

WHEAT

9th -16th 'DECEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Tumbled Down During the Week
- Wheat Prices Turns weak 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 continued to trade weak during the week on speculative selling interest among the investors. The anticipation of higher production, extension of ECA and stockists selling in the open market are the factors governing the sentiments. Most active January contract traded mostly bearish at around Rs.1038.20 over last week's closing off Rs. 1078.60 and traded between Rs.1038-1051 while near month December contract is also slid down much lower levels as compared to last closing off Rs.1017.20 and moved between Rs.966.20-990.00 during Saturday's trading. About 13700MT delivery intention has received from sellers for wheat towards December '20 expiry contract. However, no wheat stock is reported from NCDEX accredited Warehouses as on December 13, 2006. There was no trading activity on the MCX during the week.

Candlesticks hints further weak sentiments. Sellers dominated the market at higher price levels. %K-line moving downwards following a bearish crossover in oversold region, indicating weak note. Prices closed much below 9-day and 18-day EMA, hinting weak market for medium term and MACD is in negative territory and moving downwards indicates weak market for medium term.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with weak undertone due to increased stockists selling amidst steady demand.

Advice:

MARKET FUNDAMENTALS:

Wheat prices remained mostly steady at some higher levels during the week in the wholesale grain market in the country. At Delhi, Wheat dara for mills traded down by Rs.30 to Rs.1095-1100/qtl. However, arrival has increased to 10000-11000 bags as compared to 5000-6000 bags last week. According to trade sources the Punjab Govt. is likely to release some stocks through PDS system shortly. Govt. of India has extended the ECA in respect of wheat for a period of six months or till further order, whichever is earlier under the Essential Commodities Act, 1955 to bring out hoarded stock of these items in the open market. These factors motivated the stockists to release their hoarding in open market. Moderate demand from the rolling flourmills and chakki mills has offset the higher arrivals. Mill owners

Sell at high towards resistance 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	1024	1018	1070	1080

are interested to increase their stocks. However, no demand is witnessed from Southern parts of India and this is no doubt pressurizing the market tone. According to the Govt. of India wheat output in 2007 is likely to increase 74 MT on conducive weather factor for crop development. Acreage has increased by 22.5 per cent to 20.74 million hectares as of December 8th, 2006. Overall, world trends are slightly bearish to wheat as well. Projected global 2006-07 wheat production was raised to 589 million tons, increase by 2 million tons from last month. Argentina wheat production was raised 1 million tons based on early yield reports. Production for Canada was raised 1 million tons, while Brazil production was lowered 300,000 tons because earlier frost damage curtailed yields for this year's crop. Global wheat ending stocks for 2006-07 were increased to 121 million

tons, up 2 million tons due to larger ending stocks in Canada and the United States. In India, MeT department has termed the current weather is friendly for the development of the crop. Sowing should be completed by December 15, and any delay would result in a yield loss of 30 kg per hectare. However, sharply depleting stocks in the market yards is still holding the firmness in short term. 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	9.12.06	16.12.06
Atta (90kg)	1131	1131
Maida Grade 1(90kg)	1273	1273
Suji (50kg)	703	703
Chokar (50 kg)	352	349
Chokar (35 kg)	228	228
Chakki Atta (90kg)	1030	1000

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

Markets	9.12.06	16.12.06
Delhi (Lawrence Road)	1120-1125	1095
Haryana (Karnal)	1070-1075	1050
Punjab (Khanna)	1085-1090	1062
Ahmedabad	1190-1195	1085
Rajasthan (Kota)	1125-1130	1110
Uttar Pradesh (Kanpur)	1110-1115	1105
Madhya Pradesh (Indore)	1175-1180	1130
Uttar Pradesh (Bareilly)	1115-1120	1085
Punjab (Sunam) Loose	1085-1090	1030
Ludhiana (Jagraon) Loose	975-985	930
Rajkot	1145-1150	1140
Madhya Pradesh (Bhopal)	1140-1150	1040

INTERNATIONAL AND DOMESTIC NEWS:

India Exported 34262 tons of Wheat Between April-July 2006

It is strange that Indian government never banned exports of wheat despite shortage of the commodity and also importing it in large volumes around 6.5 MMt, according to sources. As per the government data, very small quantity of wheat exported earlier this year when the government was issuing tenders to import. Wheat exports are estimated at 34,262 tons between April and July 2006, down from 597,570 tons a year earlier. However the government's official said that the export of wheat are too little therefore the ban on exports of wheat is not required. He also concluded that small volumes may have been exported to neighboring countries such as Bangladesh apart from the

aid to Afghanistan but generally the country's local prices have been higher than international prices, making exports unviable. Brazil: Around 48% of Wheat Crop Damaged

USDA: US Wheat Ending Stocks Estimated at 418 mil Bushels

According to the USDA's latest World Agriculture Supply Demand Estimates (WASDE) report, 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=27.22 Kilogrammes)

Source: USDA

USDA: Global Wheat Output Raised to 587 MMt Over Last Month

According to the USDA's latest World Agriculture Supply Demand Estimates (WASDE) report, 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. (1 Bushel=27.22 Kilogrammes)

Source: USDA

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

Net sales of 471,100 metric tons were 17 percent above the previous week and 15 percent over the prior 4-week average. Major increases were reported for Nigeria (90,500 MT), Guatemala (85,700 MT), Japan (78,200 MT), Colombia (71,200 MT), including 48,000 MT switched from unknown destinations), Egypt (60,000 MT), El Salvador (50,500 MT), Mexico (47,600 MT), and Taiwan (43,000 MT), were partially offset by decreases for unknown destinations (55,000 MT) and Chile (27,000 MT). Exports of 412,900 MT were 17 percent below the previous week, but 6 percent above the prior 4-week average. The primary destinations were South Korea (90,400 MT), Yemen (45,100 MT), Mexico (44,400 MT), Taiwan (40,000 MT), Guatemala (31,800 MT), and Colombia (31,200 MT). (This summary is based on reports from exporters for the period December 1-7, 2006)

Source: FAS, 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:

Fairly widespread rain/snowfall occurred over Jammu & Kashmir on 7th & 11th and over Himachal Pradesh and Uttaranchal on 11th. Isolated/scattered rain/snowfall also occurred over Jammu & Kashmir, Himachal Pradesh and Uttaranchal on 8th, 10th & 12th.

Isolated rain/thundershower occurred over Punjab and Western Uttar Pradesh on one or two days of the week.

Light rainfall occurred at a few places over Sub-Himalayan West Bengal & Sikkim on 12th. Light rainfall also occurred at isolated places over East Uttar Pradesh and Bihar during 11-12th.

Light to moderate rain/thundershower occurred at a few places over northeastern States during 12-13th.

Fairly widespread/scattered rain/thundershower occurred over Tamil Nadu & Pondicherry during 10-13th. Scattered/isolated rainfall also occurred over south Coastal Andhra Pradesh, Rayalaseema and South Interior Karnataka during 11-12th. Scattered/isolated rain/thundershower occurred over Andaman & Nicobar Islands during many days of the week.

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

Outlook for the week ending on 20th December 2006

Subdued rainfall activity over south peninsula.

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

No significant change in minimum temperature over plains of northwest India and Gangetic plains. Source: IMD

FOREX (As on 16th DECEMBER, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.66
1 Euro	58.70
100 Yen	37.88
1 British £	87.56

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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