

Wheat

24th-29th JULY, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Recovered at the End of the Week
- Wheat Prices Slightly Increased at the Spot Market
- MMTC Importing 50,000 MT Wheat at \$179/MT, C&F

Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: August (Future)

NCDEX wheat futures tumbled down till Thursday but recovered after that amidst speculative buying from lower level. Therefore fresh buying activity pushed up the prices on thin trading activity. The steady to up spot prices supported the futures market. The open interest as well as volume was decreasing. Most active August contract declined from Rs.853 of previous week to Rs.852 and recovered from Rs.843 in this week and traded within the range of Rs.843.00-855 in this week.

Candlestick is indicating indecision market. The %K line is going up following made a bullish crossover with its %D line at neutral region, indicating up while MACD also moving up at the negative territory, indicating firmness. Prices closed below the 9-days and 18-days EMA, which is indicating steady market. Open interest as well as volume decreased.

Outlook:

The wheat futures at the NCDEX are expected to remain range bound with 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 continued to remain steady at higher level and improved at the weekend at major mandis of the country during the week though it remained up as compared to last week. The strong demand from the flourmillers did not push the prices on lower side. In addition to, weakness in arrival due to rain supported the market to remain steady to up. Wheat dara prices quoted up at Rs.885-887/mtl at Lawrence road in Delhi with total arrival of 15000-22000 bags in Delhi. The rake demand from South India kept pressure on prices. Traders said, the prices remained weak in M.P. due to the gossip of stocks releasing by the MNCs at the weekend. However the festive demand will boost up the prices in near future, they noted. The government's run State Trading Corporation are issued to import of about 4 lakh metric tonnes (LMt) of wheat at zero customs duty, according to the government official on Thursday. The main objective is to building up the buffer stocks and they also told that it requires more quantities to run its sales program. On the other hand, the shipment of 76,000 tonnes (Mt) of Australian wheat will arrive at the southern ports in the next five days. The two ships each carrying 38,000 tonnes of Australian 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
August Contract	850.40	845.50	860.70	865.40

would reach at Tuticorin and Visakhapatnam by this weekend. According to the government official, the delivery of imported wheat up to 846,000 metric tonnes in a total of 15 shipments into various ports is expected to arrive by the end of August. But the traders did not see any further reduction in wheat spot prices since the imported wheat is only meant for government's subsidized sale programs from January next year.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	22.07.06	29.07.06
Atta (90kg)	928	928
Maida Grade 1(90kg)	1100	1100
Suji (50kg)	607	607
Chokar (50 kg)	265	262
Chokar (35 kg)	171	175
Chakki Atta (90kg)	843	840

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

Markets	22.07.06	29.07.06
Delhi (Lawrence Road)	880-882	885-887
Haryana (Karnal)	847-852	850-853
Punjab (Khanna)	820-825	845-847
Ahmedabad	967-972	980-983
Rajasthan (Kota)	965-970	975-980
Uttar Pradesh (Kanpur)	900-905	905-907
Madhya Pradesh (Indore)	985-990	975-980
Uttar Pradesh (Bareilly)	875-877	872-873
Punjab (Sunam)	715-720	730-735
Ludhiana (Jagraon)	745-750	745-750
Rajkot	890-900	905-915
Madhya Pradesh (Bhopal)	870-875	890-895

INTERNATIONAL AND DOMESTIC NEWS:**India: Buffer Stock of Wheat to Remain Low till Next Year**

It is expected that the wheat buffer stock will continue to remain below the mandated norms till fresh procurement begins next year. The current stock of wheat in the central pool is around 82 lakh tonne as compared to the buffer norm of 171 lakh tonne for the period between July and September. However the average monthly requirement of wheat under various government schemes is about 13 lakh tonne. It is estimated that at this rate around 78 lakh tonne would be directed towards these schemes by December. This would leave the stock at four lakh tonne at end of December. The central stock pool at the end of December would be not more than 38 lakh tonne even if the all the shipments of imported wheat were to arrive by December. The buffer stock norm for October-December is 110 lakh tonne. The norm for January-March period is 82 lakh tonne. But the stock would continue to remain well below the buffer norm. According to the experts, the prices of wheat are expected to remain in the range of Rs.925-975/qlt in spite of wheat imports as imported cost more.

Pakistan Might be Decided Not to Export Surplus Wheat

The Pakistan government might be decided not to export surplus wheat in order to keep prices of the commodity stable in the domestic market. The export of surplus wheat might be pushed up the domestic wheat prices in Pakistan. A proposal to export surplus wheat came under Government consideration after a better than expected harvest this season. Government officials have estimated the 2006-07 crops at 21.7 million tonnes (mt), slightly higher than the 21.6 mt produced last year. Pakistan's wheat crop is sown from November to January and harvested in April and May. According to Government estimates, the country so far has a wheat surplus of over 1.5 mt after taking into account domestic demand of around 22 mt and carry-over stocks of 2 mt from last year's crop.

Ministry of Food: Spot Prices of Wheat Decline

Spot prices of wheat declined by 4.78 per cent as on July 20, 2006 compared to the prices on February 1, prior to the decision of the Government to import five lakh tonnes of wheat. Retail prices of wheat during the above period declined by nine per cent. Retail prices of wheat remained

steady during the period, July 13 to 20 as in the previous week at certain centres like Delhi (Rs. 10 per kg.), Lucknow (Rs. 9.3 per kg.), Mumbai and Chennai (Rs. 14 per kg.), and Thiruvananthapuram (Rs. 16 per kg.). Wheat futures prices stood at Rs. 829 per quintal on July 10, 2006 and Rs. 830 per quintal on July 18, but declined to Rs. 817 per quintal on July 20, 2006.

Govt Speculates up to 846,000 tons Wheat Arrived by End-Aug

According to the government official, the delivery of imported wheat up to 846,000 metric tonnes in a total of 15 shipments into various ports is expected to arrive by the end of August. But the traders did not see any further reduction in wheat spot prices since the imported wheat is only meant for government's subsidized sale programs from January next year. He concluded that the two ships of each carrying 38000 tonnes of Australian wheat are likely to arrive in the coming weekend. Two more ships, carrying 65,000 tons each of Australian wheat, are on their way to Mundra on India's west coast and are expected to arrive by the first week of August. Where as one more ship carrying 40,000 tons of imported wheat will arrive in Chennai in south India by early August. Additionally, around 10 more ships carrying between 40,000 tons and 60,000 tons of imported wheat are expected to reach Indian ports by end of August 2006.

Govt May Float Additional 1 Mt Wheat Import Tender

The government might soon float a fresh import tender of 10-lakh tonne wheat, in addition to the 35 lakh tonne already contracted, to recuperate the shortage and curb prices, according to the source. Fresh imports will be mainly to replenish the buffer stocks, which must be above 4 million tonne as on April 1, as per the government norm. Consumption of wheat under state-run welfare schemes, including public distribution, was at 14 lakh tonne a month last year, totalling to 14.8 million tonne. This year, the government aims to cut the requirement to 1 million tonne a month by substituting wheat with rice under state-run welfare programmes. In spite of a conservative consumption estimate of 12 million tonne this year, the government's requirement for the current year is about 16 million tonne, inclusive of the 4 million tonne for buffer stock. The total wheat stocks in the government inventory will be around 14.8 million tonnes (Mt), including 2.1 Mt carried over stock of last year, 9.2 Mt procured this year and 3.5 Mt in imports. Therefore the government will need to import at least 10 lakh tons of wheat to maintain a decent buffer.

India Likely to Face 16 MMt Scarcity in Foodgrain by 2020

According to Ministry of Agriculture estimates, India will be short of 16 million tons (MMt) of food grain by 2020. The department of public distribution has been proposed to implement the strategies to enhancing the stagnant agriculture production. It is estimated that the annual consumption of various food grains will increase by 1.7% by 2020 if per head consumption is calculated at 150-155 kg of food grain annually. However, the increase in wheat production from 2001 to 2005 was .015% and for rice it was .08%, so this will add up to food grain shortages of about five to eight million tons by 2012 and 16 million tons by 2020. The government requirements of 30 million tons of food grain for its Targeted Public Distribution System (TPDS) and another seven to eight million tons for other welfare schemes. The department of public distribution has asked to limit food grain allocation in 2006-07 to five lakh tons of wheat and 12 lakh tons of rice in the Sampoorna Gramin Rozgar Yojna by decreasing allocation of food grain from five kilograms of food grain per man-day as proposed, according to the sources. Another proposal was to allocate 5-lakh tons of coarse grains instead of wheat under TPDS. Also, there is a proposal to

increase central issue prices by Rs.100/qtl for wheat and Rs.50/qtl quintal for rice.

Imported Wheat to Land in Next Five-Days

According to the government on Tuesday, the shipment of 76,000 tonnes (Mt) of Australian wheat will arrive at the southern ports in the next five days. A government official said that two ships each carrying 38,000 tonnes of Australian wheat would reach at Tuticorin and Visakhapatnam by this weekend. Another two ships each carrying 65,000 tonnes of Australian wheat have sailed for Mundra port, it said, adding that one of them would reach before the month-end and the second in August first week. In addition, another ship MV Anna carrying 40,000 tonnes of wheat has sailed for Chennai port, which also is expected to reach in the first week of August. Additionally, around 10 more ships carrying between 40,000 tons and 60,000 tons of imported wheat are expected to reach Indian ports by end of August 2006. So far, about 91,000 tonnes of imported wheat have arrived and the remaining is expected to reach different ports between July and January next year.

STC Floated Tender to Import 400,000 tons Wheat

The government's run State Trading Corporation or STC has issued on Thursday to import of another 400,000 metric tonnes (Mt) of wheat on a cost and freight basis for deliveries in September and October. According to the tender, the wheat can belong to crop harvested in either 2005-06 or 2006-07 season of the country of origin, or both. The import tender will be opened till 3rd August. India is looking for the deliveries in Vizag, Chennai, Cochin, and Tuticorin port. The parcels of wheat would be 35,000MT-50,000 MT, according to the tender.

MMTC Importing 50,000 MT Wheat at \$179/MT, C&F

The state run trading house MMTC Ltd. has contracted to purchase 50,000 metric tons of wheat from its wholly-owned Singapore-based subsidiary MTPL at \$179/ton, on a cost and freight basis, according to the government official Friday. The landed cost would be around Rs.935-940/qtl including all charges, traders said. It is one of the first cargoes of wheat to be imported outside government purchases since the customs duty was cut to 5% from 50% on June 28. MMTC has imported wheat on private accounts.

Wheat Prices Not Likely to Get Down on Import News

According to the source, the government stocks were estimated at 8.2 million tonnes as of July 1, around nine million tonnes lower than the minimum required level for that date of 17.1 million. According to the traders, the latest import news is not likely to curb down the spot prices that have become a major headache for the government, and would have the opposite effect in global markets. As per the experts, this tender will lead the international market prices for wheat to high. The new tender sent a message that the country did not have enough wheat to last until the next harvest in April. The government last month cut customs duties on imports by private trade to five percent from 50 percent but traders say it would be unviable to import unless the government further brings down duty to zero percent.

Finance Minister Defended on Decision to Import Wheat

The Indian government is taking steps to curb both 'cost-push' and 'demand-pull' inflation, according to the Finance

Minister Palaniappan Chidambaram on Friday. Simultaneously, he put the responsibility on state governments for not taking action to curb prices and black-marketing by invoking the Essential Commodities Act, repealed in 2002, after taking permission from the Centre. On the other hand, the Minister safeguarded the decision to import wheat saying this was part of efforts to augment stocks both in public and private sectors that could have a psychological effect against speculation. He told that landed cost of imported wheat (between the first and third tender) was between Rs.8,000 and Rs 9,000/tonne as compared to the cost of procurement and storage which was between Rs 10,300 and Rs 10,700/tonne.

Wheat Procurement Slump by 40% This Year

The government confirmed a 40 per cent fall in its targeted level of wheat procurement this year, and this is a pointer to the issue of not raising MSP sufficiently for the kharif crop. The government has able to procure only 9.2 million tonne of wheat this year against the targeted 16 million tonne, according to the Agriculture Minister Sharad Pawar, in Parliament today. He also included that overall production of wheat has dropped this year. It is not as per government's expectations, he added.

IGC: Global Wheat Prices Climbing on Crop Concerns

According to the International Grains Council (IGC), concerns about the impact of dry and hot weather on grain crops in North and South America, Europe and Australia led to net price gains in July, especially for wheat. Grain prices in the EU, in contrast, continued to climb on crop concerns. Wheat prices in the United States, before the recent downturn, were boosted by the deteriorating outlook for spring wheat. Despite the onset of harvest, prices in the EU and for Black Sea origins moved significantly higher, reflecting crop concerns in the EU and limited milling wheat availabilities in Russia and Ukraine. International market demand was relatively weak in July, with much of the focus on possible new import tenders by India and Iraq.

Source: IGC

IGC: Slash World Grain Production in 2006/07

According to the International Grains Council (IGC), widespread poor growing conditions reduce this month's forecast of total grain production by 15m. tons to 1,577m. tons. Tighter supplies will restrain use for animal feeding, but demand from the industrial sector, particularly for biofuels, continues to expand. Total grains consumption is forecast at 1,627m. tons, 1m. less than a month ago. Forecast trade is up 1m. tons at 217m., 2m. tons more than the (revised) 2005/06 estimate. Because of the reduced crop forecasts, projected world grain stocks at the end of 2006/07 are 14m. tons down from last month's figure at 254m. tons. Most of the decline of 50m. tons since the end of 2005/06 will be in the major exporting countries.

Source: IGC

Wheat: IGC Reduce Production Forecast of World Wheat

According to the International Grains Council (IGC), hot, dry weather in a number of major producers results in a cut of 9m. tons in the production forecast to 596m. tons, 21m. less than last year. Most affected are the EU, especially France, the US, where spring wheat is now also suffering from the unfavourable weather, and Turkey. In the Southern Hemisphere, dry conditions are still delaying planting in Argentina, while more rain is also needed in Australia. Forecast world wheat consumption is reduced by 2m. tons to 611m. tons, 11m. less than in 2005/06. Barley and maize are likely to replace some wheat in feed rations, especially in Europe, because of their

better availability and lower prices. In India tight wheat supplies and high retail prices are curbing the growth of food use. The projection of world trade in 2006/07 is increased by 1m. tons to 112m., 2m. more than last year. Increased import forecasts for Brazil and the EU more than offset reductions for North Africa. Wheat exports by China and Canada are put higher than before but there are small reductions for Australia and Turkey. Projected stocks at the end of 2006/07 are reduced by 3m. tons to 118m., with the main changes in Australia and the EU. Compared with last year, stocks are expected to be 15m. tons lower.

Source: IGC

PORT WATCH:

According to the source, Mundra Port is expecting 'Irene' to deliver 62,419 MT of wheat. The vessel will be handled by InterOcean agents. Split' is expected at Tuticorin Port to discharge 39,339 MT of wheat. St.John agents will be handling the vessel.

IGC WORLD WHEAT ESTIMATES (25.05.06)

(Million tons)

	2003-04	2004-05	2005-06	2006-07 (Forecast)	
				28.06	26.07
Production	556	629	617	605	596
Trade	103	110	110	111	112
Consumption	596	616	622	613	611
Stocks	125	137	133	121	118
Year-Year Change	-40	+12	-4	-9	-15
5 Major Exporters#	40	55	54	45	43

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.28	Jul.27	Jul.28	Jul.27	Jul.28	Jul.27	Jul.28	Jul.27
Jul.06	207	209	143	143	154	154	178	178
Aug.06	202	205	134	134	145	145	170	170
Sep.06	182	181	127	129	138	140	163	165
Oct.06	206	204	150	150	161	161	186	186
Nov.06	213	211	154	154	165	165	190	190
Dec.06	210	208	154	154	165	165	190	189

WEATHER WATCH

The southwest monsoon advanced into remaining parts of East Rajasthan and some more parts of West Rajasthan on 20th. It further advanced into remaining parts of West Rajasthan on 24th, thus covering the entire country by 24th July.

Outlook for the week ending on 2nd August, 2006

1. Due to likely formation of a low pressure area over northwest Bay of Bengal around 28th and its subsequent movement west-northwestwards across central India, enhanced rainfall activity is likely over East and adjoining Central India.
2. Decrease in rainfall activity likely along the foothills of Himalayas, Indo-Gangetic plains and northeastern States.

3. Increase in rainfall activity along the west coast.

FOREX (As on 28th JULY, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.56
1 Euro	59.10
100 Yen	40.35
1 British £	86.54

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