

Wheat

10th-15th 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 continued to trade rangebound manner with narrow range on dull trading activity. The steady to slight up spot prices also provided underlying support to the futures market. The futures market continued to move within the range in this week. The open interest and volume is also witnessing weak as compared to last week. Most active August contract slightly up from Rs.854.20 of previous week to Rs.856.00 in this week and traded within the range of Rs.848.00-859.60 in this week.

Candlestick is indicating to indecision market. The %K line is going to up at neutral region while MACD is going to up at the negative territory, indicating to medium term firmness. Prices closed in between the 9-days and 18-days EMA, which is indicating to steady futures market.

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 slightly improved during the week due to monsoon rains, which was hindering on arrival at the major mandis and slightly fell down at the weekend due to arrival pressure at some pockets. However the prices registered at steady level in Punjab and Rajasthan mandis on scanty arrival and rake loading for South India. Wheat dara mill quality has traded slight up at Rs.866-867/qrtl with average inflow of 5000-7000 bags at the Lawrence road in Delhi. Rake loading for south India is witnessed from Delhi but intermittently. The positive demand from the flour millers provided underlying support. The wheat prices prevailed at Rs.1045-1050/qrtl in Bangalore mandis. According to the traders, one rake has loaded for Bangalore from Kotapura region in Punjab on Thursday. According to the source, the imported wheat from Australia is expected to be hit Tuticorin port around end of this month. Around 25000-30000 tonnes of wheat is to be delivered around 25th of July. According to government report on Thursday, the Central government has strongly reduced the supplies of wheat under subsidized sales programme. Its total sales are projected down from 1.39 million tons corresponding



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
August Contract	850.20	842.80	858.90	862.50

month last year to only 890,000 metric tons in April. The Forward Markets Commission (FMC) further imposed strict notification of risk management norms for wheat trading on the commodities futures market. The cooling off period increased from 15 minutes to 30 minutes once the price hits the 4% circuit limit and imposed 5% additional margin on with immediate effect.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	8.07.06	15.07.06
Atta (90kg)	883	901
Maida Grade 1(90kg)	1055	1073
Suji (50kg)	582	592
Chokar (50 kg)	247	251
Chokar (35 kg)	163	163
Chakki Atta (90kg)	812	822

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

Markets	8.07.06	15.07.06
Delhi (Lawrence Road)	860-864	866-867
Haryana (Karnal)	830-835	835-837
Punjab (Khanna)	805-810	805-810
Ahmedabad	942-945	950-955
Rajasthan (Kota)	960-965	970-975
Uttar Pradesh (Kanpur)	873-877	885-890
Madhya Pradesh (Indore)	945-950	960-962
Uttar Pradesh (Bareilly)	850-855	860-862
Punjab (Sunam)	710-715	710-715
Ludhiana (Jagraon)	725-730	735-737
Rajkot	870-875	875-880
Madhya Pradesh (Bhopal)	870-880	875-885

INTERNATIONAL AND DOMESTIC NEWS:**Govt: Wheat Prices Likely to Stabilise Soon due to Import**

It is expecting that the prices of essential items like wheat to stabilise with the arrival soon of fresh shipments of wheat, according to the government official. The government had placed orders for a total of 800,000 tonnes of wheat against the second tender for three million tonnes with the Australian firm and Agrico Ltd. The official said against this contract two vessels with 60,000 tonnes and 68,000 tonnes wheat each were expected to arrive by the end of July at the western port of Mundhra. She said 300,000 tonnes of wheat would also arrive by the end of July, August and September at the southern ports of Vishakapatnam and Chennai. The official said orders for the supply of 2.2 million tonnes of wheat against the third tender have been placed with five firms and the entire quantity was expected to arrive between July and January 2007. The government has also allowed private traders to import wheat at a concessionary duty of five per cent until December 2006.

India: MMTC Floated Tender to Import of 25,000-50,000 Tons Wheat

India's government-run trading house MMTC Ltd. has floated a tender to import of 25000-50000 metric tonnes of wheat, according to the company spokesperson. The tender has issued on Thursday. The tender will be closed on July 17. According to him, if satisfactory result is obtained about the tender, the company is open to the idea of more such global tenders for wheat imports.

Jharkhand Farmers Selling their Wheat to Buy Barley

Skyrocketing prices of wheat and rice is enforcing many farmers in Jharkhand to sell their wheat and rice crop to buy the much cheaper barley for their own consumption. The farmers, who grow wheat and rice but do not produce enough of the grains to meet their own consumption, are selling the good quality grains. The farmers are expecting that they would not be able to buy wheat and rice in December and January due to gradually price increasing. Wheat is being offered at Rs.1350-1400/qlt as against Rs.900-925/qlt in April. Rice has also increased by Rs.3-10 a kg depending on the quality.

Pakistan Govt Witnesses Unwilling to Allow Wheat Exports

Pakistani authorities become visible unwilling to allow overseas sales of wheat because of worries about the impact on local prices in spite of holdings of nearly two million tonnes of grain and strong potential demand from India, according to the officials. They noted that any release for exports could push wheat prices higher in the Pakistani domestic market. They are urging ban on wheat export to rationalise the domestic prices. According to the Agriculture Minister Sikandar Hayat Khan Bosan last month, the government was expected to allow the private sector to export wheat as a first step towards lifting a two-year-long ban, with one million tonnes likely to be offered for sale. A senior official at the finance ministry said the country has surplus wheat but has little hope of selling it off in the international market because the prices are not competitive. The wheat prices in Pakistan are quoted at around \$173/tonne in the domestic market. Traders said at \$35 per tonne for storage and domestic transportation and \$20 for freight charges, the landed cost at the nearest destination would be around \$228 per tonne.

Kolkata Based Company Importing 50000 tons of Wheat

Trading firms and flour mills in India have set the process rolling by contracting imports in spite of concerns over very tight margins in the business. Therefore many importers are staying away from the wheat import due to low margins. According to the traders, there is talk of at least one import deal having been confirmed by a Kolkata-based company to import 50,000 tons Ukrainian wheat at price between \$180-\$185 a metric ton, cost and freight. Flourmills in the southern state of Tamil Nadu have also placed orders for import of an estimated 2,500 tons in containers carrying 24 tons each. Government-run trading house MMTC Ltd had earlier issued a tender to import between 25,000 tons and 50,000 tons wheat. Wheat of Black Sea origin in generally sells at a discount over Indian wheat, is currently available at around \$185-\$190 a ton, according to the source. This work out to Rs.850-875/qlt but there is also the port clearance, quarantine checks and baggage charges of around Rs.75/qlt and a 5% duty on the C&F price. On adding the inland transportation costs to the flourmills of Rs.60/qlt, the total cost of imported wheat will be around Rs.1030-1055/qlt at the destination. The Indian wheat is offered at South Indian town of Bangalore and others at Rs.1040-1050/qlt.

Indian Southern Mills Can Import 35,000 tons of Wheat

According to the experts, wheat imports by the private parties can become visible if local prices go up or international prices decline. They also concluded that an option being considered is to form a group of six to eight flour mills which can together import a shipment of 35,000 tons, provided the prices work out to be feasible. The conversation has been begun with Singapore-based Agrocrops International and another private trading firm. The groups might be import wheat at Mangalore and Tuticorin port. However, mills near ports such as Chennai, Tuticorin, Mangalore and Cochin are expected to be able to import better quality wheat as they save on inland transportation costs.

Traders Looking for Zero Duty on Private Wheat Imports

According to the traders, the current duty of 5% still makes the disparity between profit and loss when large volumes are imported. As per the conversation of D.P.Singh, President, All India Grain Exporters Association, neither the government will earn any significant profits nor are imports going to happen by retaining this import duty. He also concluded that traders will carry on local wheat prices firm but at the same time at such levels that imports don't happen because of the tariff rate. Therefore they are suggesting to impose zero tariff rates for private wheat import. The average international price for wheat will be around \$200/ton, cost and freight, at Indian ports. While

the cheap Ukrainian wheat available at around \$186/ton, C&F could carry a premium of \$10-\$15/ton due to tough Indian quality specifications. Traders are hoarding stocks of local wheat due to the speculation of cost of wheat import would be nearly Rs.1000-1050/ql. This may ensure that mill-delivery prices of wheat rise to these levels even in regions of north India where they are currently slightly lower.

ADM, Cargill Awarded to Supply Wheat to India

Cargill and Archer Daniels Midland Company have been awarded \$141 million worth of contracts to supply India with 705,000 tonnes of wheat, according to the country's embassy in Washington on Tuesday. ADM will export 300,000 tonnes of wheat for \$59.5 million while privately owned Cargill would export 405,000 tonnes for \$81.6 million. India government was floated tender to import 22 lakh tonnes of wheat between September to January to replenish stocks and rein in prices. Canada would supply nearly 10 lakh tonnes of wheat valued at \$435 million, with the rest coming from Europe, Russia and Argentina. The exporters said supplies from the United States, the world's top wheat exporter, were not in the running in the tender because of India's stringent quality specifications. The information on the origin of the wheat to be supplied by ADM and Cargill is not cleared.

USDA: Latest WASDE Report on U.S. Wheat

According to the National Agricultural Statistics Service (NASS), projected U.S. 2006/07 wheat supplies are up 17 million bushels from last month, as higher beginning stocks and imports more than offset lower production. Beginning stocks are increased 22 million bushels based on USDA's June 30 Stocks report. The first survey-based forecast of spring wheat (including durum) production, at 526 million bushels, is down 24 million from last month's projection. Forecast winter wheat production is raised 16 million bushels. Imports are raised 5 million bushels. Projected feed and residual use is lowered 5 million bushels. The first wheat supply and demand projections by class for 2006/07 indicate tighter supplies for hard red winter, hard red spring, and durum compared with the year earlier. The projected all-wheat, season-average price range is raised 10 cents on each end to \$3.70 to \$4.30 per bushel.

Source: WASDE Report, USDA

USDA: Global Wheat Production Higher over Last Month

According to the National Agricultural Statistics Service (NASS), the 2006/07 global wheat outlooks include higher production, consumption, trade, and ending stocks, compared with last month. Higher production in China and Ukraine is mainly due to favourable weather boosting yields. Lower production in Australia is based on dryness lowering planted area. Consumption is raised mainly due to increases in China, Turkey, and Ukraine, while stocks are up mostly in China. Exports are increased for China, Ukraine, and Canada but and decreased for Australia and Turkey. Imports are increased for Brazil and Turkey but decreased for China. In this month's forecast, China's exports exceed China's imports.

Source: WASDE Report, USDA

Minister: Wheat Allocation in Kerala will be Restored

The agriculture minister Sharad Pawar assured to the Kerala state that the central government will reinstate the allotment of wheat for the public distribution system (PDS) in Kerala before the Onam festival. The central government

had recently reduced wheat allocation under PDS scheme from 46,190 to 19,113 metric tonnes. The state had more than 85% shortfall in the production of foodgrains and its requirements were met by the PDS and the foodgrains from outside the state, according to the Kerala's Food and Civil Supplies Minister C. Divakaran. He also concluded that the state did not have enough procurement facilities. According to him, eight or nine FCI's godowns are closed and the state is depending on private parties to procure foodgrains. He urged that the FCI should increase its services. The state minister alleged that the FCI's approach was not at all encouraging the PDS. The state has also enquired Pawar to allow state-owned distribution agency Suplyco to purchase wheat allocated for the above poverty level people in PDS and convert it into flour for selling at discounted price. The agriculture minister Sharad Pawar said that he would consider the demand, according to Divakaran.

Tuticorin Port Expected to Get Imported Wheat in This Month

According to the source, the imported wheat from Australia is expected to be hit Tuticorin port around end of this month. Around 25000-30000 tonnes of wheat is to be delivered around 25th of July.

Centre Reduced Subsidized Wheat Sales to Curtail Imports

According to government report on Thursday, the Central government has strongly reduced the supplies of wheat under subsidized sales programme. Its total sales are projected down from 1.39 million tons corresponding month last year to only 890,000 metric tons in April. The government is importing 35 lakh tonnes of wheat and which will complete by January 2007 to help run these subsidized programs. Any imports in future will depend on the volume of sales under the programs. According to the report, subsidized sales of rice are increased. In April, sales of rice are estimated at 2.0 million tons compared with 1.9 million tons in the year-earlier period. They reported that wheat is being substituted with rice for subsidized sale programme in a few regions.

FMC Strengthening Norms for Wheat Trading

The Forward Markets Commission (FMC) further imposed strict notification of risk management norms for wheat and chana trading on the commodities futures market. The cooling off period increased from 15 minutes to 30 minutes once the price hits the 4% circuit limit and imposed 5% additional margin on chana with immediate effect. They told that the decisions have been taken to control excessive speculation in wheat and pulses following considering the price trends, volume of trading and open interest positions. Taking a serious view on the unabated price manipulation, FMC repeated that it would deal firmly with manipulators. Under the provisions, any person who manipulates or attempts to manipulate prices shall on conviction be punishable with imprisonment and penalty. Earlier, on June 23, the margin in wheat was raised to a minimum of 10%. Just after five days, on June 28, an additional margin of 10% on longs was also imposed. The limits for near month contracts for wheat were similarly reduced by 50% of the existing limits to 8000 tonne (for a member) and 2000 tonne (for a client).

USDA: US Wheat Weekly Export Sales Remains Weak

Net sales of 201,200 MT were 33 percent below the previous week and 50 percent under the prior 4-week average. Major increases reported for the Philippines (51,000 MT), Japan (46,400 MT), Mexico (33,200 MT), Venezuela (21,900 MT), Italy (18,000 MT), and Nigeria (13,800 MT) were partially offset by decreases for unknown destinations (13,300 MT). Exports of 295,100 MT were 23 percent below the previous week and 25 percent under the prior 4-week average. The primary destinations were Japan (78,000 MT), Thailand (49,500 MT),

Taiwan (44,100 MT), Venezuela (41,900 MT), Mexico (26,000 MT), and Nigeria (21,800 MT). (This summary is based on reports from exporters for the period June 30 - July 6, 2006)

Source: FAS, USDA

Punjab Govt. Looks for Rs.150/qtl Hike in Wheat MSP

The Punjab Government has urged an increase of nearly 25% in the minimum support price (MSP) for cereal crops like wheat and paddy due to the huge increase in the cost of agricultural inputs. The government has asked the Centre to increase the MSP for wheat from Rs.650 to Rs 825 per quintal and for paddy at Rs 762 per quintal, according to the government sources. The MSP of wheat was Rs.650/qtl in this current year while the Centre later announced a bonus of Rs 50 on it. The spot market prices was too strong as compared to MSP, therefore the big companies and traders was purchased mostly wheat from the farmers at Rs.750-850/qtl. As a result, the FCI and state agencies was procured 9.25 million tonnes (mt) of wheat as against 14.79 mt in 2005, whereas the target for this year was nearly 16 mt. The decision lead to criticism as the government was paying between Rs 850 and Rs 1,000 per quintal for imported wheat while it was paying much less to the local farmers. The cost of farm inputs like diesel, seed price and an overall jump in prices had made farming a loss-making proposition. Besides loss of underground

water and huge costs of providing power to the farm sector were adding to the burden.

PORT WATCH:

No latest vessel report.

IGC WORLD WHEAT ESTIMATES (25.05.06)

(Million tons)

	2003-04	2004-05	2005-06	2006-07 (Forecast)	
				24.05	28.06
Production	556	629	617	601	605
Trade	103	110	110	112	111
Consumption	596	616	624	612	613
Stocks	125	137	130	118	121
Year-Year Change	-40	+12	-7	-12	-9
5 Major Exporters [#]	40	55	52	44	45

[#] 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.14	Jul.13	Jul.14	Jul.13	Jul.14	Jul.13	Jul.14	Jul.13
Jul.06	215	219	158	158	169	169	194	194
Aug.06	209	213	147	147	158	158	182	182
Sep.06	188	190	142	141	153	152	177	176
Oct.06	201	208	155	155	166	166	191	191
Nov.06	213	220	160	160	170	170	195	195
Dec.06	205	212	163	163	174	174	198	199

WEATHER WATCH

Southwest monsoon further advanced into Delhi, most parts of West Uttar Pradesh and some more parts of Haryana on 9th July. It further advanced into remaining parts of Haryana & Punjab and some more parts of Rajasthan on 10th and most parts of East Rajasthan and some more parts of West Rajasthan on 11th. The northern limit of monsoon as on 11th July passed through Udaipur, Ajmer, Churu and Sri Ganganagar.

Outlook for the week ending on 19th July, 2006.

1. Ongoing rainfall activity over Western Himalayan Region and adjoining Plains of Northwest India is likely to continue during 1st half of the week and decrease significantly thereafter.
2. Scattered heavy to very heavy falls are likely over Kerala and Coastal Karnataka during 1st half of the week which is likely to extend into Konkan & Goa and Madhya Maharashtra during 2nd half.
3. Fairly widespread rainfall with isolated heavy falls is likely over Uttar Pradesh, West Bengal & Sikkim, Bihar and Jharkhand during the week.

4. Scattered rainfall activity likely to continue over remaining parts of the country.

5. A low pressure area is likely to form over northwest Bay of Bengal off Orissa coast around 16th. This is likely to increase rainfall activity over Orissa, Chhattisgarh and Madhya Pradesh during 2nd half.

FOREX (As on 14th JULY, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.43
1 Euro	58.76
100 Yen	40.01
1 British £	85.25

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