

Wheat

15th-20th MAY, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Stumbled During This Week
- Wheat Prices Steady at Higher Side at the Spot Market from Lower Level
- Govt. Wheat Procurement Down to 9.5 MMT

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: June (Future)

NCDEX wheat futures fell down during this week on speculative selling and profit booking at higher level as the prices went to contracts high level. On the other hand the first shipment of 30 lakh tonnes wheat is likely to hit the Indian port in July, which inducing the prices to down. Therefore most active June contracts decreased from Rs.951.6 to Rs.916.8 and traded in between Rs.906-958. Volume as well as open interest is remaining stable.

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

Outlook:

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

Advice:

Sell at higher level for medium-term (3-4 days) trading.

MARKET FUNDAMENTALS:

With the stable demand and supply scenario, the wheat prices were ruling steady to down at the domestic spot market at this weekend though the prices was increasing during this week as compared with last week due to arrival was reducing. The reduced buying activity by the private buyers like Cargill, ITC, Adani etc. are restricted the prices to up at now as the prices are prevailed at mostly upper side. The demand from the flourmills as well as roller and Chakki mills witnessed pronounced. There was a speculation at the market that the Australian shipment of wheat import to India had cancelled and as a result the prices were increasing but the government ruled out this type of rumours on Tuesday and therefore the upward trend restricted. Wheat dara mill quality increased to Rs.865-870/mtl from Rs.860-865/mtl with moderate arrival of 10000-12000 bags at the Lawrence road in Delhi while the totalled daily arrival was around 60000-70000 bags in Delhi mandis. The delay of Australian wheat to India coupled with lower stock to the government is also sparking the prices to up. The government procurement



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
June Contract	905	890	928.5	936.2

decline to 95 lakh tonnes are bolstering the prices to up and it is also witnessing that the imported cost of wheat are likely to above Rs.950/mtl, therefore the price is not expected to curb down to around Rs.750/mtl. The prices are expected to prevail on steady to slight up at most of the mandis in the coming week.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	13.05.06	20.05.06
Atta (90kg)	870	867
Maida Grade 1(90kg)	1040	1034
Suji (50kg)	573	570
Chokar (50 kg)	310	308
Chokar (35 kg)	188	180
Chakki Atta (90kg)	795	820

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

Markets	13.05.06	20.05.06
Delhi (Lawrence Road)	860-865	865-870
Haryana (Karnal)	865-870	870-875
Punjab (Khanna)	860-865	830-835
Punjab (Sunam)	730-735	710-715
Ludhiana (Jagraon)	760-765	740-745
Ahmedabad	950-955	955-960
Rajkot	865-870	865-870
Rajasthan (Kota)	980-985	975-980
Uttar Pradesh (Kanpur)	887-892	907-912
Uttar Pradesh (Bareilly)	850-855	885-890
Madhya Pradesh (Indore)	990-995	985-990
Madhya Pradesh (Bhopal)	880-885	890-895

INTERNATIONAL AND DOMESTIC NEWS:**Domestic Wheat Prices Likely to Fall Soon**

It is expecting that the wheat prices would come down in next two months, when the first consignment of 30 lakh tonnes of wheat import would hit the Indian coastline. According to marketmen, the farmers are holding wheat stock at present as speculation of rise in prices, but such stock can't be kept for a long time, as there is a risk of pest infestation after sometime. The imported wheat is likely to hit the domestic market by July this year. Therefore the prices are absolutely going to come down in July, according to Wheat Products Promotion Society, Vinod Kapoor. Along with All India Grain Exporters Association president DP Singh concluded that the final wheat import figure could even cross 5MT this year.

Wheat Procurement Expected to Gear Up

The wheat procurement by the government is expected to pick up in the days to come if the designated procurement properly gears up to an extent. The daily average arrival is expecting to gear up significantly. According to a recent bulletin of Food Corporation of India, average daily market arrival of wheat in eight states and the Union Territory of Chandigarh has increased to 114,274 tonne as against 86,751 tonne in the corresponding period in 2005. But the lower procurement of the government is mainly due to the lower MSP price at Rs.700/qrtl including bonus. Therefore multi-national corporations and private traders are taking advantage of this and they are offering prices in the range of Rs.750-900/qrtl a tonne for ordinary varieties of wheat. However, they are not paying farmers high prices at a uniform range at all places.

Punjab Govt Expected to Procure 70 Lt of Wheat

According to the Punjab government, they could only contribute 70 lakh metric tonne of wheat to the central pool this year as compared to 90 lakh metric tonne last year due to lower procurement of wheat. It is mainly owing to short of arrival in the mandi this year. Government agencies could procure only 69 lakh Mt of wheat apart from 11 lakh Mt by the private traders to make total procurement of only 80 lakh Mt, according to State Food and Supplies Minister Avtar Henry.

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Wheat: Haryana Likely to Procure 50% of Last Year Level

It is expecting that the Haryana would procure less by about 50 per cent as against of last year level. Till now, the government contributed to the central pool around 22 lakh Mt of wheat. As against the procurement target of 160-lakh Mt, the minister said the target could not be achieved as per the current trend and predicted about 100 lakh Mt contribution to the central pool.

Ports Designated for 30 Lakh Mt Wheat Import Deliveries

According to a senior government official, the total delivery of 30 lakh Mt of wheat will be delivered at five ports. The STC had floated import tender of 30 lakh Mt of wheat on Monday and the total shipment will be completed over a five months period. The deliveries are to be completed by November 2006, he said. It is expecting that around 100 shipments will be delivered over a five-month period. Government is mainly looking for deliveries at Chennai, Kolkata, Kandla, Nhava Sheva and Vishakhapatnam. The monsoon rains will also be vital factors in deciding the place of delivery, concluded by him. The shipments are considered a large logistical exercise given southwest monsoon rains between June and September could further delay shipments. The tender specified that in case of contracts made on cost and freight basis, the width of the vessel should not exceed 33 feet for berthing at Indian ports. Accordingly, large shipments carrying 45,000 tons and above may not be made.

Haryana Received 29.60 LMT Wheat So Far

Till now six government-procuring agencies have procured 22.28 lakh metric tonnes (LMT) of wheat during this season where as total arrival was 29.60 LMT in the mandis of Haryana. According to the source, HAFED had procured 8.40 LMT of wheat, while the Food and Supplies Department had procured 4.94 LMT; the FCI procured 2.68 LMT, Haryana Agro Industries Corporation 2.38 LMT, Haryana Warehousing Corporation 2.17 LMT and CONFED 1.68 MT. It is witnessed that the Kaithal district had procured maximum wheat in the state as the district had procured 4.78 LMT of wheat followed by Karnal 4.65 LMT, Fatehabad 3.74 LMT, Kurukshetra 3.47 LMT, Jind 3.60 LMT, Sirsa 3.55 LMT, Panipat 1.40 LMT and Ambala 1.14 LMT.

Wheat: India Considering 20 LMT of Imports by Direct Users

According to a senior government official, it has been considering by the Indian government to allow about 20 lakh metric tons (LMT) of wheat with a concessional customs duty by end users to increase supplies and restrict the domestic prices. He concluded that the suggestion is under consideration and it will be finalizing very soon. After allowing the wheat import by the direct users like flourmills, biscuit manufacturer etc., the minister, however, did not disclose the quantity of the proposed imports or the level of revised import duty. According to the source, the concessional duty could be between 10% and 15% and it would be decided on the basis of prevailing international prices, their comparison with local prices and the ability of consumers to absorb the ongoing rise in local prices over the last few months.

Government Declares No Plans to Cancel Aussie Wheat

According to a senior government official, India has no plans to cancel Australian wheat shipments delayed by quality concern. According to the AWB Ltd., the issue will be resolve soon.

Around 4 lakh Mt of Australian wheat shipments to India have been held up because of stringent quality specifications in the contract. Australian traders reported that the shipments were being delayed because of different interpretations of the contract term like zero tolerance for weed seeds, pesticides and other material in wheat shipments. The traders in India are speculating that the government could cancel some of the shipments due to delays. Australia is the second-biggest exporter following the United States, has a freight advantage in sales to India.

STC Further Modifies Specifications of Wheat Import Tender

According to a company person on Wednesday, the State Trading Corporation (STC) has modified the tender to import 30 lakh metric tons of wheat about quality specifications. It is also including the specifications for testing the quality of samples and fumigation of cargoes. This is the fourth times modification since the tender was issued on May 8. The changes have been made barely a day before the tender closes Thursday. The government is importing wheat by the STC as duty free to replenish the stocks. The changes are aimed at wider participation in the contract by bidders from all over the world.

Delay of Aussie Wheat to India Due to Ergot Fungi

The shipments of wheat from the Australia to India have been delayed due to the concern of ergot fungi, according to a source. The tender stipulated that the consignments should be free from this destructive pathogen. According to the rules of the tender, a certificate is essential from the quality inspection agency of the exporting country that the norms specified in the contract have been met. Therefore the Australian Quarantine and Inspection Service, or AQIS, should certify the cargoes are entirely free of ergot grains before the shipments set sail. The issue of the quality concern has raised from the discussion between officials of India's federal food ministry and Australian High Commissioner to India John McCarthy, according to the STC official. Where as in the other tender for import of 30 lakh Mt of wheat which closes Thursday specifies the limit for presence of ergot grains in the cargo has been relaxed to 0.01%.

Canada: Record Stocks of Wheat

According to the Statistics Canada, that total stocks of grain and oilseeds, including commercial and on-farm inventories as of March 31, reached levels well above their 10-year averages. Stock levels of wheat set new records. Total wheat excluding durum stocks (both those on farms and in commercial positions) amounted to 13.6 million metric tons (MMT) as of March 31, 21.4% or 2.4 MMT higher than in March 2005. The 10-year average is 11.4 MMT. For wheat, total supplies were higher than in the 2004/2005-crop year, and exports in the current crop year are below last year's level, leading to the buildup in stocks. Lower than normal quality made it difficult to compete in the high quality milling wheat markets. Competition for feed wheat was also strong due to large world stocks of feed grains. Stocks of durum wheat reached an all-time high of 5.2 MMT, an increase of 24.4% from a year ago.

STC Receives Eight Bids for 30 LMT of Wheat Import Tender

The closing time of the import tender of 30 lakh tonnes of wheat is Thursday. The India had announced the import of another 30 lakh Mt (LMT) of wheat on May 8, 2006. Therefore it is witnessing that the State Trading Corporation (STC) has received till now eight bids for its tender, according to a senior government official on Thursday. The largest bid in terms of quantity around 12 lakh Mt is Australia's monopoly exporter AWB Ltd. There is no firm bid for the entire quantity.

STC Might be Float Additional Tender to Import Wheat

According to a source, it is expecting that India would float additional tender to import wheat if it is not able to get the desired amount of particular quality from a recent tender issued by State Trading Corporation of India. The STC till now received eight bids added up to only 26 lakh tonnes. Some of the bids were not accompanied by a compulsory bid-bond of either \$3 million or 3% of the value of the bid whichever is higher. The largest bid in terms of quantity around 12 lakh Mt is Australia's monopoly exporter AWB Ltd. There was no firm bid for the entire quantity. Therefore the government can take another option to import more through additional tenders. Under the rules of the import tender stated that the bids not accompanied by a valid bid-bond will be rejected. The bids offered without bid-bonds total about 700,000 tons.

USDA: US Export Sales Improving

According to the latest export sales highlights of wheat by USDA, the net sales of 99,000 metric tons (MT) improved from the previous week, but were 50 percent under the prior 4-week average. Increases for Nigeria (66,000 MT), Colombia (17,100 MT), Venezuela (16,600 MT), and Honduras (6,400 MT) were partially offset by decreases for Italy (8,800 MT). Sales of 184,300 MT for delivery in 2006/07 (which begins June 1) were primarily for Japan (56,400 MT, including 6,200 MT switched from 2005/06), Yemen (42,000 MT), Mexico (33,400 MT, including 25,400 MT switched from 2005/06), the Philippines (16,000 MT), and Colombia (13,000 MT). Exports of 404,000 MT were 29 percent above the previous week, but 2 percent under the prior 4-week average. The main destinations were Japan (147,300 MT), Nigeria (51,100 MT), the Philippines (45,000 MT), Mexico (35,700 MT), Venezuela (30,600 MT), South Korea (22,900 MT), Colombia (22,800 MT), and Tunisia (21,200 MT). (This summary is based on reports from exporters for the period May 5-11, 2006)

Source: FAS, USDA

Cost of Imported Wheat Expected to Above Rs.950/qtl

It is witnessed that the almost all the top international trading companies, including Cargill, are offering European and Canadian wheat instead of American grain in the wheat import tender of 30 lakh tonnes. On the other hand AWB of Australia, which has offered 12 lakh tonnes of wheat, other large bidders for the STC contract include Glencore, which has offered 525,000 tonnes of European wheat; Cargill 350,000-400,000 tonnes European wheat, Concordia 100,000 tonnes European; Toepfer 1,12,000 tonnes Canadian wheat; Columbian Exports 50,000 tonnes US wheat; and Agri Trade and Finance SA 300,000 tonnes Russian wheat, according to a source. India can get Australian wheat at Rs.950-1000/qtl at the ports. The imported cost of wheat might be increase to Rs.1100/qtl for other origin. Local Indian trading companies are currently able to supply wheat to southern states at 1050-1070/qtl.

Wheat: Govt. Procurement Slip to 9.5 MMT

Wheat procurement has decreased to 95 lakh tonnes in 2006-07 as against of 147.87 lakh tonnes last year, which is lower than the normal requirement for targeted public distribution system, welfare schemes and buffer stocking, according to the agriculture minister Sharad Pawar. The main factor was aggressive buying by the private traders, including MNCS.

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

Source: Department of Food & Public Distribution

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 harvesting is completed. Therefore there is no impact of weather on the crops but heavy rainfall might be affect on arrival.

Fairly widespread rainfall /thundershowers activity over Andaman & Nicobar Islands is likely to continue

Rainfall/thundershower activity over northeastern states likely to increase.

FOREX (As on 19th May, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.46
1 Euro	58.32
100 Yen	40.99
1 British £	85.94

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PORT WATCH:

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