

Wheat

7th-12th AUGUST, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Strong in the Week
- Wheat Prices Mostly Increased at the Spot Market
- Private Parties Importing 3.24 Lt Wheat

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: September (Future)

NCDEX wheat futures observed strong rallies in this week as strong spot prices and strong buying support but fell down at the weekend on technical correction but traded up compared to last week. The open interest as well as volume was also increasing in this week as compared with last week. Most active September contract traded up at Rs.919 from Rs.884 of previous week. It traded within the range of Rs.882-925 in this week.

Filled Candlestick is indicating bearish market. The %K line is going down following made a bearish cut with its %D line at overbought region, while MACD going up at the positive territory, indicating strong price as medium term. Prices closed far above the 9-days and 18-days EMA, which is pointing bullish market.

Outlook:

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

Advice:

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

MARKET FUNDAMENTALS:

Wheat prices maintained its bullish sentiment in the country. The prices increased by Rs.35-45/qlt at most of the trading centre during the week on strong demand from flourmills as upward demand for wheat products and weak arrival. Rains in various parts of the country hampered the arrival of wheat at major trading centres of the country. The rake loading was also hampered for South India as mostly poor arrival at the rake in Delhi. The rake was loaded from Punjab side for South India. Wheat dara prices quoted up at Rs.910-915/qlt at the Lawrence road in Delhi with average intake of 10000-12000 bags from Haryana and U.P. According to the traders, the products demand is rising therefore the flourmills are purchasing wheat at higher cost. The prices are likely to climb in recent. The cost of wheat import is proving costlier plan as the world wheat prices have been increasing since the first tender floated by the STC in February 2006. A quantity of 7.65 lakh tonnes (Lt) of imported wheat out of 30 lakh tonnes contracted would reach Indian ports by the end of this month. Therefore arrival at the markets is expected to boost up at the end of this month. But the expected strong demand is likely to offset the strong arrival in festival season. However the



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September Contract	914.50	907.50	928.90	935.70

private parties are importing wheat around 3.24 lakh tonnes therefore the supply at September to January will be good, which would be restrict the prices to climb in this time. According to the USDA report, the world wheat production will be declined therefore the global wheat prices will be up, which entails the imported cost of wheat by India will higher. But the short and medium term outlook for wheat prices is bullish.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	5.08.06	12.08.06
Atta (90kg)	937	955
Maida Grade 1(90kg)	1109	1127
Suji (50kg)	612	622
Chokar (50 kg)	258	276
Chokar (35 kg)	179	186
Chakki Atta (90kg)	855	890

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

Markets	5.08.06	12.08.06
Delhi (Lawrence Road)	885-887	920-925
Haryana (Karnal)	860-863	895-900
Punjab (Khanna)	865-870	890-895
Ahmedabad	980-982	1000-1005
Rajasthan (Kota)	980-985	1000-1005
Uttar Pradesh (Kanpur)	920-922	945-947
Madhya Pradesh (Indore)	975-980	1000-1005
Uttar Pradesh (Bareilly)	880-885	895-900
Punjab (Sunam)	740-745	850-855
Ludhiana (Jagraon)	785-790	800-805
Rajkot	910-915	935-945
Madhya Pradesh (Bhopal)	880-885	900-910

INTERNATIONAL AND DOMESTIC NEWS:**MMTC Likely to Float Additional 1-lakh ton of Wheat**

According to a source, India's state run trading house MMTC Ltd. are planning to additional import of 1 lakh metric tonnes wheat at 5% duty. They are likely to buy Black sea origin of wheat at the cost of \$179-180 per tonne on a cost and freight basis. MMTC was contracted to import of 50000 tonnes of wheat at the last month at \$179/tonne, which would be arrived in September. The new tender is likely to float by MMTC within a few days, they said. It is witnessed that the difference between the MMTC's purchase price and STC's purchase prices are high. Therefore the government might be purchased the MMTC's wheat if the quality is up to the desired level.

Private Wheat Importers Seek Permits to Import 1-MMt

Indian government has to date received applications for private wheat import by the various companies. The amount of private wheat import was more than 1.0 million metric tons (MMt) at a concessional 5% duty, according to the source. It is witnessing that the private wheat import has been picking up since last two to three weeks. It is necessary to obtain a permit from the Directorate of Plant Protection, Quarantine and Storage for wheat imports. According to the government official that the wheat supply at the local market will be boost up and the prices would be checked if all the permits convert into actual imports. As per the PPQ permit, the quality requirements for the wheat import must be fulfilled. On an around 1.5-2.5 lakh metric tonnes of wheat have contracted by the private parties, mostly of Black Sea origin, for delivery between September and October. However the private parties are eyeing on the government decision to lift the wheat import duty and therefore they have kept back their plans for actual wheat imports. At 5% import duty, the imported cost is nearly the same as spot prices, or even more when delivered in the southern provinces and therefore the private parties are not eager to import wheat.

Agrico Trade to Supply 330,000 Mt Wheat to STC

The government run trading house State Trading Corporation (STC) has planned to import around 330,000 metric tons (Mt) of wheat from Switzerland-based trading house Agrico Trade and Finance SA at the cost of \$210-\$212/tonne, cost and freight, according to the source. Agrico Trade had primarily offered to supply of 2 lakh Mt of wheat and their bids was the lowest among the all bidders. However the company has granted to import additional quantities of wheat.

MMTC & PEC Floated Wheat Import Tender of Totalled 1.7 LMT

The two trading hoses of government has floated tender to import of totalled 1.7 lakh metric tonnes (LMT) of wheat on Tuesday. The government run trading house MMTC Ltd. floated a fresh tender to import up to 120,000 Mt of wheat for delivery in September and October at 5% import duty. The company is looking wheat at Visakhapatnam, Tuticorin, Mangalore and Kolkata ports in the container of 25,000 tons to 50,000 tons. The tender will be opened up to August 17 and must be valid for consideration until Aug. 28. In addition to, another government run trading house PEC Ltd. has also floated a tender to import of 50,000 Mt of wheat for delivery in September and October. This two trading houses are importing wheat for their own purposes.

Around 7.65 Lt Imported Wheat Arrives by End August

A quantity of 7.65 lakh tonnes (Lt) of imported wheat out of 30 lakh tonnes contracted would reach Indian ports by the end of this month. With the arrival of 1.59 lakh tonnes of wheat expected by August 12, 2006 the cumulative arrival of imported wheat by the end of this week will be 4.37 lakh tonnes. The Ministry has taken necessary steps for importing 3.5 lakh tonnes of wheat in addition to 30 lakh tonnes already contracted for import. It has also been reported that private contractors have contracted for import of 15 lakh tonnes of wheat to be delivered shortly at Mumbai and Chennai ports. The position relating to sugar is comfortable as this year's production is expected to be about 229 lakh tonnes as against 192 lakh tonnes last year. The Government proposes to release two lakh tonnes more of non-levy sugar for September 2006 compared to 13 lakh tonnes released for August 2006.

Source: PIB

Imported Cost of Wheat Gradually Increasing

The cost of wheat import is proving costlier plan as the world wheat prices have been increasing since the first tender floated by the STC in February 2006. According to the daily newspaper Financial express, the global wheat prices were quoting around \$150 a tonne on cost, insurance and freight (CIF) basis when the government floated the first tender for import of 5,00,000 tonne in February. Afterwards, the government decided to import additional 3 million tonne wheat. But bids would be finalised for only 8,00,000 tonne as many bidders could not meet the specifications. The prices quoted by two selected bidders were \$187 and \$199 a tonne on CIF basis. Again on June 12, STC floated a tender for import of the remaining 2.2 million tonne. Five bidders quoted prices ranging between \$190 to \$205 a tonne on CIF basis. The STC again floated a tender on July 27 for 4,00,000 tonne and contracts were finalised for supply of 3,30,000 tonne at \$210-\$212 a tonne.

STC Likely to Approach AWB to Supply 70,000MT Wheat

According to the source, the government state run trading house State Trading Corporation (STC) likely to move towards Australia's AWB Ltd. to buy up to 70,000 metric tons (Mt) of wheat under a recently issued tender to import 400,000 tons. STC has finalized to import 330,000 tons wheat of Russian origin from Switzerland-based trading house Agrico Trade &

Finance SA for delivery in September and October at around \$210-\$212/ton, on cost and freight basis. However they has not tendered to supply the entire quantity therefore STC may approach other bidders AWB to supply remaining 70,000 tonnes of wheat.

Wheat: US Weekly Export Sales Remains Slight Weak

Net sales of 395,600 MT were 32 percent below the previous week and equal to the prior 4-week average. Major increases reported for Thailand (96,500 MT), Japan (59,400 MT), the Philippines (49,800 MT), Nigeria (28,900 MT), Peru (26,300 MT), South Korea (25,300 MT), and Venezuela (24,600 MT) were partially offset by decreases for unknown destinations (11,200 MT). Exports of 556,400 M--a marketing-year high--were 50 percent above the previous week and 35 percent over the prior 4-week average. The primary destinations were Egypt (114,300 MT), Nigeria (109,700 MT), Japan (60,300 MT), Mexico (51,500 MT), the Philippines (50,200 MT), and Venezuela (47,700 MT). (This summary is based on reports from exporters for the period July 28-August 3, 2006).

Source: FAS, USDA

Private Parties Importing 3.24 Lt Wheat

According to the daily newspaper Financial Express, the private parties has contracted to import of around 1,54,000 tonne, while deals for importing another 1,70,000 tonne are in the pipeline. It is informed that two ships carrying 25,000 tonne and 43,000 tonne wheat have reached the country so far. They added about 1,000 tonne black sea wheat in containers is in transit, while two more wheat shipments destined for India are currently being loaded. The shipments belong to Concordia and MMTC Ltd. Concordia is importing 35,000 tonne black sea wheat for roller flour mills in south and MMTC is importing 50,000 tonne from its subsidiary MTPL Ltd on stock and sale basis. The official said apart from the deals that have already been finalised, two more deals are in the pipeline. The government had on Tuesday issued a statement saying 1.5 million tonne wheat imported by the private traders is expected to reach the Chennai and Mumbai ports "soon".

USDA: Latest WASDE Report on Wheat

Projected U.S. 2006/07 wheat supplies are lowered slightly from last month, due to lower forecast production. Total wheat production is down 5 million bushels, primarily due to lower durum yields. The projected all-wheat, season-average price range is increased 20 cents on both ends to \$3.90 to \$4.50 per bushel. Most of the increase in projected price is due to tightening foreign competitor supplies. The 2006/07 global wheat outlooks include lower production, consumption, and ending stocks, compared with last month. Hot, dry weather reduced wheat production for major exporters EU-25, Canada, and Argentina, while favourable growing weather raised production for Russia and Ukraine. Consumption is lowered for EU-25, Russia, and Ukraine, as higher wheat prices shift feeding towards barley. Exports are decreased for EU-25 and Argentina and increased for Russia and Ukraine. Global ending stocks are reduced 4 percent from last month.

Source: USDA

PEC Finalized 40,000 tons Wheat at \$192/ton C&F

According to a source, the State run trading house PEC Ltd. on Friday finalized to import 40,000 tonnes of wheat of

black sea origin at about to \$192/ton cost and freight (landed cost Rs.1000-1005/qlt). The wheat will be arrived at the south Indian port at the end of this month to September. They finalized the import deal with a Hungary-based firm WJ Grain.

Govt. Fixed No Target of Wheat Export

According to the daily newspaper Navhind Times, the government has fixed no target for export of wheat, the Rajya Sabha was informed. The government is importing wheat to replenish the buffer stocks and to meet the commitment under targeted public distribution system and other welfare schemes. According to the Union Minister of State for Consumer Affairs, Food and Public Distribution, Mr Akhilesh Prasad Singh, no formal demand for export of wheat has been received and the government has authorised the STC this year to import wheat through open tender process. The minister told that the stocks of wheat to the central pool as on April 1, 2006 was at 20,09,000 tonne.

PORT WATCH: (As on 11th August)

Chennai Port is receiving 50,678 MT of wheat from the vessel 'Doric Pride'. St.John agents is handling the vessel. 'Jin Fu' has berthed at the port and continues to deliver 48,203 MT of wheat. Compass agents is handling the vessel.

Mundra Port is receiving 62,419 MT of wheat from the vessel 'Irene'. The vessel is being handled by Interocean agents. Delivery of 68,200 MT of wheat is expected at the port from the vessel 'Altair'. The vessel will be handled by Interocean agents.

'Energy Ranger' has berthed at Vizag Port and continues to deliver 27,497 MT of wheat. BSS agents is handling the vessel. Delivery of 40,799 MT of wheat is expected at Vizag Port from the vessel 'Mehmot Aksoy'.

Tuticorin Port is receiving 25,474 MT of wheat from the vessel 'Tierelia'. Vilsons agents is handling the vessel. '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.

IGC WORLD WHEAT ESTIMATES (25.05.06)

	2003-04	2004-05	2005-06	(Million tons)	
				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, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

Isolated rainfall is likely over Punjab, Uttaranchal, Haryana and west U.P. during next 48 Hrs. The region is likely to experience scattered to fairly widespread rains during 14-16 August 06 except west U.P. where it is likely to be scattered.

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

Fairly wide spread to widespread rainfall with isolated heavy to very rains is likely over Orissa, Jharkhand and Gangetic West Bengal during 2-3 days. East UP and Bihar is likely to receive scattered rainfall during next 2 days and increase thereafter.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Ongoing scattered rainfall activity is likely during next 2 days then it may increase from 14th Aug.

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

Fairly widespread rain with isolated heavy falls is likely over Karnataka and scattered to fairly wide spread rains over Andhra Pradesh during next 48 Hrs. Coastal A.P. is expected to have fairly widespread to widespread rains during next 2-3 days. Ongoing rainfall activities over Kerala

is likely to enhance from 14 August, 06. Isolated to scattered rainfall is likely over Tamilnadu during 4-5 days.

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

Fairly widespread with isolated heavy rainfall over Konkan & Goa may continue to occur during next 2 days and then reduce. The region is likely to receive increased rainfall from 15 August. Rainfall activities over Gujarat, East Rajasthan, Marathwara and Madhya Maharashtra are likely to continue for next 24-48 Hrs. and reduce thereafter. Rainfall is again expected to increase from 15 August. West Rajasthan may experience scattered rains in next 24-36 Hrs.

Source: NCMRWF

FOREX (As on 11th August, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.52
1 Euro	59.34
100 Yen	40.19
1 British £	87.97

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