

Wheat

02nd-07th OCTOBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Settle Lower on Weekend Slide
- Wheat Remains Mostly Range Bound at the Spot Market
- Govt: 16.8 Lt Imported Wheat Touched Indian Ports

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX started the week with a bearish note and extended the weakness further. However, some buying interest at the lower levels kept the market range bound during the mid-week. The futures slide again at the weekend and tested this week's low on Saturday. The open interest remains on an average steady at some lower level, while the volume of trade was higher during the mid-week. The October contract traded in the range of Rs.966.20-973.60 and November contract moved in the range of Rs. 983.00-989.80 during Saturday's trade.

Candlesticks formation is indicating weak opening and initial downtrend. The %K-line along with the %D-line moving downwards and the %D-line has entered the oversold region, another bearish indication. Prices closed well below 9-day and 18-day EMA, hinting weak prices. MACD is moving downwards in negative territory.

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 maintains its firmness during the week ending 7th October 2006 owing to higher demand amidst moderately lower arrivals. At the wholesale grain markets in Delhi, wheat prices quoted mostly above Rs. 1000 per qtl with average arrival of 5000-6000 bags at the Lawrence road market. The market failed to extend previous week's gains further as report of increasing influx of imported wheat dampened the market sentiments. According to the Ministry of Consumer Affairs, Food & Public Distribution, against tender of import of wheat for 55 lakh MT, 16.8 lakh tonne has touched Indian ports as on date. 7 vessels are currently at discharge at Chennai, Tuticorin, Vizag and Mundra ports, having a total quantity of 352673 MT of wheat, out of which 215978 MT has been discharged by October 3, 2006. 6 vessels have arrived with 297560 MT of wheat at Mundra,



Support and Resistance Levels:

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

Chennai, Kandla and Vizag ports and are under fumigation/quality-check/berthing. 11 vessels that have sailed to Indian ports with 553004 MT of wheat are scheduled to arrive by October 20, 2006. However, the market remains supported with the talks of steep increase in Minimum Support Price (MSP) of wheat, which is likely to be announced soon. Notably, last season Government announced the MSP at Rs. 650 per qtl, but later offered a bonus of Rs. 50 per qtl above the MSP. However, farmers preferred to sale their produce to private traders as they offered higher prices. Moreover, Government is unlikely to extend the timeline of duty free wheat imports by private traders beyond December this year. At the global market perspective, the basis CBOT wheat futures tested a 10-year high during the week on concerns of global supply shrinkage owing to crop damage in Australia and Argentina.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	07.10.06	30.09.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	707	708
Chokar (50 kg)	311	306
Chokar (35 kg)	211	204
Chakki Atta (90kg)	940	940

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

Markets	07.10.06	30.09.06
Delhi (Lawrence Road)	1000-1002	998-1000
Haryana (Karnal)	965-970	965-970
Punjab (Khanna)	995-1000	995-1000
Rajasthan (Kota)	1035-1040	1040-1045
Uttar Pradesh (Kanpur)	1040-1045	1035-1040
Madhya Pradesh (Indore)	1025-1030	1020-1025
Uttar Pradesh (Bareilly)	980-985	980-985

INTERNATIONAL AND DOMESTIC NEWS:

ASSOCHAM: Wheat Prices Risen 8.5% from July 05 to Aug 06

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) has reported that the prices of eight essential commodities like wheat, pulses, coffee, tea, sugar, milk, condiments & spices, eggs, fish & meat have risen by 19 per cent on an average from July 2005 to August 2006. However, contrary to the sharp rise in the prices of essential commodities, the per capita income of an average Indian have managed to rise by only 6 per cent during the same period and thus pinched the pocket of common man the most in the period.

The report has mentioned that while the prices of pulses, coffee, tea, condiments & spices has witnessed a sharp rise of 33.3 per cent, 33.7 per cent, 24.7 per cent and 24.8 per cent respectively during the period. Other essentials like wheat, sugar, milk, eggs, fish and meat registered upward movement in the range of 8.5 per cent, 7.6 per cent, 7.8 per cent and 8.0 per cent respectively during the same period.

On the other hand, the ASSOCHAM Eco Pulse mentioned that the rise in essential commodities prices and per capita income was utterly disproportionate. During the reported period, the per capita income of an average Indian was measured about Rs. 19,500 per annum in 2005, however, went up by about Rs. 1,200 in 2006, amounting to Rs. 20,700 per annum.

The study attributed the recent increase in the prices of wheat a result of demand exceeding supply - a situation arising out of lower market arrivals and lower procurement

etc. It is expected that the upward pressure will continue because of tight global market conditions. Moreover, shortfall in production and procurement, and delay in revision in statutory minimum prices were some of the reasons for the rise in prices of this staple food. This shows the vulnerability of our wheat production and the risk to food security. The ASSOCHAM Eco Pulse recommended that the government needs to do two things: first, manage expectations by buying futures options in the international markets, and second, by implementing a strategy for improving production and productivity of wheat. It should evolve a flexible procurement and pricing policy for import programme spread over several years. This should smoothen the domestic supply-demand gap. According to the President of ASSOCHAM, the imports programme should be structured in such a way that we take advantage of the global price trends and stocks are augmented when the international prices are low.

IFPRI: India Likely to Export Wheat in 3-4 Years

According to the International Food Policy Research Institute (IFPRI), India could end up becoming a wheat exporter in 3-4 years as the acreage for the crop has risen over the years and more and more farmers are cultivating wheat. It is also reported that the decision to allow private purchase of the wheat has enabled farmers to sell a large chunk outside the government agencies which had led to a low procurement of 9.2 million tonne this year. It mentioned that during 2005-06 India exported 7.46 lakh tonne of wheat and 2 million tonne during 2004-05 with an export subsidy.

Haryana Govt Sets Record Wheat Production Target

The Haryana Government has set a target of record 96.34 lakh tonnes wheat production during following 2006-07 Rabi season as compared to over 88 lakh tonnes produced during the last season. The State Government has reportedly taken several steps in order to enhance wheat output of the state. According to the Agriculture Minister of the State, a target of 41 quintals per hectare had been fixed over an area of 23.50 lakh hectares which was about 9 lakh tonnes more than the last year's production. Moreover, the State Government had decided to launch focused campaigns in least productive blocks of the state in order to ensure higher yields in the forthcoming Rabi season. According to the Agriculture Minister, the kharif foodgrains production in 2006-07 is expected to exceed 39.87 lakh tonnes production in the previous year.

Govt: Availability and Prices of Imported Wheat

Against tender of import of wheat for 55 lakh MT, a quantity of 16.8 lakh tonne has touched Indian ports as on date. Seven vessels are currently at discharge at Chennai, Tuticorin, Vizag and Mundra ports, having a total quantity of 3,52,673 MT of wheat, out of which 2,15,978 MT has been discharged by October 3, 2006. Six vessels have arrived with 2,97,560 MT of wheat at Mundra, Chennai, Kandla and Vizag ports and are under fumigation/quality-check/berthing. Eleven vessels that have sailed to Indian ports with 5,53,004 MT of wheat, are scheduled to arrive by October 20, 2006.

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

Nineteen vessels with a total quantity of 9,38,023 MT of wheat have been received by FCI by October 3, 2006.

Wheat prices at the retail level have remained steady at Delhi, Lucknow, Ahmedabad, Bhopal, Jaipur, Mumbai, Bhubaneshwar, Patna, Bangalore, Chennai, Hyderabad and Thiruvananthapuram, during the week ending September 28, 2006.

Wheat futures prices for October and November 2006 contracts at Rs. 969 per quintal and Rs. 990 per quintal respectively as on September 28, 2006 are lower than the spot price at Rs. 1004 per quintal. Futures prices for December 2006, January, February and March 2007 contracts are higher than the spot prices on the same date.

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

USDA Reported Lower Wheat Net Sales; Higher Export

Net sales of 377,800 MT were 8 percent below the previous week and the prior 4-week average. Major increases were reported for Mexico (101,300 MT), Japan (65,500 MT), South Korea (63,800 MT), Nigeria (53,300 MT, including 30,000 MT switched from unknown destinations), and Italy (30,900 MT, including 20,000 MT switched from unknown destinations). Net sales of 42,000 MT for delivery in 2007/08 were for the Philippines. Exports of 497,400 MT were 56 percent above the previous week and 18 percent over the prior 4-week average. The primary destinations were Nigeria (93,800 MT), Japan (65,200 MT), Egypt (58,400 MT), Thailand (49,500 MT), and Mexico (48,300 MT).

Source: FAS, USDA.

PORT WATCH: (As on 05th October, 2006)

Delivery of 52,500 MT of wheat is continuing at Kandla Port from the vessel 'Quesa'. The cargo was loaded from Romanio. The vessel is being handled by Interocean agents. The port is expecting 'Unity T' to deliver 52,500 MT of wheat from Russia. Seaways agents will be handling the vessel.

Delivery of 37,520 MT of wheat is continuing at Vizag Port from the vessel 'Daniel'. Interocean agents is handling the vessel. Vizag Port is receiving 39,175 MT of wheat from the vessel 'Lonathi'. Seaways agents is handling the vessel.

Mundra Port is receiving 68,250 MT of wheat from the vessel 'Golden Dena'. Interocean agents is handling the vessel. Delivery of 55,300 MT of wheat is expected at Mundra Port from the vessel 'Gorviglia'. Interocean agents will be handling the vessel. 'Bahia Balanca' is expected at Mundra Port to deliver 60,001 MT of wheat. The vessel will be handled by Seaways agents.

'Layer Sentosa' has berthed at Tuticorin Port and continues to load 6,281 MT of wheat. Albert agents is handling the vessel. Tuticorin Port is receiving 17,711 MT of wheat from the vessel 'VTC Sky'. The vessel is being handled by St. John agents. The port is receiving 39,417 MT of wheat from the vessel 'Bao Chang Men'. Vilson agents is handling

the vessel. 'Heron' is expected at the port to deliver 36,500 MT of wheat. Interocean agents will be 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. The port is expecting 'Stove Transport' to discharge 36,750 MT of wheat. Interocean agents will be handling the vessel.

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 expecting 'Nawas' to deliver 49,021 MT of wheat. Imperial agents will be handling the vessel. 'Sea Boss' is expected at Chennai Port to deliver 45,519 MT of wheat. The vessel will be handled by Seaways agents.

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 06th October, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.61
1 Euro	57.85
100 Yen	38.63
1 British £	85.54

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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