

Wheat

25th 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: March (Future)

NCDEX wheat futures settled inched up at the late hour amidst light fund selling. The futures market traded on mostly bullish side at most of the session on supply squeezes and stable physical market prices. The buyers have controlled the session. The March contract opened down at Rs.853.00 and settled inched up Rs.1.00 at Rs.855.60 and hovered within the range of Rs.851.00-863.00 today.

Price Change: March Contract

Contracts	Closing	Previous	Change
March	855.60	854.60	+1.00

Indicators: Most of the indicators are hinting to bullishness of wheat prices except Stochastic and RSI, which is in overbought region, indicating trend reversal. Open interest is increasing but volume has decreased today.

Outlook: It is expected that the wheat futures to trade slight bullish in the coming days. But trend reversal is likely to possible so trade cautiously.

Advice: Buy near 853.0, target near 863.4 next 866.5, stop loss at 847.5.

Support and Resistance Levels:

The current resistance levels are at 863.4 and 868.0 marks and support levels are at 852.5 and 847.4 marks as very short term.

Contract	Support Levels		Resistance Levels	
	S1	S2	R1	R2
March	852.5	847.4	863.4	868.0



DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

DOMESTIC MARKET COMMENTARY

The market sentiment for wheat has been remaining range bound with steadies in **Delhi** for the past couple of days. The main governing factors are government's intervention programme, stable demand from Chakki and flourmills and dearth of arrival as less stock at the market yards. Wheat dara mill quality has been trading within Rs.955-960 per quintal at Lawrence road with restricted arrival of 2000-3000 bags from MP and Khanna. FCI is likely to sell additional 20000 tonnes of wheat in Delhi within 10-15 days. Therefore the prices are likely to trade stable in this month, according to the traders. Narella and Najafgarh

mandis remained steady today and wheat has quoted at Rs.930-940 per quintal at Najafgarh and Rs.935-945 per quintal at Narella mandis.

Amidst slight upward demand from mills and lower arrival, the wheat prices is continuing the up trend and therefore wheat has traded on slight upward side today at most of the mandis of **Uttar Pradesh** market. Wheat has traded on slight bullish side in Bareilly, Kanpur, Shahjahanpur and Kasgang market. Wheat mill quality has quoted at Rs.885-890 per quintal with average arrival of 200-300 quintal at

Kasgang and wheat dara mill quality quoted at Rs.880-885 per quintal at Etha mandis with arrival of 200-250 quintal. The wheat prices increased to Rs.965-970 per quintal at Hapur mandis today.

In **Punjab** market, the wheat prices slightly fell down again at most of the trading centre due to weak demand from flourmills and stockists are realising their stocks.

In **Rajasthan** market, wheat prices continued to curb amidst poor demand. At Khairtal and Alwar market it traded at Rs.875-885 per quintal with very few arrival about 75-100 bags.

The downward trend of wheat prices is still continuing in **Gujarat** market. The fresh arrival of new wheat crop in Saurashtra and other region has bolstered the prices to down. The buyers are not willing to buy wheat at higher prices. The arrival of new wheat crop is increasing and the many companies are procuring wheat at Rs.805 per quintal at Rajkot market, according to the traders. The old wheat prices have decreased further by Rs.5-10 per quintal at Ahmedabad market and traded at Rs.905-910 per quintal. The fresh arrival around 15000-20000 bags of new wheat crop is witnessed at Saurashtra market. The new wheat has traded within the range of Rs.805-815 per quintal. At Rajkot, the wheat has traded at Rs.780-790 per quintal.

Jalgaon, Mumbai and Pune in **Maharashtra** for wheat market are showing a bearish trend as higher arrival of new crop. The wheat prices have declined by Rs.10-15 per quintal in market today. The demand remained weak from the mills. The new wheat crop has traded within the range of Rs.885-895 per quintal with arrival around 75-100 bags in Jalgaon market. Wheat Lokwan variety has traded at the range of Rs.1010-1040 per quintal in Pune and Mumbai on lower side and mill quality has traded within the range of Rs.950-960 per quintal with stable arrival.

In **Madhya Pradesh** mandis, wheat prices again fell down by Rs.5-10 per quintal amidst higher arrival of new wheat and weak demand from mill industry. The average arrival of 7000-8000 bags is witnessed at Indore market. The new wheat crop is expected to hit Satna market in March.

The wheat prices remained steady in **Haryana** market as no arrival. FCI's wheat is selling in the market. Wheat has traded within the range of Rs.885-900 per quintal at Dhabwali mandis.

The wheat prices are expected to remain steady to low on coming **Saturday** in the domestic spot market.

PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	23.02.06	24.02.06
Atta (90kg)	965	965
Maida Grade 1(90kg)	1161	1161
Suji (50kg)	640	640
Chokar (50 kg)	282	282
Chokar (35 kg)	190	190
Chakki Atta (90kg)	895	895

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

Markets	23.02.06	24.02.06
Delhi (Lawrence Road)	955-960	955-960
Haryana (Karnal)	926-930	925-930
Punjab (Khanna)	910-915	905-910
Ahmedabad	910-915	905-910
Ludhiana	870-880	875-880
Ludhiana (Jagraon)	840-850	835-840
Rajasthan (Kota)	920-925	907-912
Amritsar	875-880	870-875
Uttar Pradesh (Kanpur)	909-912	912-915
Uttar Pradesh (Bareilly)	917-920	922-927
Uttar Pradesh (Shahjahanpur)	970-973	985-990
Maharashtra (Jalgaon)	910-915	905-910
Madhya Pradesh (Satna)	810-820	810-820
Madhya Pradesh (Indore)	880-885	875-885

INTERNATIONAL MARKET:

CBOT Wheat Settles Bullish on Light Fund Buying

Chicago Board of Trade (CBOT) wheat futures fetched its strong position and settled bullish Thursday following yesterday's losses in choppy trading amidst light speculative fund buying. The poor crop condition in the southern plains has provided some underlying support but the longs appear a bit nervous with the lack of export demand for US wheat at the current level and with the possibility of rain on the extended forecast models. There is still no word on Iraq tender for 1 million tonnes of wheat. Before the opening, the International Grains Council forecast 2006-07 world wheat output was likely to total 588 million metric tons, sharply down 7 million from last month's forecast and below its 2005-06-production estimate of 615 million tons. CBOT March wheat finished 0.75 cents higher at \$3.663 per bushel. May wheat remained unchanged at \$3.775. Commodity fund buying was estimated at 2,400 contracts. March wheat support comes in at \$3.638 and \$3.598 with resistance at \$3.70 and \$3.72.

NEWS ANALYSIS:

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.

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.

WEATHER OUTLOOK:

Largely dry weather conditions are likely to prevail over most parts of the country during next 3-4 days. However, isolated light rain/thundershowers are likely over Arunachal Pradesh, Assam & Meghalaya and Sikkim. Under the influence of a western disturbance, rain/snow is also likely at a few places over Jammu & Kashmir and isolated over Himachal Pradesh, Uttaranchal during next 2-3 days. Isolated rain/thundershowers are likely over adjoining plains of Punjab and north Haryana on 26th & 27th. Day and night temperatures continued to remain above normal by 4-6 ° C over north & Central India. They were 6-8 ° C above normal over parts of Rajasthan and Madhya Pradesh. Numerical model prediction suggests that these

warm conditions are likely to continue during next 2-3 days. Thereafter a fall of 2-3° C in temperatures is expected.

Forecast:

NORTH WEST INDIA: Rain/snow likely at a few places over Jammu & Kashmir and isolated over Himachal Pradesh and Uttaranchal. Isolated rain/ thundershowers over Punjab and north Haryana on 26th. 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 4-6°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 Andaman & 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 6-8° C above normal over the region.

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 24th February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.50
1 Euro	52.99
100 Yen	38.10
1 British £	77.87

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