

Wheat

25th-30th SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Corrected to Settle at Lower Level
- Wheat Prices Witnessed See-saw Trade at the Spot Market
- Agril Minister: No Duty Free Wheat Import after December

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX witnessed a bearish week on increased selling interest. The most active December contract tested week's high on Monday, but immediately ran into selling pressure tracking the physical markets. The futures traded mostly range bound at the lower side, though, managed to remain above last week's lows. Open interest remains steady at some lower levels, while the volume of trade has declined gradually throughout the week.

Candlesticks formation is hinting steady to firm opening and initial uptrend. The %K-line along with the %D-line moving indecisively in the normal region. Prices closed above 9-day and 18-day EMA, hinting firm prices. MACD remains steady in positive territory. Open interest remain steady at lower levels, while the volume of trade has declined in this week.

Outlook:

The wheat futures at the NCDEX are expected to trade with a firm sentiment in the week ahead. However, some correction is likely 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.

MARKET FUNDAMENTALS:

Wheat witnesses a see-saw trade during the week ending 30th September 2006. The market got some good buying support at the start of the week on festive demand amidst weaker arrivals and prices firmed up consequently. At the wholesale grain market in Delhi, wheat prices crossed Rs 1000 per quintal to trade at a week high of Rs. 1010 per quintal. However, lack of buying support at the higher price levels and increased arrivals pressurised the sentiments thereafter. The arrivals were in the range of 7000-10000 bags per day at the Lawrence road market in Delhi. In this week, Government has allocated 1-lakh ton additional wheat for the month of September on request from States and Union Territories. Government expects that this would check price rise and help beneficiaries to meet the increased requirement of foodgrains during the festival



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December Contract	990	983	1015	1023

season. The Government wheat stocks stands just above 6.7 million tons as of 1st September, as against over 11.6 million tons during the same period of last year. Lower wheat stocks continue to support the prices in the markets. Domestic traders expect that the duty free imports is likely to be extended till next year as supply shortages is unlikely to be eased until the coming harvest in March 2007. The Central Government has made it clear that it would not extend duty free wheat import for private trade beyond the earlier set time limit of 31st December of this year. The statement has put a bullish impact on wheat prices in the futures market at the weekend. The minimum support prices (MSP) of the Rabi wheat crop is also expected to be announced within a few weeks span. The International Grains Council has projected the world wheat production in 2006 at 588 million tons (Mt), lower by 5 Mt from previous

month's estimates and 30 Mt lower from 618 Mt produced last year. The fall in global production is attributed to the deteriorated growing conditions in the producing regions of Southern Hemisphere. Regarding India's imports, the IGC estimated that it may exceed 6 Mt.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	30.09.06	23.09.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	708	708
Chokar (50 kg)	306	307
Chokar (35 kg)	204	204
Chakki Atta (90kg)	940	940

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

Markets	30.09.06	23.09.06
Delhi (Lawrence Road)	998-1000	990-995
Haryana (Karnal)	965-970	960-965
Punjab (Khanna)	995-1000	985-990
Rajasthan (Kota)	1040-1045	1025-1030
Uttar Pradesh (Kanpur)	1035-1040	1020-1025
Madhya Pradesh (Indore)	1020-1025	Closed
Uttar Pradesh (Bareilly)	980-985	990-995

INTERNATIONAL AND DOMESTIC NEWS:

Ag Minister: No Duty Free Wheat Import after December

The Central Government has made it clear that it would not extend duty free wheat import for private trade beyond the earlier set time limit of 31st December of this year. According to the Agriculture Minister, there is no question of extending the deadline for allowing duty free wheat import beyond December. The Minister also said the Minimum Support Price (MSP) of wheat for ensuing Rabi season will be announced within a week span. Government has so far contracted to purchase 5.5 million metric tons of wheat since February this year.

Ministry: Over 15 Lakh Tonne Wheat Touched Indian Ports

Against tender of import of wheat for 55 lakh MT, a quantity of 15.12 lakh tonne has touched Indian ports as on date. Four vessels are currently at discharge at Chennai, Tuticorin and Mundra ports, having a total quantity of 3,55,657 MT of wheat, out of which 1,08,476 MT has been discharged by September 21, 2006. Six vessels have arrived with 2,94,252 MT of wheat at Mundra, Chennai, Kandla and Vizag ports and are under fumigation/quality-check/berthing. Of the eight vessels that have sailed to Indian ports with 4,32,539 MT of wheat, five vessels are scheduled to arrive by the weekend. The remaining three vessels are expected to arrive at Indian ports by October 20, 2006.

Two vessels with a total quantity of 92,000 MT of wheat were received in April/May, 2006.

Sixteen vessels with a total quantity of 7,69,791 MT of wheat have been received by FCI by September 24, 2006.

Source: Press Release of Ministry of Consumer Affairs, Food & Public Distribution

Govt Asks States to Ensure Farmers Get MSP

The central government has asked the state food secretaries to ensure that the farmers get the Minimum Support Price (MSP) for foodgrains during the Kharif marketing season this year. Faced by the lower levels of foodgrains procurement by the state governments in the Rabi marketing season, the Food and Public Distribution Secretary has asked the state food secretaries to ensure that the state procurement agencies create widespread awareness about the MSP, quality specifications and payment to farmers. Followed by a poor Rabi procurement of wheat, Government wants to procure significant amount of Kharif Paddy this time. According to the food ministry estimates, the buffer stock will reach 4 million tonnes once the imported consignments arrived.

Traders Hope Duty Free Wheat Import to Continue till Next Year

According to the domestic traders of wheat in India, the duty free imports is likely to be extended till next year as supply shortages is unlikely to be eased until the coming harvest in March 2007. After a gap of six year, Indian government started importing wheat in February this year as well as allowed duty free import by private traders till the end of this year. Traders estimated that the import figure may well double if it is allowed duty free till March next year. According to latest available reports by several international agencies, India may surpass Egypt as the largest importer of wheat in the world. According to the Agriculture Minister, in the year ended June wheat production in the country is estimated at 69.4 million tons lower than the earlier estimates of 73 million tons. However, as per Government sources, such benefits are unlikely to be extended beyond the earlier set time frame till December end of this year. The minimum support prices (MSP) of the Rabi wheat crop is also expected to be announced within a few weeks span.

AWB Revised Down Wheat Forecast on Weather Concerns

The Australian Wheat Board (AWB) has forecasted that the recent gains in wheat prices is likely to be extended on possibilities of lower production due to dry and hot weather. The second largest wheat exporter in the world, Australia, is expected to produce 12-15 million metric tons of wheat almost half of 25.1 million metric tons produced during last year. Fearing a global supply shortage, wheat futures have jumped up by about 25 per cent in this year as drought conditions cut production in United States and Europe as well as concerns of crop damage in Australia. According to the Australian Bureau of Meteorology, the chances have increased for an El Nino weather pattern that can result into drought in the Asia Pacific region and flooding in the U.S.

IGC Cuts Global Wheat Output Estimates to 588 Mt

According to the latest released Grain Market Report by the International Grains Council (IGC), the world wheat production in 2006 is projected at 588 million tons (Mt), lower by 5 Mt from previous month's estimates and 30 Mt lower from 618 Mt produced last year. The fall in global production is attributed to the deteriorated growing conditions in the producing regions of Southern Hemisphere. The report mentioned that very dry conditions in Australia threaten to severely reduce production, while more rain is also needed in Argentina. The IGC has estimated the global wheat consumption at 607 Mt, lower by 4 Mt from the previous month's estimates. The decline in consumption is owing to the switch to relatively cheaper barley

and oilseed meals by the EU feed users. The report mentioned that the high wheat prices will limit feed use in North America, but more wheat will be used for ethanol in Canada. It is also forecasted that the world wheat trade would remain unchanged at 112 Mt. Regarding India's imports, the IGC estimated that it may exceed 6 Mt and Brazil's purchases will also increase after the poor harvest. Deteriorating crop prospects reduce export availabilities in Argentina and Australia but forecasts for Russia and Ukraine are increased, although remaining below last year's levels.

US Weekly Wheat Net Sales Lower by 21 Percent on Week

According to the latest released USDA weekly export sales report for the period September 15-21, 2006, the net sales of 408,400 MT were 21 percent below the previous week and 3 percent under the prior 4-week average. Major increases were reported for Japan (82,100 MT), Nigeria (59,500 MT), Taiwan (44,800 MT), Egypt (44,500 MT), Malaysia (39,200 MT), Spain (27,600 MT), and Panama (27,200 MT). Exports of 318,800 MT were 40 percent below the previous week and 29 percent under the prior 4-week average. The primary destinations were Egypt (57,300 MT), Spain (52,600 MT), Japan (51,500 MT), Taiwan (50,200 MT), and Mexico (45,300 MT).

Note: Accumulated exports were adjusted down for hard red winter wheat by 10,400 MT and up for durum wheat by 10,400 MT for Italy.

Source: FAS, USDA.

PORT WATCH: (As on 29th SEPTEMBER)

'Yong Huan' has berthed at Mundra Port and continues to deliver 66,000 MT of wheat. The vessel is being 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.

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

Vizag Port is receiving 4,100 MT of wheat from the vessel 'Barge Eversun Sparkle I'. Seaport agents is handling the vessel.

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. The port is expecting 'Stove Transport' to discharge 36,750 MT of wheat. Interocean 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. 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. Chennai Port is expecting 'Nawas' to deliver 49,021 MT of wheat. Imperial agents will be handling the vessel.

WEATHER WATCH

The regular market arrival is unlikely to get affected as weather forecasts suggest no rainfall over the producing region. This is off-season crop at this time so rainfall could not affect the crop but heavy rains may dampen the quality.

FOREX (As on 29th September, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.96
1 Euro	58.33
100 Yen	38.97
1 British £	86.09

Updated: IGC WORLD WHEAT ESTIMATES (28.09.06) (Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				23.08	27.09
Production	556	629	618	593	588
Trade	103	110	108	112	112
Consumption	595	616	621	611	607
Stocks	125	138	135	117	116
Year-Year Change	-40	+13	-3	-	-19
5 Major Exporters [#]	41	56	56	38	37

[#] Argentina, Australia, Canada, EC, United States

Source: International Grains Council

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