

Wheat

8th –13th MAY, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Climbed During This Week
- Wheat Prices Soared at the Spot Market from Lower Level
- Govt. Wheat Procurement Down by Around 5 MMT

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: June (Future)

NCDEX wheat futures are witnessing an upward trend due to strong physical market price and strong speculative buying coupled with delay in Australian wheat import to India. The prices have increased since the STC tender was floated. Most active June contracts rose from Rs.922.2 to Rs.951.60 and made new contract high at Rs.966.8 though the market fell down at late hour on Saturday and traded in between Rs.914.00-966.8. Volume as well as open interest is rising.

Most of the indicators like Candlesticks, RSI, and Stochastic are hinting to bearish sentiment where as MA hinting to upward ness of wheat prices.

Outlook:

The wheat futures at the NCDEX are likely to bearish early in the next week. However, slight bullish undertone might be possible during the later half of the coming week.

Advice:

Buy at lower level for medium-term (3-4 days) trading.

MARKET FUNDAMENTALS:

Wheat prices are maintaining a bullish trend in spite of the STC coming out with a tender to import 30 lakh tonnes late on Monday. This tender has encouraged the growers to hold back their stocks and as a result, prices have gained since Tuesday. It is witnessed that the prices has climbed at least by Rs.25-35/qlt at most of the pockets since the STC tender was floated. Wheat (dara) was quoted at Rs 840-845 a quintal at Hapur as compared to Rs 820-825/qlt when the tender was floated. In Delhi, wheat (dara) was quoted at Rs 860-865/qlt over Rs 820-825/qlt. The prices have increased at UP, Punjab, Gujarat, Maharashtra and M.P. mandis in this week. At most of the pockets of these states, the prices soared by Rs.25-35/qlt during this week. In this year, it is witnessing that the global wheat production is likely to decrease therefore it is expecting that the world wheat prices to remain firm. Consequently the cost of imported wheat by India would be increased. On the other hand, building stocks by the Cargill, Adani, ITC, AWB etc kept pressure on prices as they are buying wheat from the farmers and markets at higher prices than



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June Contract	933.2	928.4	967.0	979.2

MSP as well as market price. Till now, on an around 91,000 tonnes of the \$90 million (Rs 404 crore) wheat have been supplied, shipments of the rest of the consignment by Australia's monopoly seller AWB Ltd have run into problems. At a time when there is a tight supply situation, the delay of shipments from Australia to India could lead to further rise in domestic prices.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	6.05.06	13.05.06
Atta (90kg)	866	870
Maida Grade 1(90kg)	1040	1040
Suji (50kg)	573	573
Chokar (50 kg)	308	310
Chokar (35 kg)	188	188
Chakki Atta (90kg)	810	795

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

Markets	6.05.06	13.05.06
Delhi (Lawrence Road)	850-855	860-865
Haryana (Karnal)	835-840	865-870
Punjab (Khanna)	827-832	860-865
Punjab (Sunam)	710-715	730-735
Ludhiana (Jagraon)	720-725	760-765
Ahmedabad	920-925	950-955
Rajkot	860-870	865-870
Rajasthan (Kota)	950-955	980-985
Uttar Pradesh (Kanpur)	885-890	887-892
Uttar Pradesh (Bareilly)	840-845	850-855
Madhya Pradesh (Indore)	920-930	990-995
Madhya Pradesh (Bhopal)	865-875	880-885

INTERNATIONAL AND DOMESTIC NEWS:**STC Floated Tender of 30 lakh tonnes of Wheat on Monday**

On Monday, the State Trading Corporation (STC) of India has given a tender of 30 lakh metric tonnes of optional origin wheat and it was published on their website. The wheat delivery will take place in shipment sizes of 30,000-50,000 tons. They mentioned that the whole shipment of 30 lakh metric tons of wheat would be delivered in India between July and October. The east coast will take delivery of 15 lakh tons of wheat, with the remaining 15 lakh tons arriving on the west coast.

India Likely to Cut Wheat Import Duty to 10-15%

The Indian government might be decreasing the import duty on wheat for direct users to 10%-15%, according to a senior government official. The direct users are like flour millers, biscuit manufacturer etc. The final decision will be taken very soon and it will be made to ease the domestic prices of wheat as the prices are increasing day by day. The present wheat import duty is 50% for private importers.

Wheat Production Expected to Down at 71.5 MMT

Due to high temperature in February and March, the yield of the wheat crop has suffered in this year, according to the government official. Despite of the higher area of around 4 lakh ha, the wheat production is estimated to down by 1.5 million metric tonnes (MMT) to 71.5 MMT as compared to earlier projection of 73.6 MMT. According to him, the lower market arrivals of wheat in the current year also forced the government to revise down the production estimate. The arrivals of wheat have decreased to 12.07 MMT as of May 8, while the average arrival was 15.1 MMT in the previous year same period.

Indian Import Tender Sparks Global Wheat Prices

The global wheat exporter have expressed worries about the Indian government's decision to import 30 lakh tons of wheat in tender because the wheat harvesting in many countries is underway; therefore it might be pushed up the global wheat prices. Besides this, according to the FAO report, the global wheat output is likely to decline slightly

in this year. According to various analysts, the government should allow private traders to import wheat according to market needs and not enter market itself to buy such huge quantities of wheat.

Wheat: Harvesting Almost Completed

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 27th 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:

Maharashtra, Punjab, Haryana, Rajasthan, U.P., Gujarat, West Bengal, M.P. and N.E. States: Harvesting of wheat crop is almost completed.

Uttaranchal: About 90% area in plains and 70% area in hills under wheat crop have been harvested in the state.

Wheat Prices Increasing in Europe

The domestic spot prices of wheat in Europe increased Wednesday due to large shipper bought new-crop positions, strong euro against the dollar; and sellers became more keen to hold out in hopes of scoring higher prices from feed compound, according to a source. French spot standard wheat, basis Rouen, increased by EUR 0.50-EUR 1 at EUR 105-EUR 106.00 a metric ton. For new crop, September-December traded at EUR 110-111/ton, up EUR 1 on the day. (1 Euro= INR 57.35)

Wheat Output Expected to Slip in U.S.

It is witnessing that the U.S. winter wheat production is likely to touch 1.3730 billion bushels, which is down from last year's 1.499 billion. While hard red winter wheat production is estimated to 745 million bushels, which is also down from last year's 930 million; soft red winter wheat production might be at 359 million, above last year's 309 million; and white wheat production is anticipated to 258 million bushels, down from last year's 260 million bushels. (1 Bushels = 27.22 Kg)

AWB Likely to Bid for Indian Wheat Import Tender

According to the Australian wheat exporter AWB Ltd, they are expected to bid for a tender by India for 30 lakh tonne of wheat, although it has not yet made a decision. They are eyeing on the terms and condition. AWB was investigating further sales to India after recently completing a sales deal for 5 lakh tonne. Where as the U.S. traders are also expecting that the US could also get a share of the business.

Australian Wheat Import Likely to Delay as Quality Concern

Till now, on an around 91,000 tonnes of the \$90 million (Rs 404 crore) wheat have been supplied, shipments of the rest of the consignment by Australia's monopoly seller AWB Ltd have run into problems. According to the AWB Ltd on Thursday, some shipments of the wheat due for export to India are likely to divert to other countries because India raised quality concerns. Therefore rest of the contract has been delayed, Mr Christian Sealey, a spokesman for the Melbourne-based AWB, said. AWB is saying little about the problems, but has denied rumours within the grain trade that the remainder of the 500,000 tonne contracts had been cancelled, as per media reports from Australia. According to him, the delays is occurred due to stringent quality specifications in the contract," Mr Sealey.

India Eased Quality Norms for Wheat Imports

The Government has considerably eased the quality specifications for another import of 30 lakh tonnes (Lt) of wheat. In the previous tender of 5 lakh tonnes of wheat, it had specified that the imported wheat should be "free from moulds." This condition has been removed in the latest tender for 30 Lt (in parcel size of 30,000-50,000 tonnes). Similarly, the new tenders specified that the permissible limits of dwarf bunt (*Tilletia contraversa*) and ergot (*Cleviceps purpurea*) should be to the extent of 0.005 per cent and 0.01 per cent respectively. Likewise, the moisture content has increased from 12% to 13.5%. The other major change relates to fumigation requirements. Earlier, it was necessary that the wheat cargo be fumigated with methyl bromide at 28 degree Celsius and above before exports. But now, the exporter has the choice of fumigating by aluminium phosphide before export and subsequently use methyl bromide in-transit. This condition is likely to be helpful for countries such as the US, where methyl bromide is used only selectively at their ports. There are also a couple of other relaxations, including *Bromus rigidus*, an exotic weed seed, which is missing from the latest tender. Therefore it might be facilitate wider exporter participation in this import tender.

Ukraine Exported 5.46 MMt of Wheat Till April

According to a source, Ukraine exported 5.46 million tonnes (MMt) of wheat (to the amount of USD 579.3 million) from the beginning of 2005/06 MY (July) till April. Last season this export was totaled 3.73 million tonnes (USD 429.1 million). In April 2006, the wheat export from Ukraine was totaled 458,800 tonnes over 354,500 tonnes last year. The main destinations were Bangladesh (98,700 tonnes) and Indonesia (57,200 tonnes). Also, large volumes of grain (40,000 tonnes) were purchased by Syria, Italy, Yemen, Egypt and Kenya.

Wheat: US Export Sales Witnesses Down

According to latest export sales highlights of wheat, the net sales of 33,100 metric tons (MT)--a marketing-year low--were 92 percent below the previous week and 87 percent under the prior 4-week average. Increases for Nigeria (45,000 MT) Yemen (43,000 MT), Venezuela (39,000 MT), Chile (34,200 MT), the Philippines (18,800 MT), Morocco (18,300 MT, including 18,000 MT switched from unknown destinations), and Mexico (16,000 MT) were partially offset by decreases for Iraq (100,000 MT) and Japan (86,300 MT). Sales of 380,700 MT for delivery in 2006/07 were primarily for Mexico (157,600 MT), Japan (100,700 MT, including 86,300 MT switched from 2005/06), the Philippines (43,000 MT), and Guatemala (40,000 MT). Exports of 313,500 MT were 48 percent below the previous week and 26 percent under the prior 4-week average. The main destinations were Japan (67,800 MT), Iraq (50,300 MT), Mexico (41,100 MT), Venezuela (36,000 MT), Nigeria (24,100 MT), South Korea (23,700 MT), and Algeria (22,900 MT). (This summary is based on reports from exporters for the period April 28-May 4, 2006)

WASDE: Lower U.S. Wheat Production, Exports & Stocks

This report presents USDA's initial assessment of U.S. and world crop supply and demand prospects and U.S. prices for the 2006/07 seasons. The 2006/07 U.S. wheat outlooks are for a decrease in production, exports, and stocks, and

higher prices. Total production is forecast down 11 percent from 2005/06 to 1.9 billion bushels. The survey-based forecast of winter wheat production is down 12 percent because of increased abandonment and reduced yields. Spring and durum production is projected at 550 million bushels, based on trend yields and the most recent 10-year average of harvest-to-planted ratios. Total wheat supplies are down 8 percent. Total wheat use is projected to decrease 5 percent in 2006/07, mostly because of lower exports. Exports of 900 million bushels are down 100 million bushels, due to tight U.S. supplies. U.S. ending stocks of 447 million bushels are down 18 percent. The 2006/07-price range is \$3.50 to \$4.10 per bushel, compared with an estimated \$3.42 for 2005/06. For 2005/06, wheat exports are reduced 15 million bushels to reflect a slowdown in late-season shipments.

Source: USDA

Downward Outlook for Global Wheat Production & Consumption

According to the latest WASDE report by USDA, the 2006/07 global wheat outlooks include lower production, consumption, and stocks. Exports are down slightly. Wheat production, projected at 600 million tons, is down 3 percent while consumption is down 2 percent. Global ending stocks are projected to be the lowest in 25 years. Lower exports for Russia and Ukraine are partially offset by increases for Argentina, Australia, Canada, and EU-25. Imports are lower for North Africa and EU-25, due to improved domestic production. India's wheat crop is projected at 68 million tons, down from 72 million in 2005/06. Imports for India are projected at 4.5 million tons, up from 200,000 in 2005/06.

Source: USDA

Govt. Wheat Procurement Down by Around 5 MMT

It is witnessing that the government procurement of wheat is lagged behind in this year compared to previous year. About 9.101 million metric tonnes (MMT) of wheat has procured up to 8th May, 2006 where as it was 14.09 MMT in the previous year same period, down by around 5 MMT as reported by the Department of Food & Public Distribution. In Uttar Pradesh, the procurement of wheat is only around 0.31 lakh Metric tonnes, 6.85 MMT in Punjab, while Haryana fetched only around 2.219 MMT of wheat. Rs.830-835/qlt today with strong arrival of 25000-27000 bags at the Lawrence road in Delhi. In Delhi, the totalled arrival is witnessing at higher side of 1.5-1.75 lakh bags. There was lack of buyers at higher side and they are waiting to price down. The prices are likely to remain steady.

World Wheat Production Forecast to Decrease Slightly in 2006

Worldwide, 39 countries are in need of external food assistance -- the majority required for drought-affected and chronically food insecure populations in southern and eastern Africa, according to a new FAO report released today. World cereal production is forecast to decrease slightly in 2006 after last year's good levels, the report said. The report warns that if global cereal use in 2006/2007 remains close to recent trends it would exceed the current forecast for production, which could lead to a draw down of global cereal stocks for the second consecutive year. In Asia, the outlook for the 2006 wheat crop being harvested has deteriorated in India, but it is positive among other main

Progressive procurement of Wheat as on 8.05.2006 (lakh tonnes)

State	Total procurement 2005-06 (Oct. – Sept.)	Progressive Procurement (as of 8.05.06)	
		2006-2007	2005-2006
Haryana	45.29	22.19	44.46
M.P	4.84	-	4.20
Punjab	90.10	68.50	87.09
U.P	5.60	0.31	3.55
All-India	147.87	91.01	140.92

Source: Department of Food & Public Distribution

PORT WATCH:

Tuticorin Port is receiving 41,000 MT of wheat on the vessel 'Equinoxdown'. St.John agents are handling the vessel.

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%	
	May.12	May.11	May.12	May.11	May.12	May.11	May.12	May.11
May.06	199	206	165	168	176	178	200	203
Jun.06	199	206	165	168	176	178	200	203
Jul.06	182	181	156	163	167	174	191	199
Aug.06	188	189	155	158	166	169	190	193
Sep.06	178	179	158	158	169	169	194	193
Oct.06	180	185	161	163	172	174	196	199

WEATHER WATCH

Isolated heavy rainfall likely over Sub-Himalayan West Bengal & Sikkim and Northeastern States. Scattered rainfall /thundershowers activity over Northeastern States likely to continue.

The winter wheat harvest across Pakistan and north India will benefit from a recent turn to drier and warmer weather. Around 90-95% crop has been harvested.

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

FOREX (As on 13th May, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.05
1 Euro	58.04
100 Yen	40.94
1 British £	85.36

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