

Wheat

13th -17th JUNE, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Continues to Trade Bearish During This Week
- Wheat Prices Remained Steady to Down at the Spot Market
- India Considering Substitute Wheat with Coarse Cereals

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures got down during this week amidst steady spot prices and news that flourmills demanded to allow duty free import of wheat for the direct users, which pulled down the market to down. Apart from this speculators are speculating that the stockists might be release their stocks in near month, which discouraged the buyers. The weakness in outside markets also supported the wheat futures. Open interest and volume remained weak during this week. The most active July contracts remained down to Rs.876.00 from Rs.900.6 and went to Rs.867.00, which was lowest in this week and traded in between Rs.867.00-903.20 during the week.

Short body like doji candlestick with medium lower shadow is hinting to bearish price movement while %K line is remained above %D line in neutral region. Prices settled below than the 9-days and 18-days EMA, indicating to downward price movement. MACD remained steady in negative zone. Open interest steady but volume decreased.

Outlook:

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

Advice:

MARKET FUNDAMENTALS:

Wheat prices continued to trade range bound with slight up at Delhi, U.P. and Rajasthan mandis on dull trading activity during this week. The demand from the flourmills witnessed considerable despite steady to slight down arrival. However the demand from the stockists and MNCs witnessed weak as they created sufficient stocks in this year. Therefore the prices remained steady to range bound at this region. The rake loading is still continuing for South India from Delhi and other parts, which supported the market to remain steady. According to the traders, the prices are unlikely to fell down till the demand from South India get weak. Wheat dara witnessed steady at Rs.864-866/mtl with average arrival of 10000-11000 bags at the Lawrence road in Delhi. However the prices got down in M.P., Gujarat, Maharashtra and Bareilly market on weak buying activity by the flourmills and private buyers like MNCs during this week. The rains in the Punjab region pulled down the wheat prices on Friday. The wheat prices fell down by Rs.5-7/mtl at most of the mandis. The inflow remained very weak at the market. The grains became moistened which decreased the demand,

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	867.2	859.8	885.5	890.6

according to the traders. The traders are expecting that the marginal stockists might be release their stocks if rain continues, which would be increase the market arrivals. The delay of wheat import might be push up the spot prices in near future, according to market men. The prices are likely to trade steady to bearish in the coming week also.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	12.06.06	17.06.06
Atta (90kg)	873	887
Maida Grade 1(90kg)	1034	1044
Suji (50kg)	570	576
Chokar (50 kg)	276	264
Chokar (35 kg)	162	166
Chakki Atta (90kg)	815	812

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

Markets	12.06.06	17.06.06
Delhi (Lawrence Road)	863-865	864-865
Haryana (Karnal)	850-853	850-852
Punjab (Khanna)	820-825	825-830
Ahmedabad	955-960	947-950
Rajasthan (Kota)	980-985	980-985
Uttar Pradesh (Kanpur)	900-903	900-903
Madhya Pradesh (Indore)	960-970	950-960
Uttar Pradesh (Bareilly)	835-840	850-855
Punjab (Sunam)	720-725	710-712
Ludhiana (Jagraon)	730-735	750-755
Rajkot	875-880	890-895
Madhya Pradesh (Bhopal)	870-875	855-865

INTERNATIONAL AND DOMESTIC NEWS:**Govt. Floated a Import Tender of 22 lakh tonnes of Wheat**

The government floated a tender to import 22 lakh million tonnes of wheat on Monday following it had failed to attract enough interest from exporters to meet quantities sought in an earlier tender. According to an official of the State Trading Corporation (STC), tough quality criteria had been eased this time in a bid to attract in more bidders, and those details would be released later. He also concluded that the wheat specifications have been changed; however the payment terms will remain the same. The shipment period for the wheat is from September to January 2007 in four Indian ports at Kandla, Vizag, Mundra, Mumbai. The tender is valid until June 20. It has allowed the consignment to be fumigated either by methyl bromide or by aluminum phosphate.

New Wheat Tender Unattractive to U.S. Exporters

The government has not made enough changes to its wheat import tender and the country is expected to once again fetch few bids from suppliers around the world, according to the U.S. wheat traders and brokers. India relaxed some quality specifications on weed seeds, toxins and pesticides, but kept stringent payment and financial conditions, which are likely to discourage bidders. India's latest tender could be worth between \$411 million and \$440 million, based on prices India previously paid that included the cost of the wheat and freight. According to the U.S. traders, they are worried that India can reject the wheat when it arrives and before it has paid for the grain. They noted that in general, payment is made following the wheat is inspected and shipped to its destination. But India have not changed the payment terms, which basically means they still want to have the right of rejection at destination, according to a large US wheat base exporter.

India Relaxed Quality Norms of New Wheat Import Tender

In the previous tender, India required the wheat to be free of exotic weed seeds but the new wheat import tender relaxed the acceptable amount of exotic weed seeds to 100 seeds per 200 kilograms, or about 1 part per million, traders reported. India is also permitting large Panamax vessels carrying up to 75,000 tonnes to unload at one of the four ports where the wheat will be delivered. Delivery to the other ports would be in vessels carrying 25,000 to 50,000 tonnes. India also increased the admissible amount of vomitoxin to 2 parts per million, up for 1 part per million in

the prior tender. Vomitoxin can sicken people and animals. It has allowed the consignment to be fumigated either by methyl bromide or by aluminium phosphide. India has also increased the allowable levels of some pesticides. India's new tender closes June 20 and bids must remain valid until June 28, according to tender documents.

Flour Mills Looking for Duty Free Import of Wheat

Indian flourmill owners have urged to the government to allow duty free import of wheat for the direct users like flourmills, biscuit manufacturer etc. to augment supplies and keep local prices under check. At present the State Trading Corporation (STC) are importing wheat as duty free in favour of the government. Currently, private traders are allowed to import wheat at a tariff of 50%. At current prices, imports at 50% tariff will not be profitable. They also demanded that the government should force the private traders to sell wheat at the spot market, which they have held back to artificially jack up the prices. Presently the wheat prices are prevailing at Rs.865-867/qlt at Delhi mandis, which is far above than that of government's intervention prices of Rs.650/qlt with bonus of Rs.50/qlt.

Haryana Likely to Abstain from Imposing VAT on Wheat Bonus

At the meeting of the state Cabinet, which met under the chairmanship of the Chief Minister, Mr Bhupinder Singh Hooda, Haryana today, the Cabinet decided to abstain from imposing VAT on the bonus announced by the Central Government on the MSP of wheat. This is to benefit farmers in the state, an official press release said, adding that the step would lead a one-time loss of Rs 5 crore to the state exchequer. The press note, however, mentioned that the Centre announced the bonus of Rs 50 per quintal of wheat on the condition that state governments fully exempted the bonus from state taxes and levies.

Minister: Various Wheat Price Policy Next Year

The failure of the government's wheat procurement programme this year has forced it to consider the option of entering the open market next year to offset the aggressive purchases by the private sector. According to the agriculture minister Sharad Pawar, a differential wheat purchase price policy comprising of minimum support price will be taken for consideration. The government has allowed to the direct wheat sale to private traders in this year. Earlier, only licensed private traders could buy wheat from the mandis, which had narrowed the scope for high procurement price for farmers. He also made it clear that as the agriculture minister he was happy that farmers got a better price, while as the food minister, he was concerned about ensuring wheat availability for the PDS, and meant for the "vulnerable sections."

Wheat Production Lagging Behind the Consumption

According to the experts, the wheat production is lagging behind the consumption and therefore India has to double the production by 2025 to meet its growing consumption needs. The population in India is increasing at a faster rate of 1.9% annually while production of food grains are remaining at 1.5%. According to the IGC estimation, India would fetch 72 million metric tons of wheat in 2006, up from 68.6 million tons last year but the consumption is slight above than the production. According to the USDA estimation, the consumption of wheat in India will be around 74 million tonnes in 2006. Therefore Indian government is currently buying wheat from abroad. IGC estimates India will import 4.0 million tons of wheat in 2006-07 (July-June), up from 1.0 million tons a year earlier. In 2003-04 India exported 5.4 million tons.

Wheat Import Not Justified

According to the experts, India's decision to import wheat has come as a shock. According to the government, the wheat

import is necessary to maintain a buffer stock to control prices. Actually, pressure from food-exporting western countries, particularly the US, has played a role in this too. According to the Agricultural Minister, Mr Sharad Pawar, import of 500,000 tonnes of wheat for southern states from Australia works out cheaper than sending them from North India. Government has claimed that wheat production has gone down, while Mr Swaminathan maintains that production in recent years has been as good as in the past years, however the current shortage is mainly due to the private players. To facilitate private players to buy as much they desire, the government seems to have left the arena.

M.P.: Weak Sentiment in Wheat Market on Poor Demand

Weak buying activity by the flourmills and private buyers like MNCs pulled down the wheat prices in Madhya Pradesh mandis today. According to the traders, there was no buying demand from the flourmills and MNCs today. The other bearish factor was weak demand from Maharashtra where the prices also got down by Rs.10-15/ql. Wheat dara mill quality got down at Rs.950-960/ql at Indore and Rs.850-860/ql at Bhopal mandis despite steady arrival of 4000-5000 bags at Indore and 1500-2000 bags at Bhopal. The total inflow was around 30000-40000 bags in M.P. The stockists are still hoarding the stocks. It is expecting the prices would come down by Rs.5-7/ql in the coming day, according to the traders.

India Considering Substitute Wheat with Coarse Cereals

According to a senior government official, the federal government of India is considering a suggestion to sale coarse cereals in place of wheat to cut wheat imports, as the import is a very time consuming process and also low stocks of wheat to the government. They also pointed out that substitute wheat with not only rice but also coarse cereals such as bajra and corn (for subsidized sale programs). The proposal is likely to be placed ahead of the federal cabinet by the food ministry shortly as part of plans to minimize wheat imports. Till now, the government has only been selling wheat and rice under the subsidized sales program. The government has an inventory of 1.02 million tons coarse cereals as of April 30. According to the official, these stocks of coarse cereals could come in handy at a time when wheat stocks have fallen, prices are firm and one of the country's largest-ever wheat import program for a single year is on. But the trade experts are pointed out that this might be hover up the coarse cereals like corn as its large demand in poultry and starch industry. Poultry industry has sought open market sale of corn from government stocks to keep prices under check.

India Expected to be Major Wheat Buyer in 06-07

According to the experts, India is expected to be a major importer in 2006-07 India due to steady domestic wheat production and soaring demand. According to the monthly UN Food and Agricultural organization report, the country India is likely to import considerable volumes of wheat from abroad for the first time in many years. Apart from this, the rigid import regulations on quality and shipping conditions will raise the transport and handling costs, which will be disappointing private traders in India to import much wheat.

USDA: US Weekly Wheat Export Sales Remains Strong

According to the weekly export sales highlights of USDA, the net sales of 461,200 MT were 44 percent above the previous week. Major increases were reported for Japan (91,400 MT), Taiwan (70,500 MT), Guatemala (46,500 MT), unknown destinations (43,300 MT), Morocco (40,000 MT), Venezuela (40,000 MT), Italy (30,000 MT), and Mexico (29,700 MT). Exports of 388,200 MT were 26 percent

below the previous week and 14 percent under the prior 4-week average. The primary destinations were Indonesia (59,100 MT), the Philippines (51,500 MT), Mexico (48,300 MT), Malaysia (41,200 MT), South Korea (40,300 MT), Yemen (39,700 MT), and Japan (35,000 MT). (This summary is based on reports from exporters for the period June 2-8, 2006)

Wheat: Minister Approved New Wheat Import Rules

According to the government minister, the cabinet of India approved Friday about the new wheat import rules that conform to the international food standards prescribed by world body Codex. The WTO has charged the Codex Alimentarius Commission with developing guidelines for global food standards. The new standards for wheat have been accepted to bring it down to Codex level, according to the Rural Development Minister Raghuvansh Prasad Singh. The State Trading Corporation of India floated a fresh tender for the import of 22 lakh tonnes of wheat. The new tender specifications were more or less in line with the standards prescribed by Codex. This will not mean any major changes in the present tender.

USDA: U.S. Wheat Expected to Down in 2006-07

USDA reports released last week revised U.S. 2006/07 production down again, now anticipated to be 8 MMT or 14 percent below the 2005/06 harvest. A weak outlook for production in other major producing countries is expected to send world stocks to the lowest level in 25 years and the world stocks-to-use ratio to the lowest level reported by USDA. In the June release of its World Agricultural Supply and Demand Estimates (WASDE), USDA forecasts the marketing year weighted average farm gate price in the U.S. to rise from \$3.42/bushel (\$126/MT) to a range of \$3.60 - \$4.20/bushel (\$132 - \$152/MT). In its crop production report USDA's National Agriculture Statistics Service downgraded production estimates for the current HRW harvest by another 8 percent, now estimated 29 percent lower than last year's crop. The drought's devastation is forecast to lead to production declines in Kansas of 23 percent (2.4 MMT), Oklahoma by 47 percent (1.6 MMT) and Texas by 66 percent (1.7 MMT). Lack of rain has also led to year over year crop declines in Montana of 19 percent (500,000 MT), Nebraska of 18 percent (300,000 MT) and Colorado of 13 percent (200,000 MT). Initial harvest reports indicate very high average protein levels for the HRW crop of 13.8 percent compared to 12.2 percent last year, but the anticipated lack of supply has led to dramatic price rationing in the futures markets.

Source: USDA

Wheat Production Likely to Remain Down in Argentina

International importers typically turn to Argentine wheat as a substitute for HRW of US due to its similar milling and baking characteristics. However, lack of moisture in Argentina during planting has led to lower than average planted area and production. The June WASDE cut 1.5 MMT off of the Argentine production forecast, leaving the expected harvest there below average, although better than last year. With limited world supply availability, HRW prices are expected to remain firm this year.

Source: USDA

Global Wheat Production Affecting due to Global Warming

There is very little disagreement among scientists about the existence of global warming. Farmers around the world are starting to sit up and take notice, and wheat farmers are not exempt from the worries. Research from Australia's Queensland University of Technology, released this month, predicts climate change will cause Australian wheat yields to drop by 15 percent over the next 30 to 50 years. But, according to an ABC news report, Department of Primary Industry's Dr. Roger Stone says the research assumes grain crops will still be grown in 50 years.

Fortunately, some people are acting. Professor Peter Grace, from Australia's Institute of Sustainable Resources in Queensland, says farmers may need to look to new wheat varieties. Biotechnology may also play a productive role as global warming causes drought and accompanying plant diseases. BASF recently announced that they will spend US\$17 million on a new Australian research project to investigate drought-resistant wheat varieties. The new research in collaboration with Australia's Plant Science and Molecular Plant Breeding Cooperative Research Centre (MPBCRC) aims to develop high yielding wheat varieties that are both more resistant to fungal diseases and adverse environmental conditions such as drought. The seven-year project will involve 25 scientists based at MPBCRC, which has previously carried out work in plant biotechnology.

Source: USDA

Nigeria: Top Importer of U.S. Wheat for 2005/06

The marketing year ended May 31 and, for the first time ever, Nigeria was the number one customer for U.S. wheat, importing 3.04 million metric tons, a 20 percent increase over sales last year. Japan, who held the top position last year, came in slightly behind this marketing year, at 2.97 MMT. The other "million plus" customers of U.S. wheat were, in order: Mexico (2.56 MMT); Iraq (2.34 MMT); Philippines (1.68 MMT); Egypt (1.18 MMT); Korea (1.14 MMT); and Venezuela (1.08 MMT). The EU-25 countries, as a whole, imported 1.48 MMT of U.S. wheat. For the year, the U.S. commercially exported 25,320,100 metric tons of wheat, down 1.25 MMT (5 percent) from last year, impacted by higher export prices for every class of U.S. wheat. The total U.S. wheat supply available for export was lower, with 1.46 MMT less wheat produced and slightly higher domestic use. Hard red winter wheat sales were up 11 percent, and durum sales were 35 percent higher than 2004/05. Hard red spring wheat sales were 10 percent lower, the white wheat were 12 percent lower (hard white comprised 108 TMT of the total 4.3 MMT of white wheat exports), and soft red winter wheat sales were down by 37 percent.

Source: USDA

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%	
	Jun.16	Jun.15	Jun.16	Jun.15	Jun.16	Jun.15	Jun.16	Jun.15
Jun.06	229	226	174	174	185	185	210	209
Jul.06	206	201	152	152	163	163	188	188
Aug.06	204	200	155	155	166	166	191	191
Sep.06	198	193	155	153	166	164	191	189
Oct.06	207	205	161	161	172	172	196	196
Nov.06	213	210	165	165	176	176	201	201

WEATHER WATCH

PROGRESS OF SOUTHWEST MONSOON

During this week, southwest monsoon remained in a weak phase.

There was no further advancement of monsoon during this week

Progressive procurement of Wheat as on 09.06.2006 (lakh tonnes)

State	Total procurement	Progressive Procurement (as of 09.06.06)	
		2006-2007	2005-2006
Haryana	45.29	22.29	45.29
M.P	4.84	-	4.81
Punjab	90.10	69.46	90.10
U.P	5.60	0.46	5.49
All-India	147.87	92.22	147.70

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-	2003-04	2004-05	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

OUTLOOK FOR THE WEEK ENDING ON 21ST JUNE 2006.

1. The meteorological analysis and prediction from numerical models suggest possibility of revival of southwest monsoon during 2nd half of the week resulting increase in rainfall activity over south Peninsula and along the west coast.

2. Fairly widespread rain/thundershowers with isolated heavy falls likely to continue over northeastern States.
3. Isolated duststorms/thunderstorms are likely over northwest, central and eastern India

FOREX (As on 16th JUNE, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.92
1 Euro	58.08
100 Yen	40.06
1 British £	85.11

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