

WHEAT

30th DECEMBER, 2006 - 06th JANUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Down During the Week
- Wheat Prices Steady to Down at the Spot Market
- Wheat Production in Canada Increased by 1 MMT to 27.3 MMT

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded lower as against last year levels during the week. Increased speculative selling interest among the investors pressurised the futures and traded near contract months' low throughout the week. Higher production outlook on increased acreage along with favourable weather condition for crop growth, have mainly increased speculative selling interest. Most active February contract traded mostly bearish at around Rs.1007 over last week's closing off Rs. 1018 and traded between Rs.995-1022 with higher Open Interest and lower volume of trade as compared to last week. The stock Position of wheat at NCDEX accredited Warehouses decreased to 10029 MT as on 04-Jan-07 as against last week. There was no trading activity on the MCX during the week.

Candlesticks showing weak tone. Prices closed below 9-day and 18-day EMA. Stochastic are in normal region and moving upward, indicating firm tone at medium term. MACD is in negative territory and moving upwards. Volume has decreased whereas Open Interest has increased.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with weak biasness on increase arrivals amidst poor demand at higher price levels.

Advice:

MARKET FUNDAMENTALS:

Wheat prices remained mostly steady in majority of wheat markets. At Delhi, Wheat dara for mills traded at Rs.1080/qrtl along with the steady arrivals of 10000-11000 bags. Increased selling by stockists amidst reduce offtake from rolling flourmills is driving the market sentiments. Lack of fundamental support for wheat on lower demand at higher price levels and higher production expectation this year added the underlying bearish tone. Wheat acreage has been increased in India about 275.529 lakh ha as on 5th January 2007 as compared to 257.876 lakh ha in the corresponding period last year. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season. A higher coverage of wheat has been reported in Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Uttar Pradesh. Over 85% of the total crop is cultivated under irrigated condition. The favourable weather conditions for crop growth along with higher acreage is supporting the

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
January Contract	994	985	1024	1029

higher production estimation of Govt. i.e., 74 MT. However, productivity will depend on the lower temperature between 15-18o C January onwards in the time of maturity period. Sudden rise in temperature at that time will hamper the crop yield. Annual domestic demand is near about 73 MT. Therefore, if everything goes to the right direction there wont be supply constraints in the year. Global wheat output is likely to be higher this time. Pakistan is likely to export about 500,000 MT of wheat onto the world market in the near-term. Winter wheat acreage is up in U.S., and crop conditions are favorable so far. The new crops likely to hit in the domestic market in the month of March-April. The Govt. has announced higher MSP of Rs 750 per 100 kg for wheat this season. The total procurement of wheat ranges from 8 to 14 million tons, accounting for about 11 to 20 per cent of the total production. Thus, the government system handles only a small proportion of the total wheat production and private merchants handle the large proportion. There is a

talk in the market that the government may announce a procurement price higher than the MSP to meet its buffer stock. The MNC's are also looking for good stocks, which would support the market in the time of peak arrivals. Millers stocks are reportedly weak; therefore demand is expected to rise in coming days.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	31.12.06	06.01.07
Atta (90kg)	1104	1104
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	668	668
Chokar (50 kg)	361	365
Chokar (35 kg)	247	247
Chakki Atta (90kg)	980	990

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

Markets	31.12.06	06.01.07
Delhi (Lawrence Road)	1080-1085	1080
Haryana (Karnal)	1040-1045	1040-1045
Punjab (Khanna)	1055-1060	1055-1060
Ahmedabad	1180-1185	1165-1170
Rajasthan (Kota)	1090-1095	1090-1095
Uttar Pradesh (Kanpur)	1100-1105	1105-1110
Madhya Pradesh (Indore)	1130-1135	1125-1130
Uttar Pradesh (Bareilly)	1090-1095	1095-1110
Punjab (Sunam) Loose	940	980-990
Ludhiana (Jagraon) Loose	925-930	970
Rajkot Mill Price	1140	1130-1135
Madhya Pradesh (Bhopal)	1050-1060	1050

INTERNATIONAL AND DOMESTIC NEWS:

Hafed to Buy Wheat Rs.300 Higher than MSP Under Contract Farming Scheme

Hafed in association with HSDC had started contract farming of Desi Wheat in the District Gurgaon, Jhajjar, Rewari and Mohindergarh. The variety is C-306. Near about 621 acres of land would be covered under the scheme. Hafed is likely to purchase Fair Average Quality (FAQ) of wheat directly from the producers at a premium of Rs 300 per quintal over the MSP for wheat of the commodity, a senior government official said.

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.

Wheat Production in Canada Increased by 1 MMT to 27.3 MMT

USDA projected global wheat production forecast for 2006/07 increased more than 1.7 MT this month to 588.6 MT. According to the survey of Statistics Canada the wheat out put of that country increased by 1 million tons to 27.3 million on favorable late season weather for crop growth and good harvesting conditions. This is the largest wheat production in Canada in 10 years. The quality is also much better than during the last 2 years.

Wheat Acreage to Higher at Central Henan Province

The wheat acreage in Central Henan Province is likely to be higher this year as against previous year. The last year record acreage was 12.4 million acres. The continued government subsidies are supporting the higher acreage.

US Wheat Ending Stocks for 2006/07 Up

WHEAT: 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.

Source: WASDE

Global Ending Stocks of Wheat UP this Week

Global ending stocks for 2006/07 are raised to 121 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. 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

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 135,100 metric tons--a marketing-year low--were 62 percent below the previous week and 68 percent under the prior 4-week average. Increases reported for Thailand (55,500 MT), Indonesia (55,100 MT, including 55,000 MT switched from unknown destinations), Taiwan (51,700 MT), and Colombia (22,800 MT), were partially offset by decreases for unknown destinations (55,500 MT) and Iraq (6,900 MT). Exports of 488,000 MT were 67 percent above the previous week and 25 percent over the prior 4-week average. The primary destinations were Iraq (145,600 MT), Egypt (115,900 MT), the Philippines (54,200 MT), Japan (46,400 MT), Guatemala (36,400 MT), Mexico (28,300 MT), and Cuba (27,500 MT).

Source: USDA

WEATHER WATCH

A cyclonic circulation extending upto lower tropospheric levels lay over Assam & Meghalaya and neighbourhood during 28th December 2006 to 2nd January 2007. It moved eastwards and lay over Nagaland, Manipur, Mizoram & Tripura and neighbourhood on 3rd. A western disturbance as an upper air system lay over north Pakistan and neighbourhood on 30th; over north Kashmir and neighbourhood on 31st and it moved away eastwards thereafter. However, dense fog occurred over plains of northwest India in the rear of this disturbance. A weak easterly wave affected Nicobar Islands on 28th. December.

Rainfall:

Isolated rain/thundershower occurred over Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya and Arunachal Pradesh during many days of the week. Scattered rain/thundershower occurred over Nicobar Islands on 29th. December. Mainly dry weather prevailed over the remaining parts of the country during the week.

Fog conditions prevailed over many parts of Indo-Gangetic plains during the week. However dense fog occurred over the western parts of the region during 31st December and 1st January and over eastern parts of the region during 2nd and 3rd January.

Outlook for the week ending on 10th January 2007

Isolated rain/thundershower is likely over Sub-Himalayan West Bengal & Sikkim and northeastern States during 8-9th.

Fog conditions and fall in night temperatures are likely over plains of northwest India during 7-9th.

A fresh western disturbance is likely to affect western Himalayan region from 10th..

Source: IMD

FOREX (As on 07th JANUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.30
1 Euro	57.92
100 Yen	37.42
1 British £	85.83

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

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.