

Wheat

30th OCTOBER-4th NOVEMBER, 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 remained mostly strong till 31st October but rebounded to down thereafter on profit booking and selling pressure as the market went to overbought condition. Wheat futures were increasing after the announcement of higher MSP ahead of the week. Most active December contract fell down from Rs.1141 to Rs.1118 on Saturday but remained up over last week's price of Rs.1107.20 and traded within the range of Rs.1104.20-1141 during the week. Open interest as well as volume was decreasing during the week.

Candlesticks charts hinting bearish market while %K-line remains still below %D-line at neutral region, indicating downward market. Prices closed just above 9-day and 18-day EMA, indicating steady to slight up market. MACD indicates bearish market for medium term. Open interest as well volume of trade has decreased.

Outlook:

The wheat futures at the NCDEX are likely to remain firm in the week ahead. However, some bearish 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	1110	1100	1144	1165

MARKET FUNDAMENTALS:

Domestic wheat prices skyrocketed at most of the trading point during the middle of the week amidst strong demand from the flourmills sector against sluggish arrival. The government announced an increase in the MSP of wheat to Rs.750/qrtl, which dragged the spot market to mostly up. Stockists are releasing stocks but very few and they are speculating to higher prices, as the global stocks are declining and increasing trend of international wheat prices. Therefore wheat data went to 1125-1130/qrtl with poor arrival of 5000-6000 bags but tumbled down thereafter on weakness at the futures market and lack of buyers at higher level at the Lawrence road mandis in Delhi. However the stocks of wheat in the country are depleting in front of the coming winter season. The demand will be picked up in this season due to higher consumption. However some traders

said, the stocks scenario in Punjab is fabulous. Therefore the prices may go down temporarily in this state. On the other hand, deliveries of wheat are to reach a massive 5.408 MMt at several Indian ports in just eight months to February 2007. This year, India has turned one of world's largest importers of wheat by volume, following six successive years of exports, due to a decline in output and government stocks. USDA forecasted shortage of wheat in the global wheat market is due to the production forecasts for several countries that have finished harvesting have been revised downward. Government official said, the government will be able to shift the 400,000 Mt of the wheat, which blocked at ports during the last 15 days and therefore the availability of wheat may ease at the domestic market. But the prices are expected to go up in near future in the country.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	28.10.06	4.11.06
Atta (90kg)	1059	1077
Maida Grade 1(90kg)	1208	1218
Suji (50kg)	687	690
Chokar (50 kg)	370	380
Chokar (35 kg)	257	256
Chakki Atta (90kg)	1030	1065

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

Markets	28.10.06	4.11.06
Delhi (Lawrence Road)	1100-1105	1110-1115
Haryana (Karnal)	1100-1105	1100-1105
Punjab (Khanna)	1090-1095	1095-1100
Ahmedabad	1200-1205	1225-1230
Rajasthan (Kota)	1105-1110	1135-1140
Uttar Pradesh (Kanpur)	1095-1100	1105-1110
Madhya Pradesh (Indore)	1160-1170	1160-1165
Uttar Pradesh (Bareilly)	1090-1095	1120-1125
Punjab (Sunam) Loose	1025-1030	1060-1070
Ludhiana (Jagraon)	1080-1090	1070-1080
Rajkot	1190-1195	1220-1225
Madhya Pradesh (Bhopal)	1040-1050	1025-1035

INTERNATIONAL AND DOMESTIC NEWS:

Govt Hiked MSP of Wheat to Rs.750/qlt in 2007

According to the government official, the Central government has increased the minimum support of price (MSP) by Rs.100/qlt to Rs.750/qlt for the coming Rabi wheat crop in 2007. The decision has made after a meeting of Cabinet Committee on Economic Affairs on Monday. The government procures farm commodities from the farmers at the MSP and sells them to the consumers at subsidized rates.

Wheat Acreage Touched 1.952 lakh ha as on 26th Oct

According to latest report by the Directorate of Wheat Development, the area coverage of rabi wheat as on 26th Oct 2006 is 1.952 lakh ha. Sowing of wheat has started in some parts of Haryana, Gujarat, Karnataka, M.P., and some parts of Punjab, Uttaranchal and Maharashtra. The field preparation is going on for sowing of wheat crops in H.P., Rajasthan and U.P. The normal area under wheat is 259.65 lakh ha.

Pakistan Likely to Export Wheat at Zero Duty

In Pakistan, Punjab Food Minister Chaudhry Muhammad Iqbal on Saturday reported that the Pakistan government was considering exporting of 500,000 tonnes of wheat

following maintaining a strategic buffer stock of equal quantity before the arrival of new wheat crop in April next year 2007. It is expected that that Punjab will have a carry-over stock of 1 million tonnes of wheat this time. Of this, half may be exported. The ECC (Economic Coordination Committee) of the cabinet has already trimmed 15% regulatory duty on export of wheat in order to consume surplus stocks. At present, the country has more than 2 MMt of surplus wheat, which can be exported at much better prices to India, the Middle East and Afghanistan. Pakistan exported 1.75 MMt of wheat during 2002-03 on better demand from the Middle East and African region before the government slapped the ban on shipments. The government has set a 22.5 million tonnes wheat production target for Rabi 2006-07, said the agriculture ministry official. Punjab is expected to produce 17.8 million tonnes, Sindh 2.75 million tonnes, NWFP 1.25 million and Balochistan 0.7 million tonnes.

Above 400,000 tonnes of Wheat Blocked at Indian Ports

According to the government and port officials, above 400,000 tonnes of imported wheat have blocked at the Indian ports of Kandla and Mundra due to the shortage of freight train and manpower. The imported wheat is arriving on regular basis but there are delays in clearance from the ports. Port officials said slow port clearance was leading to congestion, and a shortage of labourers was delaying the movement of wheat.

Ukraine Starts Again Wheat Exports to India

According to the source, following a temporary halt in grain exports, Ukraine has started again its wheat exports and around 79,000 metric tons (Mt) of wheat is anticipated to be delivered to PEC Ltd. in November. PEC imported a 44,000 Mt wheat cargo, which is likely to be delivered to Mumbai and Mangalore ports by Nov. 8 or Nov. 9, official said. Apart from PEC, private traders and STC had also contracted to import wheat of Ukrainian origin. There was a speculation that the exporters may provide wheat from alternative origins due to delay in wheat imports from Ukraine because of export licensing. STC is importing mostly of Australian, Canadian and Black Sea origin wheat while PEC is importing wheat on behalf of private flourmills. PEC is expecting a shipment carrying 35,000 tons Ukrainian wheat to land at Mumbai port by end-November. It has so far imported around 400,000 tons of wheat, including 150,000 tons from Australia's AWB Ltd.. Two vessels of Australian wheat totaling around 75,000 tons have already been delivered to PEC, according to the Indian government official.

Ports Received around 55 Lakh Mt of Wheat as on Date

Against tender of import of wheat for 55 lakh MT, a quantity of 24 lakh tonne has reached Indian ports as on date. Six vessels are currently at discharge at Chennai, Kandla, Vizag and Mundra ports, having a total quantity of 3,08,197 MT of wheat, out of which 1,62,942 MT has been discharged by October 30, 2006. Seven vessels have arrived with 3,18,722 MT of wheat at Mundra, Chennai, Kandla and Vizag ports and are under fumigation/quality-check/berthing. Thirteen vessels that have sailed to Indian ports with 7,66,645 MT of wheat, are scheduled to arrive by November 25, 2006.

US Wheat Weekly Export Sales Remains Strong

Net sales of 938,700 MT--a marketing-year high--were double the previous week and 91 percent over the prior 4-week average. Major increases for Iraq (400,000 MT), the Philippines (121,800 MT), Mexico (86,100 MT), Japan (76,000 MT), Egypt (60,000 MT), South Korea (47,900 MT), Venezuela (43,800 MT), and Thailand (40,000 MT) were partially offset by decreases for unknown destinations (12,000 MT). Sales of 24,100 MT for delivery in 2007/2008 were for Mexico. Exports of 348,500 MT were 19 percent below the previous week and 29 percent under the prior 4-week average. The primary destinations were Yemen (48,500 MT), Taiwan (44,600 MT),

Japan (41,200 MT), Nigeria (31,500 MT), Mexico (31,500 MT), South Korea (25,500 MT), and Cuba (25,000 MT). (This summary is based on reports from exporters for the period October 20-26, 2006)

Source: USDA

Imported Wheat Piled Up at Western Ports as Labour Shortage

According to the government official, the government will be able to shift the 400,000 Mt of the wheat, which blocked at ports during the last 15 days and therefore the availability of wheat may ease at the domestic market. The wheat has been lying at the western ports of Mundra and Kandla as movement of imported fertilizers has caused a shortage of workers, said the official. He concluded that instead of 10,000 tonnes of wheat, only 2,500 tonnes are moving in a day. The wheat will be transported to warehouses in Maharashtra, Gujarat and Madhya Pradesh. FCI stores the grain in its warehouses as an emergency reserve, has asked the railways for additional wagons. Port officials have also been asked to the government to provide more workers, and bagging and stitching machines, the official included. According to the government, around 2.4 MMt of the wheat had arrived at ports since the country started importing wheat in February after a six-year gap.

USDA Forecast Shortage of Wheat Output in the World

According to the report of the United States Department of Agriculture (USDA), the forecasting of shortage in the global wheat market in the coming year because production forecasts for several countries that have finished harvesting have been revised downward. The Australian Wheat Board (AWB) has already cut the estimated wheat output by 64% in this year (2006-07) over last year amidst severe drought and Australia may be forced to import feed grain to meet its local demand. Ukraine, a major wheat producer has suspended its wheat exports. China's wheat production has dropped by 1.5 million tonnes (MMt) to 103.5 MMt with small downward revisions in area and yield. The wheat crop in Brazil is also said to have failed. USDA reported that in spite of a small increase in wheat production in Canada, the US and South Africa, global wheat production next year will turn down.

WEATHER WATCH

The regular market arrival is unlikely to get affected, as weather forecasts suggest no rainfall over the producing region. Sowing of wheat has started in some parts of Haryana, Gujarat, Karnataka, M.P., and some parts of Punjab, Uttaranchal and Maharashtra. The field preparation is going on for sowing of wheat crops in H.P., Rajasthan and U.P. Therefore scattered to light rain may increase the soil moisture and will help in sowing but heavy rainfall may hinder on the sowing process.

Outlook for the week ending on 8th November 2006

Scattered to fairly widespread rainfall activity is likely over south peninsula. Fall in night temperatures over north and central India from middle of the week.

FOREX (As on 3rd November, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.84
1 Euro	57.28
100 Yen	38.29
1 British £	85.55

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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