

Wheat

16th-20th OCTOBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Maintained Strong Rallies
- Wheat Remains Mostly Up at the Spot Market
- Global Wheat Stocks Declining

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX continued to show strong rallies but tumbled down on Wednesday on profit booking and technical correction as the market went to overbought but recovered at the weekend. Tight global supplies and festive demand continued to support the market. Most active December contract tested high level of Rs.1080 and increased from Rs.1058 to Rs.1071.20 on Friday. Open interest as well as volume of trade remained strong during the week.

Candlesticks indicating bullish wheat market with strong opening. The %K-line going up but remained below %D-line, indicating strong prices. Prices closed far above 9-day and 18-day EMA, indicating further upward market. MACD moving up at positive territory, indicating bullishness.

Outlook:

The wheat futures at the NCDEX are likely to remain with a slight weak note in the week ahead. However, some bullish trend 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.



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December Contract	1063	1053	1090	1100

MARKET FUNDAMENTALS:

Wheat prices shot mostly up by Rs.35-45/mtl at most of the domestic spot market during the week amidst increased offtake by the flourmills and retailers tight supplies against moderate arrival. Therefore wheat darr prices touched to Rs.1045-1050/mtl with poor intake of 5000-6000 bags at the Lawrence road mandis in Delhi but slightly tumbled down to Rs.1035-1040/mtl on Wednesday but recovered at the weekend. Furthermore, the coming winter season's demand and delayed arrival of imported wheat due to poor global supply also aggravated the situation. Rake loading from various sector from the country also kept pressure on prices, traders said. The strong rallies at the futures market also provided support to the spot market. The stockists are not interested to sell their stocks at this market rate, traders said. The shortage of wheat in the international market continued to support the prices. The prices are expected to

remain firm in the near future also. According to the USDA, the world's stockpiles of wheat are at their lowest level in more than a quarter of a century. USDA has also slashed its forecasts for global wheat production. The unloading of imported wheat was delaying owing to the traffic congestion following bad weather at some Indian ports, but the slowdown was not acute. As at end-September 2006, 15 lakh MT of wheat has already arrived the Indian ports and the same has been handed over to FCI. Alternatively, the increasing trend of wheat prices in the international market is due to the higher quotas of Ukrainian grains. The Prime Minister himself aggressively pushes this agenda as wheat output registers a steady decline. Therefore the government has recognized 138 districts in six states (Bihar, Uttar Pradesh, MP, Maharashtra, Rajasthan, Gujarat) for Operation Wheat.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	14.10.06	20.10.06
Atta (90kg)	1038	1047
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	687	687
Chokar (50 kg)	330	351
Chokar (35 kg)	230	245
Chakki Atta (90kg)	960	980

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

Markets	14.10.06	20.10.06
Delhi (Lawrence Road)	1020-1025	1040-1045
Haryana (Karnal)	975-980	1015-1020
Punjab (Khanna)	1010-1015	1025-1030
Ahmedabad	1100-1105	1125-1130
Rajasthan (Kota)	1030-1035	1070-1075
Uttar Pradesh (Kanpur)	1045-1050	1060-1065
Madhya Pradesh (Indore)	1065-1075	1115-1120
Uttar Pradesh (Bareilly)	1000-1005	1025-1030
Punjab (Sunam) Loose	970-975	995-1005
Ludhiana (Jagraon)	975-980	970-975
Rajkot	1010-1015	1045-1050
Madhya Pradesh (Bhopal)	965-975	1015-1025

INTERNATIONAL AND DOMESTIC NEWS:

CWB Likely to Get Wheat Export Opportunities against Australia

Canadian Wheat Board (CWB) might be fetch better export sales opportunities due to poor crop production report in Australia amidst draught. The lower wheat production in Australia will make some opportunities for the CWB to move some high-grade wheat that it may not have had if Australia had not experienced a drought, according to the source. In this year, Canada harvested a very high quality milling wheat. Therefore there is a chance to export more wheat. The market is alive with speculation regarding whether Australian wheat exporters will need to cover commitments with Canadian wheat. The harvesting of wheat was seen as just getting an underway in Australia. The crop production is estimated to about 10.0 million metric tons, which would be down about 60% from production of 26 million during the previous crop year.

Canada: Wheat Export Estimated to Up at 19 MMt in 2006-07

According to the source, the wheat export by Canada was estimated to 19.40 million metric tonnes (MMt) during 2006/07 (August/July), which were up from 18.80 MMt forecast of last month. This would also be considerably

higher than the 15.77 MMt exported during 2005/06. Still now, more than 90% of the 2006/07 wheat crop has harvested in Canada, which was expected to grade as No. 2 CWRS or better, noting that this will not be hard to sell.

India Fighting against Worst Foodgrains Crisis

At present India is facing a worst foodgrains crisis. The foodgrains production has been steadily declining over the last decade where as demand has grown at the rate of 2.5% each year. According to the Commission on Agricultural Costs, foodgrains production is trapped between 180 and 190 million tonnes for the last decade. In case of wheat, the area under wheat cultivation has been stagnant and area specific for all these years, even as the soil lost its calibre. The government of India opened a new facility at the Indian Council for Agricultural Research. It is an Rs 841 crore project to increase area under wheat cultivation. The Prime Minister himself aggressively pushes this agenda as wheat output registers a steady decline. Therefore the government has recognized 138 districts in six states (Bihar, Uttar Pradesh, MP, Maharashtra, Rajasthan, Gujarat) for Operation Wheat.

World Wheat Prices Increasing on Ukraine's Higher Quotas

The increasing trend of wheat prices in the international market is due to the higher quotas of Ukrainian grains, according to the source. In particular, the Great Britain has not experienced such peak of wheat price since May 2004. As a reminder, PM Yanukovich has recently declared that the quota will be cancelled as Ukraine has filled its own food stocks by reasonable price. The Cabinet's declaration on quoting the grain export makes traditional customers diversify the markets. The European producers make good use of the situation scaling up wheat price. According to an expert evaluation, domestic wheat's image may be damaged by non-compliance with the word standards. For example, making high demands to the quality of export goods, India has recently refused to buy Ukrainian wheat and switched to the European one.

Russia Exported 486200 tonnes of Wheat To India in Sept

According to the Customs data in September 2006 Russia exported 1.41 mln tonnes of grain, up 1.8% from August index and down 16.8% than a year ago. Total grain export during three months (July-September) of 2006/07 MY was 3.5 mln tonnes, down 17.1% from the analogous period of 2005/06 MY. Russian wheat export totalled 1.37 mln tonnes in September 2006, up 11.8% from the previous month and down 1.01\$ than a year ago. Five main buyers of Russian wheat in September 2006 were such countries as India (486.200 tonnes), Egypt (239.400 tonnes), Georgia (108.000 tonnes), Yemen (80.500 tonnes) and Bangladesh (75.800 tonnes). The average export price for wheat totalled 141 USD/tonne in September. Total wheat export was 3.2 mln tonnes during July-August 2006/07 MY, down 10.6% from the analogous period of 2005/06 MY. In September 2006 Russia imported 71.200 tonnes of wheat. The main volume (70.900 tonnes) was imported from Kazakhstan as a month before. Three months wheat import to Russia totalled 242.000 tonnes.

Govt: No Problem in Receiving of Australia Wheat Import Shipments

According to the official, India has imported a large quantity of the wheat it contracted from Australia, and sees no problem in receiving the remaining amount in spite of forecasts of major shortfall in wheat production this year in Australia. India will be importing 700,000-800,000 tonnes more from Australia. Officials said India this year agreed to import more than 1.2 million tonnes of wheat from Australian wheat exporter AWB Ltd. through global import tenders, part of 5.5 million tonnes it sought globally. The worries has been evolving that AWB might not be supplying the remaining quantity of wheat and some

parts will be supplied by European wheat after Australia slashed its wheat output estimates due to drought, and Ukraine proposed grain export quotas. But the official said the final grain shipment of the 5.5 million tonnes of imports agreed should be in India by Feb. 15, 2007, despite the developments and congestion at domestic ports. Earlier it was expecting that the entire amount would have arrived by early March, when the new domestic crop begins to hit the markets.

USDA: US Wheat Export Up by 29%

Net sales of 445,300 MT were 36 percent below the previous week and 11 percent under the prior 4-week average. Major increases for unknown destinations (133,000 MT), Guatemala (65,900 MT), the Dominican Republic (44,500 MT), the Philippines (40,300 MT), Indonesia (25,000 MT), Nigeria (24,100 MT), Venezuela (22,600 MT), and Japan (22,300 MT) were partially offset by decreases for Italy (39,500 MT). Exports of 584,500 MT were 29 percent above the previous week and 30 percent over the prior 4-week average. The primary destinations were Egypt (108,400 MT), the Philippines (92,800 MT), Nigeria (57,500 MT), Yemen (57,200 MT), Italy (46,700 MT), Japan (42,200 MT), and Guatemala (40,600 MT). (This summary is based on reports from exporters for the period October 6-12, 2006)

Japan Imported 125000 Mt U.S. & Australian Wheat

Japan imported 125,000 metric tons of U.S. and Australian wheat in a routine tender concluded Thursday. The U.S. supplies included 39,000 tons of dark northern spring wheat, 25,000 tons of hard red winter wheat and 6,000 tons of western white wheat.

PORT WATCH: (As on 19th October, 2006)

Vessel 'MV Bahia Blanca' has arrived at Mundra port to discharge 66001 MT of wheat. Seaways agents is handling this vessel. 'MV North Friendship' and 'MV Ruby' is expected on the port shortly to discharge 57750 MT and 66001 MT of wheat. Interocean and Halar will be handling these vessels. 'MV Oinoussian Legend' is expected on October 20 at Mundra port. Vessel will discharge 66001 MT of wheat. Shipping agent Taurus will handle this vessel. Another vessel 'MV Xin Shi Hai' will be reaching Mundra port on Oct 22. This vessel will be carrying 66000 MT of wheat. Shipping agent Halar will handle this vessel. Vessel 'MV Afros' is expected at Kandla port on Oct 20 to discharge of 52500 MT of wheat. Seaways shipping agent will be handling this vessel. Another vessel 'MV Kang Yu' will be reaching the port on the same day. Vessel will

discharge 45525 MT of wheat. Shantilal agents will be handling this vessel. Discharge of 44565 MT is continuing from the vessel 'MV Darya Dhyani'. Shantilal agents will be handling this vessel. 'Gang Qiang' is discharging 45572 MT wheat. Interocean is handling this vessel. Discharge of 47500 MT of wheat is continuing from the vessel 'Xiamen Sky'. Discharge of 45,519 MT of wheat is continuing from the vessel 'Seaboss' at Chennai port. Vessel 'Split' carrying wheat has reached at Cohin. Kinship agent will be handling this vessel. Vessels 'Iqanthi' and 'Danial' will be discharging 42001 MT and 40478 MT of wheat respectively at Vizag port. KR Sons and Interocean agents will be handling these vessels.

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 20th October, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.31
1 Euro	57.18
100 Yen	38.29
1 British £	85.01

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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
© 2005 Indian Agribusiness Systems Pvt Ltd.