

Wheat

22nd-27th MAY, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Continued to Down During This Week
- Wheat Prices Recovering to Up at the Spot Market from Lower Level
- Govt. Wheat Procurement Down to 9.5 MMT

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures traded bearish during this week due to weakness in physical market and imported wheat is likely to start arrive from July in India therefore selling pressure pulled down the price though some strong movement was noticed on Wednesday on rumour of cancellation of wheat import from Australia but fell down after that. The most active July contracts slipped from Rs.934 to Rs.921.8 and traded in between Rs.919-942.80. Volume as well as open interest is remained volatile.

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

Outlook:

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

Advice:

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



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
July Contract	916.5	907.5	935.6	950.5

MARKET FUNDAMENTALS:

Wheat arrivals, especially for bulk consumers like flour mills in North India, have improved this week and therefore the prices were also falling marginally on increased arrivals. On the other hand, the poor activity by the private buyers and MNCs also pulled down the prices this week though some positive movement was noticed at this weekend. Besides, the government has called off their procurement primarily, thus giving some relief to growers and traders. Till last week, growers and some traders, who held significant stocks, were under pressure to deliver to the Government agencies. As a result, wheat (dara) for mill delivery has slipped to Rs. 863-865/qrtl as compared to Rs.865-870/qrtl and touched Rs.840-845/qrtl in this week. In Hapur, it was quoted at Rs 825-830 over Rs 850 in Hapur. At first, when the growers saw so many buyers in the market, they tended to hold back awaiting good prices. Now with buyers off the scene, they are not only coming forward to sell but also are also flexible in their offer rates. But the sentiment improved at the end of this weekend due to restricted

arrival and therefore wheat prices are recovering in the domestic spot market amidst buying by rolling flour mills. According to the traders, pick up in demand from rolling flourmills helped wheat prices to recover. Though the demand from the MNCs remained mostly weak. The prices are expected to prevail on steady to slight down at most of the mandis in the coming week.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	20.05.06	27.05.06
Atta (90kg)	867	873
Maida Grade 1(90kg)	1034	1034
Suji (50kg)	570	570
Chokar (50 kg)	308	299
Chokar (35 kg)	180	169
Chakki Atta (90kg)	820	815

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

Markets	20.05.06	27.05.06
Delhi (Lawrence Road)	865-870	863-865
Haryana (Karnal)	870-875	857-862
Punjab (Khanna)	830-835	835-840
Ahmedabad	955-960	940-945
Rajasthan (Kota)	975-980	970-975
Uttar Pradesh (Kanpur)	907-912	895-900
Madhya Pradesh (Indore)	985-990	960-965
Uttar Pradesh (Bareilly)	885-890	833-837
Punjab (Sunam)	710-715	720-725
Ludhiana (Jagraon)	740-745	735-740
Rajkot	865-870	875-880
Madhya Pradesh (Bhopal)	890-895	870-875

INTERNATIONAL AND DOMESTIC NEWS:**Wheat Imports Expected to Curb Down Spot Prices**

The increase in prices of wheat has forced government to facilitate easy import of wheat in a bid to keep prices under check. According to officials, government now plans to institute a tariff rate quota (TRQ) regime to facilitate import of sugar against lower duty, eliminate import duty on pulses and enable easy import of wheat. While the wholesale price of wheat climbed 10.90% during the last one year, According to official figures, wheat output has increased to 71.84 MMt as against 68.84 MMt in the previous year. In spite of this, wheat futures prices for December 2006 at NCDEX are being quoted at Rs 1,019 per quintal. The government has asked FMC to curb speculative tendencies in the futures market, there is no proposal to reimpose stockholding limits to deal with hoarding by private trade.

Govt. Not to Allow Duty Free Private Wheat Import

It is reported that the government will not allow duty-free wheat import by private traders to raise the supply in open market. According to an official, the private traders should not anticipate they would be allowed to import wheat at zero duty. He also concluded that some concessions would be made for wheat import by the private traders but it will not be duty free. At present, wheat import by private traders attracts a 50% duty. Private traders, including flour millers and wheat user industries have been demanding permission to go in for import to tide over the tight supply situation in the open market. Wheat industry is expecting another two million tonne of wheat will have to be imported this year just to meet supply shortfall in the open market.

Wheat: Poor Govt.'s Stocks and Procurement

During the 2006-07 Rabi marketing season (April-June), Government agencies have procured only 92.09 lakh tonnes (LT) of wheat as on May 19. The season is likely to close with total purchases in the vicinity of the 1997-98 level of 92.98 Lt. That makes it the lowest in almost a decade. A reflection of how precarious wheat supplies to the PDS has become is that as on April 1, stocks in the

Central pool, at 20.09 LT, were half the 40 LT minimum buffer norm for that date. At the current rate of procurement and offtake, wheat stocks on July 1 are expected to be around 100 LT below that normative buffer of 171 LT for that date. The 35 LT imports announced so far by the Government would only partially bridge this gap.

Pakistan Likely to Offer Wheat Export to India

According to a senior government official of Pakistan that they are eyeing on the wheat export to India for the first time in more than two years and it will bid on tenders to sell the grain to India. Along with Fahim Akhtar Khan, managing director for Pakistan Agricultural Storage and Services Corporation Ltd told that they have surplus wheat this year therefore they will bid for the Indian wheat import tender. Though the tender for 30 lakh Mt of wheat has been closed. Khan also concluded that the Pakistani government would decide by the middle of next month how much grain the country would be able to offer for overseas sales.

Cost of Wheat Import Remains Between \$187-\$236/t

The State Trading Corporation Ltd. received till now only eight bids totalling 2.68 million tonnes against the tender requirement of three million. The bids were opened on Thursday and are valid until May 30. Only two bidders out of the eight, that included Australia's monopoly exporter AWB Ltd., appear to be fulfilling the tender conditions, according to the source. AWB has offered to supply 60,000 tonnes of wheat at the arte of \$187/tonne cost and freight at the western Indian port of Mundra, which can take large Pan Am vessels, where as the remaining will be supplied at other Indian ports between \$208 to \$210 per tonne cost and freight. The other countries submitted bid for the supply of smaller quantities at the price range between \$196.5 and \$236 a tonne cost and freight, for delivery of wheat at various ports. The government is short listing now and will take decision very soon.

STC Rules Out Any Modification of 5-Lt Wheat Tender

According to the State Trading Corporation of India Ltd (STC), they ruled out any retrospective changes in the terms of its import of five lakh tonnes (Lt) of wheat, which was awarded to AWB Ltd of Australia. Therefore it might be impact on arrival of remaining wheat to India. Under the rules of the tender of 5-lakh tonnes wheat should be completely free from ergot (*Cleviceps purpurea*) and dwarf bunt (*Tilletia controversa*). Where as the second tender of 30 lakh tonnes of wheat had allowed the presence of these two fungal pathogens up to 0.01 per cent and 0.005 per cent by weight respectively. At now, the remaining above 4-Lt wheat is in midpoint, with AWB apparently finding it difficult to supply wheat that is totally ergot-free.

China Likely to Fetch Lower Wheat Production

The wheat production in China is likely to decline due to drought. China is the largest wheat producer in the world. The winter drought has negatively impact on wheat production and the traders are expecting that the yield would be decrease in this winter wheat production. Therefore the US traders are eyeing on the situation of China.

Eight Bidders of 30 Lt Wheat Import by India

The total quantity bid by all the eight bidders is witnessing to less than 30 lakh tonnes and it is around 26.8 lakh tonnes therefore the government is likely to float additional tender to import soon, if its needs are not substantially met by the

current tender. The eight bidders include AWB Ltd of Australia (large bidder), Glencore International AG, Agrico Trade, Columbia Grain, Geneva-based Two Three Trading SA, Cargill Inc., Toepfer International and Concordia. On the other hand, Indian politicians from opposition parties as well as government allies have criticized the government wheat tender, pointing out that India doesn't need to import wheat at a time when harvesting of wheat has just completed.

Pakistan: Wheat Export Probable In Spite Of Low Production

In Pakistan, the Punjab Food Department has urged that the federal government is likely to export 5 lakh tonnes of wheat this year. But the Food Department sources said, that since Pakistan would not be able to meet its wheat requirement this year, exporting it would lead to a wheat and flour crisis like last year's. According to a source, Pakistan had 2 MMt of surplus wheat. Punjab Agriculture Department official reported the production target of 22 MMt would not be met because of unfavourable weather and water shortage. It is predicted a harvest of 20.3 to 20.5 MMt, but a precise estimate would be possible by the end of May. In the last year, the production was 21.6 MMt. Because of surplus production in 2005 and import of wheat in 2004, a 2-MMt stock of wheat was carried forward to 2006.

Rest of 5 lakh MT Wheat May Reach Within One Month from Australia

The remaining portion of 5 lakh tonnes of wheat is likely to arrive within one month, according to the government official. On an around 408,000 tonnes of wheat would arrive. On the other hand out of eight bids only two bids has qualified in the Indian wheat import tender. Six bids have been cancelled. Australia's AWB 's tender has accepted. The government is likely to float additional wheat import tender, as these two tenders could not be supply the full amount of 30-lakh tonnes wheat.

Only Two Bids Qualify for Wheat Import Tender

Government has accepted only two bids including Australia's monopoly wheat exporter AWB Ltd., which have technically qualified for India's 30-lakh tonne wheat import tender, according to the minister of state for food. AWB has bid for 1.2 million tonnes. Singapore-based Agrico Trading, the other firm that has qualified for the tender, has bid to supply 500,000 tonnes. The other six bids have been cancelled on technical ground. The bids were opened on Thursday and are valid until May 30. AWB has offered to supply 60,000 tonnes of wheat at Mundra port, which can take large Pan Am vessels, at \$187 a tonne including cost and freight. The remaining will be supplied at other Indian ports between \$208 to \$210 per tonne cost and freight. Other bids were for smaller quantities, at prices ranging between \$196.5 and \$236 a tonne cost and freight, for delivery at various ports.

Govt. Likely Float Additional 13 Lt of Wheat Import Tender

It is witnessing that Indian government has accepted only two bids for total 17 lakh tonnes (Lt) of wheat including Australia's AWB. Ltd and Agrico Company. Therefore the government is likely to consider floating a third global

tender for the remaining 13 lakh tonne wheat, of the total 5.5 lakh tonne that it planned to import overall to meet the wheat shortfall in the country. The minister also indicated that purchasing additional volumes from the two qualifying companies was not ruled out.

USDA: US Wheat Export Sales Remained Weak

According to the latest weekly export sales highlights of USDA, the net sales of 5,300 metric tons (MT)--a marketing-year low--were 95 percent under the previous week and 97 percent below the prior 4-week average. Major increases for Peru (32,500 MT), Ecuador (23,300 MT, including 13,800 switched from unknown destinations), Mexico (7,700 MT), Israel (5,500 MT), and Colombia (3,000 MT) were partially offset by decreases for Japan (48,500 MT) and Nigeria (16,500 MT). Sales of 249,500 MT for delivery in 2006/07 (which begins June 1) were primarily for Japan (96,800 MT, including 31,000 MT switched from 2005/06), Jordan (91,600 MT), the Philippines (33,900 MT), and Mexico (11,200 MT). Exports of 457,600 MT were 13 percent above the previous week, but 1 percent under the prior 4-week average. The main destinations were Japan (116,200 MT), Mexico (43,400 MT), Nigeria (41,500 MT), Guatemala (39,900 MT), Israel (35,200 MT), Venezuela (30,500 MT), China (29,200 MT), and Cuba (27,500 MT). (This summary is based on reports from exporters for the period May 12-18, 2006)

Source: USDA

Parliamentary Committee Urges Ban on Wheat Futures

A Parliamentary Committee has recommended imposing a ban on wheat futures trading at the commodity exchange to restrict the price increase at the domestic spot market and they also putting a cap on procurement by the private traders. The permission to undertake forward or futures trading in wheat has guided to skyrocketing of the wheat prices in the wholesale grain market, according to the Standing Committee on Food, Consumer Affairs and Public Distribution. The farmers did not get benefits from this, according to the report. The committee, headed by Devendra Prasad Yadav, has also recommended to Uttar Pradesh government to put such ceiling on private traders. Agriculture and Food Minister Sharad Pawar said that the lower procurement by the government is mainly due to the aggressive buying by the private traders this year.

Source: IGC

IGC Raised World Wheat Production to 601 MMT

According to latest report of International Grain Council (IGC), the forecast total production in 2006 is increased by 3m. tons (MMT) to 601m. tons, still 16m. less than 2005. Persistent hot and dry weather in Hard Red Winter wheat areas result in a sharp fall of 4m. tons in the US crop forecast. Spring wheat prospects in the US and Canada remain good. The EU crop forecast is cut by 1.7m. tons, but it remains well above last year. Rains in China improved crop prospects, but the estimate for India is trimmed. Farmers in Argentina expect to increase their plantings, but eastern Australia still needs more rain. Projected world consumption is down 2m. tons at 612m., 12m. less than in 2005/06. Tighter supplies in the US will reduce feed use, and consumption in India, though still expected to increase, will be affected by higher domestic prices. The 2006/07 world trade estimate is unchanged from last month at 112m. tons, 2m. more than 2005/06. An increase in India's import forecast to 4m. tons is balanced by reductions for China and Iran. Tight supplies will limit US exports to 26m. tons (27m.

last year) but projected sales by Argentina and Australia are up. Russia may have larger export availabilities than previously foreseen. World stocks at end 2006/07 are now forecast to fall by 12m. tons to 118m., the lowest since 1981/82.

Source: IGC

Progressive procurement of Wheat as on 15.05.2006 (lakh tonnes)

State	Total procurement 2005-06 (Oct. – Sept.)	Progressive Procurement (as of 15.05.06)	
		2006-2007	2005-2006
Haryana	45.29	22.28	45.04
M.P	4.84	-	4.42
Punjab	90.10	69.27	89.14
U.P	5.60	0.36	4.52
All-India	147.87	91.92	145.00

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.18	May.19	May.18	May.19	May.18	May.19	May.18	May.19
May.06	204	200	162	162	173	173	197	197
Jun.06	204	200	162	162	173	173	197	197
Jul.06	184	183	143	145	154	156	178	181
Aug.06	193	189	149	149	160	160	185	185
Sep.06	184	176	151	151	162	161	186	186
Oct.06	189	181	155	155	166	166	190	191

WEATHER WATCH

The current meteorological conditions indicate onset of monsoon likely over Kerala during 1st half of the week. It is likely to advance further and cover some more parts of west coast & interior peninsula and also enter into northeastern states in the subsequent 2-3 days. Enhanced rainfall activity with heavy to very heavy rainfall at a few places likely over Lakshadweep, Kerala, coastal & South Interior Karnataka, south Konkan & Goa and northeastern states.

Scattered rain/thundershowers also likely over East India and isolated over northwest India.

Source: Department of Food & Public Distribution

PORT WATCH:

There was no latest vessel report during this week.

IGC WORLD WHEAT ESTIMATES (25.05.06)

(Million tons)

	2002-	2003-	2004-	2006-07 (Forecast)	
				26.04	24.05
Production	566	555	623	598	601
Trade	106	103	106	112	112
Consumption	600	593	613	614	612
Stocks	165	127	138	119	118
Year-Year Change	-34	-38	+11		-12
5 Major Exporters#	43	40	52	45	44

Argentina, Australia, Canada, EC, United States

Source: International Grains Council

FOREX (As on 26th May, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.85
1 Euro	58.62
100 Yen	40.93
1 British £	85.82

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