bags are coming from M.P. According to the traders, the flourmills and Chakki mills has stock for three to four days therefore the prices are likely to remain steady to slight down at the spot market in the coming days. But bullish market sentiment is expected to possible in the coming week. At Narella mandis, wheat has traded at Rs.975-985 per quintal on lower side and Rs.980-985 per quintal at Najafgarh mandis.

In **Uttar Pradesh** market, wheat prices have decreased by Rs.15-20 per quintal in Kanpur market due to weak demand from Delhi and surrounding States. Where as Bareilly and Shahjahanpur market showed range bound with steady tone today. The demand from flourmills, Chakki mills and neighbouring States remained weak. The demand for wheat remained weak in UP market as the millers are now waiting for FCI's selling in this market. The market remained weak because FCI is expected to sell around 8000 tonnes of wheat at the rate of Rs.865 per quintal to the flourmills association, according to the traders. According to the trade sources, FCI had sold wheat at this market. At Kasganj, the wheat prices remained weak and prevailed at Rs.880-885 per quintal with average arrival of 300-450 quintal. At Etah mandis, the wheat has traded at

Rs.900-905 per quintal today with arrival of 250-350 quintal on lower side.

In **Punjab** market, the wheat prices remained steady today due to strong demand and less arrival. FCI did not sell wheat at this market. At Khanna market, wheat prices remained steady today due to stable demand-supply scenario. At Amritsar market, it traded at the range of Rs.980-985 per quintal on steady range with daily average arrival of 150-250 bags from godown stocks. The wheat has traded at the range of Rs.980-985 per quintal at Jalandhar market. At Ludhiana, wheat prices remained steady today. FCI was expected to sell around 10000 tonnes of wheat in Punjab market.

In **Gujarat** market, the wheat prices again decreased today due to less demand from the flour and Chakki mills. The arrival remained around 8000-10000 bags from M.P.

The downward sentiment of wheat prices has restricted and traded on steady range 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. While wheat dara has traded at the range of Rs.1060-1065/quintal in Pune and Rs.1045-1050/quintal in Mumbai. Wheat Lok-1 variety prevailed at Rs.1100-1125/quintal in Mumbai.

In **Madhya Pradesh** mandis, wheat prices extremely decreased today and prevailed at Rs.925-930 per quintal at Indore market and Rs.880-890 per quintal at Satna market due to weak 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 pronounced in this State. The arrival remained 20-25 trucks in Indore market today. The stockists are also releasing stock in the market. FCI did not sell wheat in this market.

However the wheat products like Atta, Maida Suji, and Chakki prices remained mixed 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 is witnessed steady to low at most of the trading centre in India due to FCI has sold 1.5-2.0 lakh MT wheat in the domestic market to stabilize prices. But this amount of wheat is not sufficient to meet the domestic demand. FCI is likely to sell additional wheat in Ludhiana market to check prices up. If FCI sells wheat periodically then the prices would be checked.

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

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	23.01.06	24.01.06
Atta (90kg)	1017	1001
Maida Grade 1(90kg)	1145	1149
Suji (50kg)	630	634
Chokar (50 kg)	350	350
Chokar (35 kg)	239	239
Chakki Atta (90kg)	972	975

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

Markets	23.01.06	24.01.06
Delhi (Lawrence Road)	1015-1020	1005-1010
Haryana (Karnal)	955-957	952-955
Punjab (Khanna)	990-995	990-995
Ahmedabad	980-985	975-980
Ludhiana	957-960	950-955
Ludhiana (Jagraon)	950-955	950-955
Rajasthan (Kota)	970-975	960-965
Amritsar	980-985	980-985
Uttar Pradesh (Kanpur)	963-965	950-955
Uttar Pradesh (Bareilly)	965-967	965-967
Uttar Pradesh (Shahjahanpur)	979-981	982-985
Maharashtra (Jalgaon)	1000-1010	1000-1010
Madhya Pradesh (Satna)	925-930	880-890
Madhya Pradesh (Indore)	975-985	925-930

INTERNATIONAL MARKET:

CBOT Wheat Futures Remains Bearish

Chicago Board of Trade (CBOT) wheat futures witnessed bearish trend and settled mostly down Monday, bolstered by losses in Kansas City Board of Trade March hard red winter wheat futures. Strength in the other grains and a move to the highest level since October 12th for May Kansas City wheat was enough to support the early bounce. However, May Kansas City wheat closed lower and at the low end of a \$7.5 cent range which helped pressure Chicago wheat into the close. The sharp break in the US dollar helped bolster some speculative buying on the idea that a weak US dollar likely to help US exports compete on the world export market. Talk that weather conditions might worsen for Argentina in the 6-10 day time frame helped provide some support. CBOT March wheat finished low 0.5 cent at \$3.26, whereas May settled down 0.25 cent at \$3.37 per bushel. March wheat support comes in at \$3.235 and \$3.18 with resistance at \$3.31 and \$3.34. The other bearish factor was Syria's sale of 300,000 tons of wheat to Egypt, while weekly U.S. wheat export inspections at 18.781 million bushels, were at the high end of estimates. Cash U.S. soft red winter wheat decreased by 2 cents per bushel.

NEWS ANALYSIS:

Wheat Acreage Touched to 26.1 Million Ha in India

According to the Ministry of Agriculture, the wheat acreage has covered 26.1 million hectares in the Nov. 1-Jan. 23 periods as against of 25.9 million hectares in the year-earlier period. The Indian wheat crop is tentatively forecast at 74-76 million tons, with sources continuing to closely follow northern India rainfall.

FCI Likely to Sell Additional Wheat in Ludhiana

Wheat flour prices have been rising since several weeks due to higher price of wheat in all over the country. In Ludhiana, the wheat flour has increased from Rs.10 to Rs.12 per kg. According to the traders, the prices of bread are likely to increase by 10% all over the country. According to Ramesh Maggoo, vice-president of All India Bread

Manufacturers Association, the bread prices has already been increased in Mumbai. The FCI has declared that it will release wheat directly to the flour millers today onwards to check prices. It is anticipated that this extra release will be able to meet with the increased demand for flour, and offset the price hike. However, bread manufacturers reported that the price of refined flour (maida), the main ingredient of bread, has soared from Rs.520 to Rs.660 for a 50 kg bag in the last fortnight. Manufacturers claim that they have no choice because the wheat prices are too strong therefore the bread prices are increasing. Maggoo specified that if the release of wheat from FCI does not help the market much, the increase in prices could be increased to 20%.

Wheat Crop Likely to Harm as Shortage of Urea

Wheat crop is likely to damage due to paucity of fertilizer basically urea. The Union Agriculture Ministry on Monday wanted a report from the Department of Chemicals and Fertilizers about the shortage and delayed availability of fertilizers for the ongoing Rabi wheat season. The wheat sowing area has increased in this year therefore the demand for urea had gone up. The demand could not be met by the fertilizer agencies. Farmers in Amritsar, Gurdaspur, Kapurthala and Hoshiarpur and in parts of Haryana and western Uttar Pradesh have reported shortage of urea.

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WEATHER OUTLOOK:

NORTH: Isolated rain/snow likely over Jammu & Kashmir. Weather will be mainly dry over the rest region. However, a spell of moderate rainfall/snowfall is likely over the western Himalayas from 22nd evening till 24th.

EAST: Isolated rain/thundershowers likely over northeast Assam and Arunachal Pradesh. Weather will be mainly dry over the rest region.

SOUTH: Isolated rain/thundershowers are likely over Nicobar Islands. Weather will be **mainly dry** in the rest region.

WEST: Weather will be **mainly dry** over the region.

Source: IMD

FOREX (As on 24th January, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.21
1 Euro	54.36
100 Yen	38.57
1 British £	78.96