

Wheat

24th –29th APRIL, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Fell Down at This Weekend
- Wheat Prices Slipped at the Spot Market from Higher Level
- Govt Considering Cut in Wheat Import Duties

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: May (Future)

NCDEX wheat futures witnessed steady at higher level till Friday but fell down at late hour of Friday and settled down at the end of this weekend. The buyers were controlling the market at the first couple of days of this week but remained slight weak at this weekend. Weak physical market price and news of cut on import duty of wheat bolstered the futures market to down. Most active May contracts decreased from Rs.896.8 to Rs.866.00 and traded in between Rs.860-899. Volume as well as open interest is increasing.

All of the indicators like Candlesticks, RSI, Stochastic, MACD and MA are hinting to downward sentiment of wheat prices.

Outlook:

The wheat futures at the NCDEX are expected to trade bearish early in the next week. However, range bound trade is likely during the later half of the coming week.

Advice:

Sell at higher level for short-term (2-3 days) trading.



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
MAY Contract	845.5	833.5	875.5	885.0

MARKET FUNDAMENTALS:

At the spot markets wheat was traded steady at higher level till Friday during this week but fell down on Saturday due to higher arrival as the government is considering cut in wheat import duty for private buyers. Therefore the stockists as well as private buyers are keeping distance from the market and reduced their buying activity, according to the traders. The farmers are also selling their product. The prices were strong at the first couple of days of this week and get steady after that. At the Delhi market it was traded with a stable till Friday and the wheat dara mill quality was quoted at an upper price of Rs 845-850 per quintal with arrival of 8000-10000 bags but slipped by Rs.25-30/qrtl to Rs.820-825/qrtl with arrival of 20000-25000 bags on Saturday at the Lawrence road market. The market seems balanced now with various positive and negative developments. Despite the Government's decision

to import 30 lakh tonnes of wheat immediately to ensure adequacy in central buffer stock, wheat prices have not shown the desired downtrend as market remained underpinned by the poor performance of Govt's procurement programme. The Govt has so far procured 8.2 million tonnes of wheat, down 30 percent on year even after the recent Govt declaration of Rs 50 per quintal as incentive bonus over MSP. Stockists as well as private companies remained active in procuring wheat at higher prices as private estimation of crop size remain much lower than Govt estimation. The most of the market in Punjab, Haryana, Rajasthan, Madhya Pradesh and Delhi showed a bearish trend for wheat prices and wheat prices moved down by Rs.25-30/qrtl at these centres. According to the traders the prices are likely to continue the bearish trend in the coming trading days also. The second consignment of 41,000 tonne of wheat is expected to reach on 1st May.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	22.04.06	29.04.06
Atta (90kg)	884	906
Maida Grade 1(90kg)	1048	1071
Suji (50kg)	575	590
Chokar (50 kg)	293	301
Chokar (35 kg)	182	187
Chakki Atta (90kg)	810	810

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

Markets	22.04.06	29.04.06
Delhi (Lawrence Road)	835-840	820-825
Haryana (Karnal)	815-820	805-810
Punjab (Khanna)	810-815	830-835
Ahmedabad	915-920	900-905
Ludhiana	715-720	700-705
Ludhiana (Jagraon)	715-720	895-900
Rajasthan (Kota)	920-925	700-705
Amritsar	700-705	860-865
Uttar Pradesh (Kanpur)	890-895	810-815
Uttar Pradesh (Bareilly)	870-875	870-873
Uttar Pradesh (Shahjahanpur)	895-900	935-940
Maharashtra (Jalgaon)	980-985	820-825

INTERNATIONAL AND DOMESTIC NEWS:**Govt Announced Rs.50/- Incentive Bonus on Wheat Procurement**

With a view to ensuring adequate stocks of wheat in the Central Pool as well as giving the right signal to farmers and curbing any speculative trading, it has been decided by the Government that for the entire Rabi Marketing Season 2006-07, which has commenced on 20th March, 2006, there would be an incentive bonus of Rs.50 per quintal on wheat over the Minimum Support Price (MSP) of Rs.650 per quintal. According to the Union Minister for Agriculture, Consumer Affairs, Food & Public Distribution, in addition to the above, to ensure that there are adequate buffer stocks in the Central Pool, the Government would import 30 lakh tonnes of wheat immediately. This would be in addition to the 5 lakh tonnes of wheat imports, which has already been contracted. The Agricultural Minister has assessed the wheat procurement situation with the Chief Ministers of Haryana and Punjab as well as the Chief Minister of Uttar Pradesh. The assessment after this review showed that the pace of wheat procurement in the country has been slow and some private traders have been purchasing wheat at rates above the MSP. The entire matter was reviewed on Friday by the Prime Minister with Agricultural Minister. It is anticipated that payment of Rs. 50/- per quintal bonus announced on Friday would cause an additional financial burden of Rs.731 crore on the Union exchequer. This entire benefit would go to the farmers.

Source: PIB

India to Import 30 Lakh tons Wheat in 2006

The Government has decided to import 30 lakh tonnes of wheat during 2006 to ensure that there are adequate buffer stocks in the Central Pool. This would be in addition to the 5 lakh tonnes of wheat imports, which has already been contracted. The import would be through Government agencies including the State Trading Corporation (STC). The decision to import the huge quantity of wheat has been announced well before the peak procurement season. Earlier, it was estimated that India would import around 15 lakh tonnes of wheat during 2006. The Government procurement so far this year remained poor with tight arrivals and higher prices prevailing in local markets. The April 1 buffer norm for wheat is set at 40 lakh tonnes but the Food Corporation of India (FCI) had only 20 lakh tonnes.

No Bonus for Private Procurement of Wheat

Punjab farmers, who have sold wheat to private companies at a rate just above the minimum support price of Rs 650 per quintal, have lost the opportunity cost after the Government declaration of additional Rs 50 per quintal incentive bonus over the MSP in effect from 1st April. Delay in making the increment has diverted much of the arrival towards the private procuring companies at rate between Rs 655-670 per quintal. It is reported that out of the 65 lakh tonnes of wheat that arrived in Punjab markets so far, private purchases stands at above 6 lakh tonnes at the grain mandis. Moreover, private companies have also purchased significant quantity of the grain directly from the village level to avoid payment of taxes and levies. After the announcement of additional bonus, those farmers who have sold their wheat to Government agencies would only reap the benefit with effect from 1st April. However, the farmers who have sold to private traders would not be eligible for the incentive.

Australian Wheat to Arrive in Chennai Port on Tuesday

After a long gap of seven year, India is set to receive the first consignment of imported wheat on Tuesday at the Chennai port. The vessel M.V. Furness Australia carrying around 50855 tons of wheat is scheduled to arrive on Tuesday at the port. This is the first such consignment out of the total 5 lakh tonnes to be imported from Australian AWB Limited. Besides Chennai port the Tuticorin, Kochi, Vishakapatnam and New Mangalore ports would also receive such consignments over the next month and the entire quantity of imported wheat is likely to be arrived by end May. The next such consignment of around 50000 tons is expected in Tuticorin port on Sunday. Meanwhile, the Government is likely to float tender to import 3 million tonnes of wheat very soon. It is also learnt that Government is working on easing norms for wheat import in order to ensure better participation of foreign suppliers as well as quick delivery of the same.

India Wheat Acreage at 102.38 Percent of Normal

According to the latest available weekly crop weather watch report by the Directorate of Wheat, the area coverage under wheat for the entire country is 268.928 lakh hectares, which is 102.38 percent of the normal area of the crop in the country. The coverage till 20th April is higher by 3.85 lakh hectares than the coverage in corresponding period of the previous year. The state-wise harvesting situation is given below:

Punjab and Haryana: About 40-45 percent crop has been harvested.

Maharashtra, Gujarat, West Bengal, Madhya Pradesh and North Eastern States: Harvesting of wheat crop is almost completed.

Rajasthan: About 70-80 percent wheat crop has been harvested.

Uttar Pradesh: 50-60 percent area under wheat crop has been harvested.

Uttaranchal: 45 percent area under wheat crop has been harvested in the state.

First Imported Cargo of Wheat Arrived in Chennai

The first consignment of imported Australian wheat has arrived at the Chennai port on Tuesday through MV Furness Australia. The ship carries 50855 tonnes of wheat out of the total 5 lakh tonnes that Indian Government contracted to import from Australian AWB Limited. The ship has berthed at the port's West Quay and likely to be discharged in the next few days. However, a depression over Andaman seas is moving towards northern direction. If the depression brings rains in the next few days then the discharge of the cargo may be temporarily stopped. According to the Chairman of Chennai Port Trust, flag signal number one was hoisted at the Chennai port, and if the signal reaches three, the vessel's hatches would be closed. It is reported that the imported wheat would be packed in 50 kg bags and would be sent to various public distributing centres in Southern region through railway wagons. The Chennai port is likely to receive a similar consignment in the next month.

Wheat Procurement Remains Low at 8.2 MT Despite Bonus

The Government's wheat procurement remained lower despite the Rs 50 per quintal incentive bonus over minimum support price (MSP) of Rs 650 per quintal. As on 25th April, the Government's wheat procurement stands at 8.2 million tonnes, down around 30 percent on year. Last year Government procured 11.7 million tonnes of wheat as of 25th April. Government's wheat procurement programme started on 20th March in Madhya Pradesh and Rajasthan, while that began on 1st April in Punjab, Haryana, Uttar Pradesh and other states in this year. The Government announced Rs 50 per quintal as incentive bonus over MSP following poor performance of Government's procurement programme. However, desired impact of the additional bonus is yet visible as traders anticipate that the same to be materialized in the coming weeks.

USDA: India Wheat Import Likely to be Massive

According to a latest released attaché report by the USDA, the government wheat procurement this marketing year is likely to be 3 to 4 million tons below last year's 14.8 million tons, despite only a marginal decline in production. Larger than normal purchases by millers in southern India from the marginal surplus states of Madhya Pradesh, Rajasthan, and Gujarat, coupled with higher prices, have led to a significant decline in government wheat procurement from these states. The record-low carry over stocks, combined

with likely lower procurement, will likely put the government wheat distribution system under tremendous pressure over the coming months, as the government's total wheat availability for the public distribution system in marketing year 2006-07 may be only 13.5 million tons (including the already-contracted imports from Australia of 500000 tons), versus the normal requirement of 15 to 16 million tons. Should the upcoming monsoon "fail," the government would require more wheat for relief operations. To rebuild stocks to the required level, even with a normal monsoon, the government would need an additional 4 million tons, which makes the total shortfall around 6 million tons. Although the government may try to better "target" wheat distribution through the PDS, in order to avoid large-scale imports, imports of at least 4 million tons would be nearly unavoidable.

Source: FAS, USDA

USDA Reported Lower Net Sales of Wheat

According to latest export sales report by the USDA based on reports from exporters for the period April 14-20, 2006, the net sales of 164200 metric tons (MT) were 22 percent below the previous week and 47 percent under the prior 4-week average. Major increases were reported for Japan (51200 MT), Nigeria (30000 MT), Morocco (22000 MT), unknown destinations (18000 MT), Cameroon (16000 MT), and Taiwan (12000 MT).

It is reported that the sales of 91700 MT for delivery in 2006-07 were primarily for Taiwan (40000 MT), the Philippines (22700 MT), and Japan (21000 MT). Exports of 517400 MT were two and one-third times the week earlier and 56 percent over the prior 4-week average. The main destinations were Iraq (98500 MT), the Philippines (48000 MT), South Korea (46300 MT), Taiwan (43900 MT), Nigeria (43400 MT), and Morocco (41500 MT, including 22700 MT late reporting).

Source: FAS, USDA

IGC Projected 2006-07 Global Wheat Output at 598 Mt

The International Grains Council (IGC) in a latest report has revised upwards its global wheat production at 598 million tons for 2006, up by 4 million tons from the last month's projections. However, it remains 21 million tons lower than the 2005 as a result of much smaller crops in Russia and Ukraine. The prospects remain favourable in most of Europe, although flooding affected parts of Bulgaria and Romania. Spring plantings in Canada (except for durum) are expected to increase. Crop conditions in southern US hard winter wheat areas remain poor despite recent rains, while spring wheat plantings, now likely to cover a smaller area, were slowed by wet weather. Good rains helped China's crop and conditions improved in Pakistan, and Morocco. In the southern hemisphere low prices and high expenses may deter sowings in Argentina and more rain is needed in parts of Australia. World wheat consumption in 2006-07 is forecasted at 614 million tons, 3 million tons more than last month but 9 million tons lower from 2005-06. World wheat trade is projected at 112 million tons, 2 million tons up on 2005-06, due to increased purchases by China and India. Supplies in the exporting countries are expected to be adequate to meet world import needs. World stocks at end 2006-07 are forecast to fall by 16 million tons to 119 million tons.

Source: International Grains Council

Govt. Considering Cut in Wheat Import Duties

The Government is considering a cut in wheat import duty by allowing user-industries to directly import wheat under the Open General Licence (OGL) scheme, according to the agriculture ministry. The main objective is to improve the domestic availability of the foodgrain, which is falling short of the procurement target this year due to high market price. The actual users like biscuit and bread manufacturers and flour millers would be considered under the OGL, said Agriculture Minister Sharad Pawar. But the government has not decided on duty free import of wheat, Pawar said.

PORT WATCH:

Loading of 50,855 MT of wheat is continuing at Chennai Port on the vessel 'Furness Australia'. Seaways agents is handling the vessel.

Kandla Port is expecting 'Aristagoras' to load 30,000 MT of wheat to Ulsan. DBC agents will be handling the vessel.

Tuticorin Port is expecting 'Equinoxdown' to discharge 41,000 MT of wheat. St.John agents will be handling the vessel.

IGC WORLD WHEAT ESTIMATES (27.04.06)

(Million tons)

	2002-03	2003-04	2004-05	2005-06 (Forecast)		2006-07 (Projected)
				30.03	26.04	26.04
Production	566	555	623	617	619	598
Trade	106	103	106	109	110	112
Consumption	600	593	613	620	623	614
Stocks	165	127	138	136	135	119
Year-Year Change	-34	-38	+11	-3	-4	-16
5 Major Exporters#	43	40	52	52	51	45

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 11.5%		APH 13%		APH 14%	
	Apr.28	Apr.27	Apr.28	Apr.27	Apr.28	Apr.27	Apr.28	Apr.27
Apr-06	201	208	164	161	175	172	200	197
May-06	187	195	155	154	166	165	190	190
Jun-06	189	197	160	160	171	171	196	196
July-06	188	196	163	162	174	172	199	197
Aug-06	200	208	178	176	189	187	213	211
Sept-06	189	196	172	175	183	186	207	210

WEATHER WATCH

Scattered rainfall /thundershowers activity over likely over Northeastern States.

Winter wheat in maturation to harvest across north India will benefit from a recent turn to drier and warmer weather.

FOREX (As on 29th April 2006):

Foreign Currency	Rs. per unit
1 US \$	44.97
1 Euro	56.81
100 Yen	39.51
1 British £	82.10

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