

Wheat

19th-24th JUNE, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Fell Down This Week
- Wheat Prices Got Down at the Spot Market
- Govt Allows Private Traders to Import Wheat as Duty Free

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures traded range bound till Wednesday but got down mostly at this weekend on the news that government was allowing private imports at duty free therefore the prices fell down tremendously. The strong speculative selling pulled down the prices on the worries of reduced demand in the near future. Open interest and volume increased at the weekend. The most active July contracts fell down to Rs.829 from Rs.872.20 and went to Rs.812.20, which was contract low and traded in between Rs.812.20-886.00 during the week.

Short white candlestick with long lower shadow is indicating to upward prices for the next day while %K line remained below over %D line following making a bearish crossover from up in oversold region. Prices closed far below than the 9-days and 18-days EMA, indicating to further downward price movement while MACD is sharply going to down following made a bearish cross over from up in negative territory.

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 sharply fell down at the spot market in the country at end of this week following steady market from several days at most of the market. Wheat data prices quoted mostly down to Rs.840-845/qlt at the Lawrence road in Delhi. Traders said that the weak prices is mainly due to the cabinet's decision to allow the private players for wheat import, which pushed the buyers out of the buying despite the farmers and sellers are also in no motive to sell their stocks. Therefore arrival has decreased but it did not restrict the prices at upper level and it fell down. The demand from the South India is also decreasing. The demand from the flourmills and chakki mills got down around the country. The government announced wheat imports by the private sector under duty free, to arrest spiralling prices. Therefore the prices fell down at all pockets at the weekend. Most wheat futures contracts on the domestic exchanges tumbled down by 70-75 points after Thursday's cabinet move. Traders are expecting that the prices will be tumble down at the spot as the stockists and farmers might be release their socks. The stockists are eyeing on the monsoon as the monsoon get strong they

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	812.20	800.50	855.60	865.50

might be release their huge stocks at the spot market. The STC short-listed four bids of wheat import tender, which is also keeping pressure on prices. Wheat prices also got down to Rs.1030-1035/qlt at Bangalore mandis with lack of demand. The weakness at the futures market also pushed the spot market to negative side. The imported wheat cost is much lower at Rs.1000-1050/qlt; therefore a further decline however seems a distant possibility.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	17.06.06	24.06.06
Atta (90kg)	887	883
Maida Grade 1(90kg)	1044	1051
Suji (50kg)	576	580
Chokar (50 kg)	264	253
Chokar (35 kg)	166	165
Chakki Atta (90kg)	812	817

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

Markets	17.06.06	24.06.06
Delhi (Lawrence Road)	864-865	840-845
Haryana (Karnal)	850-852	835-837
Punjab (Khanna)	825-830	810-815
Ahmedabad	947-950	920-925
Rajasthan (Kota)	980-985	965-970
Uttar Pradesh (Kanpur)	900-903	890-895
Madhya Pradesh (Indore)	950-960	900-920
Uttar Pradesh (Bareilly)	850-855	840-845
Punjab (Sunam)	710-712	700-705
Ludhiana (Jagraon)	750-755	730-735
Rajkot	890-895	Closed
Madhya Pradesh (Bhopal)	855-865	840-850

INTERNATIONAL AND DOMESTIC NEWS:**Wheat: Present Scenario of Stock, Output in India**

India is expected to produce 71.54 million tonne of wheat this year, less than 73 million tonne forecast in February, the agriculture ministry said May 9. The country may import 4 million tonne of the grain in the year to March 2007, according to the US Foreign Agriculture Service. The government wheat stocks on April 1, 2006, were at around 1.5 million tonne, 2.5 million tonne below the desired April 1 minimum buffer stock level. With lower carry-over stocks and assumed lower procurement, the government's wheat supplies, meant to meet the public distribution commitment (16 to 17 million tonne per year) and to maintain the desired buffer stock level (4 million tonne on April 1), fell significantly short of the requirement. On Friday, the government eased norms to import 2.2 million tonne of wheat.

Dispute of 5-Lt Wheat Import Likely to Resolve Soon

According to the source, the dispute between India and Australia about 5 lakh tonnes of wheat import is close to resolving. However it has not decided whether Indian concessions in new import rules will encourage it to bid in a big new tender. The delay of import was due to the pesticide content and other issues. According to the AWB spokesman Peter McBride, this issue was close to settlement. Only 90,000 tonnes of the 500,000 tonnes contracted amount have so far been shipped.

Final Award of Wheat Import Tender Coming Soon

According to the government official, the final award of the 22-lakh tonnes of wheat tender is likely to take place over the next 7-10 days. The government will scrutinize the bids to ensure compliance with quality and financial terms, besides negotiations on price with various bidders. India's agriculture minister Sharad Pawar has reported the government will stop importing wheat once it achieves its import target of 35 lakh tons. As of Monday, orders for import of 1.3 million tons have already been placed.

Kerala Govt. Put Pressure for Wheat Quota Under PDS

The central government had reduced the wheat quota under PDS scheme in Kerala without consult with Kerala government. But now the Kerala government would put pressure on the Centre to restore the wheat quota for the state under PDS, according to the state Civil Supplies Minister C Divakaran. The government had started

distributing free ration to families in flood-hit areas, tribal hamlets and plantation workers, the minister said.

Japan Looking for One Lakh MT of Wheat In Tender

The Ministry of Agriculture in Japan, Forestry and Fisheries is looking for one lakh metric tons of wheat for Aug. 1-31 shipment in a tender to be concluded on Thursday, according to the agriculture ministry official. The government is looking for 25000 tonnes of U.S. HRW, 35000 tonnes of U.S. Dark Northern Spring wheat, 20000 tonnes of Canadian Western Red Spring wheat and 20000 tonnes of Australian Prime Hard wheat.

Wheat Prices Unlikely to Come Down Despite Import

The market sentiment for wheat prices are unlikely to come down as the game is running beyond the control of the government and falling into the hands of multi-national companies which have started marginalizing the agencies like the Food Corporation of India. The wheat procurement by the government agencies was at 9.5 million tonnes at present as compared to 14.7 million tonnes during April-May 2005. This was despite higher estimate of wheat production of 71.5 million tonnes during 2005-06 against 68.6 million tonnes during the previous year. The buffer stock effort being made through imports is not going to help either even as the government has allowed the shipments in by passing the sanitary and phyto sanitary norms. Besides, the imports would surely impact adversely the interest of farmers who would in the near future face a dumping of the food grains.

STC Received Eight Bids for 22-Lt of Wheat Import Tender

The state-run State Trading Corporation of India has received eight bids from the global market for its 22-lakh tonnes of wheat import tender, reported by the STC official. Trading houses like Glencore, Cargill, Toepfer, Archer Daniels Midlands, Noble Grains, Bunge, Concordia were among the bidders.

Wheat Import: Received 8 Bids; Expected Price \$190-\$237/t

The government has received eight bids following a disappointing reaction to the previous tenders. New Delhi relaxed some quality criteria in the new tender for 22 lakh tonnes of wheat and has received offers for a total of 3 million tonnes, they said. Bid prices ranged between \$190 and \$237 per tonne, according to the government official. The eight players in the field, including Glencore Grains, Cargill, ADM, Cocordia, AC Toeffner, Bunge of Singapore, Futton Forest. The leading US-based export houses like ADM, Cargill and others quoted supply of American wheat that stipulate the grain must arrive at Indian ports between September 2006 and January 2007. Noble Grains and Teuton were the two other bidders. The bids will be finalised on June 28. The import prices are also expected to be finalised on June 28. Wheat is likely to be imported through Mumbai, Kandla, Mundra and Vishakhapatnam ports. The imports are to be staggered in phases in the 5-month period beginning September, till this year. The highest bidder was Toepfer, with an offer to provide 1 million tonnes.

India: AWB Skips Wheat Import Tender of STC

Australia's monopoly wheat exporter AWB Ltd did not participate in Indian state run agency STC's 2.2-million-ton wheat import tender. With Australia out of the race, wheat from Europe and Canada is likely to be supplied to India. According to a source, no company had offered to supply grain from the U.S. In the previous two tenders by STC saw lion's share of orders bagged by AWB. U.S. traders were distress by stringent quality, financial terms of earlier tenders and didn't get any orders. The State Trading Corporation issued the present tender on June 12. The offers received are valid until June 28.

US Wheat Outlook for Wednesday

According to the source, the Korea Flour Milling Co. Ltd. bought 17,500 metric tons of U.S. No. 1 wheat, including 7,000 tons of western white, 6,000 tons of hard red winter and 4,500 tons of dark northern spring; and two South Korean flour mills - Daehan and Daesun - bought 9,500 metric tons of U.S. No. 1 wheat, including 3,000 tons of soft white, 1,500 tons of hard red winter and 5,000 tons of dark northern spring where as Jordan cancelled a tender to buy 50,000 tons of wheat.

Wheat Plantings Likely to be Down in Argentina in 2006-07

Argentina's Agriculture Secretariat forecast Argentina farmers would plant 5.6 million hectares of wheat in 2006-07, down from last year's 5.16 million hectares. Farmers produced 12.5 million metric tons of wheat in 2005-06, well below the previous year's 16 million tons. Argentine wheat is planted May through September and collected October through January. On the other side, according to the Statistical data of Canada, the wheat plantings is estimated of 26 million to 26.7 million acres, up from the April Stats Can estimate of 25.620 million acres.

Wheat Prices Firming in Europe on India's Import Tender

According to the source, the European cash wheat market got increased on Wednesday due to speculation of European wheat might be competitive for India's 22-lakh metric ton import tender. The French state grains board National Service Interprofessionnel des Grandes Culture, or ONIGC, forecast Wednesday 2006-07 soft wheat production of 36.9 million metric tons, up 6% from the previous year. It also increased its 2006-07 forecast for hard wheat production by 10% to 2.2 million tons. ONIGC also on Wednesday increased its forecast for 2006-07 soft wheat ending stocks to 3.82 million metric tons, from 3.758 tons estimated in May; and boosted its forecast for 2006-07 hard wheat ending stocks to 0.158 million tons from 0.147 million tons in May.

Farmer Groups Anxious for Quality of Imported Wheat

The government now faces the complicated task of convincing farmers and consumer organizations of the health safety of imported wheat following relaxing quality norms for wheat imports. The farmer groups in India claim that quality norms have been heavily relaxed in an uptight bid to import 35 lakh tonne of wheat, and they also claimed that if the imported wheat is distributed to the poor as ration it will amount to "a mockery of poverty." Krishan Bir Chaudhary, the leader of the country's largest farmers' organization, Bharat Krishak Samaj, has written letters to the food and agriculture minister Sharad Pawar, health minister Ambumani Ramadoss and commerce minister Kamal Nath, asking them to convince the public about the quarantine and sanitary and phytosanitary (SPS) test results of imported wheat.

Govt. Relaxing Wheat Import by the Private Sector

Today, the government announced wheat imports by the private sector under easier terms, to arrest spiralling prices. Finance Minister Mr. Chidambaram told that the step has been taken to dampen inflationary pressures. He said that wheat, sugar and pulses rates were mainly responsible for the rise in prices. The private sector especially the flourmills will also be allowed to import wheat at a reduced rate, Chidambaram said after a cabinet meeting. Traders have been demanding wheat imports by actual users like flour millers, bread and biscuit makers at lower duty or duty-free. At present, wheat imports are allowed at 50 percent duty that is not viable to import wheat. Most wheat futures contracts on the domestic exchanges tumbled down by 25-35 per quintal after Thursday's cabinet move.

Wheat Harvest Likely to Up in Ukraine

According to the source, Ukraine's leading agricultural market analyst APK-Inform boosted its forecast for Ukraine's wheat harvest this year by 500,000 tons to 12.5 million metric tons. It also boosted its forecast for Ukraine's wheat exports in the 2006-2007 marketing year to 2.2 million tons, from 2 million tons previously.

Govt Allows Private Traders to Import Wheat as Duty Free

Wheat was freely importable at 50 per cent duty by the private buyers while STC given approval to import up to 35 lakh tonnes duty-free for the public distribution system. The Government has decided to allow enable private actual users to also import wheat at zero duty. The wholesale spot prices of wheat was quoting at Rs 865 a quintal in Delhi on Wednesday, which is 13.8 per cent more than last year's corresponding level of 760 a quintal. The flour millers, biscuit manufacturers and bread makers will be enable to import wheat on the same condition applicable to the State Trading Corporation of India (STC), according to the Union Agriculture and Food Minister, Mr Sharad Pawar.

Govt Shortlists Four Bids of Wheat Import Tender

The State Trading Corporation of India has picked out four international firms that were Concordia, Glencore, ADM and Cargill. They had submitted bids against its 2.2 million tonne wheat import tender, according to the source. The other four bids like Bunge, Toepfer, Noble Grains and Teuton were rejected. The bids for the tender issued on June 12 closed on Tuesday. The offers received are valid until June 28. The negotiations are ongoing with the concerned parties on the quantities and prices. The government is expected to get the maximum amount of wheat. The bid prices remained within the range of \$190 and \$237 per tonne C&F for the tender. The grain must be arriving in Indian, ports between September 2006 and January 2007, according to the traders. Among the short listed bids Glencore submitted a bid for 550,000 tonnes at \$190-\$207 per tonne, ADM for 240,000 tonnes at \$199.72 per tonne, Cargill for 480,000 tonnes at \$199.90-\$206 per tonne and Concordia for 225,000 tonnes at \$191.87 to 204.27 per tonne.

Lower Level Circuit at the NCDEX Wheat Futures

Today NCDEX wheat futures turned red as the government is allowing private traders to import wheat at zero duty. Therefore the futures market opened weak and traded mostly down due to strong speculative selling. Most active July contract opened weak at Rs.863 and went to Rs.825.60, down by Rs.39.00 and traded within the range of Rs.825.60-863.00 while August contract opened strong at Rs.889 and went to Rs.845, which was new contract low with traded between Rs.845-889, down by Rs.40.00.

24.06.06

US Exporters Witnessed Bidding in STC Wheat Import Tender

The U.S. exporters placed bids last week for the 22-lakh tonnes of wheat tender issued by India's State Trading Corporation, U.S. Department of Agriculture officials reported Thursday. The tender was closed to new bid this week, but results are yet to be announced. At least one of the U.S. bidders was selling U.S. origin wheat, the USDA officials said on condition of ambiguity. U.S. exporters are now eyeing to fetch better chances for selling wheat to India following negotiations between the two countries resulted in modifications to prohibitive Indian specifications. India desires the competition, for the reason that they are mostly interested in getting the lowest price. They are not trying to keep out U.S. wheat.

NCDEX Imposes 10% Margin for All Wheat Contracts

According to the source, the National Derivative Exchange Limited (NCDEX), by means of the directives from the Forward

Market Commission (FMC), has imposed minimum total margin of 10% for the all wheat contracts. They also reported that the extra margin would probably applicable from Saturday. Therefore the market is likely to be getting up in the near futures, according to the experts.

Progressive procurement of Wheat as on 09.06.2006 (lakh tonnes)

State	Total procurement 2005-06 (Oct. - Sept.)	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

INTERNATIONAL WHEAT PRICES

Latest Australian wheat board exports cash prices indicative basis quotes over US futures

Contract	ASW 10%		AH 11.5%		APH 13%		APH 14%	
	Jun.23	Jun.22	Jun.23	Jun.22	Jun.23	Jun.22	Jun.23	Jun.22
Jun.06	250	245	179	177	190	188	214	212
Jul.06	228	222	161	158	172	169	196	193
Aug.06	225	220	153	151	164	162	188	186
Sep.06	210	205	155	152	166	163	191	187
Oct.06	219	215	163	161	174	172	198	196
Nov.06	226	222	166	165	177	175	202	200

WEATHER WATCH

PROGRESS OF SOUTHWEST MONSOON

During this week, there was no further advancement of monsoon. However, southwest monsoon revived on 20th with increase in the rainfall activity over south peninsula.

OUTLOOK FOR THE WEEK ENDING ON 28th JUNE 2006.

1. Conditions are favourable for further advance of the southwest monsoon into remaining parts of Maharashtra and adjoining areas during 1st half of the week.
2. Prediction from numerical models suggest formation of a low pressure area over westcentral & adjoining northwest Bay of Bengal towards end of the week leading to increase in rainfall activity over eastern parts of the country.
3. Enhanced rainfall activity with scattered heavy to very heavy falls is likely along the west coast and over northeastern states.

4. Scattered to fairly widespread rainfall activity likely over interior Peninsula and east India and adjoining central India.
5. Isolated rain/thunderstorms accompanied with squall also likely over northwest India.

FOREX (As on 23rd JUNE, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.20
1 Euro	58.12
100 Yen	39.86
1 British £	84.57

PORT WATCH:

Loading of 19,000 MT of wheat is expected at Kandla Port on the vessel 'Beirut' to Sharja. JM Baxi agents will be handling the vessel.

IGC WORLD WHEAT ESTIMATES (25.05.06)

	2002-03	2003-04	2004-05	(Million tons)	
				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

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