

Wheat

18th-23rd SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Witnessed Range Bound Trade
- Wheat Prices Maintained Firmness at the Spot Market
- Govt Estimates Final Wheat Output at 69.4 MMt for 2006

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

NCDEX wheat futures remained volatile during the week starting September 18 due to government intervention and confusion over likely imposition of stock limits in different states. While profit-booking and lack of fresh demand pulled down prices, these were largely steady as compared to last week. Open interest was steady but volumes decreased during this week.

Candlestick pattern is indicating steady to weak opening. The %K-line as well as the %D-line is moving upwards in the normal region, hinting further uptrend. MACD has just entered the negative territory, but remain quite indecisive. Prices closed above 9-day and 18-day EMA, hinting firm prices.

Outlook:

The wheat futures at the NCDEX are likely to trade with a firm sentiment in the week ahead. However, some correction is expected and the corrective dips can be used for buying.

Advice:

Buy at corrective dips for medium-term (5-6 days) trading in the week ahead.



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December Contract	988.00	975.50	1036.30	1050.60

MARKET FUNDAMENTALS:

Wheat prices maintained their bullish trend in the Delhi market amidst increased offtake from rolling flourmills against scanty supplies. On Thursday, however, prices tumbled on reports that the Delhi Government was planning to impose stock limits. Overall, however, the market remained steady as compared to the previous week, finding support in firm demand from Assam and South India. Rains in some parts and uncertainty over imposition of stock limits checked domestic activity, with some negative movement seen in Rajasthan. Meanwhile, the roller miller's body has estimated private wheat imports at 20 lakh tonne till the year-end. So far, they have contracted to import around 6 lakh tonnes. The government has said that importers have to furnish all details of imports within seven days of the stocks reaching them. While government intervention kept the market steady-to-down, the overall outlook for wheat prices remains bullish in the near term.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	16.09.06	23.09.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	708	708
Chokar (50 kg)	318	307
Chokar (35 kg)	208	204
Chakki Atta (90kg)	940	940

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

Markets	16.09.06	23.09.06
Delhi (Lawrence Road)	992-995	990-995
Haryana (Karnal)	960-965	960-965
Punjab (Khanna)	990-995	985-990
Rajasthan (Kota)	1045-1050	1025-1030
Uttar Pradesh (Kanpur)	1025-1030	1020-1025
Madhya Pradesh (Indore)	1065-1075	Closed
Uttar Pradesh (Bareilly)	990-995	990-995

INTERNATIONAL AND DOMESTIC NEWS:

Wheat Prices Expected to Remain Firm in Near Future

According to the source, the higher arrival of imported wheat is not likely to curb down the wheat prices and the prices might be ruling high despite the arrival of an estimated 30-lakh tonnes of wheat from overseas. Traders said, the prices are expected to move around Rs.100/qrtl at least for the near future, which is about to 30% higher than the price ruling four-five months back in spite of the arrival of imported wheat. Near 30 lakh tonnes of wheat have already landed in the southern and western ports out of a total 50 lakh tonnes ordered for. Till Rabi crop hits market the prices are likely to stay strong unless government permits more imports.

Government Estimates Final Wheat Output at 69.4 MMt for 2006

According to the daily newspaper Hindustan Times, the Government on Friday put final wheat production estimate at 69.4 million tonne (MMt) for this year, which is down by 2.5 MMt than the initial estimate. As per the report of Agriculture Secretary Radha Singh, the wheat production estimate has been brought down by 2.5 MMt this year due to the normal temperature rose by three to five degrees during January-March period when the wheat crop was in the grain filling stage. The secretary put the loss of wheat quantity due to rise in temperature at 5-7 million tonne. The targeted wheat production was 74 MMt for the last Rabi season. To avoid rise in temperature by the end of winter, she said the wheat growers would be asked to sow by at least 15 days ahead of usual sowing schedule this year. The secretary also said an all out efforts involving the major wheat producing states would be made in the coming Rabi season to ensure that the final production increased at least by 4.5-5 million tonne.

Wheat Output Pegged to 5.6 MMt in Spain; Drought in Argentina

According to the Spanish Agricultural Ministry, the 2006-07 wheat crop in Spain is estimated at 5 million metric tons, which is down from a previous estimate of 5.6 million tons in July and from a 7 MMt estimates in May but up from last year's drought-stricken crop of 3.8 million. On the other hand, around 30% of Argentina's wheat crop is suffering from drought and conditions are worsening since the crop has already passed the stage in which yields are determined, the Buenos Aires Cereals Exchange said.

Govt: Dangerous Weeds Found in Imported Wheat

According to the daily newspaper Financial Express, the imported wheat has contaminated by two dangerous exotic weeds, which had entered the country as the State Trading Corporation of India (STC) imported wheat under the new policy. In the first two consignments of 92,156 tonne, two dangerous weed species, *Cenchrus tribuloides* and *Solanum carolinense* were found. They reported that these weed species are of "quarantine concern to India," according to a counter affidavit filed by the government in the Supreme Court to the writ petition by Vandana Shiva and others against the new import policy. Ministry of food and consumer affairs director Rajiv Ranjan further said in his affidavit that the imported wheat also contained 18 other weed species. He said, but, since these 18 species were already present in the country.

Govt: Around 1.2 MMt of Imported Wheat Arrived in India

According to the Food Ministry, around 1.2 million metric tonnes of wheat has arrived. The government has contracted to import of 5.5 million tonnes of wheat through State Trading Corporation of India in this year. Of nine vessels with 485,203 tonnes of wheat that have sailed for Indian ports, seven are scheduled to arrive by September end and the remaining two by Oct 9, according to the source.

Wheat: PDS Quota Slashed to 7000 MT in Tamilnadu

In Tamilnadu, the family ration cardholders were fetching wheat through fair price shops at a reasonable rate of Rs. 7.50 per kilo. With the PDS outlets displaying 'no stock' board, the open market price of wheat has touched to an all-time high of Rs 20 a kilo, which isn't within the reach of the common man. Rajarathnam, Deputy Commissioner, Food and Consumer Protection Department, told that wheat quota for Tamilnadu had been gradually reduced to 7,000 MT from 10,000 MT and now the State gets a scanty 3,783 MT, which is not enough for PDS supply. The offtake is anywhere between 6,000 MT and 7,000 MT for supply through 28,000 PDS outlets spread across the State. The government is taking all necessary steps to get the quota from the Central pool, he concluded.

Wheat Production Likely to Decline by 28% in Australia

Dry weather forced the Australian government to slash its winter crop forecasts by 28%, with the wheat crop likely to fall 35 percent from last year and more spring rain needed to secure summer crops. The winter wheat production in 2006/07 is forecast to fall to 26 million tonnes from last year's 40.45 million tonnes, the Australian Bureau of Agricultural and Resources Economics said in its latest crop report on Tuesday. The nation is likely to produce 16.4 million metric tons of wheat from October to January, they reported. The country earned A\$3.5 billion (\$2.6 billion) from wheat last year and was forecast in June to earn A\$4.6 billion from a crop of 22.8 million tons. Besides, wheat futures have risen 17 percent this year in Chicago on concern Australian, European and U.S. output will fall because of dry weather.

Govt: Wheat Production Target at 75.5 MMt in 2007

According to the source, the government has put their target to produce 75.5 million metric tonnes of wheat in 2007. The target is over 6 mt higher than estimated output of 69.4 million tonne in 2006. On the other hand, the overall food grain production target for the current crop year to June has been pegged at 220 MMt, which is up from 208.3 million tonne in 2005-06. Of the total food grain production for the year ending June, kharif production, as per the first advance estimates, has been set at 105.2 MMt. This is over 4 MMt lower than last year's production. The target was pegged much higher at 115 MMt. Rabi

foodgrains production has been set at 104.7 productions. Kharif crops are sown from June and harvested from September-end while rabi or winter crops are sown from October and harvested from March-end.

India Appears As a Top Wheat Importer

According to the Rebecca Coleman, USW Director of Policy and Government Programs, facing low buffer stocks, increased consumption and a poor growing season, India has become a top wheat importer after a six-year hiatus, signing contracts for more than 5 MMT of wheat in the last year. The last tender floated was for 1.67 MMT and the Indian government received eight bids totaling 2.7 MMT. Prices were quoted in the range of \$223.75 to \$270 per MMT C & F. According to Akhilesh Prasad Singh, India's junior farm minister, "India has no immediate plans for a further wheat import tender." Additionally, the Indian government just announced plans to boost production by an estimated five to seven million tonnes by offering incentives to wheat growing states in India. But while the government may not require any more wheat imports for the public distribution system, private wheat imports may continue. In an apparent effort to encourage additional purchases, the Indian Government decided last week to allow the private sector to import wheat at the same zero percent duty rate that the government import agencies currently enjoy. Previously private sector import duty on wheat was reduced to five percent from 50 percent. The U.S. has not been able to participate in any of the recent Indian wheat tenders due to the inability to certify in accordance with the Indian Government's requirements for weed seeds. USW is working with the USDA and other government officials in an attempt to open the market to U.S. wheat by requesting revisions to these requirements.

Source: USW

Govt Asks Traders to Give Details of Wheat Import in 7-Days

Importers of wheat are required to declare to the central government the particulars of wheat imported and received by them within seven days from the date of receipt of stocks; according to the Import of Wheat (Stock Declaration) Order 2006 notified by the Government and which came into force on September 19, 2006.

According to the Order, every importer of wheat would be required to submit a return by the 10th of every month about stocks of wheat imported, released and retained by him to the central and state governments.

The Order also provides for submission of returns to the central government by Deputy Commissioners of Customs at every port on receipt of any cargo containing wheat imported to India. This Order does not apply to any wheat imported by or on behalf of the Food Corporation of India.

Keeping in view the increasing trend in the open market prices of essential commodities like wheat, pulses etc. in the recent past the central government had kept in abeyance the provisions allowing for removal of stock limits on foodstuffs (contained in orders dated February 15, 2002 and June 16, 2003) for a period of six months w.e.f August 29, 2006 enabling the state governments to impose suitable stock limits to check hoarding. It was also provided in the said order that the central and state governments may direct the importers to declare the receipt of stocks of these commodities and stocks retained by them.

Source: PIB

Private Wheat Import Estimated to 20 LT at 0% Duty

The apex roller miller's body on Wednesday estimated private wheat import to 20 lakh tonne till the end of this year. The private sector has contracted to import around 6-lakh tonne of wheat so far, according to the source. The government had allowed private traders to import wheat as duty free till December 31, 2006. Wheat price is expected to remain under pressure in medium term. The mills should be allowed to stock two to three months of market to support capital expenditure programmes, citing unfavourable market conditions. The imported wheat is being mostly included Black Sea and Canadian origin. The transportation cost between north and south India market is around Rs 150 per quintal.

PORT WATCH: (As on 22nd SEPTEMBER)

Delivery of 18,500 MT of wheat is continuing at Mumbai Port from the vessel 'Lady Nariman'. Marco Shipping agents is handling the vessel. Delivery of 10,000 MT of wheat is continuing at Mumbai Port from the vessel 'Lion Princes'. Shaan Marine 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.

Delivery of 66,000 MT of wheat is continuing at Mundra Port from the vessel 'Betis'. Halar Shipping agents is handling the vessel. 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. Delivery of 55,300 MT of wheat is expected at the port from the vessel 'Gorviglia'. Interocean agents will be handling the vessel.

'Liberty Ace' has berthed at Vizag Port and continues to discharge 40,976 MT of wheat.

Tuticorin Port is receiving 42,290 MT of wheat from the vessel 'Pacific Emerald'. The vessel is being handled by St. John agents. 'You Liang' has berthed at Tuticorin Port and continues to discharge 37,553 MT of wheat. Pearl Shipping agents is handling the vessel. 'Sea Lily' is expected at the port to discharge 42,752 MT of wheat. Pearl Shipping agents will be handling the vessel. The port is expecting 'Bao Chang Men' to deliver 39,417 MT of wheat. Vilson agents will be handling the vessel.

Kandla Port is receiving 36,232 MT of wheat from the vessel 'Yong An 3'. The cargo was loaded from Russia. Interocean agents is handling the vessel. The port is expecting 'Unity T' to deliver 52,500 MT of wheat from Russia. Seaways agents will be handling the vessel. Delivery of 52,500 MT of wheat is expected at the port from the vessel 'Quesa'. The cargo was loaded from Romania. The vessel will be handled by Interocean agents.

Delivery of 49,432 MT of wheat is continuing at Chennai Port from the vessel 'Medi Sydney'. The vessel is being handled by Chakiath agents. 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.

USDA: US Wheat Weekly Export Sales Witnesses Strong

Net sales of 519,500 MT were 54 percent above the previous week and 34 percent over the prior 4-week average. Major increases for Egypt (175,000 MT), Japan (109,500 MT), Mexico (71,800 MT), Yemen (50,500 MT), Nigeria (41,700 MT, including 33,500 MT switched from unknown destinations), and the Philippines (26,300 MT) were partially offset by decreases

for unknown destinations (34,000 MT). Exports of 528,900 MT were two and one-half times the previous week and 28 percent over the prior 4-week average. The primary destinations were Nigeria (83,500 MT), Mexico (74,000 MT), Japan (57,000 MT), South Korea (48,500 MT), Yemen (40,500 MT), the Philippines (36,100 MT), and Cuba (26,300 MT). (This summary is based on reports from exporters for the period September 8-14, 2006)

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.

FOREX (As on 22nd September, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.94
1 Euro	58.78
100 Yen	39.45
1 British £	87.41

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.22	Sep.21	Sep.22	Sep.21	Sep.22	Sep.21	Sep.22	Sep.21
Sep.06	185	191	157	157	167	167	192	192
Oct.06	185	191	159	160	170	170	195	195
Nov.06	186	191	161	162	172	172	197	197
Dec.06	175	181	160	161	171	172	196	196
Jan.07	184	190	170	170	181	181	205	205
Feb.07	187	193	173	173	184	184	208	208

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