

Wheat

11th-16th SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Weak in the Week
- Wheat Prices Recovers at the Spot Market at the Weekend
- Maharashtra Imposed Stock Limits on Wheat & Pulses

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: OCTOBER (Future)

NCDEX Wheat futures stumbled down in this week due to the news of stock limitation however it recovered from Wednesday on buying support at lower level though the market remained weak as compared to last week. The most active October contract traded weak at Rs.972.00 in this weekend, declined from Rs.993.40 of last week and hovered within the range of Rs.960.20-1003.80. The open interest and volume was decreasing in this week.

Candlestick is indicating bearish market while %K line going down and remained below over %D line at neutral region. MACD showed steady to bearish market and prevailed at the positive territory. Prices closed below the 9-days and 18-days EMA, which is indicating bearish market.

Outlook:

The wheat futures at the NCDEX are expected to remain down for one to two days and will be bullish from mid of the week in the coming week.

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
October Contract	965.50	960.00	987.50	997.80

MARKET FUNDAMENTALS:

Wheat prices backpedaled from mostly upper side in most of the market in this week amidst the lack of buying interest due to the stock limitation news. Therefore wheat prices fell down to Rs.992-995/qlt from Rs.1005-1010/qlt with daily average intake of 10000-12000 bags at the Lawrence road in Delhi. The market lost its demand from the flourmills, traders said. The news was that the government is imposing stock limit on wheat in Gujarat, M.P., U.P. and Delhi, which triggered the prices to down but the news is not confirmed till now. The stock limitation was imposed in Maharashtra and traders said that most of the states is likely to impose stock limit very soon to crash the wheat market as the wheat prices were skyrocketing. Therefore the demand was vanished from the market. In Bangalore, wheat mill quality is quoted down to Rs.1175-1180/qlt. On the other hand, four vessels are currently discharge at Chennai, Cochin and Vizag ports, having a total quantity of 1,55,467 MT of wheat, out of which 78,380 MT of wheat has been discharged by September 12, 2006. According to the government, there has no plan to float new wheat import tender. The wheat market is likely to get strength as the traders are speculating that the government is trying to

crash the market anyway but they could not succeed. The global wheat production is expected to remain lower in 2006-07, which fades the chances of private wheat import due to higher import cost of wheat. However the bearish trend slightly restricted on Saturday at most of the spot market due to pause in selling by the stockists. The market might be get down for short term due to this stock limitation news but the overall outlook is likely to bullish for long term.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	9.09.06	16.09.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	682	708
Chokar (50 kg)	307	318
Chokar (35 kg)	200	208
Chakki Atta (90kg)	945	940

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

Markets	9.09.06	16.09.06
Delhi (Lawrence Road)	1002-1005	992-995
Haryana (Karnal)	975-980	960-965
Punjab (Khanna)	985-990	990-995
Ahmedabad	1090-1095	1095-1100
Rajasthan (Kota)	1035-1040	1045-1050
Uttar Pradesh (Kanpur)	1035-1040	1025-1030
Madhya Pradesh (Indore)	1055-1060	1065-1075
Uttar Pradesh (Bareilly)	1000-1005	990-995
Punjab (Sunam)	930-935	930-935
Ludhiana (Jagraon)	870-875	880-885
Rajkot	1055-1060	995-1000
Madhya Pradesh (Bhopal)	970-980	970-980

INTERNATIONAL AND DOMESTIC NEWS:

Govt Notified Private Wheat Import Duty Cut to 0%

The Indian Government has notified Saturday, the private parties would be able to import wheat at zero percent duty with immediate effect until 31st December 2006. According to the official statement, the Cabinet Committee took the decision on August 31 but notification was to be issued only after government finalized its own purchase under a tender issued by the State Trading Corp. The duty has been cut to keep the local prices under check and boost up supplies.

STC Finalized 1.67 MMt Wheat Import Tender

STC has finalized to buy 1.67 million metric tonnes (MMt) of wheat from Australian wheat major AWB and Switzerland-based Glencore. Rotterdam-based Concordia and Toepfer are the two other successful bidders. The imported prices were ranged in between \$223.75-\$237.9 per tonne for the delivery of wheat at four designated ports. According to the source, the delivery price for Mundra port fixed at \$223.75-\$225.85 per tonne at cost and freight basis, while the same for Kandla ranged between \$228-\$231, Vizag at \$232 and Chennai at \$237.9. STC has urged to Glencore to supply 6.8 lakh tonne, followed by AWB (6 lakh tonne), Toepfer (2.6 lakh tonne) and Concordia (1.35 lakh tonne). Glencore offered to deliver at Mundra, Kandla and Vizag ports while AWB has offered delivery at Mundra and Chennai. Concordia offered to deliver at Kandla, while Toepfer to deliver at Mundra port.

Govt Likely to Increase Prices for PDS Wheat

The government of India might be increase wheat prices under its Public Distribution Scheme (PDS) programme, according to the official. The import price for wheat is sharply increased by 33% in the last seven months. Between the first tender for wheat import floated in February and the fifth tender opened this month, prices quoted by suppliers have increased by nearly one third. Therefore the government is considering to increase the wheat prices under subsidized sales programme.

India's Current Import Tender Pull Down U.S. Wheat Prices

The US market fell down on Monday and extended their earlier weakness amidst light fund selling and weakness in other markets like corn and soybean. However the early pressure also was tied to news that India decided not to buy any U.S. wheat as part of its 1.67 million metric tonnes of wheat. India's STC has finalized to buy wheat from four companies and not a single company will not supply US wheat. Traders and analysts had expected the U.S. would capture at least a share of that export business and were encouraged to sell when it failed to materialize.

Wheat Output Likely to Fell in Australia & Brazil

According to a source, the Australian crop could be in a range of 13-19 million metric tons because of dry weather. The USDA currently pegs the crop at 21.5 million tons. Brazil's 2006 winter wheat crop is seen 35% lower than the previous year at 3.1 million tons, due to falling local commodity prices and a lack of investment in the crop, the National Commodities Supply Corporation said Monday. The estimate does not, however, include the effect of last week's freezing temperatures in Parana and Rio Grande do Sul.

Government Fails to Curb Down Wheat Prices

The wheat import by the government run trading house STC and MMTC could not pulled down the wheat prices in the last couple of months. The Centre's move to stock limitation on wheat quantity for the stockists was also failed to curb wheat prices. Wheat prices have been skyrocketing since 4th September when the government allows private traders to import wheat at zero percent. In this year, the wheat production at 69.5 MMt was far below the target of 75.5 MMt for 2005-06. Wheat procurement fell down to 9.2 MMt, the lowest in the last seven years, thanks to the inability of the Food Corporation of India (FCI) to pay a remunerative price to the farmers. Therefore the private traders were made huge stocks to pay the farmers better remunerative prices. The declaration of bonus on wheat MSP by the FCI was also too late and the damage was done. The Agricultural Ministry announced large import plans to check the wheat prices but this decision triggered the international wheat prices to mostly high. Now the Agriculture Minister Sharad Pawar notified private traders to import wheat at zero duty to curb the wheat prices. But where the STC has failed to get adequate stocks, what gives Mr Pawar confidence that the traders would succeed? According to the traders, wheat prices would be decline if states impose stock limitation order on wheat other wise the prices will move up in near future also.

USDA: US Wheat Balance Sheet Marginally Changed

The 2006/07 U.S. wheat balance sheet is little changed from last month. Food use is raised 5 million bushels for 2006/07 in line with the 2005/06 revision based on the most recent mill grind estimate from the U.S. Bureau of Census. Ending stocks for 2006/07 are projected lower at 429 million bushels. The projected price range is tightened 5 cents on both ends to \$3.95 to \$4.45 per bushel.

Source: USDA

USDA: Global Wheat Production Declining in 2006-07

Global 2006/07 wheat production and ending stocks are lowered again this month while consumption and trade are projected higher. Global production is projected at 596.1 million tons, down 1.9 million tons from last month. Lower projected output for Australia more than offsets increased production in Canada. Small declines are also projected for Argentina, EU-25, and FSU-12. Global consumption is projected 0.5 million tons higher this month with the largest increase for India. India is projected to import 6 million tons of wheat in 2006/07, up 1.5 million from last month. Lower exports for Australia and Argentina are more than offset by higher exports for Canada

and Ukraine. Global ending stocks are projected at 126.4 million tons, down 2 million from last month.

Source: USDA

Maharashtra Imposed Stock Limits on Wheat & Pulses

Maharashtra is the first state in the country to impose a stock limit on wheat and pulses. According to the source Business Line, the Maharashtra Government has imposed stock limits on wheat and pulses with immediate effect. The limits are applicable to wholesalers operating in the urban and rural areas. As per the report, a wholesaler can stock up to 1,500 quintals of wheat in urban areas and up to 500 quintals of wheat in the rural areas. In the case of pulses, a wholesaler in Mumbai, Pune and Nagpur can store a maximum of 2,000 quintals and, in the rest of Maharashtra, up to 1,000 quintals. This stock control order will remain effective for six months, said Mr K.P. Bakshi, Secretary, Department of Food and Civil Supplies, Maharashtra. The state government will notify the stock limit and licensing norms for the same on Wednesday.

Govt Likely to Import Wheat Due to Lower Buffer Stock in March

According to the USDA Attaché report, the carry-over stocks of wheat in India is expected to decline to possibly less than 2 million metric tonne (MMt) and therefore the government might be import additional 2 MMt wheat in the current financial year to replenish the carry over stocks of 4 MMt for next year. The USDA's report stated that the Indian government would have a little over 12.5 MMt wheat including 7.2 MMt stocks with August 1 and 5.5 MMt import. The minimum monthly offtake of wheat for PDS is 1.3 MMt therefore the government would require around 10.3 MMt wheat for the remaining eight months of the marketing year (MY) 2006-07, according to the daily newspaper Financial Express. This would results into depletion of carry over stock to 2 million tonnes for FY 2007-2008 against the desire stock levels of 4 million tonnes. Keeping all these things in view the Indian Govt would have to import additional 2 million tonnes of wheat in MY 2007.

Wheat Production Estimated to Down in E.U.

According to the source the state grains board Office National Interprofessional des Grandes Cultures, the soft wheat production in 2006-07 in France was pegged at 33.1 million metric tons (MMt), which was lower 2.2 MMt from last month's estimate. Erratic weather has cut down yields from last year's production of 34.9 MMt. E.U. soft wheat production is estimated at 111 MMt, down 3.5% from last year.

Minister: Ruled Out Further Wheat Import

According to the government, there has no plan to float new wheat import tender. "Not immediately," Akhilesh Prasad Singh, Minister of State for Agriculture, told Reuters when asked if the government was planning a fresh tender. "We may not require any more wheat for government stocks." India has so far signed contracts to import of totalled 5.5 MMt wheat at duty free through STC in this year. India has also permitted the private traders to import wheat at zero duty.

Special Package for Rabi Wheat Production

The State Governments who participated in the Rabi Campaign expressed confidence about production prospects of wheat and other rabi crops. The emphasis was on the need for higher productivity in all crops with special focus on wheat and pulses as both these crops have shown near stagnation over a period of time requiring immediate steps/intervention to ensure higher production level. The

Ministry of Agriculture has prepared a special package for increasing production of wheat to be implemented in 88 districts over a period of three years. The State Governments were urged to implement this package for increase in production of wheat during the kharif season starting in October, Smt. Radha Singh added. The agriculture ministry's incentive package of Rs.24.82 billion for three years is currently under study for implementation from October and is expected to see state governments provide better inputs to farmers to improve yield.

Source: PIB

PORT WATCH: (As on 15th SEPTEMBER)

Mundra Port is receiving 66,000 MT of wheat from the vessel 'Gerasimos'. Halar Shipping agents is handling the vessel. 'Yong Huan' is expected at Mundra Port to deliver 66,000 MT of wheat. The vessel will be handled by Taurus agents. The port is expecting 'Betis' to deliver 66,000 MT of wheat. Halar Shipping agents will be handling the vessel.

Delivery of 14,000 MT of wheat is continuing at Mumbai Port from the vessel 'Alaba'. Sahi Oretrans agents is handling the vessel. Delivery of 35,000 MT of wheat is continuing at Mumbai Port from the vessel 'Maritime Cute'. Sahi Oretrans agents is handling the vessel. Mumbai Port is expecting 'Lady Nariman' to deliver 17,950 MT of wheat. Marco Shipping agents will be handling the vessel.

'You Liang' has berthed at Tuticorin Port and continues to discharge 37,553 MT of wheat. Pearl Shipping agents is handling the vessel. Delivery of 37,553 MT of wheat is continuing at Tuticorin Port from the vessel 'Zhonh Hua 7'. The vessel is being handled by Atlantic agents. 'Swakop' has berthed at Tuticorin Port and continues to discharge 26,685 MT of wheat. Hari&Co. agents is handling the vessel. The port is expecting 'Pacific Emerald' to deliver 42,290 MT of wheat. The vessel will be handled by St.John agents. 'Sea Lily' is expected at the port to discharge 42,752 MT of wheat. Pearl Shipping agents will be handling the vessel.

Chennai Port is receiving 43,000 MT of wheat from the vessel 'Split'. Seaways agents is handling the vessel. Delivery of 49,567 MT of wheat is expected at Chennai Port from the vessel 'Astron Spint'. M Bhasker agents will be handling the vessel. Delivery of 49,432 MT of wheat is expected at Chennai Port from the vessel 'Medi Sydney'. The vessel will be handled by Chakiath agents.

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%	
	Sep.14	Sep.13	Sep.14	Sep.13	Sep.14	Sep.13	Sep.14	Sep.13
Sep.06	191	191	157	158	167	169	192	194
Oct.06	191	191	160	161	170	172	195	197
Nov.06	195	196	162	163	172	174	197	199
Dec.06	184	184	162	164	172	175	197	199
Jan.07	192	192	170	172	180	182	205	207
Feb.07	195	195	173	175	183	185	208	210

WEATHER WATCH

The arrival might not be affected due to the weak rainfall at the producing regions. This is off-season crop at this time so rainfall could not be affected the crop but heavy rains might be dampened the quality. However there was no rainfall forecast at the producing region. Therefore the stockists should not be worried about the hoarding.

FOREX (As on 14th September, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.13
1 Euro	58.69
100 Yen	39.25
1 British £	87.08

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