

Wheat

14th-19th AUGUST, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Hovered Up in the Week
- Wheat Prices Climbed at the Spot Market
- Price Quote for MMTC's Wheat Tender Remains \$216-\$247/ton

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: September (Future)

NCDEX wheat futures continued on a strong rallies this week amidst mostly strong spot prices and speculative led buying but fell down at the weekend on profit booking. The higher imported cost and stocks hoarding by the stockists ahead of the festive season also supported the futures market to up. The open interest as well as volume was also increasing in this week as compared with last week. Most active September contract traded mostly strong at Rs.973.60 from Rs.919 of previous week and traded within the range of Rs.922.20-985.80 in this week.

Doji Candlestick is indicating indecision market. The %K line is going down to cut %D line at overbought region, while MACD steady at the positive territory, indicating steady market as medium term. Prices closed far above the 9-days and 18-days EMA, which is indicating strong market.

Outlook:

The wheat futures at the NCDEX are expected to remain strong following slight bearish market for medium term as the spot prices are hovering up.

Advice:

Buy at lower level for medium-term (5-6 days) trading.

MARKET FUNDAMENTALS:

Wheat prices are maintaining strong rallies at the domestic spot market due to reduced arrival and upward demand from South India, Maharashtra, Jammu and U.P. The robust demand from the flourmills is also supportive for the prices to up. The prices are increased by Rs.60-100/qlt at most of the trading centre. Wheat dara prices quoted mostly up by Rs.80-100/qlt to Rs.1005-1010/qlt at the Lawrence road this week with average intake of 7000-8000 bags of wheat in Delhi with no rake loading as no arrival at the rake. But the prices declined by Rs.15-20/qlt to Rs.990-995/qlt at this mandis on less demand at upper level at the weekend. The rake was loaded from Punjab side. The strong demand for the wheat products amidst festive season is also aggravating the situation. In addition to, the stockists are still hoarding their stocks. The prices are also surged at Rs.1150-1160/qlt in Bangalore mandis. The stockists are not eager to release their stocks as the prices showed an upward movement. The other bullish factor is strong global wheat prices due to lower production in U.S. and Europe. Therefore the imported cost of wheat at 5% duty would be much more than prevailing spot prices. The



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September Contract	965.80	958.70	1000.00	1010.00

wheat import at 5% duty is not viable as the global prices are rising and it would be viable when the spot prices would touch Rs.1050/qlt, traders said. MMTC Ltd. fetched three bids from international market for a tender of 120,000 tonnes of wheat. The bids were higher than the previous quote and ranges in between \$216-247, which is indicating that the international prices are climbing.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	12.08.06	19.08.06
Atta (90kg)	955	1018
Maida Grade 1(90kg)	1127	1190
Suji (50kg)	622	657
Chokar (50 kg)	276	309
Chokar (35 kg)	186	209
Chakki Atta (90kg)	890	970

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

Markets	12.08.06	19.08.06
Delhi (Lawrence Road)	920-925	990-995
Haryana (Karnal)	895-900	980-982
Punjab (Khanna)	890-895	960-965
Ahmedabad	1000-1005	1070-1072
Rajasthan (Kota)	1000-1005	1060-1065
Uttar Pradesh (Kanpur)	945-947	1000-1005
Madhya Pradesh (Indore)	1000-1005	1050-1060
Uttar Pradesh (Bareilly)	895-900	965-970
Punjab (Sunam)	850-855	920-925
Ludhiana (Jagraon)	800-805	855-860
Rajkot	935-945	1060-1065
Madhya Pradesh (Bhopal)	900-910	980-985

INTERNATIONAL AND DOMESTIC NEWS:**Global Price Rise Trigger Private Wheat Import Costs**

According to the daily newspaper Business Standard, the private wheat imports have so far been cheaper than government imports. But now the wheat import are set to get costlier due to rising global prices and freight charges and the government's frequent import tenders. Private sector imports wheat in the range of \$175-190 a tonne. But industry officials believe they may not be able to contract deals at these prices going ahead. It is witnessing that international wheat prices have firmed up significantly since the government first floated a tender to import 5,00,000 tonne wheat. The main factor for higher wheat prices is tight supply in the international market. International Grains Council has estimated global wheat output in the crop year that started in July at 596 million tonne, down 21 million tonne from the previous year figure. The agency said wheat output is suffering this year owing to hot and dry weather in major crop producing regions, particularly the EU, the US, Turkey, Argentina and Australia.

Wheat Prices Expected to Scale Up in Near Future

It is expecting that wheat prices would touch Rs.1050/qrtl in near term in wholesale mandis due to strong festival demand, low availability, stocks hoarding and disruption in supply as a result of floods. The dara wheat is trading at Rs./945-950/qrtl at Lawrence road mandi of Delhi. According to the source, the wheat prices jumped by Rs.40-50/qrtl to Rs.845-950/qrtl in the last fortnight from Rs.890-895/qrtl in the beginning of the month. The futures prices of wheat at the NCDEX are also firmed in tandem with the spot market. According to the traders, the wheat import at 5% duty is not viable as the global prices are rising and it would be viable when the spot prices would touch Rs.1050/qrtl. Wheat imports at \$210 from Ukraine, Russia and Australia means the cost of wheat import would be Rs.1110-1120/qrtl including packaging and bagging at the ports in south India. Considering about Rs.100/qrtl for transportation and miscellaneous costs from south Indian ports, the cost goes up to Rs.1210-1220/qrtl in the wholesale market. In addition to, the quality of imported

wheat is inferior to the Indian wheat standard. On the other hand, improved demand from south India has led to a rise in spot prices. Therefore the wheat prices are likely to hover up in the near future.

PEC Imports 40,000 ton Wheat at \$198

India's state-owned commodities trading house PEC Ltd, has imported 40,000 tonne of wheat from Russia in favour of the domestic flourmillers and biscuit manufacturers. The imported cost fixed at \$198 a metric tonne cost and freight and the grain would be delivered to south Indian ports in September, according to the source. They are importing wheat at 5% concessional duty. The increased imports by India are likely to trigger the global wheat prices in the near future.

Wheat Procurement Target Fell Down in Pakistan

The Economic Coordination Committee in Pakistan was informed that target for procurement of 5 million tons of wheat fixed for the current year by the government could not be achieved and total procurement stood at 90.3 per cent. The main reason behind it was mainly 15% and 5% less than targeted procurement by the Punjab and Passco, respectively. The Punjab government had procured only 2.56 million tons of wheat against a target of three million tons and achieved 85.4% of the target given by the centre. Likewise, Passco procured 1.24 million tons of wheat against a target of 1.3 million tons or 95.6% of the target.

Ukraine Exported above 320.000 tons of Wheat in July

According to the source APK-Inform agency, in the first month of 2006/07 marketing year (July-June) Ukraine exported 320.900 tons of wheat. According to the estimation of the agency's experts about 86% of this volume falls on milling wheat. The most volume of wheat was shipped to Egypt - 96.200 tons. In July 2005 export of Ukrainian wheat totalled 232.200 tons (including about 70% of milling wheat).

MMTC Got Three Bids for Second Wheat Import Tender

According to the source, the government run trading house MMTC Ltd. fetched three bids from international market for a tender of 120,000 tonnes of wheat. The three exporters were Toepfer, Glencore and MTPL. The price range for the bids was still being compiled. MMTC Ltd. was floated second tender earlier of this month. According to the daily news paper Reuters India, MMTC is looking to import 105,000-120,000 tonnes of wheat in the tender but has kept open an option to buy a lower or higher quantity, as needed, in multiple lots. MMTC decided to award its earlier tender for 50,000 tonnes of wheat to its Singapore-based subsidiary MMTC Transnational Pte Ltd. MMTC received only four bids in the July 5 tender.

USDA: US Weekly Wheat Export Sales Tumble Down

Net sales of 387,700 MT were 2 percent below the previous week and 13 percent under the prior 4-week average. Major increases reported for Japan (122,500 MT), South Korea (99,900 MT), Taiwan (96,300 MT, all switched from Thailand), Italy (81,300 MT, including 36,000 MT switched from unknown destinations), Guatemala (29,000 MT), Mexico (20,600 MT), and Nigeria (20,000 MT) were partially offset by decreases for Thailand (96,300 MT) and unknown destinations (36,000 MT). Optional origin sales of durum wheat were reported for unknown destinations (40,000 MT). Exports of 387,700 MT were 30 percent below the previous week and 19 percent under the prior 4-week average. The primary destinations were South Korea (42,300 MT), Japan (41,700 MT), the Philippines (41,100 MT), Italy (34,800 MT), Guatemala (33,900 MT), and Mexico (33,900 MT). (This summary is based on reports from exporters for the period August 4-10, 2006)

Source: FAS, USDA

Goa: Govt to Procure Wheat from Open Market

The government of Goa has decided to buy wheat from the open market in consideration of Ganesh Chaturthi as the government failing to get its wheat quota restored. They decided to buy 300 tonnes of wheat. The wheat quota was cut to 201 ton from 2858 ton per month in tandem with the other states due to less stock to the Central government. The average requirement of wheat to Goa is 700-800 ton per month. Therefore the government will buy wheat of 300 ton from the Goa Co-operative Marketing and Supply Federation Ltd, to meet festive demand.

Price Quote for MMTC's Wheat Tender Remains \$216-\$247/ton

According to the source, MMTC Ltd has received three bids from international market. The exporters were Glencore, AC Toepfer and MTPL and the prices quote was in the range of \$216-\$247 (around Rs.10,750-12,033) a tonne, on a cost-and-freight basis, for its tender to import 1.05-1.20 lakh tonne wheat. Singapore-based subsidiary MTPL has offered to supply 27,000 ton of wheat the lowest bid at \$216 a ton. However Glencore has offered to supply 1.05 lakh tonne wheat at \$223-\$247 a tonne for different ports and periods of delivery and the other firm AC Toepfer has offered 1.25 lakh tonne wheat at \$219-\$227 a tonne. The bids would be evaluated on the basis of technical ground before any offers are finalised.

World Wheat Output Estimated to Down below 600 MMt

World wheat production projected for 2006/07 was reduced 7 million tons this month to 598 million tons, leaving wheat production 20 million tons less than estimated for the previous year and 31 million below the 2004/05 record. World wheat area is projected down 2.5 percent from the previous year, while average yield is down 1 percent. The largest reductions in area are for Russia, India, the United States, and Ukraine. Relatively strong wheat prices were offset by unfavourable planting conditions in Russia and Ukraine.

This month's changes featured a dramatic 7-million-ton reduction in forecast wheat production for the EU-25, still the world's largest wheat producer at 119 million. Hot, dry conditions during July spread from Spain through France and Germany and into Scandinavia, reducing wheat yield potential during the filling stage of growth. The largest reductions were for Germany and France.

Dry conditions in July, especially in the southern parts of Canada's Plains, trimmed 1.0 million tons from projected wheat production to 25.5 million. Also, persistent drought in parts of Argentina continued to prevent wheat seeding, and

given that the planting window is closing, area was reduced, cutting production 0.8 million tons to 13.5 million.

These reductions were partly offset by increases in the former Soviet Union of 1.8 million tons, as favorable harvest conditions for winter wheat boosted production in Uzbekistan and Ukraine, while good spring wheat growing conditions improved prospects in Russia.

Source: ERS/USDA

PORT WATCH: (As on 18th August)

Delivery of 68,200 MT of wheat is continuing at Mundra Port from the vessel 'Altair'. The vessel is being handled by Interocean agents.

'Jin Fu' has berthed at Chennai Port and continues to deliver 48,203 MT of wheat. Compass agents is handling the vessel.

Delivery of 40,799 MT of wheat is expected at Vizag Port from the vessel 'Mehmot Aksoy'.

'World Trader I' is expected at Tuticorin Port to discharge 38,101 MT of wheat. St.John agents will be handling the vessel. Delivery of 42,340 MT of wheat is expected at the port from the vessel 'Jin Fu'. Vilsons agents will be handling the vessel.

Cochin Port is expecting 'Turicum' to deliver 36,100 MT of wheat. Chakiat 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%	
	Aug.04	Aug.03	Aug.04	Aug.03	Aug.04	Aug.03	Aug.04	Aug.03
Aug.06	198	189	139	136	149	147	174	171
Sep.06	178	168	130	127	141	138	166	162
Oct.06	196	188	145	143	156	154	181	178
Nov.06	201	195	147	147	158	158	182	183
Dec.06	187	184	148	148	158	159	183	183
Jan.07	192	189	152	152	163	163	188	188

WEATHER WATCH

ZONE-WISE WEATHER FORECAST

NORTH & NORTH-WEST INDIA [J&K, HP, UTTANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

The region is likely to experience isolated rains during next 24-48 Hrs. and scattered during 21-23 Aug.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

Scattered rainfall is likely over Orissa, Gangetic West Bengal and Jharkhand during next 24Hrs. Bihar is likely to experience isolated to scattered rainfall. Rainfall activities over East UP are likely to increase during next 24 Hrs.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chattisgarh during next 24 Hrs. subsequently over M.P., Vidarbha during next 24-36 Hrs. and decrease thereafter.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Scattered to fairly widespread rainfall is likely over Coastal Karnataka and scattered over Coastal Andhra Pradesh, Telangana and north interior Karnataka during next 24 Hrs. then rainfall activities over the region may decrease. Ongoing rainfall activities over Kerala are likely to continue

during next 24-48 Hrs. Isolated to scattered rainfall is likely over Rayalseema and Tamilnadu during next 24-48 Hrs.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

Fairly widespread to widespread with isolated heavy rainfall over Gujarat, southeast Rajasthan, Konkan & Goa, Marathwara and Madya Mahrastra and during next 48 Hrs. West Rajasthan may experience isolated to scattered rains during next 2-3 days.

Source: NCMRWF

FOREX (As on 18^h August, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.48
1 Euro	59.66
100 Yen	40.09
1 British £	87.61

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