

Wheat

6th February, 2006

MAJOR ACTIVITY HIGHLIGHTS

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

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Very Short Term (Daily)

Contract: February (Future)

NCDEX wheat futures remained firm today amidst strong physical market price and speculative buying. The news of wheat import by India did not support the futures market today also. The prices opened mostly firm and went to Rs.883.20 but did not sustained and settled mostly up. The February contract opened mostly firm at Rs. 870.0 and settled up Rs.8.20 at Rs.876.60 today. February contract traded at the range of Rs.870.00-883.20 today.

Price Change: February Contract

Contracts	Closing	Previous	Change
February	876.60	868.40	+8.20

Indicators: The all of the indicators are hinting strong bullish sentiment. Open interest as well as volume has decreased.

Outlook: The wheat futures are expected to remain strong in the coming days but trade cautiously.

Advice: Go for long position near 875.5, target near 883.3 then 888.8 and put stop loss near 870.3.

Support and Resistance Levels:

The current resistance levels are at 883.3 and 889.8 marks and support levels are at 870.3 and 865.4 marks as very short term.

Contract	Support Levels		Resistance Levels	
	S1	S2	R1	R2
February	870.3	865.4	883.3	889.8



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot market prices have been soaring in **Delhi** mandis due to dearth of arrival from other States. The scenario is not change today also. Wheat dara mill quality opened at Rs.1020-1022 per quintal today and has traded within the range of Rs.1020-1025 per quintal as compared with Rs.995-1000 per quintal of previous day and Rs.905-910 per quintal of Monday at Lawrence road in Delhi. The main bullish factor is scarceness of arrival where as demand remains slight strong. The average arrival from M.P. and U.P remained within 1000-1200 bags. According to the traders, optimistic traders are also holding their stocks to make scarcity. The decision of wheat import has negative impact on the market because the markets are

expecting that the government as well as FCI have less stock at their godowns. Therefore the wheat prices have been climbing in this week. At Najafgarh mandis wheat has traded within the range of Rs.960-965 per quintal on higher side and in Narella, it has quoted at Rs.960-965 per quintal on bullish side today.

In **Uttar Pradesh** market, wheat prices increased by Rs.5-10 per quintal at most of the mandis except Shahjahanpur market. The strong demand from Delhi and other states kept pressure on prices. Wheat prices traded on slight higher side in Kasgang and quoted at Rs.875-880 per quintal with average arrival of 250-350 quintal and wheat

dara mill quality quoted at RS.875-880 per quintal at Etha mandis with arrival of 250-300 quintal.

In **Punjab** market, the wheat has traded range bound with steady position due to stable demand and holding the stocks by the stockists. As well the strong demand from rolling flourmills also kept pressure on prices.

In **Rajasthan** market, wheat prices continued to rise by Rs.5-10 per quintal at Kota mandis as compared with yesterday amidst paucity of arrival and strong demand from rolling flourmills. The wheat has traded on mostly upper side at Rs.1000-1005 per quintal in Jaipur and Jodhpur market. The demand from Chakki mills remained distinct. At Khairtal and Alwar market it traded at Rs.890-895 per quintal with very few arrival.

In **Gujarat** market, the wheat prices continued to steady sentiment amidst poor demand from South India, according to the traders. The wheat import decision has taken for the South Indian states where the prices prevailed between Rs.1250-1300 per quintal. The traders in Gujarat are expecting that this would be affected the wheat market in this State as they are supplier to the South India. Demand from the flour and Chakki mills remained slight weak but few arrivals kept pressure on prices. At Saurashtra the wheat has traded at the rate of Rs.820-825 per quintal with arrival of 1000-1700 bags today and at Rajkot it traded at Rs.825-830 per quintal with arrival of 300-400 bags today.

The wheat prices soared further today in **Maharashtra** market due to upward demand from the mills and weak arrival. The higher price in M.P. also boosted the wheat prices in Maharashtra market. Wheat Lok-1 variety has traded at the range of Rs.995-1000 per quintal in Pune and Rs.990-1000 per quintal in Mumbai. The average arrival remained negligible at Jalgaon market.

In **Madhya Pradesh** mandis, the freight charge has increased by Rs.20-25 per quintal. Therefore the transporting cost has soared and wheat prices have climbed by Rs.15-20 per quintal in Indore market. The arrival remained weak at 5-10 trucks in Indore market. The new crop is likely to hit the market within 15-20 days.

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.

However the wheat products like Atta, Maida Suji, and Chakki prices continued to climb and traded on mostly upper side today due to the strong demand of wheat products and strong wheat prices at the spot market.

The wheat prices has been showing an bullish trend in this week due to revival of buying by rolling flour mills against pause in selling by stockists and registered further gains. The paucity of arrival is also pushed up the prices. The new wheat crop is likely to hit the market in March to April. Therefore the stockists are not reluctant to sell wheat at lower prices and they are holding their stocks.

The wheat prices are likely to remain steady to high on coming **Monday** in the domestic spot market.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	3.02.06	4.02.06
Atta (90kg)	1003	1020
Maida Grade 1(90kg)	1162	1180
Suji (50kg)	641	651
Chokar (50 kg)	332	339
Chokar (35 kg)	225	229
Chakki Atta (90kg)	955	965

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

Markets	3.02.06	4.02.06
Delhi (Lawrence Road)	995-1000	1020-1025
Haryana (Karnal)	912-915	945-950
Punjab (Khanna)	935-940	935-940
Ahmedabad	920-925	920-925
Ludhiana	895-900	895-900
Ludhiana (Jagraon)	895-900	895-900
Rajasthan (Kota)	930-935	945-950
Amritsar	910-915	915-920
Uttar Pradesh (Kanpur)	910-915	915-920
Uttar Pradesh (Bareilly)	927-932	932-938
Uttar Pradesh (Shahjahanpur)	1003-1007	1003-1007
Maharashtra (Jalgaon)	870-875	895-900
Madhya Pradesh (Satna)	850-865	855-865
Madhya Pradesh (Indore)	890-910	915-920

INTERNATIONAL MARKET:

CBOT Wheat Mounts on Speculative Buying

Chicago Board of Trade (CBOT) wheat futures traded on bullish side on Friday. A jump in Kansas City wheat to new contract highs, continued dry weather in the southern plains and active fund and speculative buying supported the early strong gains which bolstered the wheat futures to the peak level since October 14th and KC wheat to new contract highs. Expectations that Iraq would open bids Sunday in an export tender for 1 million metric tons of hard wheat were also supportive. Open interest at the CBOT hit another new record high. CBOT March wheat finished up 9.25 cents at \$3.565 per bushel after setting a near four-month high of \$3.615; whereas May settled up 9.25 cents at \$3.678 per bushel. March wheat support comes in at \$3.50 and \$3.47 with resistance at \$3.585 and \$3.65.

NEWS ANALYSIS:

India has Enough Source to Import Wheat

There are more sources to import wheat for India. The sources are mainly U.S., Australia, Canada, EU, Ukraine and Russia. Both the US and Australia are eager to export wheat, while Canada is waiting in the wings. STC would have to declare about the quality, price and delivery

schedules available in the world market before it can bring out its purse. But India's harsh fumigation and quarantine laws may well act as a non-tariff barrier that could trip up players. The US is keenly interested in selling half a million tonnes of wheat to India. But the US cannot deliver to India before end of March because of congestion at its ports. Besides, the cost will be more if India wants the wheat to land in east coast ports like Kakinada, Vishakhapatnam and Tuticorin. Where as Russia is offering affordable price and good quality, is over-booked for the next two months. Russia has just sold wheat to Pakistan at \$133 per ton free on board (FOB). The cheapest source may be Ukraine, but the moisture content is higher. On the basis of price European wheat appears to be the best suited. It is available for \$165 per ton, which is a very reasonable price. However, Canada and Australia have an edge with better quality, but their prices are higher. Canada can use Vancouver port for shipping high-quality white milling wheat. Australia, which has the same quality, has the advantage in terms of location. Australia can deliver wheat within 10 days at \$170 per ton.

FCI Pulling Wheat from Punjab

The crisis of wheat and increase of wheat prices in the open market is due to the droopiness in procurement of wheat, both by the State Government as well as the FCI, in 2004-05. Now the FCI is taking wheat from Punjab to run various Central-aided schemes as no stock at the godowns. According to the FCI GM Hukam Singh, 2.75 lakh metric tonnes of wheat is sufficient for the month of March, was stocked in FCI godowns. Still, the FCI is importing another 54,000 metric tonnes of wheat from Punjab. Last year in UP, wheat was sown in over 90 lakh hectares and the production was 225 lakh metric tonnes. Around 190 lakh MT is required for various schemes. The State had surplus of around 35 lakh metric tonnes, though the prices has been increasing with the start of the New Year in UP. Singh reported poor purchase plan triggered to price hike. The State Govt as well as the FCI had planned to procure 25 lakh MT wheat from the farmers, but could achieve 20% of the target. The hoarders and black marketers had taken the advantage and created a huge stock. Therefore to fulfil their objective both the FCI and the State Govt has decided

to go for the procurement at the end of March. By June 31, procurement will be completed.

WEATHER OUTLOOK:

As no significant weather system is affecting the country., largely dry weather conditions continue to prevail over most parts of the country. This scenario is likely to continue for another 2-3 days. However, due to formation of an upper air cyclonic circulation extending upto 3.6 km a.s.l over northeastern states and neighbourhood, isolated rainfall is likely over the region and Sub-Himalayan West Bengal & Sikkim. Isolated rainfall is also likely over Tamil Nadu and Kerala. Day & night temperatures are 4-5°C above normal over many parts of north and central India. However, the temperatures of northwest India are likely to fall by 2-3°C during next 2 days.

Forecast:

NORTH: Weather will be mainly dry over the region.

EAST: Isolated rain/thundershowers likely over northeastern States and Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region.

SOUTH: Isolated rain/thundershowers are likely over Tamil Nadu and Kerala. Weather will be Mainly dry in the rest region.

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

Source: IMD

The current weather situation is not good for Rabi wheat crop but abundant sunshine is also helpful for the crop. Favorable 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 4th February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.06
100 Yen	37.12
1 British £	77.81

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.