

Wheat

4th-9th SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Firm in the Week
- Wheat Prices Strong at the Spot Market
- FM: Ruled Out Wheat Import at 0% Duty by Private Traders

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: OCTOBER (Future)

At the NCDEX it is witnessed that the wheat for October delivery raised from Rs.968.20 a quintal to Rs.993.40 Saturday despite the duty cut. The strong spot prices also provided underlying support to the futures market. The higher international prices are supportive for the market, as it would escalate the landed cost of imported wheat. The open interest and volume remained weak in this week. Most active October contract hovered within the range of Rs.968.00-995.80 in this week.

Candlestick is indicating indecision market while %K line going up and remained above over %D line at neutral region. MACD showed steady market and remained at the positive territory. Prices closed above the 9-days and 18-days EMA, which is indicating strong market.

Outlook:

The wheat futures at the NCDEX are likely to trade down for two to three days and might be going up 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
October Contract	977.50	970.60	995.80	1000.00

MARKET FUNDAMENTALS:

The wheat prices have been increasing in spite of the duty cut. The spot prices in Delhi have increased from Rs.980-985/qlt to Rs.1002-1005/qlt since the duty cut on Monday. However the duty cut notification has not come so far. Markets might be go to down once it gets notified but the higher international prices is offsetting the expectation as the individual private importers would be able to import wheat only in the range of \$240-245 (Rs 11280-11515) and above. At this rate, not many traders would be willing to import. Wheat prices climbed in the wholesale grains market in this week due to stockists buying triggered by firming trend in future trading at NCDEX. The other bullish factors were increasing offtake by the flourmills due to festive demand, strong demand from South India and rising international wheat prices, which escalated the landed cost of imported wheat in India. According to the traders, the firm trend in future trading at NCDEX is influencing the cash wholesale market. The strong demand for wheat provided underlying support to the market. On the other hand, STC has received eight bids from the international market at the prices range of \$223.75-\$270 per tonne on a cost and

freight basis, so the landed cost of imported wheat will be much more than current spot prices. In addition to, any state did not impose stock limits, which encouraged the stocks hoarding. Besides, the four companies AWB, Glencore, Concordia and Toepfer have been shortlisted for the supply the wheat. AWB won the lion's share of the business and grabbing 550,000 tonnes of wheat. The overall outlook for wheat is bullish.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	2.09.06	9.09.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	667	682
Chokar (50 kg)	310	307
Chokar (35 kg)	196	200
Chakki Atta (90kg)	930	945

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

Markets	2.09.08	9.09.06
Delhi (Lawrence Road)	980-985	1002-1005
Haryana (Karnal)	955-960	975-980
Punjab (Khanna)	975-980	985-990
Ahmedabad	1085-1090	1090-1095
Rajasthan (Kota)	1045-1050	1035-1040
Uttar Pradesh (Kanpur)	1020-1025	1035-1040
Madhya Pradesh (Indore)	1050-1060	1055-1060
Uttar Pradesh (Bareilly)	995-1000	1000-1005
Punjab (Sunam)	920-925	930-935
Ludhiana (Jagraon)	875-880	870-875
Rajkot (Mill Quality)	1060-1070	1055-1060
Madhya Pradesh (Bhopal)	960-970	970-980

INTERNATIONAL AND DOMESTIC NEWS:

Imported Wheat: Pesticide Limit Prescribed

According to the daily newspaper "The Hindu", the Government has set the pesticides limit for wheat imported for the public distribution system or under the Open General License (OGL). The Ministry of Health and Family Welfare has recognized the pesticides that could fall under the Maximum Residues Limits (MRLS) category. This is consistent with the limits prescribed by the internationally accepted Codex method. The pesticides are ---Carbaryl, Fenitrothion, Hydrogen Phosphide, Inorganic Bromide, Malathion, Phosphamidon and Dithiocarbamates. As per the notification, it has been proposed that the food grains shall be practically free from 'Argemone Maxicana' and 'Kesari' in any form, "For wheat, it has been proposed that the requirements of Deoxynivalenol (DON) shall not be more than 2000 micrograms per kilogram", it said. The amendments will remain in force till March 31, 2007, it said.

Govt: No Plan to Issue Fresh Tender for Import of Wheat

According to the Agriculture Minister Sharad Pawar, the government does not have any plan to float any fresh tender for importing wheat. India began importing wheat in February for the first time in six years to lift up the buffer stocks. Wheat stocks were estimated at 7.33 million tonnes on August 1, down from 12.9 million tonnes a year ago. As per the imports schedule, the state-run Food Corporation of India has received six shipments of about 300,000 tonnes of wheat by August 27. The government are confident wheat prices would remain at reasonable levels due to the rapid pace of imports. A comfortable stock level would help the government keep a check on prices, if necessary, during winter when demand peaks and prices tend to jump.

Govt Cut Wheat Import Duty to 0% from 5%

The government of India has cut the wheat import duty for the private traders from 5% to 0%. The government has

reduced the import duty to augment the domestic supply in the market. The private traders were urged to the government to cut the import duty to 0% but the government was ruled to cut the import duty on last Thursday. The private traders or the direct users like flourmills and biscuit manufacturer will be capable to import wheat at 0% for the next four months.

Around 65,000 tons of Wheat to Arrive in Mumbai

According to the source, around 65,000 tonnes of wheat carrying in four ships will arrive in Mumbai in September. Private importers have been importing this amount of wheat. They reported that one ship with 20,000 tonnes of wheat had arrived in Mumbai on Monday, while another vessel with 18,000 tonnes was expected to dock on Sept 12. Two more vessels, with 10,000 tonnes and 16,000 tonnes, were expected by Sept. 16. The Russian and Ukrainian origin wheat was importing at the cost of \$193-\$200. A shipment of 250,000 tonnes was anticipated to reach in Tuticorin port in the next 45 days and another 30,000 tonnes in Kolkata over the next one month. A consignment of 20,000 tonnes was unloaded in Mangalore last week.

Bright Production Prospect for Rabi Wheat amidst Heavy Rainfall

According to the Agriculture Minister Sharad Pawar, a special campaign to increase acreage in non-traditional wheat growing States like West Bengal would be undertaken at the beginning of Rabi season. He concluded that the production prospect for wheat is bright due to heavy rainfall in this year and heavy rainfall during current monsoon would raise water reservoir level in the irrigated areas. Wheat is mostly grown in the irrigated areas of Punjab, Haryana, Western Uttar Pradesh and Madhya Pradesh.

Experts: Zero Import Duty Might Not be Affect on Wheat Prices

The Government has lifted the import duty on wheat from 5% to 0% on Monday to augment the domestic supplies. Biscuit and bread manufacturers were facing problems. They can import wheat at zero-duty now till December, according to the Food and Agriculture Minister Sharad Pawar told the Hindustan Times. However the traders told that the decision has been taken too late as the international wheat prices are climbing. The international prices has increased from \$178-\$185 to \$210-\$230 within a couple of months. Therefore the landed cost for wheat will be much more at zero duty. According to the D.P. Singh, chairman of the All India Grain Exporters' Association, the private wheat import might not be exceeding 10 lakh tonnes this fiscal year. The zero-duty concession for private parties is meant to ensure that demand for wheat from biscuit-bread manufacturers and roller-mills does not impact wheat prices that have started showing shown a "stabilising" trend, according to Hindustan Times. Besides, it would also help cap input costs for the industry.

Wheat Import at 0% Duty to be Permitted Till Year-End

Following a day of high drama, including PM Manmohan Singh's intervention, the Government Tuesday said the users industry would be allowed to import wheat at zero per cent duty till December 30, this year. The Agriculture Minister Sharad Pawar told that the private traders should not be allowed to import wheat beyond 30th December at zero percent import duty. Pawar elucidated that the official notification on reducing the duty for private wheat imports from 5 per cent to zero would be notified within two days. The decision follows agriculture minister Sharad Pawar's announcement on Monday, which was being stonewalled by the finance ministry.

STC Received Eight Bids for Import of 1.67 MMt Wheat

State Trading Corporation on Tuesday received eight bids for their wheat import tender of 1.67 million metric tonnes (MMt). The bid prices were varied from \$223.75 and \$270 per tonne on a cost and freight basis for a total offer for 2.72 MMt. Among the eight bids, Glencore's bid was the highest quantity, offering to sell 650,000 tonnes, followed by Australia's monopoly wheat exporter AWB Ltd, with 630,000 tonnes. Glencore had offered lowest bids \$223.75/tonne for the supply of 130,000 tonnes at Mundra port out of its total 630,000 tonnes. The highest price bid was Louis Dreyfus at \$270 per tonne C&F. International trading firm Toepfer bid for 540,000 tonnes, Concordia 180,000 tonnes, India's Adani 282,000 tonnes and Cargill 220,000 tonnes. Louis Dreyfus has bid for 124,000 tonnes and Agrico 100,000 tonnes. There were no bids to offer U.S. or Canadian origin wheat. However some companies said they could supply quantities of wheat from five or six different origins including the U.S., Canada and Argentina.

Global Wheat Prices Climbing due to Tight Supplies

The bid prices for the Indian wheat import tender of 1.67 MMt wheat were high due to tight supplies in the world and bearish production prospects for wheat in United States, Europe and Australia amidst erratic weather. STC has contracted wheat imports of 3.8 million tonnes since March, with the last contract for 330,000 tonnes finalised at an average of \$210 a tonne. The earlier tenders were finalised at about \$200 a tonne or slightly lower than that. The international prices has been climbed from \$178-\$185 to \$220-\$225 per tonne including cost and freight basis within a couple of months.

Wheat Prices Soaring in Spot & Futures Despite Duty Cut

The wheat prices have been increasing in spite of the duty cut. At the NCDEX it is witnessed that the wheat for October delivery rose from Rs.968.20 a quintal on Monday to Rs.990.20 (17.00 IST) Thursday. The spot prices in Delhi have increased from Rs.985/qlt to Rs.997/qlt in the same period. However the duty cut notification has not come so far. Markets might be go to down once it gets notified but the higher international prices is offsetting the expectation as the individual private importers would be able to import wheat only in the range of \$240-245 (Rs 11280-11515) and above. At this rate, not many traders would be willing to import. According to the traders, the duty cut should have come much earlier when the international prices of wheat was lower than the domestic prices. The Agriculture Minister Sharad Pawar was told on Tuesday that the duty cut notification would be notified within two days. But, till date, the notification was not come.

STC Shortlisted Four Bids for 16.7 Lt Wheat Import Tender

According to the daily newspaper Business Standard, the STC has shortlisted four bidders for the 16.7-lakh tonnes (Lt) wheat import tender. Glencore, AWB, Toepfer and Concordia who offered 6.5 lakh tonne, 6.3 lakh tonne, 5.4 lakh tonne and 1.8 lakh tonne, respectively, have been short listed, according to an official source. The prices offered by them are in the range of \$225 to 267 a tonne.

Wheat Prices Likely to Restricted in 2006-07

According to the Crisil Research, the domestic prices for wheat are anticipated to increase by about 10% in the next six months from the current level of Rs.967 per quintal because of tight supply situation, even though the overall foodgrains prices are expected to ease in the short term because of imports. The present wheat prices in Delhi are at Rs.995-1000/qlt for mill quality; therefore it would be

increased by Rs.90-100/qlt in the next six months, as per their report. However the imported wheat has been coming as per schedule and the government stocks would be increase in the next couple of months. Therefore the traders are speculating that the upward trend for wheat prices might be restricted if once the government releases the wheat at the open market. On the other hand private wheat import has also been initiated, which is likely to increase the availability at the market yards.

AWB Won Lion's Share in STC Wheat Import Tender

According to the Reuters, the Indian government imported 1.67 million metric tonnes (MMt) of wheat it had tendered for, but the amount did not include supplies from the United States. The four companies AWB, Glencore, Concordia and Toepfer has been shortlisted for the supply the wheat. AWB won the lion's share of the business and grabbing 550,000 tonnes of wheat. However the bids are valid until September 13. STC will import wheat in lots of 25,000 tonne, 35,000 tonne, 50,000 tonne, 60,000 tonne and 75,000 tonne between November 1 and February 15. The STC has suggested the government should import the whole 1.67 MMt of wheat at an average price of \$229 per tonne cost and freight, according to the report. They said the STC had suggested to the bidders that the wheat could be delivered to Kandla, Mundra, Visakhapatnam and Chennai ports, which can accommodate larger vessels and therefore cut delivery costs.

USDA: US Weekly Wheat Export Sales Declined

Net sales of 383,400 MT were 12 percent below the previous week and 5 percent under the prior 4-week average. Major increases for Yemen (103,000 MT), Mexico (82,100 MT), Japan (54,900 MT), the Philippines (36,500 MT), Nigeria (31,900 MT), Guatemala (24,800 MT), and the Dominican Republic (21,100 MT) were partially offset by decreases for unknown destinations (31,500 MT), Morocco (18,600 MT), and Italy (15,800 MT). Exports of 625,300 MT--a marketing-year high--were 47 percent above the previous week and 42 percent over the prior 4-week average. The primary destinations were Japan (121,000 MT), Nigeria (107,300 MT), Mexico (59,000 MT), South Korea (57,600 MT), Egypt (51,300 MT), and the Philippines (48,500 MT). (This summary is based on reports from exporters for the period August 25-31, 2006)

Source: FAS, USDA

FM: Ruled Out Duty Free Wheat Import by Private Traders

According to the Tribune News Service, the Finance Minister P Chidambaram Friday positively stating that no decision has been taken to allow private traders to import it duty free. Therefore the wheat prices not likely to come down. The earlier decision of CCEA remains, F.M. said. The CCEA in June decided to reduce the import duty on wheat from 50 per cent to five per cent to augment the supplies in the local market. On Monday, Mr Pawar told that the orders for duty-free import of wheat would be notified within two days and the private traders will be allowed to import at duty free till December 31.

PORT WATCH: (As on 1st SEPTEMBER)

Kandla Port is receiving 44,619 MT of wheat from the vessel 'Ocean Island'. Shantilal 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.

'Kolocep' is discharging 39,969 MT of wheat at Chennai Port. 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. The port is expecting 'Split' to deliver

43,000 MT of wheat. Seaways agents will be handling the vessel.

Mundra Port is receiving 69,000 MT of wheat from the vessel 'Albando'. The vessel is being handled by Interocean agents. 'Ais Nikolas' has berthed at Mundra Port and continues to deliver 62,105 MT of wheat. The vessel is being handled by Interocean agents.

'Swakop' is expected at Tuticorin Port and to discharge 26,685 MT of wheat. Hari&Co. agents will be 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.

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.01	Aug.31	Sep.01	Aug.31	Sep.01	Aug.31	Sep.01	Aug.31
Sep.06	190	189	158	157	169	167	193	192
Oct.06	190	189	158	157	169	167	193	192
Nov.06	198	197	162	161	173	172	198	197
Dec.06	182	179	161	160	172	170	196	195
Jan.07	188	185	166	165	177	176	202	201
Feb.07	191	n/a	169	n/a	180	n/a	205	n/a

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 8th September, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.20
1 Euro	58.72
100 Yen	39.77
1 British £	86.56

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