

Wheat

20th –25th February, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Demand, Supply and Prices at Important Centres
- International and Domestic News
- International Wheat Prices

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: March (Future)

NCDEX wheat futures have soared in this week as against of last week amidst speculative buying and slight upward trend of wheat prices in Delhi. The volume as well as open interest has increased gradually. But the futures price prevailed still below than that of spot market price in Delhi. It is expected that the gap between the futures and spot would be minimize in near future. The most active March wheat futures have increased from Rs.822.60 of last Saturday to Rs.849.40 of Saturday and it has touched Rs.868 in this week, which was the lifetime high. This contract hovered within the range of

Rs.820-868 in this week. The all of the indicators are hinting bearish sentiment.

Outlook: The wheat futures are expected to remain bearish to steady in the coming two to three days where as it might be remain bullish later and will remain bearish as long term.

Advice: Go short at higher level.



Support and Resistance Levels:

The current resistance levels are at 852.0 and 868.0 marks and support levels are at 842.0 and 832.5 marks as very short term as well as medium term for the coming week.

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
March	842.0	832.5	852.0	868.0

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

The prices showed upward curve in Delhi where the prices increased from Rs.925-930 per quintal of past Saturday to Rs.950-955 per quintal Saturday at Lawrence road amidst very poor arrival of 1500-2000 bags from MP and Khanna. The demand from mills remained slight weak. The traders are mainly eyeing on the fresh arrival and they are not willing to purchase wheat at higher price. Apart from this, FCI has declared to sell 20000 tons of wheat in Delhi, which is providing some underlying support.

Ahmedabad:

The fresh arrival of new wheat crop and weak demand from mills pulled down the wheat prices at this market. The FCI's wheat has been selling in Ahmedabad market but there was lack of buyer. The prices have declined by Rs.75-80 per quintal in this week as against of last week. The new wheat crop has traded within the range of Rs.815-820/qrtl at Saurashtra, Rs.790-800/qrtl at Rajkot. The average arrival remained within 20000-25000 bags at Saurashtra market. The prices are expected to remain steady to weak in the coming week, according to the traders.

Punjab:

The most of the market in Punjab market has showed a steady declining undertone in this week over last week. There was very less stock in this market but lack of buyers created the market to down. The new crop is likely to hit in April. The godown stocks were sold in this market. The market is expected to remain steady to weak in the coming week. In Ludhiana, The wheat prices have decreased in this week as compared to previous week due to weak demand.

Maharashtra:

Around Rs.25-30 per quintal has decreased in this week as against of last week in Maharashtra market due to weak prices in Indore market as this market has provided wheat in this state. Besides this, the traders are now eyeing on the new wheat crop and FCI's selling pressure restricted the prices to up. The prices declined from Rs. 925-930 per quintal to Rs.900-905/qrtl at Jalgaon market with. The new wheat crop has traded within the range of Rs.880-890 per quintal with arrival around 80-110 bags in Jalgaon market at this weekend.

Haryana:

Poor stock and no arrival restricted the price movement and wheat has traded range bound in this week as compared with last week in Haryana market. FCI's wheat has been traded in this market.

Rajasthan:

Rajasthan market has also showed bearish undertone as of other market and wheat prices has declined by Rs.40-45 per quintal at most of the mandis. In Kota market the

prices decreased from Rs. 950-955 to Rs.917-922 per quintal at this weekend. At Khairtal and Alwar market it prevailed at Rs.875-880 and Rs.875-880 per quintal on mostly lower side. The demand remained weak and arrival remained very weak at this market. The arrival remained very less at Khairtal market around 70-80 bags daily.

Uttar Pradesh:

The sentiment remained very hot and prices soared by Rs.20-50 per quintal at most of the mandis in this week compared to last week. The main factor was less stock and higher requirement of wheat to the flourmills and Chakki mills. FCI sold wheat but the amount was very few; therefore it did not offset the higher demand. The less stock to the stockists and higher requirement of flourmills has aggravated the situation. Wheat has traded on mostly bullish side in Bareilly, Kanpur, Shahjahanpur and Kasganj market.

Madhya Pradesh:

In Madhya Pradesh mandis, wheat prices fell down abruptly in Indore market due to dearth of demand from mills and stable arrival. The daily average arrival of 7500-8000 bags of new wheat crop is witnessed at Indore market. The stockists are also releasing their stock. The new wheat mill quality at Indore mandis decreased from Rs.925-930 per quintal to Rs.830-840 per quintal. The prices are likely to go down by Rs.25-50 per quintal in the coming week. According to the traders, the stock in the Satna is likely to finish.

Vyasa Bazaar:

NCDEX wheat futures have soared in this week as against of last week amidst speculative buying and slight upward trend of wheat prices in Delhi. The volume as well as open interest has increased gradually. But the futures price prevailed still below than that of spot market price in Delhi. It is expected that the gap between the futures and spot would be minimize in near future. The main governing factor was government intervention programme, import decision and good spot market prices etc.

CONCLUSION

Wheat domestic spot prices witnessed slight weak undertone in this week at most of the trading centres except Delhi, UP and South India where the prices still remained on higher side. The government is maintaining the wheat market at present as the market has very few stocks. The market is eyeing on the FCI's policy. However the FCI's has also less stock so they did not continue selling at the open market. Besides this the fresh arrival of new wheat crop from Saurashtra, Indore and Maharashtra kept pressure on prices but the arrival is poor. At present wheat stocks to the FCI prevailed at 4.7 MMT as of Feb 1 as compared with 73 MMT last year same period. The prices are likely to steady to down in the coming week. NCDEX wheat futures have soared in this week as against of last week amidst speculative buying and slight upward trend of wheat prices in Delhi. The volume as well as open interest has increased gradually.

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

Wheat Products	18.02.06	25.02.06
Atta (90kg)	975	965
Maida Grade 1(90kg)	1161	1161
Suji (50kg)	640	640
Chokar (50 kg)	300	282
Chokar (35 kg)	197	190
Chakki Atta (90kg)	890	895

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

Markets	18.02.06	25.02.06
Delhi (Lawrence Road)	930-935	950-955
Haryana (Karnal)	930-931	925-930
Punjab (Khanna)	935-940	900-905
Ahmedabad	945-950	870-880
Ludhiana	850-860	875-880
Ludhiana (Jagraon)	850-860	835-840
Rajasthan (Kota)	955-960	917-922
Amritsar	945-950	865-875
Uttar Pradesh (Kanpur)	905-910	917-922
Uttar Pradesh (Bareilly)	900-905	933-937
Uttar Pradesh (Shahjahanpur)	945-950	990-995
Maharashtra (Jalgaon)	925-935	900-905
Madhya Pradesh (Satna)	820-825	810-825
Madhya Pradesh (Indore)	925-930	830-840

RABI WHEAT CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (30.01.06)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
263	265.08	261.47	+3.61	Ass (-0.6, -52.4), Bih (+0.6, +2.6), Guj (+1.6, +21.3), MP(-6.3, -14.6), Maha (+3.0, +41.8), Pun (+0.8, +2.4), Raj(+1.3, +6.9), UP(+1.3, +1.4), Uttaran (+0.4, +12.0), WB(+1.0, +28.6)

Source: Department of Agriculture, Government of India

INTERNATIONAL AND DOMESTIC NEWS:

India Importing Wheat amidst Shortage of Buffer Stocks

According to Food Minister Sharad Pawar, the decision of 500,000 metric tons of wheat import has taken due to it expects a shortage of wheat buffer stocks in the April 2006 to March 2007 marketing year. The government sells wheat and rice at subsidized rates under the Public Distribution System. The buffer stock is maintained to meet emergencies such as drought and floods. It was fixed that the buffer stock for wheat will be at least 4.0 million tons as on April 1 in each year. The buffer stock is expected to be at less than 1.5 million tons on April 1, 2006, Pawar said. The government will start procuring wheat from farmers at the end of March in the northern Indian provinces of Punjab, Haryana, Uttar Pradesh and Madhya Pradesh. The imported wheat will be used to increase stocks in the southern states of Karnataka, Tamil Nadu, Andhra Pradesh and Kerala, because this region does not primarily produce wheat and where consumers faced high prices last month. He also concluded that the imported wheat would not be sold in wheat producing areas likely central and northern India.

Wheat Acreage Touched 26.6 Mln Ha in 2006

According to the government, the higher acreage of wheat is due to the timely start of winter sowing backed by good rains in September, the ample soil moisture, revitalizing of groundwater and satisfactory availability of irrigation facilities due to healthy reservoir levels. The acreage has covered around 26.6 million hectare as compared with 26.4 million hectare of last year same period. But the rise in temperature and less rainfall creates worries about shortfall in production as compared to target production of 75-76 MMT. The area under wheat over the past three years has averaged 26.3 million hectares and is higher than normal this year. India's wheat production reached a record 76.4 million tons in 1999-2000 but declined after that.

Eight Companies Given Bids to Export Wheat in India

The international companies such as Glencore, ADM, Toepfer, AWB, Soufflet and ETA have bid for a global tender by India to import wheat, according to an official of a state-run agency. Earlier this month, the State Trading Corporation had floated a tender to import 500,000 tonnes of wheat without duty for delivery between mid-March and May at five southern Indian ports at earlier this month. The tender closed on Monday. The Food Ministry was anticipated to make a decision on the offers in the next few days. According to another official, the food ministry would make its proposal to the federal cabinet, which would then take a final decision in early March. Some companies have made offers to supply the entire 500,000 tonnes; some have bid to deliver smaller quantities. The agency has wanted imports of 110,000 tons at Mangalore, 100,000 tons each at Chennai and Tuticorin, 70,000 tons at Vishakhapatnam and 120,000 tons at Cochin. The price is to be quoted in dollars a ton, on a cost and freight basis. The offer has to be accompanied by a bid bond equivalent to 3% of the full value of the tender. The moisture content in the wheat should be a maximum 12%, and added that the minimum protein content on a dry weight basis should be 10%.

Karnataka Flour Mills Look for Additional FCI Wheat

Roller flour millers in Karnataka have urged to continue the open market sale of wheat by the FCI, as the present price of wheat is too high around Rs.1100-1150 per quintal. The new wheat crop will hit the market in mid April but the situation is too hot in this state. Therefore the government should continue their open market sale to restrict the prices up, according to the millers. They claimed to release additional 35,000 tonnes of wheat under OMSS(D). The state experienced a rigorous shortage of wheat in the open market in December 2005. In January 2006, a shortage of railway wagons aggravated the situation, according to V P Jayaraman, executive secretary, Karnataka Roller Flour Mills Association.

FCI: Expected to Release 20,000 tonnes Wheat in Delhi

It is reported by a senior official of FCI (Food Corporation of India), they might be released around 20000 tonnes of wheat for open market sale within 15 days in Delhi to ensure steady supplies for roller mills. The official said around 2,23,000 tonnes of wheat being released for open market sale in February for the entire country. The government had last month said it would release 73,000 tonnes wheat for open market sale in February, over and above the 1,50,000 tonnes announced earlier. Delhi got about 52,000 tonnes of the total allocation of 2,23,000 tonnes in the entire country.

Wheat Consumption Likely to 74.5 MMT in 2006-07

According to the sources, the wheat production in this current year is estimated to 73-74 million tonnes, which is higher as compared with 72 million tonnes of last year 2005-06 marketing year. The wheat consumption in marketing year 2006-07 is forecast at 74-75 million tonnes, which is higher than that of estimated production. It is clearly indicated that the production is not increasing as compared with consumption. Therefore India might be import further in the current year to recuperate the difference. Government has already reported that they would review wheat import plan after local procurement.

Wheat Import Likely to Delay as Tough Standards

Due to tough Indian wheat standards only one bidder has passed under tender conditions out of eight bidders. Therefore the wheat import is likely to delay. The STC has also cleared that they would not alter the quality norms of wheat imports. Quality standards have been structured in line with local Indian requirements.

Wheat Production: Government Estimated to 73.06 MMT

According to government's estimation, the wheat output is expected to rise by 1.5% in the current fiscal year to peg at 73.06 million tonnes as compared with 72.0 MMT of previous year 2004-05. The Government has decided to import 5 lakh metric tonnes of wheat for South India due to shortage of government as well market's stock. According to the second advance estimate of crop production released by the government on Wednesday, total foodgrain output is likely to increase by 2.3% in 2005-06 to be at 209.32 million tonnes.

Wheat: Adverse Weather Pulls Down Production

The wheat production has forecasted at 73.1 MMT, which is marginally higher as against of last year. According to Agriculture Secretary Radha Singh, the wheat output might be increased to 75 MMT if the weather conditions would have been better. Dearth of winter rains and extreme cold being followed by hot weather harmfully affected on the wheat production. According to the crop specialists, temperatures in February and March are very vital for final production. Any abnormalities in weather might be affected to grain shrinkage and lower production. The lower production as compared with expectation of 75-76 MMT is mainly due to the estimated production shortfall from Madhya Pradesh. The wheat acreage has come down by 6 lakh hectares in Madhya Pradesh because of water deficiency and drought-like conditions prevailing in the state. India's wheat output reached a record 76.4 million tons in 1999-2000 but has since seen a steady decline. The country produced 72 MMT against a target of 79.5 MMT in 2004-05.

IGC: Global Wheat Production Remains at 615 MMT

According to the International Grains Council (IGC), there are few changes from last month's estimates for wheat. The figure for 2005 production remains at 615m. tons, despite an increase of 1.1m. tons in Australia, where the crop (25.1m. tons) is the second largest on record. Forecast consumption is unchanged at 618m. tons. In Australia, feed use is boosted by heavy supplies and increasing cattle numbers in feedlots, while in Canada wheat feeding is buoyed by the low quality of some of the last crop and higher duties on maize imports from the US. Further declines in cattle and pig numbers in Russia, although partly offset by rising demand from the poultry sector, are reducing wheat feed requirements. Forecast world trade remains at 108m. tons, a small increase in US imports offsetting a decline by Russia. Because of Australia's increased 2004 and 2005 crop numbers, forecast end-season stocks in the five major exporters are up by 3m. tons at 52m. tons, only 2m. less than the previous year. World stocks are similarly raised by 3m. tons, to 136m. tons (138m.).

IGC: Lower Wheat Production Due to Weather

According to the International Grains Council (IGC), severe winter weather in the CIS, has reduced the wheat production forecast by 7m. tons, to 588m. A quarter of the (reduced) sown area in Russia may have been lost to winterkill and conditions in Ukraine are as bad. Cold weather also slightly reduced EU crop prospects but production should be well above last year's. The condition of winter wheat in the southern US Plains continues to be poor, and more rain is needed in Canada's spring wheat areas. Assuming average yields, China's crop would be smaller than last year. Sowings in India were slightly up from 2005, and the crop is still expected to increase despite recent dry and hot weather trimming official forecasts. Wheat consumption in 2006/07 may fall by 13m. tons to 605m., with most of the decline expected in feed use, particularly in the CIS. World wheat trade is projected to increase to 110m. tons because of larger purchases by China. Reduced supplies in Russia and Ukraine could result in increased sales by the five major exporters. Total wheat ending stocks could fall to around 120m tons, their lowest since the early 1980s, with the five major exporters accounting for 44m tons, down 8m.

India Expected to Import More Wheat in 2006-07

According to the USDA (US Department of Agriculture), it is expected that India would import additional 1.2-1.5 million tonnes of wheat in 2006-07 (April-March) to rebuild stocks. According to domestic traders, India's total wheat imports for the year would be higher at 2 million tonnes. It is mainly due to the high consumption and low carry over stocks. The production is likely to be more than last year but the overall supplies will remain tight. According to official estimates, the government's wheat stocks as on April 1 are seen at about 1.5 million tonnes, 2.5 million tonnes lower than the buffer stock norm of 4 million tonnes. Therefore the government's management of the PDS (public distribution system) is also likely to come under pressure. Consequently, there is a possibility of additional wheat imports by the government in 2006-07 (April-March) to rebuild stocks. The estimated target of 17.5 million tonnes of wheat has remained under the public distribution system (PDS) and other state-run welfare schemes.

Minister: Importing Wheat Cheaper than Local Supply in South

According to the Food Minister Sharad Pawar, the cost of supplying wheat in Southern States would be higher than that of cost of importing wheat. It is due to cost of transporting. But he did not mention that the cost of importing wheat would be lower than the MSP of wheat (MSP Rs. 650/qrtl). The government is importing wheat to refill its own stocks for running its PDS programme and to meet emergencies such as drought and floods. According to industry estimates, the transporting cost of wheat from Uttar Pradesh to South India is around Rs.100-130 per quintal. Adding it to the MSP of Rs.650/qrtl would result in an estimated cost of Rs.750-780/qrtl to supply it to states in South India, without miscellaneous costs for example loading, unloading and storage. The FCI's current selling price of wheat to flour mills is at Rs.948/qrtl. It also charges an additional 2% tariff on such sales.

Wheat: USDA Weekly Export Sales Highlights

Net sales of 510,400 metric tons (MT) were 14 percent below the previous week, but 22 percent over the prior 4-week average. Major increases for Mexico (123,400 MT), Japan (61,400 MT), Egypt (59,700 MT), Israel (48,400

MT), Nigeria (46,300 MT), South Korea (45,200 MT), Algeria (39,500 MT), and Venezuela (36,500 MT) were partially offset by decreases for the Philippines (32,900 MT). Sales of 79,000 MT for 2006/07 delivery were reported for the Philippines (59,000 MT) and Italy (20,000 MT). Exports of 450,400 MT were 9 percent below the week earlier and 18 percent under the prior 4-week average. The main destinations were Japan (93,600 MT), the Philippines (78,800 MT), Mexico (62,300 MT), Iraq (50,700 MT), Taiwan (42,700 MT), and Chile (35,200 MT). (This summary is based on reports from exporters for the period February 10-16, 2006).

Wheat Import: Bids of AWB Ltd. Witnessed Lowest

The bid of the Australian wheat exporter, AWB Ltd (AWB.AU) is measured to be lowest among the eight bidders in a tender. The tender floated by State Trading Corp (STC) to import 5 lakh metric tons of wheat earlier. According to the STC, it has been offered by AWB to export wheat at the price of around \$179/ton or Rs.7922.5 per ton (Rs.792/quintal), cost and freight, but they kept an option to increase the rate to \$185/ton or Rs.8188.1 per ton from March 1. They also concluded that the quality related issues would be taken first followed by price. Before awarding the contract, STC has also to get the essential approvals on quality and price from the government. (1 dollar=INR 44.26)

IGC WORLD WHEAT ESTIMATES (22.02.06)

(Million tons)

	2002 -03	2003- 04	2004- 05	2005-06 (Forecast)	
				25.01	22.02
Production	566	555	623	615	615
Trade	106	103	106	108	108
Consumption	600	593	613	618	618
Stocks	165	127	138	133	133
Year-Year Change	-34	-38	+11	-3	-3
5 Major Exporters [#]	43	40	52	49	52

[#] 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%	
	Feb.23	Feb.24	Feb.23	Feb.24	Feb.23	Feb.24	Feb.23	Feb.23
Feb-06	183	153	153	164	164	188	188	183
Mar-06	171	148	145	159	156	183	181	171
Apr-06	173	150	150	161	161	185	185	173
May-06	172	154	157	164	168	189	192	172
Jun-06	177	159	162	170	173	195	198	177
July-06	167	156	159	167	170	191	194	167

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 25th February 2006)

A western disturbance is approaching the northern part of the country and is likely to cause scattered rain/snow over west Himalayan region and isolated to scattered rain/thundershowers over Punjab and northern Haryana during next 2-3 days. Day temperatures 5-8° C remain above normal over most parts of northwest, Gangetic Plains, central India, eastern parts of the country and 4-5 ° C over Maharashtra , Gujarat and Chhattisgarh where as night temperatures were above normal by 3-5° C over these area.

Forecast:

NORTH-WEST INDIA: Rain/snow likely at a few places over Jammu & Kashmir and Himachal Pradesh and isolated over Uttaranchal. Isolated rain/ thundershowers over Punjab and north Haryana during next 2-3 days . Day and night temperatures are likely to remain above normal by 4-6° C. Mainly Dry weather over the rest region.

EAST INDIA: Isolated rain/thundershowers likely over Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Day & night temperatures are likely to remain 3-5°C above normal.

NORTHEAST INDIA: Rain/thundershowers are likely at a few places over Assam & Meghalaya and Arunachal Pradesh. Mainly dry weather over the rest region.

SOUTH INDIA: Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Day temperatures likely to remain 2-3° C above normal. Night temperatures are likely to remain 2-3° C below normal.

WEST INDIA: Weather will be mainly dry over the region. Day and Night temperatures likely to remain markedly above normal over many parts of the region.

CENTRAL INDIA: Weather will be mainly dry over the region. Day temperatures are likely to remain 5-7° C above normal over Madhya Pradesh & Chhattisgarh.

Source: IMD

Favourable irrigation and soil moisture for winter wheat areas of north India at this time but showers will be needed when this crop reaches the heading stage. But the rise in temperature might be harmful for the standing wheat crop.

FOREX (As on 25th February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.44
1 Euro	52.79
100 Yen	38.02
1 British £	77.59

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