

Wheat

3rd February, 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)

NCDEX wheat futures traded on slight bullish side at the end where as the market remained mostly up till mid session but news of wheat import by India pulled down the prices drastically after mid session and settled slightly up today as compared with yesterday. The prices opened mostly firm due to strong physical market price and went to mostly up but selling pressure after mid session triggered the prices down. The February contract opened firm at Rs. 848.80 and went to Rs.861 but did not sustained and settled marginally up Rs.1.00 at Rs.847.40 today. February contract traded at the range of Rs.842.60-861.00 today.

Price Change: February Contract

Contracts	Closing	Previous	Change
February	847.40	846.40	+1.00

Indicators: The most of the indicators are indicating slight bearish sentiment of wheat prices, except Stochastic, which is indicating still bullish sentiment. Open interest as well as volume is increasing.

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

Advice: Go for short position near 850.5, target near 843.0 then 837.8 and put stop loss near 854.4.

Support and Resistance Levels:

The current resistance levels are at 850.6 and 854.4 marks and support levels are at 842.1 and 835.6 marks as very short term.

Contract	Support Levels		Resistance Levels	
	S1	S2	R1	R2
February	842.1	835.6	850.6	854.4



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

Wheat spot market price increased many folds at the domestic market in Delhi today despite the fact that FCI sold additional quota of wheat to the flour and roller mills on yesterday. But the negligible arrival from M.P. and Haryana triggered the prices high by Rs.30-40 per quintal for mill quality at the morning session as compared with yesterday. Wheat dara mill quality opened at Rs.950-955 per quintal and has traded within the range of Rs.955-965 per quintal today at the Lawrence road in Delhi amidst strong demand from Chakki mills as they did not get wheat from the FCI. The strong demand for the wheat products is

also underpinning the market. At Najafgarh mandis wheat has traded within the range of Rs.925-930 per quintal on mostly higher side and in Narella, it has quoted at Rs.920-925 per quintal on bullish side today.

In **Uttar Pradesh** market, wheat prices are gradually increasing owing to the sturdy demand from flourmills and also neighbouring states. The less stock at the market yards also sparked off the market sentiment to hot. The demand for wheat products also showed an upward trend in this state. Wheat prices traded mostly up in Kasgang and quoted at Rs.870-875 per quintal with average arrival of

300-350 quintal and wheat dara mill quality quoted at Rs.870-875 per quintal at Etha mandis with arrival of 200-300 quintal. FCI was not likely to sell wheat in this state till now, according to trade sources.

In **Punjab** market, the bearish sentiment of wheat prices has restricted and traded range bound today. At Khanna market, wheat prices remained range bound today.

In **Rajasthan** market, wheat prices increased further by Rs.10-20 per quintal at Kota mandis as compared with yesterday amidst paucity of arrival and strong demand from mill industry. The wheat has traded on mostly upper side at Rs.985-990 per quintal in Jaipur and Jodhpur market. The demand from Chakki mills remained pronounced. The most of the bags are coming from M.P. At Khairtal and Alwar market it traded at Rs.890-895 per quintal with very few arrival.

In **Gujarat** market, the wheat prices remained stagnant and quoted at Rs.920-925 per quintal in Ahmedabad market today due to incredibly less arrival. 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.800-805 per quintal today and at Rajkot it traded at Rs.860-865 per quintal with arrival of 300-400 bags today.

The wheat prices fell down in **Maharashtra** market due to the weak demand from the millers. Wheat Lok-1 variety has traded at the range of Rs.975-980 per quintal in Pune and Rs.960-965 per quintal in Mumbai. The average arrival is witnessing around 7-8 trucks at Jalgaon market.

In **Madhya Pradesh** mandis, wheat prices are gradually mounting and settled at higher today due to strong buying pressure from neighbouring states. The arrival remained up at 10-12 trucks in Indore market. There is a gap exist between current situation and fresh arrival of new crops.

The government has decided to import wheat about 5 lakh MT today and it will be come within 60 days. But this news did not affect to the market today and traders are believing that its impact would be feasible in the coming month. Because everyone has aware that the government has less stock therefore they has taken the import decision. At present wheat stocks to the FCI prevailed at 4.7 MMT as of Feb 1.

However the wheat products like Atta, Maida Suji, and Chakki prices has increased today due to the wheat products demand and strong wheat prices at the spot market.

The wheat prices has been showing an upward curve from three days 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 and therefore the wheat prices has been increased by Rs.20-25 per quintal at some mandis and Rs.5-10 per quintal at most of the mandis today. 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 **Friday** in the domestic spot market.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	1.02.06	2.01.06
Atta (90kg)	977	984
Maida Grade 1(90kg)	1138	1144
Suji (50kg)	628	631
Chokar (50 kg)	325	325
Chokar (35 kg)	221	221
Chakki Atta (90kg)	895	940

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

Markets	1.02.06	2.01.06
Delhi (Lawrence Road)	925-930	955-965
Haryana (Karnal)	898-903	905-910
Punjab (Khanna)	923-925	923-925
Ahmedabad	920-925	920-925
Ludhiana	880-885	880-885
Ludhiana (Jagraon)	880-885	880-885
Rajasthan (Kota)	915-920	925-930
Amritsar	900-905	900-905
Uttar Pradesh (Kanpur)	903-905	923-925
Uttar Pradesh (Bareilly)	920-925	927-932
Uttar Pradesh (Shahjahanpur)	990-995	995-1000
Maharashtra (Jalgaon)	870-875	840-845
Madhya Pradesh (Satna)	855-860	860-865
Madhya Pradesh (Indore)	875-880	880-890

INTERNATIONAL MARKET:

CBOT Wheat Slips Further on Technical Sales

At the Chicago Board of Trade (CBOT), wheat futures fell down further on Wednesday due to technical sales and quiet U.S. wheat export news. The bearish sentiment in Kansas City Board of Trade has also underpinned the CBOT market. Weakness in the other grains and follow-through selling from Tuesday's weak technical action provided support early in the day and the selling drove futures to the lowest close since January 24th. Canada stocks were not as large as anticipated but the news failed to offer much support. Pressure also stemmed from news about global wheat supplies, including in India of a possible bumper wheat harvest. CBOT March wheat closed bearish 4 cents at \$3.393 after falling below its key 200-day moving average of \$3.435; while May ended down 4.25 cents at \$3.503 per bushel. March wheat support comes in at \$3.375 and \$3.358 with resistance at \$3.415 and \$3.490. U.S. soft red winter wheat basis bids remained stable Wednesday. For the weekly export sales report, released before the opening, traders are looking for wheat sales near 300,000-500,000 tonnes over 375,000 tonnes last week.

NEWS ANALYSIS:

India Likely to Import 5-lakh MT of Wheat

Agriculture Minister Sharad Pawar recently reported that India is going to import wheat to raise declining stocks and to curb rising wheat prices. India will import 5 lakh metric tons of wheat. The imported wheat is likely to hit in India within 60 days. According to a source, India State Trading Corporation likely to import wheat as a duty free.

FCI Sold 32000 Tonnes of Wheat in Delhi

FCI has released 32,000 tonnes wheat in Delhi for February, including the additional quota of 20,000 tonnes, under the open market sale scheme (OMSS) to restrict any speculative rise in wheat prices, reported on Wednesday. The OMSS price in Delhi is Rs 844 per quintal, which is much low than that of spot prices. In Delhi, FCI has sold 11,000 tonnes wheat in December and another 15,000 tonnes in January. FCI plans to release an additional quota of 20,000 tonnes apart from the normal quota of 12,000 tonnes. FCI will release higher quantities of wheat in the country in January-February period. In February, FCI plans to release another 1.5 lakh tonnes but the exact quantity will depend on the market situation. In total, the amount of wheat sell by the FCI under OMSS will be about 3-3.5 lakh tonnes in the January-March period. In the previous year 2005, FCI had sold about 4 lakh tonnes under OMSS in the April-December period compared with 2.3 lakh tonnes last year 2004.

Wheat Prices Generally Slides after Mid March

FCI had a stock of 60-lakh tonnes of wheat as on January 1 as compared with 8.9 million tons last year. FCI releases about 9 lakh tonnes for per month under the public distribution system and other government-sponsored welfare schemes. It is expected that FCI would end the financial year with about 25-30 lakh tonnes of wheat. The next wheat procurement season will also begin from April. Wheat prices usually reach its peak level in the first half of March with the new crop harvest likely to begin by last week of March or early April and slip down as new crop comes to market. The stocks belongs to traders, stockists,

flour millers or even farmers will come in the market as this peak level comes before the new crop comes in.

WEATHER OUTLOOK:

Cold wave conditions have decreased from interior Karnataka and adjoining Rayalaseema. Largely dry weather conditions are prevailing over the country. This scenario will continue for another 2-3 days except isolated light rains over Arunachal Pradesh, Assam, Sub-Himalayan West Bengal & Sikkim and south Tamil Nadu on 4th and 5th. Minimum temperatures over northwest India are likely to fall by 2-4 °C during next 2-3 days.

Forecast:

NORTH: Weather will be mainly dry over the region.

EAST: Isolated rain/thundershowers likely over Arunachal Pradesh, Assam and Sub-Himalayan West Bengal & Sikkim on 4th and 5th. Weather will be mainly dry over the rest region.

SOUTH: Isolated light rain/thundershowers likely over south Tamil Nadu on 4th and 5th. Weather will be mainly dry over 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 2nd February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.31
1 Euro	53.37
100 Yen	37.39
1 British £	78.48

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.