

WHEAT

13th-18th NOVEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Weak During the Week
- Wheat Remains Steady at the Spot Market
- Government Wheat Stocks Down to 5.99 MMt

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX have traded mostly firm till 13th Nov. and was made new life of contract high but tumbled down thereafter on profit booking and lack of additional buying support at higher level. Most active December contract remained slight down at Rs.1129 as against of Rs.1133 of last week and made new life of contract high at Rs.1157.80 and hovered within the range of Rs.1121-1157.80 during the week. Open interest as well as volume was declining during the week.

Candlesticks indicating slight bearish market with steady to weak opening for the next trading day. %K-line prevailed below %D-line at neutral region, indicating weak market. Prices closed in between 9-day and 18-day EMA, indicating downward market for medium term. MACD hints bearish market for medium term.

Outlook:

The wheat futures at the NCDEX are expected to trade down in the week ahead. But, some bullish market 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	1117	1107	1143	1154

MARKET FUNDAMENTALS:

Wheat has traded firm across the country during the week as compared to last week but the prices has set back from mostly higher-level as lack of demand from roller flour millers at the upper level. Therefore the prices have tumbled down from the middle of the week at some pockets. The weak rake demands from Maharashtra and South India provided underlying support, as the prices in North India are mostly high. Traders said, fresh selling by stockists in the face of reduced demand from rolling flourmills kept the market down. Wheat dara (for mills) traded at Rs.1150-1155/qlt as compared to Rs.1145-1150/qlt last week and fell down from Rs.1165-1170/qlt at the Lawrence road mandis in Delhi. The poor government stocks around 5.99 MMt provided additional support to the market at the weekend. Furthermore, the publics are not interested to buy PDS wheat, as most of the wheat is Australian quality, which is below quality than Indian standards, traders said. It is also creating pressure in the

market. Besides, against tender of import of wheat for 55 lakh tonnes (Lt), a quantity of 26.89 Lt has reached Indian ports as on November 15, 2006. However till now, around 4 Lt of wheat are estimated to be piling up at the western ports due to port congestion. The government said this wheat is yet to be lifted and transported to warehouses. According to the food ministry official, on an average 1.03 MMt wheat is currently at sea on the way to Indian ports. Besides, the wheat sowing in the rabi season has touched to 26.269 lakh hectares as of Nov. 9, up by around 10 lakh hectares from a year earlier period of 16 lakh hectares in the previous year same period. The long-term outlook of wheat is bullish. . In the international market, severe drought in Australia slashed the wheat production estimate. Therefore the export availability is restrictive. The production is anticipated to tumble down to scarcely 9.5 MMt from 25 MMt in the last crop year. The worlds largest wheat exporter Australia's AWB Limited has finished first of three export consignments to supply wheat to STC this year. The company has delivered 5

lakh Mt of wheat, which was issued by the STC in February 2006.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	11.11.06	18.11.06
Atta (90kg)	1119	1158
Maida Grade 1(90kg)	1227	1273
Suji (50kg)	690	703
Chokar (50 kg)	381	385
Chokar (35 kg)	250	285
Chakki Atta (90kg)	1050	1075

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

Markets	11.11.06	18.11.06
Delhi (Lawrence Road)	1145-1150	1150-1155
Haryana (Karnal)	1100-1105	1125-1130
Punjab (Khanna)	1100-1105	1125-1130
Ahmedabad	1210-1215	1210-1215
Rajasthan (Kota)	1125-1130	1145-1150
Uttar Pradesh (Kanpur)	1130-1135	1145-1150
Madhya Pradesh (Indore)	1170-1180	1195-1200
Uttar Pradesh (Bareilly)	1130-1135	1150-1155
Punjab (Sunam) Loose	1070-1080	1110-1120
Ludhiana (Jagraon) Loose	-	980-985
Rajkot	1190-1200	1200-1210
Madhya Pradesh (Bhopal)	1050-1060	1065-1075

INTERNATIONAL AND DOMESTIC NEWS:

Wheat Acreage Touched 2.6 Mil Ha vs 1.6 Mil Ha

According to the Directorate of Wheat Development, the wheat sowing in the rabi season has touched to 26.269 lakh hectares (2.63 million hectares) as of Nov. 9, up by around 10 lakh hectares from a year earlier period. The area was around 1.6 million hectares in the previous year same period. The area has been increased in Chattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, M.P., Maharashtra, Punjab, Rajasthan and U.P. The wheat sowing was lagging behind in Punjab, the wheat bowl of the country. As on November 2, wheat acreage had touched only 8,000 hectares in Punjab compared with 25,000 hectares last year due to high temperature. But the area has recovered thereafter and increased to 4.23 lakh hectares as of Nov. 9 as compared to 3.95 lakh hectares from a year earlier period. The normal area of wheat is around 25.965 million hectares.

Wheat Acreage Enormously Increasing in U.P.

The sowing of rabi wheat has been progressing well and increased by 69% as of Nov.9 as compared to last year same period. In Haryana, sowing is increased by 2.5%, while in Punjab it is higher by 7.09%. Furthermore, the other major wheat growing state Uttar Pradesh, where the procurement was extremely low last year, the wheat sowing is up by enormous 159.38%. As of Nov. 9, wheat acreage in U.P. touched to 1.66 lakh hectare as compared to 0.64 lakh hectare in the year-ago period. The remarkable increase in wheat acreage is mainly due to higher market price of the wheat. The increasing trend of wheat sowing is indicating to higher level of production in the next year but it will be depend on climate and how the temperature behaves during the grain filling stage in January-February, which would be critical for the final crop size.

Visakhapatnam Port Records in Wheat Unloading

According to the source Newindpress, it is witnessed that the Visakhapatnam Port has set an all-time record in unloading wheat in bulk in a day. They reported that a total quantity of 8,500 tonnes of wheat was unloading in a day from vessel MV Sumy at EQ-7 berth surpassing the previous best discharge of 8,100 tonnes from the same vessel. Shree Lakshmi Trading Corporation Export (India) imported the cargo.

Japan-S. Korea-Bangladesh Floating Tender to Buy Wheat

Japan was seeking to import of 125,000 metric tons of wheat in a routine tender to be concluded Thursday for shipment Jan. 1-31. On the other hand, four South Korean flourmills are tendering to buy 21,500 tonnes of US No.1 wheat. In addition to, Bangladesh is tendering to import 65,000 tonnes of wheat.

France Likely to Produce Less Wheat in 2006-07

According to the source, the estimated domestic 2006-07 soft wheat production is forecasted to 33.4 million metric tons in France, which is a decrease of 0.06 million tons from its October estimate and down 4.1% from the 2005-06 crop. The estimate was 1.2% below the previous five-year average.

USDA: US Wheat Ending Stocks Projected at 418 mln bushels

According to the latest World Agricultural Supply and Demand Estimate, the U.S. wheat and wheat by class balance sheets are unchanged from last month. Wheat ending stocks for 2006/07 are projected at 418 million bushels, down 27 percent from 2005/06 and the smallest since 1995/96. The price range is narrowed 5 cents on each end of the range to \$4.15 to \$4.55 per bushel. (1 Bushel=27.216 Kg)

Source: USDA

USDA: Latest WASDE Report on Wheat

According to the latest World Agricultural Supply and Demand Estimate (WASDE), global 2006/07 wheat production is raised to 587 million tons, up 2 million from last month, but down 32 million from 2005/06. Increases in Russia, Romania, and Ukraine more than offset declines in Australia, Brazil, and EU-25. Russia production is raised 2 million tons as good fall weather allowed for extended harvesting and higher output. Production for Romania and Ukraine are also raised on higher yields. Australia production is reduced to 10.5 million tons, down 0.5 million from last month as October drought and heat further reduced winter crop prospects in most of the major growing areas. Production is also lowered 0.5 million tons for Brazil, as a result of early season frost damage in the southern growing areas. Production in EU-25 is lowered as harvest results indicate lower production for France, Italy, Poland, and the United Kingdom, which more than offset an increase for Spain. Global consumption and trade are both raised this month as ending stocks decline for a fourth straight month. Consumption for 2006/07 is raised 2 million tons to 615 million. Increased feeding in Australia and FSU-12 account for most of the increase. Feed use is increased for Australia as pasture

has been devastated by the ongoing drought. Increased FSU-12 wheat feeding reflects larger available supplies resulting from higher production. Exports for Australia are lowered 1 million tons and Ukraine is down 0.5 million due to the slow pace of shipments caused by government intervention; however, higher Russia and China exports offset these reductions. Overall, global trade is raised slightly. Ending stocks drop 0.5 million tons to 118.8 million, and are down 19 percent from 2005/06.

Source: USDA

Wheat Stocks Declined to 5.99 MMt Despite Imports

According to the government data, the government's wheat stocks as of Nov. 1 have plummeted down to 5.99 million metric tons (MMt) as compared to 9.05 MMt of last year, which is a 33.8% drop. India has contracted to import of around 5.5 MMt wheat to replenish their stocks level. Around 2.8 MMt of imported wheat has arrived so far, according to the source.

Govt: Wheat Stocks Likely to be Adequate

According to the government data, the government's wheat stocks as of Nov. 1 have plummeted down to 5.99 million metric tons (MMt) as compared to 9.05 MMt of last year, which is a 33.8% drop. The average monthly offtake of wheat from the government's granaries for subsidized sales is near to 11 lakh metric tonnes, however the stocks have turned down on month by around 420,000 tons. But the government is expecting that the current stock position of wheat would adequate to meet local demand until the next local harvest arrives in the market by mid-February.

Around 2.8 MMt Imported Wheat Arrived So Far

According to the government source, around 2.8 million metric tonnes (MMt) of imported wheat has arrived so far in 2006. The government has contracted to import of total 5.5-MMt wheat through State Trading Corporation. However till now, around 4 lakh tonnes of wheat are estimated to be piling up at the western ports due to port congestion. The government said this wheat is yet to be lifted and transported to warehouses. According to the food ministry official, on an average 1.03 MMt wheat is currently at sea on the way to Indian ports. The official said the government is expecting that the all imported wheat would reach by end of February 2007 in spite of worries of tight international supplies from countries such as Ukraine and Australia.

PIB: Above 2.6 MMt Imported Wheat Arrived Till November 15

Against tender of import of wheat for 55 lakh tonnes, a quantity of 26.89 lakh tonne has reached Indian ports as on November 15, 2006. Four vessels with a total quantity of 209605 tonnes of wheat, are currently at discharge at Kandla, Vizag and Mundra ports, out of which 100942 tonnes has been discharged by November 15, 2006. Eight vessels have arrived with 436450 tonnes of wheat at Mundra, Cochin, Mumbai and Tuticorin ports and are under fumigation/quality-check/berthing. Five vessels that have sailed to Indian ports with 308635 tonnes of wheat are scheduled to arrive by November 25, 2006.

Forty-three vessels with a total quantity of 2043051 tonnes of wheat have been received by FCI by November 15, 2006.

Wheat prices at the retail level have remained steady at Ahmedabad, Bhopal, Mumbai, Bangalore and Hyderabad during the week ending November 9, 2006. There was slight increase in wheat prices at Delhi, Lucknow, Jaipur, Bhubaneswar, Patna and Thiruvananthapuram. Though spot prices of wheat registered an upward trend during the

period, October 31 to November 8, futures prices showed declining trend over the same period.

Source: PIB

Japan & S Korea Importing U.S. Wheat

Japan bought 125,000 tonnes of wheat at their weekly tender with 65,000 of the total coming from the US. On the other hand, four South Korean flourmills jointly imported 21,500 metric tons of U.S. No.1 wheat in a tender concluded Wednesday for shipment between Jan. 1-31, 2007. They are importing 11,500 tons of western white wheat, 4,200 tons of hard red winter wheat, and 5,800 tons of dark northern spring wheat.

USDA: US Wheat Export Sales Tumble Down

Net sales of 323,100 MT were 44 percent below the previous week and 47 percent under the prior 4-week average. Major increases for Nigeria (79,200 MT), Israel (45,600 MT), Mexico (35,700 MT), unknown destinations (29,000 MT), Cuba (26,000 MT), Venezuela (20,000 MT), and Italy (17,500 MT) were partially offset by decreases for Guatemala (5,400 MT). Exports of 340,100 MT were 32 percent above the previous week, but 16 percent under the prior 4-week average. The primary destinations were Nigeria (59,800 MT), Japan (52,100 MT), the Philippines (45,500 MT), Mexico (37,000 MT), Colombia (35,900 MT), Guatemala (22,400 MT), El Salvador (21,600 MT), and the Dominican Republic (18,200 MT). (This summary is based on reports from exporters for the period November 3-9, 2006)

Source: USDA

AWB Delivered 5-lakh Mt of Wheat to STC

The worlds largest wheat exporter Australia's AWB Limited has finished first of three export consignments to supply wheat to India's State Trading Corporation this year. It is reported that the company has delivered 500,000 metric tons of wheat, which was issued by the STC in February 2006. AWB is the only largest supplier by volume at 1.595 MMt, or 29% of the total imports. According to the government official, the second contract of 5 Lakh Mt of wheat is near to completion and shipments under the third consignments for 595,000 tons are currently underway. However the traders are speculating that these two consignments may get delayed due to tight global supplies. On the other hand, the government official said none of the wheat suppliers to STC has defaulted so far and deliveries are on schedule.

Australia Likely to Get 9.5 MMt Wheat in 2007

The severe drought in Australia slashed the wheat production estimate, which is to be well below average. Therefore the export availability is restrictive. The production is anticipated to tumble down to scarcely 9.5 million tons from 25 million tons in the last crop year ended March 31, 2006. Whether the domestic consumption of wheat in Australia is about to 55 lakh metric tonnes.

Argentina Temporarily Poised Wheat Export Permits

According to the source, Taiwan is taking into consideration of temporarily lifting a ban on imports from China. On the other hand, Argentina temporarily suspended grain and oilseed export permits due to administration problems and would only be in effect for one day caused grain markets to set-back off of the highs. Although a government official said the move would not block exports based on previous declarations. It is reported that all Argentine agricultural exports must be registered for export and the reference price is then fixed based on the day of registration. The reference price set on that day will be used for the export tax fixation. Declared exports of wheat and corn have reached extraordinary levels in Argentina in recent times as

exporters have chased to lock in reference prices and export commitments due to uncertainty over the government's desires to limit exports and control domestic food prices.

WEATHER WATCH

The regular market arrival is not expected to get affected, as weather forecasts suggest no rainfall over the producing region. Sowing of wheat has started Haryana, Gujarat, Karnataka, M.P., Punjab, Uttaranchal and Maharashtra etc. Therefore scattered to light rain may increase the soil moisture and will help in sowing but heavy rainfall may hinder on the sowing process. Scattered rainfall activity occurred over northeastern States during 10-12th and it was isolated on 9th and 13th. Fairly widespread rainfall occurred over Tamil Nadu & Pondicherry, Kerala and south Coastal Andhra Pradesh on many days of the week. Fairly widespread rainfall also occurred over north Coastal Andhra Pradesh during 9th to 10th. Isolated heavy rainfall also occurred over Tamil Nadu on 9th & 12th and Coastal Andhra Pradesh on 9th & 15th. Isolated to scattered rainfall activity occurred over remaining parts of the peninsula during many days of the week.

Outlook for the week ending on 15th November 2006

Fairly widespread/scattered rainfall activity is likely to continue over south peninsula during the week. Two western disturbances as an upper air system are likely to affect Jammu & Kashmir and adjoining areas during beginning and end of the week respectively. The night temperatures are likely to fall by 2-3°C over northwest and adjoining central India during the middle of the week.

Source: IMD

FOREX (As on 17th November, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.01
1 Euro	57.48
100 Yen	38.02
1 British £	84.91

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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