

Wheat

12th –18th 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)

Wheat futures at the NCDEX have gradually increased in this week as compared with last week amidst speculative buying despite the spot market prices remained down. However the futures price is still remaining below the spot price. It is expected that the gap between the futures and spot would be minimize. The March wheat futures have increased from Rs.814.80 of Monday to Rs.822.6 of Saturday and it has touched Rs.829.2 in this week. It traded within the range of Rs.805.20-829.20 in this week. The all of the indicators are

hinting bearish sentiment. Open interest as well as volume is increasing.

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

Advice: Go short at higher level.



Support and Resistance Levels:

The current resistance levels are at 829.1 and 839.6 marks and support levels are at 811.2 and 802.5 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	811.5	802.5	829.1	839.6

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

In this week the wheat prices has decreased by Rs.60-70 per quintal in Delhi market due to FCI had sold wheat to the flourmills. The daily average arrival has also decreased from 4000-5000 bags to 1500-2000 bags in this week but it did not boost up the market. The demand remained weak in this week. The wheat was coming from Haryana, U.P. and M.P. Wheat dara mill quality decreased from Rs.990-1000 per quintal to Rs.930-935 per quintal in this week at Lawrence road.

Ahmedabad:

The wheat prices have steady in this week as compared with last week in Ahmedabad market due to scarcity of arrival and remarkable demand from mills. The new wheat crop has hit in Saurashtra market but very few and it is expected that the arrival would increase in the coming week. The prices are expected to remain steady to weak in the coming week, according to the traders.

Punjab:

The most of the market remained steady in this week as compared to last week due to stable demand from mills and paucity of arrival. There was very less stock in this market. The new crop is likely to hit in April. The godown stocks were sold in this market. The market is expected to remain steady in the coming week. In Ludhiana, The wheat prices have decreased in this week as compared to previous week due to weak demand.

Maharashtra:

The dara wheat variety remained strong in this market in this week due to strong demand and weak arrival. The prices increased from Rs. 850-860 per quintal to Rs.925-935/qrtl. The arrival from M.P. remained weak due to higher price in M.P. but arrival of new crop and strong demand kept the prices strong in this week. The market is likely to remain steady in the coming week.

Haryana:

The most of the mandis showed weak undertone in this week as compared with last week. At the Karnal market wheat was quoted at Rs 930-931 per quintal as compared to Rs 950-955 at last weekend. FCI sold wheat in this week in Haryana to stabilise price.

Rajasthan:

The prices have soared by Rs.40-50 per quintal in Rajasthan market. In Kota market the prices increased from Rs. 915-920 to Rs.950-955 per quintal on Saturday. At Khairtal and Alwar market it prevailed at Rs.890-910 and Rs.900-910 per quintal on steady side. The demand remained stable and arrival remained very week at this market. The arrival remained very less at Khairtal market.

Uttar Pradesh:

The market price for wheat remained slight weak in this week as compared with last week. The demand remained

weak and government intervention programme has also restricted the price movement to price up. The market had very less stock. At the Kanpur, Shahjahanpur and Bareilly markets, wheat has traded at lower side in this week.

Madhya Pradesh:

The market sentiment for wheat showed a bullish undertone in this week as compared with last week due to arrival of new crop and strong demand. The stockists are also releasing their stock. The dara wheat mill quality at Indore mandis remained strong at Rs.925-930 per quintal with average arrival of 2-5 trucks, said an Indore based trader. The freight charge has increased by Rs.20-25 per quintal. Therefore the transporting cost has soared. 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.

Vyada Bazaar:

Wheat futures at the NCDEX have gradually increased in this week as compared with last week amidst speculative buying despite the spot market prices remained down. However the futures price is still remaining below the spot price. It is expected that the gap between the futures and spot would be minimize. The main governing factor was government intervention programme, import decision and good spot market prices etc. The prices are expected to remain slight firm in the coming week likely Monday and expected to remain slight weak position during mid of the coming week.

CONCLUSION

The most of the mandis showed a slight strong sentiment in this week as compared to last week. The government intervention programme has restricted the price movement to bullish side abruptly. The weak arrival is also kept pressure on the wheat prices. The new wheat crop has hit the market in Gujarat, Maharashtra and MP. Therefore the stockists are releasing wheat. The government has decided to import wheat about 5 lakh MT and it will be come within 60 days. But this news has no impact at the domestic market. Traders are anticipating that its impact would be feasible in the coming month. 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. Prices of wheat in India's open market have jumped in recent weeks on tight supplies and fears of a shortage.

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

Wheat Products	11.02.06	18.02.06
Atta (90kg)	1015	975
Maida Grade 1(90kg)	1180	1161
Suji (50kg)	651	640
Chokar (50 kg)	328	300
Chokar (35 kg)	213	197
Chakki Atta (90kg)	950	890

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

Markets	11.02.06	18.02.06
Delhi (Lawrence Road)	990-1000	930-935
Haryana (Karnal)	950-955	930-931
Punjab (Khanna)	947-952	935-940
Ahmedabad	945-950	945-950
Ludhiana	925-930	850-860
Ludhiana (Jagraon)	890-900	850-860
Rajasthan (Kota)	915-920	955-960
Amritsar	945-955	945-950
Uttar Pradesh (Kanpur)	915-920	905-910
Uttar Pradesh (Bareilly)	935-940	900-905
Uttar Pradesh (Shahjahanpur)	980-985	945-950
Maharashtra (Jalgaon)	850-860	925-935
Madhya Pradesh (Satna)	815-820	820-825
Madhya Pradesh (Indore)	870-875	925-930

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:

Wheat: Haryana Urges to Increase MSP to Rs.760/qlt

After Punjab, Haryana today sought after a rise in the Minimum Support Price for wheat from Rs.650 to Rs 760 per quintal. Chief Minister Bhupinder Singh Hooda urged to the Prime Minister Manmohan Singh to raise the MSP of wheat. Wheat was sown in 23-lakh hectare in the state and the cold wave during January and early February benefited the crop's growth in the state, according to him. His demand assumes connotation against the backdrop of Punjab demanding an increase in wheat MSP from Rs.650 to Rs 700 per quintal. The Chief Minister has demanded to protect the interests of farmers.

Govt: Farmers Must Go to Irrigation for Wheat Crop

The government has advised to wheat-producing states to inculcate their farmers for higher irrigation due to rise in temperature. They are also expecting that it would affect the crop yield. According to the deputy director general of ICAR, JS Samra, the temperature has been increased by 3-6 degree centigrade during the last fortnight which is not good for early maturing varieties in certain north Indian areas. The early maturing varieties sown in Karnal, Delhi and western Uttar Pradesh might get affected and their maturing period reduced due to the recent variation of temperature from normal level, he concluded. The scientist, however, said the wheat crops in Rajasthan were maturing as per schedule and there was no impact of rise in temperature visible in the fields there. The ideal temperature of 12 to 13 degrees is beneficial for wheat crop during the maturing stage but not any level beyond 15 degrees centigrade.

USDA: Weekly Export Sales Highlights on Wheat

According to the latest USDA export sales highlights on wheat, the net sales of 593,600 metric tons (MT) were 69 percent above the previous week and 66 percent over the prior 4-week average. Major increases for the Philippines (138,100 MT), Taiwan (73,600 MT), Nigeria (63,900 MT, including 30,000 MT switched from unknown destinations), Indonesia (60,000 MT, all switched from unknown destinations), Japan (56,600 MT), and Thailand (45,000 MT) were partially offset by decreases for unknown destinations (45,000 MT). Sales of 30,500 MT for 2006/07 delivery were reported for the Philippines. Exports of 492,100 MT were 23 percent below the week earlier and 3 percent under the prior 4-week average. The main destinations were Iraq (99,300 MT), Japan (89,200 MT), Egypt (57,900 MT, all late reporting), Nigeria (47,300 MT), Mexico (32,100 MT), and Colombia (31,500 MT). (This summary is based on reports from exporters for the period February 3-9, 2006)

Wheat Procurement Target in Punjab, Haryana & UP

Wheat production is expected to be between 73 and 75 million tonnes, according to the government. Therefore they raised the procurement target to 16.2 MMT this year. The target for procurement is fixed this year from Punjab at 85 lakh tonnes compared to 90 lakh tonnes last year. Haryana's procurement target is 42 lakh tonnes and Uttar Pradesh's 25 lakh tonnes. Last year Uttar Pradesh had procured only about 5 lakh tonnes.

Wheat Output Likely to Low amidst Rising Temperatures

The rising temperature in the Indo-Gangetic regions of Punjab, Haryana and Western Uttar Pradesh might affect the standing wheat crop. Therefore the Indian Council of Agriculture Research (ICAR) has advised farmers to keep the wheat fields moist. The temperature has been increasing between 3 to 5 degrees Centigrade in the last few days might affect the quality of the grain. The Agriculture Ministry and the scientists are keeping a close watch on the situation. According to experts, the standing crop is at two stages: the early sown variety in Punjab, where tillering has completed and prevailed at the vegetative phase and will mature a week early. In western Uttar Pradesh, the wheat is still at the tillering stage. Wheat harvest begins in Madhya Pradesh by the middle of the next month. Untimely high temperatures reduce the moisture content and affect the grain quality. Wheat production had resulted in fall in the last year due to the abnormality of temperature.

Punjab: Wheat Procurement Likely to Dip to 9 MMT

According to SS Channy, managing director of The Punjab State Co-operative Supply & Marketing Federation Ltd (Markfed), the wheat procurement by the Punjab government is likely to be around 8.5-9 MMT in 2006-07 as compared to 9.3 MMT of last year. He also concluded that the wheat production is expected to be down to 14.6 MMT in this year as compared with 15.3 MMT of last year.

Punjab CM Urged Govt for Increase Wheat MSP to Rs.700/qrtl

Punjab Chief Minister Amarinder Singh requested Prime Minister Manmohan Singh to rise in the Minimum Support Price (MSP) of wheat from Rs.650 to Rs.700 per quintal. He urged Manmohan Singh to give advice the Agriculture Ministry to hike the MSP of wheat because the agriculture inputs had grown up by 127% and there had been only 57% increase in the MSP that was not commensurate with the escalation in the terms of inputs as per the study undertaken by experts of PAU, Ludhiana. He also met Union Agriculture Minister Sharad Pawar to press for a hike in the MSP of wheat.

Rising Temperature Likely to Down Wheat Output

The wheat yield has been falling in Punjab for the past five years. The state meets 60% of the country's total requirement of wheat. The major reason is to be the increasing temperature in this region. It is witnessed that the maximum day temperature has prevailed very high during February and March in the past five years, severely affecting the per hectare production of wheat. The other reason for the fall in productivity is said to be fatiguing of the earth, which has been overexploited for the past four decades. The average yield of wheat was 46-47 quintals/hectare across the state In 1999-2000. Where as the yield was 42-43 quintals per hectare in 2004-05, decreased by 4-5 quintals per hectare. This year also the rising temperature at this time has become a big worry for the Punjab Agriculture Department. The wheat crop has been in good shape so far this year, but the rising temperature might be reducing the yield. In this stage, it requires cold weather conditions for tillering at this stage. Haryana, the other major wheat producing state and

western Uttar Pradesh are also following Punjab in this regard. Therefore the changing of weather pattern is contributing the lower wheat output in this country.

Iraq Cancelled US Wheat Tender; Egypt Floated Tender

Iraq cancelled their tender for 1 million tonnes of US wheat due to higher price than other suppliers. In addition, there was talk that Iraq will look for other suppliers as well such as Europe, Canada or Australia. Egypt has given a tender for 55,000-60,000 tonnes of wheat from the US, France, Canada or Australia. On Saturday, Egypt bought 120,000 tonnes of wheat from Australia and 60,000 tonnes from the US. While it was better news than the last two tenders from Egypt where the US was shut out.

Wheat Import: Farmers to Prevent Unloading

According to the Bharatiya Kisan Union (BKU), they are likely to stop unloading of imported wheat at ports. BKU is protesting against the wheat import, which was decided by the Union Government and they urged to raise the MSP of wheat from Rs.650 to Rs.900 per quintal this year. Keeping in view that the imported wheat would cost Rs 1050 per quintal. The imported wheat is expected to arrive in the country when new wheat from Punjab, Haryana and other states arrives in the country's grain markets.

IGC WORLD WHEAT ESTIMATES (26.01.06)

(Million tons)

	2002 -03	2003- 04	2004- 05	2005-06 (Forecast)	
				23.11	25.01
Production	566	555	623	611	615
Trade	106	103	106	109	108
Consumption	600	593	613	616	618
Stocks	165	127	138	131	133
Year-Year Change	-34	-38	+11	-5	-3
5 Major Exporters [#]	43	40	52	47	49

[#] 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 10	Feb 9	Feb 10	Feb 9	Feb 10	Feb 9	Feb 10	Feb 9
Feb-06	198	196	168	167	176	175	201	199
Mar-06	186	184	164	164	173	173	197	197
Apr-06	187	184	168	168	176	176	200	200
May-06	186	184	186	176	188	185	213	209
Jun-06	183	184	177	177	185	185	209	209
July-06	173	175	175	175	183	183	208	208

PORT WATCH

No latest vessel position is reported at this weekend.

WEATHER WATCH (As on 18th February 2006)

Mainly dry weather conditions are likely to prevail over the country for the next 2 days outside northeastern States where isolated to scattered rain/thundershowers are likely. A fresh western disturbance is likely to cause scattered rain/snowfall over Jammu & Kashmir and Himachal Pradesh from 19th to 21st February. The day & night temperature over Rajasthan, Haryana, West Uttar Pradesh and adjoining northwest Madhya Pradesh are above normal by 6-8°C. This scenario is likely to continue for next 3-4 days.

Forecast:

NORTH WEST INDIA: Scattered rain/snow likely over Jammu & Kashmir and isolated Himachal Pradesh and Uttaranchal. Mainly Dry weather over the rest regions. Night temperatures are likely to remain significantly above normal and day temperatures are likely to fall by 2-3°C during next 2-3 days.

EAST INDIA: Isolated rain/thundershowers is likely over Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region. Day & night temperatures over the region are likely to remain 2-5°C above normal.

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

SOUTH INDIA: Isolated rain/thundershowers likely over Nicobar Islands. Weather will be mainly dry over the rest region. Night temperatures over the Peninsula are likely to remain near normal.

WEST INDIA: Weather will be mainly dry over the region. Day and Night temperatures over Rajasthan and Gujarat are likely to remain significantly above normal for the next 2-3 days.

CENTRAL INDIA: Weather will be mainly dry over the region. Day and Night temperatures over Madhya Pradesh and Chhattisgarh are likely to remain significantly above normal.

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 18th February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.34
1 Euro	52.79
100 Yen	37.53
1 British £	77.17

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.