

WHEAT

2nd -9th DECEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Tumbled Sharply During the Week
- Wheat Traded Rangebound with Slight Bearish at the Spot Market
- Wheat Acreage Reached to 20.74 Mil Ha, Up by 22.5%

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures continued to trade bearish during the week though some correction was noticed after the mid week and tumbled sharply on Saturday. Increased selling activity added to the bearish tone. A parliament panel had suggested banning futures trading in items of mass consumption including wheat. It is likely to have a bearish impact on futures market. Most active January contract traded mostly bearish at around Rs.1063.40 over last week's closing off Rs.1108.40 and traded between Rs.1062-1115 with good open interest but reduced volume of trade. There was no trading activity on the MCX during the week.

Candlesticks hints bearish market. %K-line moving down after a bearish crossover in oversold region, indicating downward market. Prices closed far below 9-day and 18-day EMA, hinting bearish market for medium term and MACD also indicates slight downward 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:

MARKET FUNDAMENTALS:

Continued steady demand supply scenario has kept wheat prices on steady side during the week at upper level in the wholesale grain market in the country. Reduced arrival is providing underlying support to the market regardless of reduced offtake by the roller flourmills as somewhat weak products demand. Wheat dara for mills traded steady at Rs.1120-1125/qlt with reduced arrival of 4000-6000 bags at the Lawrence road mandis in Delhi. However the arrival is increasing at now amidst stockists selling. It is witnessed that wheat prices have shot up 33% in the Delhi retail market over the past one year. However fresh demand for rabe from South India slightly pushed up the spot prices in Punjab side but got fade thereafter, traders said. FCI had not released wheat to the mills for the past several months as they have poor stocks of 5.99 MMt wheat. Stocks at the market yards are also depleted therefore prices may boost up in the near future as higher winter consumption of wheat, trades said. But FCI is supposed to release wheat

Buy at corrective dips towards support level 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	1055	1045	1085	1095

stock in the open market to check the rise in flour prices. USDA said, despite a likely increase in planted area in India, 2007 wheat production would be influenced greatly by weather conditions through harvest. On the other hand, a parliament panel has suggested banning futures trading in items of mass consumption including wheat on concerns over surging prices of wheat and other essential commodities. In the international market, Besides, 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 ha and up by 22.5% as compared to 169.27 lakh ha of last year. It is likely to have a bearish impact. The massive jump in wheat acreage is mainly owing to robust domestic prices. STC has contracted for import 55 lakh tonnes of wheat out of which 35 lakh tonnes has reached the country. In addition, it is estimated that 6.6 lakh tonnes of wheat imported by private traders has also reached the country as on December 1, 2006.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	2.12.06	9.12.06
Atta (90kg)	1149	1131
Maida Grade 1(90kg)	1273	1273
Suji (50kg)	703	703
Chokar (50 kg)	367	352
Chokar (35 kg)	244	228
Chakki Atta (90kg)	1030	1030

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

Markets	2.12.06	9.12.06
Delhi (Lawrence Road)	1120-1125	1120-1125
Haryana (Karnal)	1070-1075	1070-1075
Punjab (Khanna)	1100-1105	1085-1090
Ahmedabad	1195-1200	1190-1195
Rajasthan (Kota)	1135-1140	1125-1130
Uttar Pradesh (Kanpur)	1130-1135	1110-1115
Madhya Pradesh (Indore)	1155-1165	1175-1180
Uttar Pradesh (Bareilly)	1125-1130	1115-1120
Punjab (Sunam) Loose	1080-1090	1085-1090
Ludhiana (Jagraon) Loose	970-980	975-985
Rajkot	1155-1165	1145-1150
Madhya Pradesh (Bhopal)	1150-1160	1140-1150

INTERNATIONAL AND DOMESTIC NEWS:

Haryana: Insurance on Wheat Crop against Rain Damage

According to sources, Haryana Government is considering introduction of insurance against unseasonal rainfall for wheat crop this rabi season. The innovative wheat insurance will be introduced in five districts of the state on a trial basis and likely to be extended to others areas next year. The insurance will cover farmers, who buy insurance before December 31, against untimely rainfall between March 1 and April 15. The insurance is optional for farmers, but the state has made it compulsory for the farmers who have taken a loan against their crop.

Argentina: Wheat Export Sales Down Over Last Year

According to the latest government data of Argentina, the country's 2005-06 wheat export sales totaled 8.19 million tons (MMt) as of December 1. This is up from 8.17 MMt a week earlier, but remains down from the 11.11 MMt of 2004-05 wheat.

Brazil: Around 48% of Wheat Crop Damaged

According to sources, around 48% or 1.1 million metric tons of wheat crops are expected to damage in Brazil, which is up from an October 11 estimate of 46.5%, or 1.2 million tons. A late-winter cold snap destroyed much of the wheat

crop in Parana and Rio Grande do Sul, the country's No. 2 wheat-producing state. It is expecting that the country would produce roughly 2.2 MMt of wheat, according to the government estimates.

USDA: Wheat Sowings Ahead of Last Year in India

According to Directorate of Wheat Development, the sowing progress of wheat is improving well. Acreage of this crop has already reached to 17.47 million hectares as of November 30, up by 3.1 million hectares as compared with 14.37 million hectares last year same period. Favorable soil moisture conditions, high open market prices, and a significant increase in the government support price have contributed to increased planting. However, the initial surge in wheat planting this year is also attributed to the early harvest of the rice crop in some north Indian states. Although mid-October through November is considered to the optimum planting time for wheat, planting typically continues through December in some states such as Uttar Pradesh and Bihar due to late harvesting of the rice crop.

The most wheat area ever planted totaled 27.5 million hectares in 1999 and 2000. Since then, wheat planted area has fluctuated between 25.2 million hectares to 26.7 million hectares. Most of the increase in wheat planted area this year is reported to have come at the expense of the rapeseed crop, grown mostly in Rajasthan, Uttar Pradesh, Haryana, and Madhya Pradesh. Also competing for winter planted area this year are winter pulse crops such as chickpeas and lentils, whose prices have also skyrocketed in recent months. Post expects final wheat acreage to register an increase of around 1 million hectares over last year's level and to reach around 27.6 million hectares.

Source: FAS, USDA

India: Wheat Production Will Depend on Weather

According to the USDA Attaché reports, despite a likely increase in planted area, 2007 wheat production will be influenced greatly by weather conditions through harvest. Lack of winter rains, rising temperatures during the grain filling stage in February, and rains and hail at harvest time are all factors, which could adversely affect yields. A significant decline in 2005 and 2006 wheat production from an earlier anticipated higher level was attributed to higher temperatures during the grain maturing stage. In 1999, despite a record wheat area of 27.5 million hectares, production was only 71.3 million tons as the yield was just 2.6 tons per hectare. In recent years, wheat yields were around 2.7 tons per hectare, with the highest yield at 2.78 tons/hectare in 2000. Assuming an average yield of 2.7 tons per hectare, the 2007 wheat production could reach around 75 million tons. However, if the average yield drops to last year's level of 2.6 tons per hectare, production would be only 72 million tons. A clearer picture will emerge only by February 2007.

Source: FAS, USDA

Wheat Supply Situation to Remain Tight in MY 2007/08

According to the USDA Attaché reports, despite a likely higher wheat production in 2007, the wheat supply situation should remain tight in MY 2007/08 because of low carry over stocks, held both with the government and the private trade. Government wheat stocks on November 1, 2006, were around 6.0 million tons, compared with 9.0 million tons a year ago. With the projected arrival of the balance quantity of around 3.5 million tons of imported wheat during November 2006 through March 2007, and an offtake of around 6.5 million tons of wheat (1.3 million tons per month) from government stocks for the PDS and other government welfare programs during this period, the government is likely to end up with carry over stocks of around 3 million tons on April 1, 2007, marginally higher than

the April 1, 2006, stocks of 2 million tons compared to the required buffer stock level of 4 million tons. However, wheat stocks with the private trade will be negligible.

Although the government has announced a higher support price of Rs. 7,500 (\$167) per ton for wheat for MY 2007/08, prevailing market prices are currently trending 50 percent above the support price at a record Rs. 11,500 (\$255) per ton. It is unlikely that market prices will drop to the support level even at harvest time in most producing states, which would make it difficult for the government to procure adequate quantities of wheat required for its PDS stocks and use because of increased competition from the private trade. The only way the government could maximize wheat procurement would be by imposing movement restrictions on wheat from the surplus states of Punjab and Haryana to other parts of the country by private traders and by enforcing stock limits on the private trade under the provisions of the Essential Commodities Act. However, this would be a shortsighted policy, as it will not address the overall supply/demand imbalance for wheat in the country.

Prevailing higher wheat prices have reportedly forced several flour millers to temporarily close down operations. Millers in south India are asking the government to make wheat available to them at reasonable prices and to allow duty-free imports beyond the December 31, 2006, deadline. Since arrivals of imported wheat by the government are likely to spill over to 2007, the government may need to continue the relaxed phytosanitary norms for wheat imports beyond the December 31, 2006.

Source: FAS, USDA

Govt: Foodgrains Stocks Above than Buffer Norms

According to sources, the foodgrains stocks in the country are much higher than the mandatory buffer norms. Minister of State for Food and Consumer Affairs, Akhilesh Prasad Singh, said in Lok Sabha that there is no threat of food insecurity in the country. He concluded that there is a stock of 186.49 lakh tonnes of foodgrains as on December 1, 2006. Foodgrains stock at the beginning of the current month is much higher than the buffer norm of 162 lakh tonnes as on November 1, 2006. As on November 30, 2006, rice stock stood at 125.11 lakh tonnes, while that of wheat stood at 59.94 lakh tonnes.

ABARE Estimate Wheat Output to 9.7 MMt in Australia

According to the Australian Bureau of Agricultural & Resource Economics (ABARE), the country's wheat production forecast for the 2006-07 was estimated Tuesday at 9.7 million metric tons (MMt), slightly higher than October estimate of around 9.5 MMt, however down 61% from actual production of 25.1 MMt last crop year ended March 31, 2006. ABARE also estimated domestic consumption of wheat will increase to 6.2 MMt this shipping year from 5.5 MMt last shipping year ending Sept. 30, 2006. They also estimated that exports would fall this shipping year to 10.9 MMt from 16.0 MMt last year. National wheat inventories this shipping year will fall by 7.3 MMt, after an addition of 3.6 MMt last year.

S. Australia Likely to Get 1.5 MMt Wheat

Harvesting of wheat crop has started in South Australia and production will reach to 1.5 million metric tons (MMt), just 40% of the last year amidst drought, however still up from a low point estimate two months ago of 1-MMt, according to the government's report. This province contributed about 15% of the last crop year's national wheat production of 25 MMt. According to the Australian Bureau of Agricultural & Resource Economics (ABARE), the country's wheat

production forecast for the 2006-07 was estimated at 9.7 million metric tons (MMt), slightly higher than October estimate of around 9.5 MMt.

Canada: Wheat Exports to Rise as Australia's Drought

It is expected that the Canadian Wheat Board (CWB) would export large volume of wheat this year and an increase of 19 percent is predicted due to larger domestic crop and reduced supply from Australia on account of drought. Exports of wheat are likely to touch 19 million metric tons (MMt) for the year ending July 31, 2007, up from 16 MMt previous year, according to source. Sharply lower production of wheat in Australia has created opportunities for the CWB to exploit markets, including in Southeast Asia, the Middle East and even Africa, where Australia's AWB is traditionally active. Australia, the world's third biggest exporter after the U.S. and Canada, exported 15.2 MMt after the last harvest of 25 MMt.

Parliament Committee Suggests Ban on Wheat Futures

A parliament panel has suggested banning futures trading in items of mass consumption including wheat on concerns over surging prices of wheat and other essential commodities, as reported by Economic Times. The news is likely to have bearish impact on the wheat prices on today's trade. Futures of other commodities like Chana would also draw some weak sentiment from the same.

Canada Pegs Wheat Production at 27.28 MMt in 2006-07

According to sources, statistics of Canada pegged all wheat production at 27.28 million tonnes (MMt) during 2006-07, up 1.9% of 25.86 million tonnes from last year and above pre-report estimates of 26-27 million tons in the last USDA supply/demand report.

USDA: US Wheat Weekly Export Sales Report

Net sales of 403,900 metric tons were 26 percent below the previous week and 11 percent under the prior 4-week average. Major increases were reported for Japan (92,700 MT), unknown destinations (54,300 MT), Venezuela (45,600 MT), Chile (42,000 MT), Mexico (36,900 MT), the Dominican Republic (26,800 MT), and Panama (26,700 MT).

Exports of 498,400 MT were 22 percent above the previous week and 51 percent over the prior 4-week average. The primary destinations were Japan (108,100 MT), Thailand (102,800 MT), Indonesia (66,600 MT), the Philippines (49,800 MT), Nigeria (31,900 MT), Mexico (25,800 MT), and Venezuela (24,400 MT). Sales were in line with trade expectations of 300,000 to 500,000 MT. (This summary is based on reports from exporters for the period November 24-30, 2006)

Source: FAS, USDA

Govt: Wheat Production Estimated at 69.48 MMT in 2005-06

According to the Fourth Advance Estimate wheat production in the country was 69.48 million tonnes during 2005-06 against 68.64 million tonnes in the previous year. Production of wheat in 2003-04 was 72.15 million tonnes and 72.77 million tonnes in 2001-02. In 2002-03 wheat production declined to 65.76 million tonnes, on account of drought.

This information was given in Rajya Sabha today by the Minister of State for Agriculture, Shri Kanti Lal Bhuria in a written reply.

The State Trading Corporation of India has contracted for import 55 lakh tonnes of wheat out of which 35 lakh tonnes has reached the country. In addition, it is estimated that 6.6 lakh tonnes of wheat imported by private traders has also reached the country as on December 1, 2006, the Minister added.

Source: PIB

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.

E.U. Estimates Wheat Output Down to 110 MMt in 2006-07

According to the source, the soft wheat production in European Union 2006-07 is now estimated at 110 million metric tons (MMt), down 5% on the year. In France, the largest grain producer in the E.U., the soft wheat harvest was pegged at 33.4 MMt, down from 34.9 MMt last year. Soft wheat production in Germany for 2006-07 was estimated at 22.5 MMt, down from 23.6 MMt of last year.

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. Therefore scattered to light rain may increase the soil moisture and will help in sowing but heavy rainfall may hinder on the sowing process.

Rainfall:

Light rainfall occurred at a few places over Punjab, Haryana and West Rajasthan during last 3 days of the week. It was isolated over East Rajasthan, West Uttar Pradesh, East Madhya Pradesh and Chhattisgarh on one or two days of the week. South Madhya Maharashtra and south Konkan & Goa also received isolated rainfall on 30th November.

Isolated rain/thundershowers also occurred over Tamil Nadu, Kerala, Lakshadweep and Andaman & Nicobar Islands on some days of the week.

Weather was mainly dry over remaining parts of the country during the entire week.

Outlook for the week ending on 13th December 2006

Western Himalayan region and plains of northwest India likely to experience scattered precipitation during 10th & 11th due to an approaching western disturbance.

Under the influence of an approaching easterly wave, scattered rainfall activity likely to commence over south peninsula from 10th onwards.

Fall in night temperature and fog conditions likely over north India during beginning and end of the week.

Source: IMD

FOREX (As on 8th DECEMBER, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.69
1 Euro	59.37
100 Yen	38.77
1 British £	87.68

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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