

Wheat

28th AUGUST-2nd SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Weak in the Week
- Wheat Prices Fell Down at the Spot Market this Weekend
- Government Issued Order to Impose Stock Limit

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: OCTOBER (Future)

NCDEX wheat futures traded bearish during the week due to government intervention and lack of buying pressure and recovered slightly on Saturday. The speculators are not interested to take position as long term as the states might be imposed stock limit on wheat. The open interest and volume remained weak in this week. Most active October contract remained down at Rs.972.40 from Rs.989.80 of last Saturday. It traded within the range of Rs.965-993.80 in this week.

Unfilled Candlestick is hinting upward market while %K line is continuing to move down and prevailed below over %D line at neutral region. MACD remained down at the positive territory, indicating bearish market as medium term. Prices closed just below the 9-days and 18-days EMA, which is indicating bearish market.

Outlook:

The wheat futures at the NCDEX are likely to trade up for two to three days and might be going down after that.

Advice:

Sell at higher 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	960.00	965.00	993.50	1000.00

MARKET FUNDAMENTALS:

Wheat traded weak across the major mandis of the country during the week and it is likely to continue this downtrend sentiment in the near future also as stockists are releasing stocks of wheat and the states might be impose stock limitation order. If all states impose the stock limits on wheat then the higher arrival will reduce the market price other wise it will remain firm. The scheduled arrival of imported wheat might trigger the prices to down, as the government will release wheat at open market. The strong market was due to mostly weak arrival and regular demand from the flourmills. Therefore wheat data prices prevailed at Rs.980-985/mtl with average daily arrival of 5000-6000 bags at the Lawrence road mandi in Delhi without rake loading as no arrival at the rake despite strong demand from South. Wheat traded at Rs.1165-1170/mtl in Bangalore mandis. Besides, the government confirmed tender to import of 1.67 MMt wheat as duty free as the government has less stocks of wheat and they also reduced PDS quota of wheat. Therefore the government raised import to lift up the stocks. The market rumour was that the Gujarat government is not intended to impose stock limits on wheat in the coming days. Till now any states did not impose stock limits on

wheat, according to the source. The demand for the wheat products remained quiet due to confusion over stock limitation but it will boost up therefore the wheat prices are likely to go up in near future. On the other hand, the commodity exchange will impose additional 20% margin for long position on wheat and reduce the price limit to 4% from 6% to reduce the volatility at the futures market, according to the FMC.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	26.08.06	2.09.06
Atta (90kg)	1045	1038
Maida Grade 1(90kg)	1217	1207
Suji (50kg)	672	667
Chokar (50 kg)	314	310
Chokar (35 kg)	213	196
Chakki Atta (90kg)	950	930

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

Markets	26.08.06	2.09.08
Delhi (Lawrence Road)	1000-1005	980-985
Haryana (Karnal)	980-982	955-960
Punjab (Khanna)	970-972	975-980
Ahmedabad	1085-1090	1085-1090
Rajasthan (Kota)	1070-1075	1045-1050
Uttar Pradesh (Kanpur)	995-1000	1020-1025
Madhya Pradesh (Indore)	1070-1075	1050-1060
Uttar Pradesh (Bareilly)	995-1000	995-1000
Punjab (Sunam)	930-935	920-925
Ludhiana (Jagraon)	865-870	875-880
Rajkot (Mill Quality)	1070-1075	1060-1070
Madhya Pradesh (Bhopal)	975-985	960-970

INTERNATIONAL AND DOMESTIC NEWS:**Govt. Allowed to Import of 2-MMt Wheat at Duty-Free**

Owing to the shortfall in procurement of the wheat for PDS, the government has declared to import of an additional 20-lakh tonnes or 2 million metric tonnes (MMt) of wheat at zero customs duty. The state-run Food Corporation of India will be import on behalf of the government and it will be completed by February 28, 2007. The imports will be allowed only through Chennai, Tuticorin, Cochin and Visakhapatnam ports, according to the notice of Directorate General of Foreign Trade. The government is importing totalled of 58.30 lakh tonnes of wheat including 38.30 lakh tonnes of the commodity that public sector company, State Trading Corporation at zero-duty. State-owned firms MMTC Ltd and PEC Ltd are also importing 40,000 tonnes of wheat each for private traders at five per cent customs duty.

Southern Mills Importing 45,000 ton Wheat from AWB

According to the daily newspaper Business Standard, the Roller mills in south India have contracted to import of around 45,000 tonne wheat from Australia's AWB at \$229 a tonne. They reported that 27,500 tonne would be delivered at Tuticorin port in November and the rest at the Chennai port in December. The millers are negotiating another deal with AWB for about 45,000-50,000 tonne at \$231.50 a tonne. The deal, however, is yet to be finalised. As per the Bangalore-based miller, the imported cost of wheat from AWB would a little over Rs 12,000 a tonne at mill gate after adding 5.1 per cent duty, clearing and gunny charges, phytosanitary clearance and inland transportation charges.

Private Parties Got Permit to Import of 2.912 MMt Wheat

The Agriculture Ministry of India has issued 113 permits in between 29th June to 24th August to the private parties for import of totalled 2.912 million metric tonnes (MMt) of wheat. The imported wheat will be reached at Chennai, Tuticorin and Mumbai ports, according to the source. The import duty is 5% for the private parties. Among 113 permits, 69 permits have been issued for the import of 1.36 MMt of wheat at Mumbai port, 1.11 MMt at Chennai and 372,000 tonnes at Tuticorin port. The rest of the import will take place at other ports like Kolkata. Traders said, many

companies have contracted to import of around 4 lakh tonnes of wheat, mostly of Black Sea and Australian origins for delivery in between September and October.

Wheat Likely to Decline as 7-Lt of Imports to Reach

According to the market source, the market sentiment for wheat is likely to soften in near future due to scheduled delivery of over 7.5 lakh tonnes (Lt) of imported stock by next month. FCI has received 2.95 lakh tonnes wheat carried by six vessels on Monday. One vessel is currently at discharge in Chennai port having a total quantity of 50,078 tonnes of wheat, out of which 27,000 has been offloaded yesterday. On the other hand, four vessels have arrived at Visakhapatnam, Kochi and Mundra ports with 2.1 lakh tonnes of wheat and they are under quality check. Of the four vessels that are on way to Indian ports with 2.16 lakh tonnes of wheat, two are scheduled to arrive by the end of August and third and fourth vessels with 1.3 lakh tonnes is expected to arrive at Mundra by September 9, 2006.

Expert: Stock Limit Unlikely to Check Wheat Prices

The government has empowered to all states to impose stock limits on the quantity of wheat that individuals and trading companies can store with the aim of curb inflation and reduce the prices. However the government did not specify what the ceilings were, or when they will come into force. The wheat prices accelerated to a six-week high in the second week of August. But according to the experts, stock limitation alone could not curb the prices as availability continues to be low. The ministry imposed stocks limits, as speculation of there is sufficient stocks to the stockists like MNCs. However the country has been facing shortfalls of wheat and started importing earlier this year for the first time in six years. The limits on wheat don't apply to imports, though state authorities are authorized to ask importers to declare how much of the items from overseas they hold, the ministry's statement said.

Gujarat Not Likely to Impose Stock Limits on Wheat

According to the source, the trading company in Delhi has purchased around 65,000 tonnes of wheat at the rate of \$190-195, cost and freight basis. On the total purchase, about 18,000 tonnes has been sold to an international trading house Glencore International at around \$193 per tonne C & F. On the other hand, the market rumour was that the Gujarat government is not intended to impose stock limits on wheat in the coming days. The centre is likely to cut its foodgrains quota under its subsidised sales programme.

Food Grain Stocks Down Due to Low Wheat Stocks

According to the daily newspaper Financial Express, the government official said the food grains stocks in India were down 18.9% on year at 17.46 million tonne as on August 1. The lower procurement wheat pulled down the grain stocks, he added. The low procurement has pushed the government's wheat stocks down to 7.33 million tonne as on August 1 from 12.98 million tonne a year ago. Therefore the government has increased the allocation of coarse grains in place of wheat to state run welfare schemes. As a result, its grain stocks also slipped 56.6% on year to 2.55 lakh tonne, the official added. However the government wheat stocks are likely to build up due to schedule arrival of imported wheat. The government should have at least 4 million tonne wheat as buffer as on April 1, 2007.

Govt. Cut Wheat Quota by 63% under PDS Scheme

According to the daily Newspaper Financial Express, the government has cut monthly wheat allocation quota under the targeted public distribution scheme (PDS) by 63% to 8,72,000 tonne owing to low stocks. The reduced quota was effected from June. In May, wheat offtake by states under the targeted

PDS was 1.04 million tonne. The total food grain allocation to states has also been cut by 23% to 4.49 million tonne. They reported that the largest cut in wheat allocation has been made for the above poverty line (APL) families, as per the recommendations of a Parliamentary panel. Wheat allocation to APL families has been reduced by a gigantic 88% to 1,83,995 tonne, while that to below poverty line (BPL) families has been reduced by 15% to 4,40,728 tonne. For Antyodaya Anna Yojana, it has been deducted by about 10% to 2,47,291 tonne. In Karnataka, Gujarat and Madhya Pradesh, the government has started allocating coarse grains such as ragi, maize and jowar to cut down on wheat provision. As a result, coarse grain allocation has been scaled up to over 37,000 tonne from June from about 8,000 tonne each in April and May.

STC Floated Fresh Wheat Import Tender of 1.67 MMt

The government run State Trading Corporation (STC) on Wednesday floated a fresh wheat import tender of 1.67 million metric tonnes (MMt) to lift up buffer stock. The STC has already contracted 3.83 MMt of wheat through four global tenders since February at zero import duty. The tender will be closed on September 5 and bids will be evaluated by Sept. 13. The imported wheat should be reached at seven Indian ports of Mumbai, Kandla, New Mangalore, Mundra, Vizag, Tuticorin and Chennai starting during November to February 15, 2007. Quality specifications remain same as that of the last tender. With this fresh tender, the agency has been importing a total of 5.5 MMt of wheat so far on behalf of the Food Corporation of India meant for Public Distribution System. The specified parcel size for Mundra stands at 60,000 to 75,000 tonnes, while the size for Mumbai port stands at 25,000 to 35,000 tonnes. The parcel size for remaining ports has been fixed at 35,000-50,000 tonnes. STC has wanted the maximum quantity of 3.55 lakh tonnes at Vizag port followed by Kandla (3.5 lakh tonnes), Chennai (2.75 lakh tonne), Mundra (2.7 lakh tonnes), Tuticorin (1.95 lakh tonnes), New Mangalore (1.2 lakh tonnes) and Mumbai (1.05 lakh tonnes).

Cabinet might be Cut Wheat Import Duty to 0% for Private Traders

According to the daily newspaper The Hindu, the Cabinet Committee chaired by Prime Minister Manmohan Singh will discuss on Thursday about the inflationary trends and steps to bring down the prices of wheat, pulses and sugar that are showing no signs of failing. They reported that the meeting might be taken the decision of traders, who are looking for zero import duty as of STC. Traders were permitted to import 25 lakh tonnes, but so far only about 1.2 lakh tonnes had arrived. The government has worried even the notification that authorises of the States under the Essential Commodities Act to impose stock-holding limits on wheat and pulses (for six months) have not improved the supplies in the open market.

Govt: Ruled Out to Cut Wheat Import Duty from 5%

The government said Friday that there was no plan to cut wheat import duty to zero percent. The traders were urging to the government to reduce the import duty to zero level. But the government ruled out this. The government has already cut the duty from 50% to 5% in June, 2006. The government will decide about the import duty in December, according to the source.

NCDEX to Reduce Daily Price Limit on Wheat to 4%

The National Commodity and Derivatives Exchange said on Thursday it would reduce the daily price limit for trading in wheat futures contract from Sept. 1, to curb volatility. The limit will be cut to 4 percent from 6 percent of the daily wheat futures contract opening price following a directive from the market regulator, Forward Markets Commission, the exchange said.

Centre Issued Order on Stock-Holding Limits of Wheat

According to the daily newspaper The Hindu, the Central Government issued an order imposing stock-holding limits for wheat and pulses for six months under the "Removal of (Licensing Requirements, Stock Limits and Movement Restrictions) on Specified Foodstuffs (Amendment) Order, 2006". This is decided in the Cabinet meeting on Thursday. They reported that there was no official word on the CCP meeting chaired by Prime Minister Manmohan Singh. But the sources indicated that the meeting discussed the price situation as also the arrivals of wheat and pulses. It reviewed the availability of essential commodities especially after the decision to import an additional 20-lakh tonnes of wheat. In the meantime, the transportation, distribution or disposal of wheat and pulses (whole or split) to places outside the State, or their imports would not be affected due to the stock-holding order for wheat and pulses affect the transportation. The order says that the Central and State governments are likely to direct importers to declare the receipts of stocks of wheat and pulses and the stocks reserved by them.

FMC to Impose Additional Margin of 20% on Wheat

The futures market regulator Forward Market Commission (FMC) is going to impose the additional margin to 20% in wheat for all long position of wheat contracts. The additional margin comes in to effect from coming Monday, on all contracts of wheat would hereafter be payable in cash during normal pay-in time, according to the FMC. Till now the additional margin is 10% for long position of wheat. The FMC has also reduced the price limit on wheat contracts from 6% to 4%, beyond which the prices can't rise in a day.

U.S. Interested in Indian Wheat Import Tender

The United States is very much eager to export wheat to India in the current tender of 1.67 million metric tonnes (MMt), which was floated in this week by the STC. The Indian tender, from the government-run State Trading Corp., closes on Sept. 5. The U.S. wheat industry says India has regulations that make it difficult for U.S. wheat to qualify for purchase.

India Set to be Major Wheat Importer in 2006-07

According to the daily newspaper Financial Express, India is expected to come out as the largest wheat importer, this year, if the government's import plans work out as per schedule. India was the seventh largest wheat importer a few years ago but now it import over 8.5-MMt wheat this year. The government has decided to import 5.5 MMt against zero duty on its own account and has allowed private parties to import 3-MMt wheat against a reduced duty of 5%. Therefore India is importing totalled of 8.5 MMt in 2006-07. However US could not capture any single volume so far despite relaxed quality norms. US is now very much eager to participate in the current tender of 1.67 MMt. According to an USDA report, India would rank first followed by Egypt would rank second with a possible import of 7.2 mt, followed by Brazil with a likely import of 6.8 mt.

PORT WATCH: (As on 1st SEPTEMBER)

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.

Vizag Port is receiving 39,521 MT of wheat from the vessel 'Alik'. EBC agents is handling the vessel.

Delivery of 14,000 MT of wheat is continuing at New Manglore Port from the vessel 'Maritime Cute'. Sahi Oretrans agents is handling the vessel.

Cochin Port is receiving 36,100 MT of wheat from the vessel 'Turicum'. Chakiat 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 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.

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

Heavy to very heavy falls likely at a few places over Haryana, Delhi, West Uttar Pradesh, Punjab, Jammu & Kashmir, during next 24 hours might be affect on arrival. However increase in rainfall activity over Rajasthan and northwest India and decrease in rainfall activity over eastern India, Chhattisgarh and east Madhya Pradesh during the first half of the week.

FOREX (As on 1st September, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.53
1 Euro	59.61
100 Yen	39.67
1 British £	88.57

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