

Wheat

23rd-28th 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 maintained strong rallies during the week due to strong buying support; tight global supplies and coming winter season demand but fell down on Saturday amidst profit booking. The market is also speculating that the government would raise the MSP of wheat, which also provided underlying support. Most active December contract established new contract high level of Rs.1145 and increased from Rs.1085 to Rs.1114.20 on Saturday. Open interest as well as volume was increasing during the week.

Candlesticks indicate strong opening with upward market. The %K-line remained below %D-line just at overbought region, indicating bearish market. Prices closed far above 9-day and 18-day EMA, indicating bullish market. MACD moved down at positive territory, hinting medium term bearishness.

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.

MARKET FUNDAMENTALS:

Decreasing of arrival, combined with strong demand from the flourmills sector in South India, Maharashtra and Assam, has sent the wheat prices to mostly up at the wholesale grain market during the week. Wheat dara prices have soared to Rs.1120-1125/qlt against Rs.1040-1045/qlt of last week with dwindling supplies of 4000-5000 bags at the Lawrence road mandis in Delhi. Traders said, the stocks are declining while the rake demand is still increasing. The strong products demand for coming winter season is also bolstering the wheat prices. However the imported wheat is arriving on regular basis but it could not pulled down the prices. Traders said, the most of the imported wheat are inferior in quality and they are utilizing as mixture with Indian wheat to make atta, suji, maida etc. Furthermore, the country's wheat stocks witnessed lower to 6.41 MMt as of October 1, as compared to 10.29 MMt a



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
December Contract	1090	1075	1140	1155

year earlier, a 37.7% drop, which also continued to provide underlying support to the spot and also futures market. In international market, Australia, the world's third-largest wheat exporter, is likely to produce 9 MMt to 11 MMt tons, smallest crop in 12 years because of worsening drought. India has no plans to float further wheat import tenders, senior official said. He also concluded that the buffer stocks level can be build at least 4 million tonnes by April 1, 2007 with imported wheat due to arrive on time. Government has made an adhoc additional allocation of one lakh tonne of wheat to States/UTs for the Above Poverty Line (APL) families for the month of November, 2006. This is in addition to one lakh tonne of wheat each released for August and September, 2006. IGC reduced the estimated 2006 world wheat production to 585m. (618m. in 2005/06). The current outlook is bright for wheat prices.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	20.10.06	28.10.06
Atta (90kg)	1047	1059
Maida Grade 1(90kg)	1207	1208
Suji (50kg)	687	687
Chokar (50 kg)	351	370
Chokar (35 kg)	245	257
Chakki Atta (90kg)	980	1030

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

Markets	20.10.06	28.10.06
Delhi (Lawrence Road)	1040-1045	1100-1105
Haryana (Karnal)	1015-1020	1100-1105
Punjab (Khanna)	1025-1030	1090-1095
Ahmedabad	1125-1130	1200-1205
Rajasthan (Kota)	1070-1075	1105-1110
Uttar Pradesh (Kanpur)	1060-1065	1095-1100
Madhya Pradesh (Indore)	1115-1120	1160-1170
Uttar Pradesh (Bareilly)	1025-1030	1090-1095
Punjab (Sunam) Loose	995-1005	1025-1030
Ludhiana (Jagraon)	970-975	1080-1090
Rajkot	1045-1050	1190-1195
Madhya Pradesh (Bhopal)	1015-1025	1040-1050

INTERNATIONAL AND DOMESTIC NEWS:

Delhi Govt Appeals to EC Act on Wheat

According to the Hindustan Times, Delhi Government has appealed to the Essential Commodities (EC) Act to check hoarding of essential food items considering the spurt in prices of wheat. As per the report, exercising its power conferred under Section 3 of the EC Act, the government has with immediate effect revived the Delhi Wheat (Licensing and Control) Order 1996 and the Delhi Pulse (Licensing of Dealer) order 1974 which were withdrawal in 2002 and 2004 respectively. According to the senior official of the Food and Civil Supplies Affairs Department of the Delhi Government, the big operators and commission agents were hoarding essential commodities, creating crisis in the market and encouraged the prices to up. Therefore the government have decided to revive and enforce the Control Order, which were suspended a few years back. As per the new order, dealers, retailers, manufacturers and wholesalers of all kinds of pulses and wheat having a certain minimum stock of the commodities have been directed to apply for license and maintain stock limits as instructed. In case of wheat, wholesalers cannot keep a stock of more than 500 quintals while retailers and atta chakkis can keep a maximum quantity of 100 quintals. For pulses, the maximum limit for wholesalers is 2,000 quintals,

Indian Agribusiness Systems Pvt. Ltd., New Delhi

while for retailers it is 50 quintals. Those flouting the Act would be slapped with a fine and prison term.

India Imported 2 MMt Wheat Since April

India, set to become the world's biggest wheat buyer this year, the country's imported wheat arrivals at ports on the government's account are estimated as of Thursday at 2.00 million metric tons since April from total purchase contracts for 5.5 million tons, a statement from Ministry of Food. Another 5,52,152 tonne of the grain is scheduled to arrive by November 15, the government said in a statement in New Delhi on Friday. Australia's monopoly wheat exporter, AWB Ltd. is likely to supply 1.59 million tons wheat from France to the Indian government.

Wheat: Govt Stocks Tumble Down to 6.41 MMt as of Oct.1

According to the latest government's data, the country's wheat stocks remained lower to 6.41 million metric tonnes (MMt) as of October 1, which had declined from 10.29 MMt a year earlier, a 37.7% drop. India has contracted to import of 5.5-MMt wheat to increase these stocks level. The country's imported wheat arrivals at ports on the government's account are estimated as of Thursday at 2.00 MMt since April from total purchase contracts for 5.5 million tons, a statement from Ministry of Food. As of Sept. 1, India's wheat stocks were estimated at 6.72 MMt. The stocks of wheat are still lower than the minimum buffer norms of 11 MMt for Oct.1. The average monthly outgo of wheat for subsidized sales is close to 1.1 MMt, but stocks have declined on the month by only a little over 300,000 tons, as per the government official. He also concluded that it shows that wheat stocks are sufficient even though they are still way below the buffer requirements.

Punjab Holds Top Rank in Wheat Production

According to the market sources, the Punjab states continues to hold top position for having the maximum wheat yield across the country, with a yield of 41.79 quintals per hectare followed by Haryana, Rajasthan and Gujarat. According to the PAU (Punjab Agricultural University), Haryana fetches yield of 38.47 quintals/ha while Rajasthan and Gujarat, with yield of 27.61 quintals/ha and 27.00 quintals/ha respectively. As per the report, Punjab's contribution to the central pool has gone up to 61% in 2005-0655% from 2004-05 despite the fact that the frequent change in climate, particularly soaring temperature, has been negatively affecting the wheat productivity in the state.

Two New Varieties of Wheat Likely to Release Soon

According to the report of PAU (Punjab Agricultural University), the scientists have developed a new wheat variety PB-527, which possesses resistance to stripe rust along with high grain yield quality. The all India wheat and barley research workers meeting have identified another new bread wheat variety PB-533 to release in the entire peninsular zone under irrigated, late sown conditions.

Australia Likely to Produce Lowest Wheat Crop in 12 Years

Australia, the world's third-largest wheat exporter, is likely to produce its smallest crop in 12 years because of worsening drought. According to the source, the wheat production in this current year is estimated at 9 million to 11 million tons. That's a reduction of as much as 40 percent from its September forecast. Wheat prices have soared to a 10-year high this month due to concern that drought will curb output from Australia and worsen a global shortage.

India: Ruled Out Further Wheat Import

According to the senior official, the country has no plans to float further wheat import tenders. He also concluded that the buffer stocks level can be build at least 4 million tonnes by April 1, 2007 with imported wheat due to arrive on time. The

consignment of imported wheat will be completed by February 2007.

Additional Allocation Of Wheat For November

Government has made an adhoc additional allocation of one lakh tonne of wheat to States/UTs for the Above Poverty Line (APL) families for the month of November, 2006. This is in addition to one lakh tonne of wheat each released for August and September, 2006.

The State Governments/UT administrations have been requested to keep strict vigilance to ensure that APL wheat allocation is distributed as per the procedure detailed under TPDS to the ration cardholders through FPS network so that no leakage/diversion of foodgrains take place.

Source: PIB

MMTC Floated Tenders to Import 25,000-30,000 Mt Wheat

According to the source, the state-owned MMTC Ltd. floated a new tender on Thursday to import of 25,000-30,000 metric tons of wheat. They are looking wheat at Chennai and Tuticorin port because the demand from Southern mills is quiet promising. The bids from potential exporters can be submitted by Nov. 6 and deliveries are sought by Dec. 15. Bids can be made in multiples of 5,000 tons. MMTC resold the earlier contract of 50,000 tonnes of Russian wheat to the seller as the imported wheat failed quality tests at Chennai port.

CCEA Likely to Fix MSP of Wheat to Rs.750/qlt

The Cabinet Committee on Economic Affairs (CCEA) is expected to finalise the government's intervention prices for Rabi wheat after a meeting held on Friday. The agriculture ministry has suggested increasing the minimum support prices (MSP) of wheat for 2007 by Rs.100/qlt to Rs.750/qlt and in addition an incentive bonus to farmers depending the market prices at the time of harvest in April. Last year, wheat MSP was fixed at Rs 650/qlt quintal. However as the market price ruled high and government agencies could not purchase enough for buffer stock, the government subsequently decided to give Rs.50/qlt bonus on the wheat purchased. Thus, it translated into an effective MSP of Rs 700 a quintal.

Cabinet Likely to Fix MSP of Wheat Within Week

The Cabinet Committee did not set 2007 intervention prices for winter-sown crops such as wheat and rapeseed at its meeting Friday. However they expected to do so within this week, according to the Priyaranjan Dasmunshi. The market was expecting a decision from the meeting. Dasmunshi told that the finance minister (P.Chidambaram) is coming back (from an overseas trip) Friday's night; therefore they hope to take the decision within this week. The finance minister is a member of the federal cabinet's committee on economic affairs that sets the intervention price for crops such as wheat and rapeseed.

Wheat: IGC Trims World Wheat Production Forecast

With little relief from the exceptionally severe drought, prospects for Australia's crop have greatly deteriorated in recent weeks. It is now put at only 10m. tons, 60% below last year's. Despite small increases for the CIS countries, North America and China, estimated 2006 world wheat production is reduced by a further 3m. tons to 585m. (618m. in 2005/06). Consumption is forecast at 606m. tons, 1m. less than last month. Food use in most countries is not very responsive to price changes, and is expected to

increase slightly from last year, but animal feed use will be reduced from 108m. to 93m. tons. Forecast world wheat trade is 2m. tons lower than last month at 110m. tons because of smaller purchases by some countries in Pacific Asia and Sub-Saharan Africa. Trade will still top last year's 108m. tons because of India's big imports. Australia's carry-in stocks will cushion the impact of its small crop, but marketing year exports of 13.5m. tons will be the smallest since 2002/03. Exports by Canada and the US are seen higher than before, but export supplies are dwindling in Russia and Ukraine. Combined end-of-season stocks in the five major exporters are forecast to fall to 32m. tons, 23m. less than last year and the lowest since 1995/96. The biggest declines will be in Australia and the EU.

Source: IGC

IGC: World Wheat Sowings Expected to Increase for 2007

World wheat areas are expected to be significantly larger than in 2006. They are forecast to go up by 4% to around 215m. ha., close to the 2005 level. Increased plantings are likely, in particular, in the EU, Russia, Ukraine and the US. Areas in China may be similar to last year's, but with more higher-quality varieties. Strong market prices should encourage sowings in India, although competition from other crops may limit the potential area expansion. Winter grains planting and crop development in Europe, the CIS and the US are mostly progressing well.

Source: IGC

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 27th October, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.22
1 Euro	57.34
100 Yen	38.18
1 British £	85.49

IGC WORLD WHEAT ESTIMATES (26.10.06)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				27.09	25.10
Production	556	629	618	588	585
Trade	103	110	108	112	110
Consumption	595	616	621	607	606
Stocks	125	138	135	116	114
Year-Year Change	-40	+13	-3	-19	-21
5 Major Exporters [#]	41	56	56	37	32

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

Source: International Grains Council

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