

WHEAT

20th-27th, JANUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Gujarat Imposes Stock Limit on Wheat and Wheat Products

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded upwards during first half of the week. However, increased selling pressure at the higher levels capped the early gains and traded downwards thereafter. Bearish fundamentals on higher production outlook limited the gains in all the contracts. The stock Position of wheat at NCDEX accredited Warehouses decreased to 5926 MT as on 24-Jan-07 as against last week. Most active February contract traded around Rs.1013 over last week's closing off Rs. 1023 and traded between Rs.1012.2-1048 with good Open Interest and decreasing volume. There was no trading activity on the MCX during the week.

Candlesticks showing weak sentiments. Sellers dominated the market. Prices closed below 9-day and 18-day EMA. Stochastic are in normal region and moving downwards. MACD is in positive territory and moving slightly downwards. Volume has decreased whereas Open Interest has increased.

Outlook:

The wheat futures at the NCDEX are expected to remain ease on lower wheat as well as product demand amidst steady arrivals. Higher production outlook and some fresh arrivals at Gujarat are supporting the bearish sentiments.

Advice:

MARKET FUNDAMENTALS:

Wheat prices continued steady with weak undertone in majority of domestic markets on steady arrivals amidst poor demand at higher price levels. The lower wheat product demand due to higher prices restricted roller flour millers from purchasing wheat from open market. The fresh arrivals of wheat are reported from Gujarat mandis. In Rajkot, the fresh arrivals reported to 600-700 bags per day and price declined by Rs.15-20 to Rs.1100-1110. However, the supply is confined in the state itself. No demand from South India and Maharashtra is witnessed as of continuous arrivals of imported wheat there. Some buying support is reported from local stockists. The Civil Supplies Department of Gujarat has ordered stock limits on wheat and wheat products like flour for retailers, wholesalers, and traders ahead of the wheat procurement season to check the hoarding. At Delhi, Wheat dara for mills quoted steady at Rs.1080/qrtl on lower demand from roller flourmillers.

Sell on 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
February Contract	995	980	1030	1040

However some demand is witnessed from local chakki millers. Arrivals remained 4000-5000 bags. Stockists have continued liquidating inventories to clear warehouses for the next crop on higher production outlook as well as expectation of early arrivals. Wheat acreage has been increased over 14.65 lakh hectare so far as on 19th January, 2007 over last year acreage of 266.47 lakh ha. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season. The higher acreage is supporting the higher production this year. The government is targeting wheat production of around 74 million tonnes. However, the target can be achieved if the cold continues through the season. Yields will drop only if temperatures rise. With the outlook of higher crops the Maharashtra Government eased storage limits on wholesalers imposed under the Essential Commodities Act. 45.41 lakh tonne of imported wheat has arrived for PDS and social welfare schemes. This might be softening the sentiments further. Although the government has extended duty-free

imports by private trade till February, high global prices and forecast of higher domestic output is likely to subdue imports. The crop is likely to arrive in the market during Mar-April. However, domestic and multinational companies are likely to increase their stocks at the time of harvesting peaks up. Private traders likely to procure large amount of wheat mostly from Uttar Pradesh, Madhya Pradesh, Rajasthan and Maharashtra due to superior quality of crops. Although the government has extended duty-free imports by private trade till February, high global prices and forecast of higher domestic output is likely to subdue imports.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	20.01.07	29.01.07
Atta (90kg)	1104	1086
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	668	678
Chokar (50 kg)	350	350
Chokar (35 kg)	235	235
Chakki Atta (90kg)	980	940

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

Markets	20.01.07	29.01.07
Delhi (Lawrence Road)	1080	1020-1030
Haryana (Karnal)	1045-1050	980-985
Punjab (Khanna)	1086-1091	1045-1050
Ahmedabad	1190-1195	1125-1130
Rajasthan (Kota)	1100-1105	1085-1090
Uttar Pradesh (Kanpur)	1090-1095	1035-1040
Madhya Pradesh (Indore)	1140-1145	1090-1095
Uttar Pradesh (Bareilly)	1080-1085	1020-1025
Punjab (Sunam) Loose	960-980	NA
Ludhiana (Jagraon) Loose	970	900-910
Rajkot Mill Price	1140-1150	1050-1060
Madhya Pradesh (Bhopal)	1050-1075	1035-1040

INTERNATIONAL AND DOMESTIC NEWS:

Gujarat Imposes Stock Limit on Wheat and Wheat Products

The Civil Supplies Department of Gujarat has ordered stock limits on wheat and wheat products like flour for retailers, wholesalers, and traders ahead of the wheat procurement season under the Gujarat Essential Articles (Licensing, Control and Stock Declaration) Order, 1981, The order became effective from January 15. According to the order,

no retailer can stock beyond 500 quintals of wheat or wheat products like flour. The limit has been fixed at 5,000 quintals for wholesalers, and lesser of 30,000 quintals or one month's stock of milling capacity for millers. Every wheat trader stocking or purchasing for sale a quantity more than 150 quintals would need to obtain a license under the Gujarat Essential Articles (Licensing, Control and Stock Declaration) (Amendment) Order, 2007.

Maharashtra Government eased storage limits on Wheat

The Maharashtra Government eased storage limits on wholesalers imposed under the Essential Commodities Act early September on the outlook of a bumper rabi wheat crop. Wheat wholesalers can now store up to 300 tonnes in urban and rural centres against the previous limit of 150 tonnes for urban and 500 quintals in rural areas. Similarly, retailers' stock limit has been increased to 10 tonnes, while flour mills can stock up to 30 days against the previous limit of 10 days.

Wheat Acreage is 281.135 lakh ha in India

Wheat has been sown in 281.135 lakh ha so far as on 19th January, 2007 compared to 263.626 lakh ha in the corresponding period last year, representing an increase of over 17.5 lakh hectare. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season and 260.5 lakh ha on an average in the preceding five years. Significantly higher coverage has been reported in Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh. The crop condition is normal.

IGC Optimistic about Increase in World Wheat Acreage

The International Grains Council estimated an increase in world wheat acreage by 3.5% in 2007. The production is estimated 621 million tonnes, a rise of 32 million tonnes on 2006. Biggest increases of wheat acreage were expected in the European Union, Russia, the United States, India and Australia, whereas they may be reductions in Canada and China. It also estimated some increase in ending stocks forecast by 2 million tonnes at 116 million tonnes.

Wheat Import from Pakistan is Viable for India in Case of Need

Pakistan's decision to cut 15 per cent export duty on wheat will make it viable for India to import the commodity from the country in the time of requirement. However, at present it would be difficult to undertake deal from Pakistan, as wheat is not included in the list of commodities permissible under trade pact with Pakistan. The trade agreement of wheat between the two countries can take place once the list is revised to include the foodgrains.

Wheat Acreage is Up in Pakistan

Wheat acreage in Pakistan has been increased by 2.0 per cent over the last year and estimated to more than 8.332 mln.hectares. This is about 99 per cent of the set target for the year 2006-07. The Federal Committee on Agriculture (FCA) has set wheat sowing target of 8.459 mln. hectares to achieve the production target of 22.5 mln. tonnes during the year of 2006-2007. This year the target is one million tonnes higher than last year. The favourable weather so far in Pakistan is very suitable for crop growth.

US Wheat Ending Stocks Increased to 34 Mln Bushels

Projected U.S. wheat ending stocks for 2006/07 are raised 34 million bushels this month primarily because of changes in projected trade. Imports are raised 10 million bushels as hard red spring and durum wheat imports to date have been higher than expected. Exports are lowered 25 million bushels reflecting the slow pace of shipments and sales as a result of

strong U.S. prices. The projected price range is unchanged at \$4.15 to \$4.45 per bushel.

Source: WASDE

Global Wheat Production Projected 2.2 Mln Tonnes Higher

Global 2006/07 wheat production is projected 2.2 million tons higher this month, due primarily to larger crops in Russia and EU-25. Production is raised 1.4 million tons in Russia and 0.7 million tons in EU-25. Global consumption is raised 1.2 million tons this month reflecting increases in EU-25, Russia, Ukraine, and India. Wheat imports are reduced for Iraq and Pakistan. Higher exports for Russia, Bulgaria, and Romania are more than offset by lower exports for Ukraine, EU-25, India, and the United States. With more production, global ending stocks for 2006/07 are raised 1.1 million tons. Higher projected stocks in the United States, EU-25, and Ukraine drive the increase.

Source: WASDE

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:

Wheat: USDA Export Sale Highlights

Wheat: Net sales of 246,100 metric tons were 70 percent below the previous week and 37 percent under the prior 4-week average. Increases reported for Japan (61,400 MT), Mexico (55,500 MT), Yemen (50,000 MT), Nigeria (35,500 MT), including 30,000 MT switched from unknown destinations), and Colombia (25,800 MT), were partially offset by decreases for unknown destinations (30,000 MT). Exports of 530,800 MT were 38 percent above the previous week and 28 percent over the prior 4-week average. The primary destinations were Egypt (120,300 MT), Japan (76,500 MT), Nigeria (61,500 MT), Iraq (53,400 MT), Taiwan (47,100 MT), and Mexico (45,000 MT).

Source: USDA

WEATHER WATCH

A western disturbance as an upper air system lay over Pakistan & adjoining Jammu & Kashmir on 18th, over Jammu & Kashmir and neighbourhood on 19th and moved away eastwards on 20th. An upper air cyclonic circulation extending upto lower tropospheric levels lay over Assam & neighbourhood on 21st and moved away eastwards thereafter. Last week's cyclonic circulation at lower levels over Gangetic West Bengal & neighbourhood became less marked on 18th.

Rainfall:

Isolated snowfall occurred over Jammu & Kashmir on 19th and 20th. Isolated rainfall occurred over north Coastal Andhra Pradesh on 19th and over Arunachal Pradesh and adjoining Assam on 22nd. Mainly dry weather prevailed over the remaining parts of the country during the week. Isolated fog conditions in the morning hours prevailed over Indo-Gangetic plains during 18-21st and on 24th. Morning fog conditions also prevailed at same places during 20-21st

Outlook for the week ending on 31st January 2007

A fresh western disturbance as an upper air system is likely to affect Western Himalayan region during second half of the week.

Source: IMD

FOREX (As on 29th JANUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.24
1 Euro	57.33
100 Yen	36.77
1 British £	86.95

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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