

Wheat

3rd -8th JULY, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Rangebound with Slight Weak
- Wheat Prices Get Steady at the Spot Market
- FMC Started Rules for Wheat Futures Trading to Curb Prices

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: August (Future)

NCDEX wheat futures witnessed range bound with slight down during this week amidst almost stable spot market price and lacklustre trading activity. There was lack of fresh buying interest. The futures market moved within the range in this week. The open interest and volume is also witnessing weak as compared to last week. Most active August contract fell down from Rs.862.00 to Rs.854.20 in this week and traded within the range of Rs.850.00-869 in this week.

Candlestick is indicating to indecision market of the wheat futures. The stochastic is going to down following making a bearish crossover at neutral region while MACD is going to slight up at the negative territory. Prices closed below the 18-days and 9-days EMA, which is indicating to downward movement.

Outlook:

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

Advice:

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

MARKET FUNDAMENTALS:

Wheat prices continued to trade steady at higher level during this week also in most of the mandis on steady demand supply scenario. Wheat data offered at Rs.860-864/mtl at the Lawrence road mandis with average inflow was 6000-7000 bags while total arrival in Delhi mandis witnessed around 25000-30000 bags daily. The prices quoted at Rs.815-820/mtl at Narella and Najafgarh mandis with steady arrival. Decline in arrival in Khanna and MP and pre-occupation of farmers with sowing of kharif crops is keeping pressure on prices. A week arrival and urge to import would hold the commodity firm in coming days, according to the traders. The arrival is hindering in Gujarat, Maharashtra and M.P. mandis due to the rain but now the monsoon got weakened. In spite of the decision to cut import duty, 20 lakh metric tonne of wheat with private traders and farmers in Punjab are not expected to hit the markets before October. The farmers are also holding back over 5 lakh metric tonne of their produce in anticipation of a price rise in the later part of the year. In its biggest purchase from Canada in the last 10 years, India will buy more than one million tonne wheat from the country between September this year and January next, which is



Support and Resistance Levels:

| Contract | Support Level | | Resistance Level | |
|-----------------|-----------------|-----------------|------------------|-----------------|
| | 1 st | 2 nd | 1 st | 2 nd |
| August Contract | 850.20 | 842.80 | 868.40 | 873.50 |

also kept pressure on wheat prices at the domestic spot market this week also. Commodity market regulator Forward Markets Commission (FMC) has formulated guidelines for futures trading aimed at discouraging holding stocks beyond a certain period including raising trade margin deposit to curb speculative wheat prices. Reduction in open position quantum would persuade traders to release their wheat stocks early, narrowing down the scope of hoarding, according to the official.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

| Wheat Products | 3.07.06 | 8.07.06 |
|---------------------|---------|---------|
| Atta (90kg) | 883 | 883 |
| Maida Grade 1(90kg) | 1055 | 1055 |
| Suji (50kg) | 582 | 582 |
| Chokar (50 kg) | 241 | 247 |
| Chokar (35 kg) | 163 | 163 |
| Chakki Atta (90kg) | 810 | 812 |

SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)

| Markets | 3.07.06 | 8.07.06 |
|--------------------------|---------|---------|
| Delhi (Lawrence Road) | 860-862 | 860-864 |
| Haryana (Karnal) | 835-840 | 830-835 |
| Punjab (Khanna) | 804-809 | 805-810 |
| Ahmedabad | 940-945 | 942-945 |
| Rajasthan (Kota) | 958-963 | 960-965 |
| Uttar Pradesh (Kanpur) | 870-873 | 873-877 |
| Madhya Pradesh (Indore) | 905-925 | 945-950 |
| Uttar Pradesh (Bareilly) | 850-855 | 850-855 |
| Punjab (Sunam) | 710-715 | 710-715 |
| Ludhiana (Jagraon) | 735-740 | 725-730 |
| Rajkot | 870-875 | 870-875 |
| Madhya Pradesh (Bhopal) | 850-860 | 870-880 |

INTERNATIONAL AND DOMESTIC NEWS:**Philippines Expected to Import 30,000 MT Feed Wheat**

According to the senior government official of Philippines, the feed millers are planning to import 30,000 metric tons of optional-origin wheat in a tender July 6 for September shipment. The possible sources might be China, Brazil or Ukraine, they concluded. According to the source, the trade sources have given an indicative price of \$170/ton, cost and freight basis, higher than the contract price of \$159/ton made a month ago. The Philippines imported in excess of 500,000 tons of feed wheat last year. Imports this year could double last year's volume because of a shortfall in local corn production, according to traders.

Japan Looking For 80,000 MT Wheat in Tender

According to the Agriculture ministry of Japan, Forestry and Fisheries is looking for 80,000 metric tons of wheat in a tender. The U.S. and Canada-origin wheat is likely to reach in Japan in September 2006, while the Australia-origin wheat is anticipated to hit in August. They included that 10000 tonnes of semi hard US wheat, 10000 tonnes of western white US wheat, 20000 tonnes of dark northern spring wheat, 20000 tonnes of western red spring Canadian wheat, and 20000 tonnes of soft white Australian wheat in this tender.

U.P.: CM Says Ban on Imported Wheat in the State

According to a source, Chief Minister Mulayam Singh Yadav announced on Tuesday a ban on distribution of imported wheat in the Uttar Pradesh. He claimed that India's decision of wheat import would ruin the country's farmers. Yadav concluded that the Centre is importing 35 lakh tonnes of wheat and there was pressure on U.P. to purchase about ten lakh tonnes and he also said the State would not bend to pressure on the issue. Imported wheat would be sold in the market at around Rs 1000-1025 per quintal; the chief minister said the U.P. government had not pressured farmers to dispose of wheat at government purchase centres. Yadav said the farmers were free to sell their produce anywhere.

Russia: Wheat Export Fell Down in May

In May Russia exported 534.100 tonnes of grain, up 10% from the previous month and down 32% a year ago. During 11 months (July-May) 2005/06 MY grain exported from Russia totaled 11.6 mln tonnes. May wheat export totaled

401.400 tonnes, down 4.1% as compared to April and 41% from the previous year. The main buyers of Russian wheat in May 2006 were Bangladesh (104.000 tonnes), Azerbaijan (50.500 tonnes), Greece (46.800 tonnes), Yemen (44.100 tonnes) and Italy (35.500 tonnes). The average export price for wheat totalled 126 USD/t. During 11 months 2005/06 MY Russia exported 9.8 mln tonnes of wheat, up 43% from 2004/05 MY. And wheat import totalled 150.000 tonnes in May, 2006, to Russia. The main volume (147.000 tonnes) was delivered from Kazakhstan. Total wheat import to Russia during July-May 2005/06 MY was more than 1 mln tonnes.

World's Top Wheat Exporters will Face Stiff Competition

According to the source, the top five wheat exporters in the world should hold their shares of global trade over the next 10 years however would face stiff competition from Ukraine, Kazakhstan and Black Sea suppliers. Argentina, Australia, Canada, the United States and the 25-country European Union would dominate the world wheat market to 2015, with their combined shares altering only slightly. According to the Organisation for Economic Cooperation and Development (OECD) and the United Nations' Food and Agriculture Organisation (FAO), rising exports from Ukraine and Kazakhstan were creating growing competition for exports. They concluded that the United States retains its position as the world's largest wheat exporter to 2015, but its market share along with that of Canada falls in favour of Australia, the EU, Argentina and a number of suppliers from the Black Sea area. World wheat imports would increase steadily over the coming decade by a broad range of countries, mainly in Third World countries, it said, citing Africa -- particularly Egypt and Nigeria) - - Brazil and Mexico as particular growth markets. The domestic production would also see higher wheat imports through to 2015, it said. The study projected that wheat imports from developing countries would increase steadily from 89.1 million tonnes this year to 103.8 million by 2015. In contrast, OECD country imports would rise to 25.6 million tonnes over this period, up by just two million tonnes. Good availability of cheap low-quality wheat available in stocks in 2006 would allow these types to compete with maize as a preferred animal feed, boosting feed demand and imports for feed wheat in some countries such as South Korea, it said.

Cost of Imported Wheat from Canada Ranges \$195-\$203

The last time India made a significant purchase of wheat from CWB was in 1996-97 when the country imported 266,000 tons, according to the source. She adds that the last time the board exported to India was 5,000 tons in 1998-99. Last week sources in New Delhi confirmed that the western Canadian wheat was sold through Toepfer at US\$196 to US\$203 per ton C&F, while the Ontario wheat were sold at US\$195 to US\$200 per ton C&F by ADM.

Wheat: Hoarders Likely to Hold Stocks Till October

In spite of the decision to cut import duty, 20 lakh metric tonne of wheat with private traders and farmers in Punjab are not expected to hit the markets before October. The farmers are also holding back over 5 lakh metric tonne of their produce in anticipation of a price rise in the later part of the year. According to the experts, the wheat prices might be hovered up to above Rs 1,000 a quintal, as in November last year was unlikely this year. But, traders and farmers with wheat stock would store their produce at least for next three months, they said. Traders said, the high landing cost of Australian wheat at Indian ports, which would rise with addition of transportation costs. The custom duty cut on wheat could not be maintained for long and traders would stock the wheat for next six months if the price were not lucrative, according to a market man.

Government to Stick on Packaging Of Wheat & Sugar

According to the source, the cabinet committee on economic affairs (CCEA) Thursday ruled out the suggestions of a parliamentary standing committee and advocated the government would continue with its decision on use of jute bags for packaging of wheat and sugar. According to the Information and Broadcasting Minister P.R. Dasmunsi, the CCEA has given its approval for 100% compulsory packing for food grains and sugar in jute bags for the Jute Year 2006-07 (July-June).

Govt Proposes Modify in Pesticide Limit on Imported Wheat

The government has planned changes in the prevention of food adulteration rules to wheat imports. Ministry of health and family welfare issued a draft notification of a time period of ten days for sending objections or suggestions. According to the notification, amendments have been proposed for wheat imported for the public distribution system or imported under the open general licence. It says under rule, 65, maximum residue limits (mrls) of certain wheat pesticides like hydrogen phosphide, inorganic bromide, malathion, phosphamidon and dithiocarbamates are proposed to be harmonised with limits prescribed under the internationally accepted codex standards. The requirements of deoxynivalenol shall not be more than 2,000 microgram per kg of wheat, said an official release issued on Thursday.

HAFED Issues Tender for Commercial Sale of Wheat

Hafed is having about 1 lac MT wheat stocks purchased during Rabi Marketing Season-2006 under commercial account lying at various places in Haryana. These stocks will be sold by Hafed from July onwards. According to the Hafed, they invites sealed offers for sale of 20,000 MT commercial wheat. Interested parties should send their sealed offers along with Earnest Money of Rs.100/- per Qtl. in shape of Bank Draft drawn in favour the 'Haryana State Cooperative Supply and Marketing Federation Limited' payable on any scheduled Bank at Panchkula/ Chandigarh so as to reach Hafed Corporate Office Panchkula on 17-07-2006 by 2.30 P.M. Earnest money deposited in any other deal will not be considered. The offer should be for purchase of minimum 500 MT wheat or the quantity lying at a particular centre. Detailed terms and conditions laid down in the tender documents can be enquired / had from Export Division, Hafed Corporate Office, Sector-5, Panchkula (Haryana) on any working day during office hours on payment of Rs.100/- (Rs. One hundred only). The offers will be opened and considered at 3.00 P.M. on 17-07-2006 in Hafed Corporate Office, Sector-5, Panchkula in presence of parties who may wish to be present. Managing Director Hafed reserve the right to accept or reject any / all the offers without assigning any reason.

Source: HAFED

Australia Started Wheat Exports of Remaining 4 Lt to India

Australia's AWB Ltd. has started again wheat exports to India and according to the government official on Friday, six shipments carrying a total of 289,500 metric tons are anticipated to reach at various Indian ports by the third week of August. As per the conversation of the federal government's Principal Information Officer Deepak Sandhu, the four shipments carrying a total 161,500 tons will arrive by the third week of August. Australia's AWB Ltd. had fetched the import tender of 500,000 ton of wheat in

February. About 92,000 tons of wheat had arrived in April and May. However Sandhu didn't mention the arrival schedule for the remaining 246,500 tons under the 500,000 ton contract. The entire quantity of 500,000 tons wheat from this contract was initially to be delivered by mid-May but the shipments got delayed due to quality issues. From another contract for 500,000 tons, awarded to AWB in June, two shipments carrying a total 128,000 tons are anticipated to arrive in Mundra port on India's west coast by the last week of July.

India: Russian Wheat Likely to Arrive in September 2006

India awarded to import of 300,000 tons wheat of Russian origin to Agrico Trade and Finance in last month. According to the source, this wheat will enter in three lots of 100,000 tons in each of the three months to September on India's east coast. On June 28, India awarded contracts for purchase of a total 22-lakh tons wheat to five companies. According to the federal government's Principal Information Officer Deepak Sandhu, this wheat will arrive in three Indian ports by January 2007. She said suppliers would be delivered 1.38 million tons wheat in Mundra, another 100,000 tons in Mumbai and 720,000 tons in Kandla, all on India's west coast.

FMC Started Rules for Wheat Futures Trading to Curb Prices

Commodity market regulator Forward Markets Commission (FMC) has formulated guidelines for futures trading aimed at discouraging holding stocks beyond a certain period including raising trade margin deposit to curb speculative wheat prices. At the same time, the government has increased the margin (deposit) money in futures markets for trading in wheat from 5-5.3 per cent to 10 per cent. The regulator has also issued directives to the exchanges to impose additional 10 per cent trading margin on buyers. Limits on open positions have also been decreased by 50 per cent to 10,000 tonnes for members and 2,000 tonnes for clients spacing out the release of the commodity, according to an official spokesperson. Reduction in open position quantum would persuade traders to release their wheat stocks early, narrowing down the scope of hoarding, according to the official.

PORT WATCH:

No latest vessel report.

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

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% | |
|----------|---------|--------|----------|--------|---------|--------|---------|--------|
| | Jul.07 | Jul.06 | Jul.07 | Jul.06 | Jul.07 | Jul.06 | Jul.07 | Jul.06 |
| Jul.06 | 227 | 234 | 158 | 159 | 169 | 169 | 194 | 194 |
| Aug.06 | 222 | 225 | 149 | 146 | 160 | 157 | 184 | 181 |
| Sep.06 | 209 | 212 | 143 | 141 | 154 | 152 | 178 | 176 |
| Oct.06 | 227 | 232 | 159 | 159 | 170 | 170 | 195 | 195 |
| Nov.06 | 234 | 240 | 163 | 164 | 173 | 174 | 198 | 199 |
| Dec.06 | 224 | 229 | 171 | 171 | 182 | 182 | 206 | 206 |

WEATHER WATCH

Outlook for the week ending on 12th July 2006

- The well marked low pressure area over southwest Madhya Pradesh & neighbourhood is likely to move northwestwards and weaken over south Rajasthan.
- With the weakening of this system, the seasonal trough is likely to shift close to foothills of Himalayas in the 1st half of the week.
- Monsoon is likely to enter into a weak phase with subdued rainfall activity over most parts of the country except over Northeastern state, Sub-Himalayan West Bengal & Sikkim, northern parts of Bihar and adjoining East Uttar Pradesh where heavy to very heavy falls are likely at a few places during 2nd half of the week.

FOREX (As on 8th JULY, 2006):

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 46.12 |
| 1 Euro | 58.96 |
| 100 Yen | 40.05 |
| 1 British £ | 84.71 |

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