

Wheat

21-26th AUGUST, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Volatile in the Week
- Wheat Prices Climbed at the Spot Market this Weekend
- Government Imposed Stock Limitation Order

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: September (Future)

NCDEX wheat futures tumbled down this week due to the ECA Bill and buying support from lower level and strength in spot prices pushed up the market from mid of this week but fail down further on Saturday on imposing of stocks limits. But the strong spot prices restricted the prices to get down mostly. The open interest was decreased but volume increased in this week as compared with last week. Most active September contract traded slight up at Rs.966.80 from Rs.973.60 of previous week. It hovered within the range of Rs.945.40-983.60 in this week.

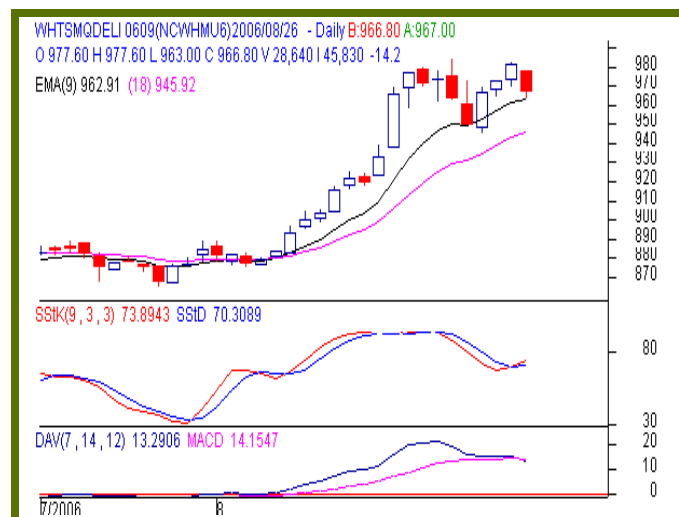
Filled Candlestick is hinting bearish market. The %K line is going up after made a bullish cut with its %D line at neutral region, while MACD up at the positive territory, hinting steady to up as medium term. Prices closed above the 9-days and 18-days EMA, which is indicating slight bullish market.

Outlook:

The wheat futures at the NCDEX are expected to remain down for two to three days and might be go after that.

Advice:

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



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
September Contract	948.20	935.20	985.00	992.50

MARKET FUNDAMENTALS:

Wheat prices gained from its recent losses and traded firm across the major mandis at this weekend on reduced arrival and rake demand for South. However the prices tumbled down from mostly higher side due to ECA Bill. The Rajya Sabha passed the ECA Bill to take strict action against the hoarders due to anxiety over the spurt in prices of essential commodities including wheat. Therefore wheat prices plummeted down but according to the traders, there was no clear-cut information about the ECA (Amendment) Bill, so the prices are increasing further. Wheat dara prices witnessed strong at Rs.1000-1005/qlt and went to Rs.970-975/qlt due to the ECA Bill at the Lawrence road in Delhi with average arrival of 10000-12000 bags including rake. The flourmillers bought wheat but the activity was moderate. The wheat products demand moderate due to the end of the month and it is likely to rise in the coming month, traders said. The prices were also in rising mood in Bangalore and it offered at Rs.1150-1160/qlt. In addition to, the strong demand from the Jammu, Kashmir, South India and Maharashtra helped to provide support to the market. The stockists are still hoarding the stocks therefore the

arrivals are decreasing. The higher prices of imported wheat are also aggravating the prices. On the other hand, government has given the power to the all states to take strict action against the hoarders and imposed stock limits. R. Pyarelal Import and Export Ltd, an Indian commodities trader, imported 50,000 metric tonne of wheat at \$185-195. The prices are likely to go down in the coming week.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	19.08.06	26.08.06
Atta (90kg)	1018	1045
Maida Grade 1(90kg)	1190	1217
Suji (50kg)	657	672
Chokar (50 kg)	309	314
Chokar (35 kg)	209	213
Chakki Atta (90kg)	970	950

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

Markets	19.08.06	26.08.06
Delhi (Lawrence Road)	990-995	1000-1005
Haryana (Karnal)	980-982	980-982
Punjab (Khanna)	960-965	970-972
Ahmedabad	1070-1072	1085-1090
Rajasthan (Kota)	1060-1065	1070-1075
Uttar Pradesh (Kanpur)	1000-1005	995-1000
Madhya Pradesh (Indore)	1050-1060	1070-1075
Uttar Pradesh (Bareilly)	965-970	995-1000
Punjab (Sunam)	920-925	930-935
Ludhiana (Jagraon)	855-860	865-870
Rajkot	1060-1065	1070-1075
Madhya Pradesh (Bhopal)	980-985	975-985

INTERNATIONAL AND DOMESTIC NEWS:**Govt Considers 1.67 MMt Wheat Import over Several Months**

The government is expected to import up to another 1.67 million metric tons (MMt) of wheat over a period of many months to replenish wheat stocks. The government has been already imported 3.83 MMt wheat since February. The stocks to the government will commence to get increasingly as imported wheat is delivered at the ports. The proposed tenders would be decided by the cabinet meeting with STC. It is observing that if the proposed imports occur then the total wheat import by the government since February will reach 5.5 MMt.

Skyrocketing Wheat Prices Creates Anxiety

The government anxious about the wheat prices as the prices are hardening on the eve of the upcoming festive season. The main factors are delay in the arrival of imported wheat, stocks hoarding by the speculators, rising demand from the South India and poor stocks to the government. Even the Centre had placed an orders to import of 35 lakh tonnes of wheat for the Public Distribution System (PDS) and allowed private trade to import wheat at a nominal five per cent duty, but the situation has not eased. According to the daily newspaper The Hindu, in such a situation, there seems to be no option before the Government but to re-introduce stock-holding limits under the Essential Commodities Act to make speculators offload stocks. The Government may also have to yield to the demand from wheat traders to allow private imports at zero duty, newspaper said. The retail price of wheat in Delhi was Rs. 10 a kg this week. It was Rs. 14 a kg in Mumbai, Rs. 14.50 in Bangalore, Rs. 14 in Chennai and Rs. 16 in Thiruvananthapuram against an average of Rs. 9 to Rs. 12.50 a kg last year.

Wheat: Rajya Sabha Approved ECA to Restrict Hoarding

According to the daily newspaper The Hindu, the government warned Friday to take strict action against the hoarders due to anxiety over the spurt in prices of essential commodities. The government also said to buy foodgrains from the open market for ration shops to protect the poor from the impact of price rise. They also reported that the

speaking on the Essential Commodities (Amendment) Bill, 2006, in the Rajya Sabha, Agriculture, Food and Consumer Affairs Minister Sharad Pawar said the legislation required to take action against hoarders "as the government cannot shut its eyes from the loot of the foodgrains as a result of it". The Bill was later passed in the Upper House by a voice vote. The agriculture Minister Pawar also said the government proposed to buy wheat from the open market to increase the buffer stocks. According to him, the wheat procurement has been down this year and the state government could also chip in by preventing hoarding, as it will help the common man. The commodities like wheat, pulses, sugar etc. are included under the Essential Commodities Act.

Private Parties Likely to Import 2.6 MMt Wheat

The government is expected to import more wheat before the new crop in March. The government has also permitted to import for about 2.6 million metric tonnes (MMt) of wheat to 99 private firms since the start of July at 5% duty. As per the news of Reuters, a senior government official said new import permits were being issued to private firms almost daily, with permits for about 2.6 MMt issued by Aug 18.

Wheat Prices Pushing Flour Prices to Rise

The unexpected increase in the wheat prices led to the products prices rising by about 20% in the spot markets across the country. According to the source, the retail prices of atta have hovered up from Rs.11-12/kg in May to Rs.14-16/kg. This is increased in tandem with the increasing of wheat prices, which has soared by Rs.100-120/qlt over last one month. Wheat dara prices were increased from Rs.900-905/qlt to Rs.1000-1005/qlt on Friday over last one month in Delhi market, traders said. The wheat products like maida, chokar, chakki atta and suji are also affected. The price of bread, biscuits, pasta and noodles is also expected to rise in the coming months. Traders said, the flourmillers are expecting that government might cut the import duty to zero percent on wheat. However the quality of imported wheat is reported to be poor than the Indian quality, but it will be blended with domestic wheat before processing. The international wheat prices are soaring and it is increased from \$180-190/ton to \$210-225/ton over last one month.

MMTC Cancelled Wheat Tender amidst High Rates

MMTC Ltd. has cancelled the current wheat import tender of 1.2 lakh tonnes of wheat due to high international prices. MMTC got three bids for wheat from Canada and Russia. The price quotes were in the range of \$217-237 per tonne. Therefore at a price of \$217 a tonne, the landed cost for the southern markets works out to around Rs.12,000/ton and might go up to around Rs.13,500/ton for land-locked northern states, where domestic prices was quoted at Rs.10,000-10,500/ton, according to the source. MMTC is expected to wait till international prices soften or domestic prices increase. However the international prices are not likely to get down as the shortage of wheat in the world due to the production being hit in Australia, Canada, US, Argentina, Ukraine.

Centre Considering to Buy Wheat from Open Market

The Union Government is planning to buy wheat from the open markets to lift the buffer stocks, as the stocks to the Government are much below than normal buffer norms. Agriculture, Food and Consumer Affairs Minister Sharad Pawar said the government proposed to buy wheat from the open market to increase the buffer stocks in the meeting of Rajya Sabha. The government procurement has been low this year due to intervention of various MNCs.

Duty Free Private Wheat Import can Only Reduce Spot Prices

It is expecting that the wheat prices to increase further until the private sector is allowed to import wheat at zero duty level,

traders said. Private sector means user industries like bread and roller millers, biscuit manufacturer. According to the daily news paper The Hindu, the bullish trend of wheat prices is expected to continue and would go up further after October, All India Grain Exporters Association Chairman D P Singh said. However the Food Ministry Officials are expecting that the prices would get down once contracted wheat imports by State Trading Corporation starts arriving in full flow over next six months. The rising trends of international prices are hindering the private wheat import at current 5% duty. The international prices for wheat are soared from \$180-190 to \$210-230 per tonne.

Punjab: Wheat Area will be Reduced in This Year

According to the source, the Punjab Government is going to reduce the area under wheat cultivation by 1.68 lakh hectares to further the crop diversification programme in the state this rabi season beginning November. The area will reduce to 33 lakh hectares in comparison to normal area of 34.68 lakh hectares. At the same time, area under other crops including oilseeds, barley, peas, sunflower etc would be increased by almost 1.70 lakh hectares for the coming rabi season. However the department is expecting the target of wheat production would be same of 145 lakh tonnes.

R. Pyarelal Imports 50000 tonne Wheat at \$185-194

According to the source, it is informed that the R. Pyarelal Import and Export Ltd, an Indian commodities trader, imported 50,000 metric tonne of wheat from Hungary's WJ Grain Ltd in favour of local producers and flour mills. As per the daily newspaper Financial Express, the trader paid between \$185 and \$194 a metric tonne on a cost-and-freight basis for the Russian wheat. Cost-and-freight purchases require the seller to pay for the shipping costs. The first cargo of about 25,000 tonne is likely to arrive at Tuticorin port in the next 20 days, while the second cargo is expected to be loaded around September 15, they reported. India's wheat imports may reach 4.5 million tonne in the year to March 2007, the highest in three decades, the US foreign agricultural service in New Delhi said on June 16.

Jammu: Wheat Prices Skyrocketing amidst Crisis

According to the source, the Kashmir Flour Mills' Association has appealed to the Centre and minister for consumer affairs and public distribution to take action and ensure that Food Corporation of India (FCI) makes available the wheat through open sale as the State have been facing shortage of wheat. The shortage of wheat in the valley has escalated the prices of maida and ata. The wheat prices offered at more than Rs.1200-1210/ql and it is likely to cover Rs.1300/ql with a short time. The members reported that the outside wheat producers have dumped their stocks to create artificial shortage of the product in the valley. Therefore if the government is not taking any step there will be crisis in this state.

Govt Decided to Allow Stockholding Limits in Wheat

According to the daily newspaper Indian Express, the government Thursday has decided to allow states to re-introduce stock-holding limits to check the wheat prices at the market. This means states will be able to set a ceiling on wheat stocks and crack down on traders who have excess and force them to bring wheat to the open market. They reported that this was something, which the NDA government had done in 2002. The UPA government decided to do a re-think when all Chief Ministers of Congress-ruled states shouted for this when they met Sonia Gandhi recently. The first step has taken on Monday;

Parliament amended the Essential Commodities Act 1955 to allow the Central government to introduce commodities in the Essential Commodity list by way of notification instead of an amendment.

Govt: Additional Wheat Allocation for September

Government has increased the gross wheat allocation for APL (Above Poverty Line) by 50 per cent for the month of September 2006 in view of the festivals in various states. With imported wheat arriving as per schedule further allocation of wheat to states on demand is not ruled out.

Against tender of import of wheat for 38.3 lakh tonnes, a total quantity of 3.1 lakh tonnes has been received till August 24, 2006.

Two vessels with a total quantity of 1.19 lakh tonnes of wheat are currently off loading the stocks at Mundra and Chennai ports. Yet another vessel has arrived at Vishakhapatnam port with 40,798 tonnes of wheat and is under quality check. Seven more ships with 3.16 lakh tonnes of wheat have sailed to Indian ports of which six will be arriving in two weeks' time and the seventh by September 20, 2006.

Source: PIB

Stock Limits In Respect Of Wheat Imposed

Government has restored the powers of state governments for undertaking de-hoarding operations under The Essential Commodities Act, 1955 in respect of wheat and pulses. This has been done by enforcing restrictions on licensing requirements, stock limits and movement in respect to wheat and pulses for a period of six months only. However, there will not be any restriction on inter-state movement of these two items. Further, imports of these two items would also be kept out of the purview of any control s by the state governments in order not to impede imports, but to augment domestic supplies. However, the central or state governments may direct such importers to declare receipts of stocks of these commodities and stocks retained by them. A central order to this effect is under issue. Such restriction on stock limit has been imposed following representations from a few states for restoration of powers under the Essential Commodity Act, 1955 for undertaking de-hoarding operations in view of the assumption that there is speculative holding back of stocks, particularly of wheat in anticipation of further rise in prices.

Prices to Remain Cool as Arrival of Imported Wheat

According to the Food Ministry official, the supply of wheat would be sufficient to meet the festive demand starting from next month because the imported consignments are arriving as per schedule. By the by, the government has raised the allocation of wheat by 50% for September for the Above Poverty Line (APL) in account of the festivals in many states. As against of 38.3-lakh tonne wheat import contract, a total of 3.1 lakh tonne arrived till day before yesterday.

Imported Wheat Forwarded for Test to CFTRI

According to the Port Health Organisation, around 36,000 tonnes of wheat arrived at Kochi ports and its samples were sent to the CFTRI due to the charges of sub-standard wheat from Australia. The results are likely to obtain in a day or two from Mysore. A plant quarantine test will also be conducted here. The consignments will be unloaded following obtaining the CFTRI report.

IGC: Wheat Prices Hovering Up in EU

US wheat markets, having previously established large premiums for hard milling wheat, saw a substantial sell-off as the earlier than normal spring wheat harvest reached its final stages, with good progress also noted in western Canada. As EU prices raised further, quotations for Black Sea milling and

feed wheat also climbed, despite recently increased crop estimates. This reflected a combination of reduced milling quality, good export demand, (with India and Egypt among key milling buyers), and interest from the EU feed industry. Following a number of recent purchases, India's potential milling wheat needs were still seen as substantial.

Source: IGC

IGC: Global Wheat Production Expected to be Down in 2006-07

World wheat production will likely fall to 593m. tons (618m.), 3m. lower than forecast in July, with a reduced figure for the EU and some other countries only partly offset by a higher estimate for China. The early summer hot spell in the EU has led to significant yield reductions. A steep drop in feed use in favour of other grains, especially in the EU and CIS, will cut world consumption by nearly 2%, to around 611m. World trade in wheat in 2006/07 is placed 0.5m. tons higher than before, at 112.1m. (108.8m.), with a further upward revision for India's imports. The EU's reduced crop prospects result in a downward revision in its exports, but forecasts for Russia and Ukraine are increased. Global carry-over stocks are projected to decline to 117m. tons (135m.), 1m. less than forecast previously. China's stocks are placed 3m. tons higher than before, showing a year-on-year increase for the first time in 7 years, but those in the major exporters, especially in the EU, will dip sharply.

Source: IGC

PORT WATCH: (As on 25th August)

Delivery of 42,340 MT of wheat is continuing at Tuticorin Port from the vessel 'Jin Fu'. Vilsons agents is handling the vessel. 'Swakop' is expected at Tuticorin Port and to

discharge 26,685 MT of wheat. Hari&Co. agents will be handling the vessel.

Delivery of 40,799 MT of wheat is continuing at Vizag Port from the vessel 'Mehmot Aksoy'. BSS agents is handling the vessel. Delivery of 68,200 MT of wheat is continuing at Mundra Port from the vessel 'Altair'. The vessel is being handled by Interocean agents. The port is expecting 'Albando' to deliver 69,000 MT of wheat. The vessel will be handled by Interocean agents. 'Ais Nikolas' is expected at the port to deliver 62,105 MT of wheat. The vessel will be handled by Interocean agents. Cochin Port is expecting 'Turicum' to deliver 36,100 MT of wheat. Chakiat agents will be handling the vessel.

IGC WORLD WHEAT ESTIMATES (24.08.06)

(Million tons)

	2003-04	2004-05	2005-06	2006-07 (Forecast)	
				26.07	23.08
Production	556	629	618	596	593
Trade	103	110	109	112	112
Consumption	595	616	621	611	611
Stocks	125	138	135	118	117
Year-Year Change	-40	+13	-3	-15	-18
5 Major Exporters [#]	41	56	55	43	38

[#] 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.21	Aug.18	Aug.21	Aug.18	Aug.21	Aug.18	Aug.21	Aug.18
Aug.06	221	214	172	172	183	183	208	208
Sep.06	202	195	160	158	171	169	195	193
Oct.06	201	195	158	159	169	169	194	194
Nov.06	209	203	159	159	170	170	195	195
Dec.06	197	192	161	158	171	169	196	193
Jan.07	203	199	167	165	177	176	202	200

WEATHER WATCH

ZONE-WISE WEATHER FORECAST

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

Scattered to fairly widespread rainfall is likely over the region during 27- 28 August.

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

Widespread rainfall with isolated heavy fall is likely over Orissa and Jharkhand during next 3-4 days. Bihar and East U.P may likely to experience scattered to fairly widespread rainfall during next 2 days. Fairly widespread rainfall is likely over NE States during next 2-3 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chattisgarh during next 24 Hrs, then again after 3 days.

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

Fairly widespread rainfall is likely over Coastal Karnataka and north interior Karnataka during next 24 Hrs and Scattered over Coastal A. P. and Telangana during next 2 day. Kerala is likely to receive scattered rains.

Isolated rainfall is likely over Rayalseema and Tamilnadu during next 4-5 days.

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

Ongoing fairly widespread rainfall activities over Konkan & Goa is likely to continue. Isolated to Scattered rainfall is likely over Maratha, Madhya Maharashtra Vidarbha, Rajasthan and Gujarat during 3-4 days.

Source: NCMRWF

FOREX (As on 24th August, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.61
1 Euro	59.44
100 Yen	39.77
1 British £	87.79

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