

Wheat

5th -12th JUNE, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Tumble Down During This Week
- Wheat Prices Remained Steady to Up at the Spot Market
- Govt. Floated 22 Lakh Mt of wheat Import Tender

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures traded bearish during this week following higher level amidst speculative selling and profit booking from higher level. The speculators are worried that the futures prices would be bearish in the end July to August, as imported wheat will reach the port at this time. Therefore the bulls lost their strength. The weakness in outside markets also supported the wheat futures. The most active July contracts remained bearish to Rs.900.6 from Rs.913.00 and went to Rs.896 and traded in between Rs.896-923.4 during the week.

Doji candlestick body indicating to indecisive market while %K line remained below over the %D line and going to down in neutral region. Prices closed below both the 9-days and 18-days EMA indicating to downward price movement. MACD is going to down in negative zone. Open interest and volume decreased.

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:

MARKET FUNDAMENTALS:

Wheat prices improved at Rajasthan, Gujarat and U.P. mandis on meagre arrival coupled with steady demand during this week. The moderate buying activity by the MNCs are bolstered the prices to up. However the other market observed range bound trading on almost stable demand supply scenario. At Lawrence road mandi, Delhi, wheat dara got up at Rs.863-865/qlt with steady arrival of 7000-8000 bags during this week. At the meantime, three rakes are reported to be loaded for south India in this week from this state. The demand in rake from South has made the prices to go up considerably, which has enforced the local flourmill owners to buy wheat at higher prices, therefore significant drop is not expected in the near future. The cut in PDS wheat quota and increase in PDS wheat prices are also continuing to keep pressure on prices. The government floated additional wheat import tender of 22 lakh tones on Monday but the delay of wheat import are exacerbated the situation. The demand from the flourmills is witnessed almost strong. The weakness in buying activity by the MNCs triggered the prices to down.. According to the traders, these news might be increase the global wheat

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	866.4	860.5	903.2	911.5

prices as well as domestic spot prices as the cost of imported wheat will be much more than that of prevailing market price. According to the traders and industry officials, the domestic wheat prices are expected to firming up further due to delay in wheat import by the government and delay in proposal to liberalize private wheat import. The prices are likely to trade steady to bullish in the coming week also.

Prices of Wheat Products in Delhi (in Rs.)

Wheat Products	3.06.06	12.06.06
Atta (90kg)	873	
Maida Grade 1(90kg)	1034	
Suji (50kg)	570	
Chokar (50 kg)	276	
Chokar (35 kg)	162	
Chakki Atta (90kg)	815	

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

Markets	3.06.06	12.06.06
Delhi (Lawrence Road)	854-856	863-865
Haryana (Karnal)	850-852	850-853
Punjab (Khanna)	830-835	820-825
Ahmedabad	945-950	955-960
Rajasthan (Kota)	980-985	980-985
Uttar Pradesh (Kanpur)	905-910	900-903
Madhya Pradesh (Indore)	945-950	960-970
Uttar Pradesh (Bareilly)	843-847	835-840
Punjab (Sunam)	720-725	720-725
Ludhiana (Jagraon)	735-740	730-735
Rajkot	875-880	875-880
Madhya Pradesh (Bhopal)	865-870	870-875

INTERNATIONAL AND DOMESTIC NEWS:**Govt Likely to Relax Quality Norms of 3rd Wheat Import Tender**

According to the official of STC, the food ministry of India is eyeing on the approval from the country's federal cabinet to relax the quality specifications for a third wheat import tender of around 22-23 lakh metric tons. The proposal has already been placed to the cabinet. The present quality specifications are aimed to prevent the spread of weeds, fungi and bacteria into previously unaffected fields. But these quality specifications hindered the several international companies to participate in India's two recent tenders to import a total of 35 lakh tons of wheat. But the imported wheat will be used as a feed for human consumption and not for used as sowing purposes therefore India can afford to ease the quality requirements for future tenders.

Liberalizing of Private Wheat Import Expected to Delay

According to the Food Minister Sharad Pawar, government expected to delay opportunity of private importers to import wheat at a concessional tariff rate until the government's own purchases of 35 lakh tons from the international market are finalized. The direct users would be allowed to import wheat after complete of the government's wheat import. The government had announced that the import duty would be relaxed for the direct users, such as flourmills and bread and biscuit manufacturers. Currently, India's customs duty on wheat is 50%, which makes it not viable for private companies to import wheat.

Delay of Wheat Import Expected to Push Up Prices

According to the traders and industry officials, the domestic wheat prices are expected to firming up further due to delay in wheat import by the government and delay in proposal to liberalize private wheat import. The government had announced that the import duty would be relaxed for the direct users, such as flourmills and bread and biscuit manufacturers but nothing has moved thereafter. However, according to an STC official, it is expecting that the bearish trend in local prices would continue as private traders have purchased large volumes from the farmers this year, which are likely to be offloaded in the market in the next few months.

Govt: Wheat Import Might Be Decrease by Cut in Subsidized Sales

According to a senior government official, the government is considering a substantial cut to its subsidized wheat sale program for the purpose of reducing wheat import by 2 million metric tons. Several options are placed to cabinet. One of them was to increase the subsidized price at which food grains are sold and another proposal was to cut the volumes sold. The government has already decreased the allotment of wheat for southern and northeastern provinces to the actual-average sales of the last three years. In these provinces, the government is substituting wheat with rice in their PDS sale programme. Government is needed around 17 million tons to run its subsidized sale programs last year. The government wants to decrease this requirement to at least 15 million tons or even lower through demand-side management.

Wheat Import Tender Likely to Float in 1-2 Weeks

According to the Junior Food Minister Akhilesh Pratap Singh, India is expected to float additional import tender of 22 lakh tonnes of wheat in two weeks. India's cabinet has agreed to relax import rules for the next wheat tender, the minister told, after restrictive rules imposed on the previous tender last week put off bidders. India only imported about 8 lakh tonnes at present as against of 30 lakh tonnes of wheat import tender. According to him, the cabinet on June 2 agreed to relax the norms for the wheat tender.

Govt Considering a Hike in PDS Wheat Prices

The government is considering a hike in the price of wheat sold through the public distribution system (PDS) and reduces its allocation per family, according to the Agriculture Minister Sharad Pawar. He concluded that the rise in public distribution prices is mulling due to the rise in procurement price and in storage charges. Pawar said previous governments had increased the allocation from 20kg to 30kg per family because of excess stocks that were rotting in storehouses. But now the time has come to reduce the allocation and it has to be considered very soon, he said.

STC Resolve Quality Issue of Imported Wheat with AWB

According to a STC official today, the Indian State Trading Corporation or STC has resolved the quality issues against delayed wheat imports from Australia's AWB Ltd. The shipments are likely to be resuming very soon.

7.06.06

Millers Discarded Duty-Free Wheat Import

The Indo-Pak Flour Mills Confederation (IPFMC) has discarded duty-free import of wheat, saying it would harm the country's agriculture sector and cause a huge loss to the government. IPFMC Chairman Dr Bilal Aslam Sufi said, 0.865 million tonnes of "fifth grade" wheat were imported last year, which had to be mixed with 80% local wheat. He said there were 1,100 flourmills in Pakistan, of which 400 had closed down. He also concluded that the duty-free import of wheat would destroy the rest of the industry. Pakistan had produced 21.5 million metric tonnes of wheat this season, Sufi said, and had 3 million tonnes in stock, which was more than Pakistan's 21.7 million metric tonnes consumption. Therefore it is irrelevant to import low quality foreign wheat at high price. The ample stocks might be able to export wheat to stay in touch with the international market and earn foreign exchange. He said Pakistan could export 1.5 million tonnes of wheat, but if the government wanted to import wheat, it should impose a 30 percent duty. The Punjab Food Department has procured more than 2.5 million metric tonnes (MMT) of wheat so far against its set target of 3 MMT.

India: US Companies Eyeing on the Next Wheat Import Tender

According to the US agriculture department official, the US wheat-exporting firms are keeping watchful eyes on the India's next wheat import tender. India will float import tender of

another 23 lakh tonnes of wheat very soon. India may relax import norms in the new tender to broad base participation. Therefore US companies will actively take part in the next tender and they believe the norms will be different from the last two tenders.

USDA: Latest WASDE Report on Wheat

According to the World Agriculture Supply and Demand Estimation (WASDE) by the USDA, the 2006/07 U.S. wheat crop is lowered 59 million bushels from last month, based on lower forecast yield of winter wheat. Projected spring wheat production is unchanged. Imports are raised 5 million bushels. Wheat feed and residual use is lowered 25 million bushels, and seed use is raised 2 million. Ending stocks are lowered 32 million bushels to 416 million. The 2006/07 price range is increased 10 cents on both ends of the range to \$3.60 to \$4.20 per bushel, compared with an estimated \$3.42 for 2005/06. The 2006/07 global wheat outlooks include little change in total supply and use, compared with last month. Higher production in Ukraine, Pakistan, Canada, EU-25, and several other countries is offset by lower production in the United States, Argentina, Russia, and other countries. Exports from Pakistan and Ukraine are raised a combined 1 million tons, while Argentine exports are lowered 1 million. Global ending stocks remain the lowest in 25 years.

Source: FAS, USDA

USDA: Latest Report on Weekly US Wheat Export Sales

According to the latest report of USDA weekly export sales highlights on wheat, the net sales for the 2006/07 marketing year, which began June 1, totaled 320,500 metric tons (MT). Major increases were reported for Nigeria (70,700 MT), the Philippines (50,000 MT), Yemen (43,000 MT), Israel (29,800 MT), Cuba (25,000 MT), and the Dominican Republic (24,700 MT). A total of 866,400 MT in sales were carried over from the 2005/06 marketing year, which ended May 31. Exports for the period May 26-31 of 491,900 MT brought accumulated exports to 25,320,100 MT, down 5 percent from the prior year's exports of 26,557,300 MT. The primary destinations were Iraq (99,600 MT), the Philippines (91,100 MT), Egypt (57,700 MT), Costa Rica (38,400 MT), Japan (37,700 MT), and Nigeria (32,000 MT). Exports for June 1 totaled 35,800 MT, with Nigeria (29,700 MT) the main destination. (This summary is based on reports from exporters for the period May 26-June 1, 2006)

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.12	Jun.09	Jun.12	Jun.09	Jun.12	Jun.09	Jun.12	Jun.09
Jun.06	225	219	168	167	178	178	203	203
Jul.06	204	198	147	147	158	158	182	182
Aug.06	210	203	150	150	161	161	186	186
Sep.06	206	199	155	155	166	166	190	191
Oct.06	213	205	161	162	172	173	196	197
Nov.06	218	210	166	167	177	178	202	202

WEATHER WATCH

1. Weak monsoon conditions with subdued rainfall activity are likely over most parts of the country.
2. Fairly widespread rains with isolated heavy to very heavy falls likely over eastern India in the beginning of the week, which will decrease subsequently.

Source: USDA

Progressive procurement of Wheat as on 29.05.2006 (lakh tonnes)

State	Total procurement	Progressive Procurement (as of 29.05.06)	
		2006-2007	2005-2006
Haryana	45.29	22.29	45.23
M.P	4.84	-	4.79
Punjab	90.10	69.45	90.05
U.P	5.60	0.43	5.00
All-India	147.87	92.19	147.07

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)

	2002-03	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

3. Ongoing scattered rains is likely to continue with enhanced activity during 2nd half accompanied with isolated heavy to very heavy falls over northeastern States.
4. Rise in day temperatures likely over northwest, central and eastern India due to subdued rainfall activity.

FOREX (As on 12th JUNE, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.88
1 Euro	58.01
100 Yen	40.21
1 British £	84.61

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