

WHEAT

16th -23rd DECEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Slipped Down During the Week
- Wheat Prices Steady to Firm at the Spot Market
- Govt. Extended Duty Free Private Wheat Import Until Feb.28

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded sharply down during the week on speculative selling interest among the investors. Thin domestic demands, higher production outlook, conducive weather for the wheat crop and signs of increased planted area have mainly increased speculative selling. Most active January contract traded mostly bearish at around Rs.1030.20 over last week's closing off Rs. 1053 and traded between Rs.1026-1065 with slightly decreased Open Interest and fluctuated volume of trade as compared to last week. There was no trading activity on the MCX during the week.

Candlesticks hint weak sentiments and reflect sellers mainly dominated the market. %K-line moving downwards following a bearish crossover in normal region, indicating weak note at medium term. Prices closed below 9-day and 18-day EMA. MACD is in negative territory and moving slightly downwards. Volume has increased and Open Interest has decreased slightly.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with slightly firm biasness on depleting stocks amidst improving millers demand.

Advice:

MARKET FUNDAMENTALS:

Wheat prices remained mostly steady with weak biasness during the week in the wholesale grain market in the country. At Delhi, Wheat dara for mills traded mostly steady between Rs. 1100/qlt. However, arrival has decreased to 4000-5000 bags as compared to 10000-1100 bags last week. At Narela/Najagarh mandis the price quoted lower at Rs.1040-1045 /qlt on reduced offtake by roller flourmills so far. However, millers demand likely to improve in coming days. The arrival remained 1500-1800 bags. According to trade sources a deal has finalized of two rake for Gujrat and Bhubaneswar. No demand from South India has witnessed from Delhi and Punjab as regular arrivals of imported wheat reported from Maharashtra and South India. However, the price of imported wheat from Australia is somewhat tight. Wheat prices at Punjab mandis have improved on buying support from millers amidst lower arrivals. The millers demand from UP has also added bullish tone. Stockists selling are continued in the market yards as Govt. of India

Buy at dips towards support levels for medium-term (5-6 days) trading.



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
January Contract	1030	1022	1070	1080

has extended the ECA in respect of wheat for a period of six months under the Essential Commodities Act, 1955. The anticipation of higher production is also playing a vital role in the mind of traders. The trend of wheat planting in the current rabi season points to a some expansion in the wheat area. Weather conditions so far, too, have added positive note of healthy crop growth. Increased acreage of wheat this year has exceeded the last year's coverage in the middle of this month by about 10%. However, wheat coverage is yet to reach the normal area of 260.50-lakh hectare. Though it is too early to reach in the estimate of the likely wheat output from the new crop to be harvested near in April, a higher production as compared to previous year cannot be ruled out at this stage. Traders are not willing to take risk of entering into any fresh wheat import deal now for delivery at a time when domestic prices would slipping down to the minimum support price level of Rs 750 a quintal. However, sharply depleting stocks in the market yards is still added the firmness in short term. Possibility of rebound millers

demand will also likely to add stiffness in coming days. But FCI is supposed to release wheat stock in the open market to check the rise in flour prices.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	16.12.06	23.12.06
Atta (90kg)	1131	1122
Maida Grade 1(90kg)	1273	1237
Suji (50kg)	703	683
Chokar (50 kg)	349	349
Chokar (35 kg)	228	233
Chakki Atta (90kg)	1000	1000

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

Markets	16.12.06	23.12.06
Delhi (Lawrence Road)	1095	1100
Haryana (Karnal)	1050	1050-1055
Punjab (Khanna)	1062	1028-1030
Ahmedabad	1085	1190-1195
Rajasthan (Kota)	1110	1095-1100
Uttar Pradesh (Kanpur)	1105	1100-1105
Madhya Pradesh (Indore)	1130	1125-1130
Uttar Pradesh (Bareilly)	1085	1080-1085
Punjab (Sunam) Loose	1030	975-980
Ludhiana (Jagraon) Loose	930	945-950
Rajkot Mill Price	1140	1140-1145
Madhya Pradesh (Bhopal)	1040	1045-1050

INTERNATIONAL AND DOMESTIC NEWS:

India Likely to Achieve the Target of 4% Ag. Growth

According to Food and Agriculture Minister Sharad Pawar India's agriculture sector is likely to achieve the target of 4% growth year in the current fiscal year ending March 31. However the actual production figures will no doubt depend on total acreage under winter crop planting along with performance of weather. Around 400,000 hectares of land has diversified to wheat cultivation from rapeseed in India. He added further, imports of vegetable oil would take care of the deficiency in rapeseed/oil.

U.S. Wheat Ending stocks for 2006/07 Raised 20 M bushels

Projected U.S. wheat ending stocks for 2006/07 are raised 20 million bushels this month. Exports are lowered 25 million bushels reflecting the slow pace of shipments and sales and increased competition from higher world production and supplies. A 5-million-bushel increase in food use based on the most recent mill grind data from the U.S. Bureau of the Census partly offsets lowered exports.

The price range is lowered 10 cents on the top end of the range to \$4.15 to \$4.45 per bushel. Global 2006/07 wheat production is raised to 589 million tons, up 2 million from last month. Increases in Argentina and Canada more than offset a reduction in Brazil. Argentina's production is raised 1 million tons based on early yield reports. Production for Canada is raised 1 million tons based on the most recent estimates from Statistics Canada. Brazil production is lowered 0.3 million tons this month as earlier frost damage curtailed yields for this year's crop.

Source : WASDE (Dec 11)

Global Wheat Ending Stocks for 2006/07 Up 2 Million Tons

Global ending stocks for 2006/07 are raised to 121 million tons, up 2 million tons and in line with the rise in world output. Larger ending stocks in Canada and the United States account for most of the increase. Global trade and consumption are both raised slightly, but a small increase in beginning stocks is nearly offsetting. Higher exports by Argentina more than offset the reduction in U.S. exports.

Source : WASDE (Dec 11)

No Ban on Wheat Futures trading

Wheat future trading along with other essential commodities is likely to continue in prominent exchange of our country. This is confirmed by the Agriculture minister Sharad Pawar reported some prominent newspaper of India. According to the Minister firmness in wheat prices is because of lower production estimates and low mandi arrivals as compared to last year. Wheat output was 69.4 million tonne in the last crop year as against a target of 75.53 million tonne.

Indian Wheat Out Put is Likely to 74 MT in 2007

According to the Ministry of Agriculture India's wheat production is likely to increase at 74 million metric tons in 2007. The production is much higher from the estimated output of 69.48 million tons in 2006. The present conducive weather in the major wheat growing belts are favouring the crop development. Acreage has increased by 22.5 per cent to 20.74 million hectares as of December 8th, 2006. The ministry said the Govt. will think on building local buffer stocks before pushing wheat exports. Canada:

Govt. Extended Duty Free Private Wheat Import Until Feb.28

The government has extended the duty free private wheat import by another two months and the concession will now be valid until February 28, according to the senior government official on Friday. The processing industries like flourmills and biscuit manufacturers will be able to import wheat at zero duty until Feb.28.

Wheat: USDA Weekly Export Sales Highlights

Wheat: Net sales of 455,100 metric tons were 3 percent below the previous week, but 2 percent over the prior 4-week average. Major increases were reported for Japan (131,000 MT), Egypt (114,000 MT), South Korea (47,100 MT), Costa Rica (31,000 MT, switched from unknown destinations), the Dominican Republic (27,300 MT, switched from unknown destinations), Mexico (24,400 MT), Italy (21,600 MT), and Venezuela (20,800 MT). Sales of 13,900 MT for delivery in 2007/08 were for Mexico. Exports of 362,500 MT were 12 percent below the previous week and 11 percent under the prior 4-week average. The primary destinations were Egypt (59,000 MT), Italy (52,400 MT), Iraq (51,500 MT), Israel (43,800 MT), Mexico (32,200 MT), Nigeria (25,000 MT), and Cuba (24,400 MT).

Source: USDA

Wheat Acreage Increased by 22.5% Over Last Year

According to the Ministry of Agriculture Friday, the acreage of wheat has covered 207.44 lakh hectares as of December 8, which is roughly 80% of the normal area of 260.50 lakh hectares. It is up by 22.5% as compared to 169.27 lakh hectares of last year. There is a shift in planted area towards grains and pulses from oilseeds. The entire major wheat-growing belts have reported significantly higher cumulative acreages as compared to last year. The massive jump in wheat acreage is mainly owing to robust domestic prices. The current climate is favours for the wheat crop and major wheat areas of north India are warmer than normal temperatures at this time, favouring developing wheat. Considerable gains in wheat plantings of around 400,000 hectares have been made in nontraditional regions such as the western province of Rajasthan, better known for growing rapeseed.

WEATHER WATCH

The regular market arrival is not expected to get affected due to rainfall. Sowing of wheat has completed around 80% of normal area in Haryana, Gujarat, Karnataka, M.P., Punjab, Uttaranchal and Maharashtra etc. Current weather is friendly for the development of the crop. Sowing should be completed by mid of December, and any delay would result in a yield loss.

Rainfall:

Scattered rain/thundershower occurred over Nicobar Islands during 14-15th and 17th and over Lakshadweep Islands on 14th. Isolated rain/thundershower also occurred over Tamil Nadu & Pondicherry on 14th.

Isolated rain/thundershower occurred over northeastern States during 18 and 19th.

Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 27th December 2006

A fresh western disturbance is likely to affect Western Himalayan region during second half of the week.

Rise in night temperature by 2-3°C over plains of northwest India and Gangetic plains during middle of the week and fall towards the end of the week.

Subdued rainfall activity over south peninsula during second half of the week.

Source: IMD

FOREX (As on 23rd DECEMBER, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.59
1 Euro	58.83
100 Yen	37.69
1 British £	87.54

IGC WORLD WHEAT ESTIMATES (24.11.06)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				25.10	24.11
Production	556	629	618	585	587
Trade	103	110	108	110	109
Consumption	595	616	621	606	607
Stocks	125	138	135	114	114
Year-Year Change	-40	+13	-3	-21	-21
5 Major Exporters [#]	41	55	55	32	32

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

Source: International Grains Council

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