

WHEAT

23rd, 2006- 30th DECEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Slipped Down During the Week
- Wheat Prices Down at the Spot Market
- Pakistan Likely to Export of 0.5 mt of Wheat

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded downwards during the week. Speculative selling interest among the investors slid down the futures near contract months' low. Higher production outlook on increased acreage along with favourable weather condition for crop growth, have mainly increased speculative selling. Most active January contract traded mostly bearish at around Rs.1011 over last week's closing off Rs. 1046.8 and traded between Rs.990-1046 with decreased Open Interest and volume of trade as compared to last week. The stock Position of wheat at NCDEX accredited Warehouses as on 28-Dec-06 is reported to 12551 MT. There was no trading activity on the MCX during the week.

Candlesticks showing weak tone, reflects sellers mainly dominated the market. Prices closed in between 9-day and 18-day EMA. Stochastic are in normal region and moving upwards. MACD is in negative territory and moving slightly upwards, indicating firm tone at medium term. Volumes decreased and Open Interest increased.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with firm biasness on depleting stocks and anticipation of improve millers demand.

Advice:

MARKET FUNDAMENTALS:

Wheat prices declined sharply during the week in the wholesale grain market in the country. At Delhi, Wheat dara for mills traded mostly steady between Rs.1080-1085/qlt. However, arrival has increased to 15000 bags at the weekend as compared to 10000-11000 bags last week. At Narela/Najafgarh mandis the price quoted lower at Rs.1030-1035 /qlt on reduced offtake by roller flourmills. The arrivals are reported to 1800-2000 bags. The lack of buying support at higher price levels has pressurized the sentiments. Wheat acreage has been increased by 15% to 250 lakh hectares compared to 218.84 lakh hectares during the corresponding period of last year. Over 85% of the total crop is cultivated under irrigated condition and the weather conditions also have become favorable so far. According to government estimates, wheat output in the current rabi season is likely to touch 74 million tonne due to higher

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	993	985	1041	1050

acreage. However, wheat coverage is yet to reach the normal area of 260.50-lakh hectare. Productivity is leading to higher production. Productivity will depend on the weather conditions January onwards in the time of maturity period. Higher production outlook, stockists selling, reduced offtake by roller flourmills and poor demand from South India is mainly added underlying bearish tone. FCI is supposed to release wheat stock in the open market to check the rise in flour prices. Millers demand is likely to improve in the coming days because they are having lower stock position. Global stock position of wheat is also lower and there is a gap between supply and demand. This gap will no doubt add some firmness in the market in coming days. The Govt. has announced higher MSP of Rs 750 per 100 kg for wheat this season. 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 longer term.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	23.12.06	31.12.06
Atta (90kg)	1122	1104
Maida Grade 1(90kg)	1237	1210
Suji (50kg)	683	668
Chokar (50 kg)	349	361
Chokar (35 kg)	233	247
Chakki Atta (90kg)	1000	980

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

Markets	23.12.06	31.12.06
Delhi (Lawrence Road)	1100	1080-1085
Haryana (Karnal)	1050-1055	1040-1045
Punjab (Khanna)	1028-1030	1055-1060
Ahmedabad	1190-1195	1180-1185
Rajasthan (Kota)	1095-1100	1090-1095
Uttar Pradesh (Kanpur)	1100-1105	1100-1105
Madhya Pradesh (Indore)	1125-1130	1130-1135
Uttar Pradesh (Bareilly)	1080-1085	1090-1095
Punjab (Sunam) Loose	975-980	940
Ludhiana (Jagraon) Loose	945-950	925-930
Rajkot Mill Price	1140-1145	1140
Madhya Pradesh (Bhopal)	1045-1050	1050-1060

INTERNATIONAL AND DOMESTIC NEWS:

Pakistan Likely to Export of 0.5 mt of Wheat

The Economic Coordination Committee (ECC) has allowed export of 500,000 tonnes of wheat as there was a surplus of the commodity and a good crop yield is also expected. Till December 24, 2006 the country had wheat stock of 4.3 million tonnes against the 3.6 million tonnes during the same period last year. Pakistan will sell 50,000 tonnes of milling wheat to Bangladesh in a government-to-government agreement at a discounted price despite a ban on the export 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.

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

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 354,200 metric tons were 22 percent below the previous week and 25 percent under the prior 4-week average. Increases reported for Taiwan (96,800 MT), Japan (93,000 MT), Nigeria (71,900 MT), Mexico (49,900 MT), and Thailand (45,000 MT), were partially offset by decreases for

unknown destinations (27,000 MT). Exports of 292,000 MT were 19 percent below the previous week and 31 percent under the prior 4-week average. The primary destinations were Iraq (109,900 MT), Japan (61,800 MT), the Philippines (25,200 MT), Mexico (23,000 MT), South Korea (22,500 MT), and Tunisia (19,600 MT).

This summary is based on reports from exporters for the period December 15-21, 2006.

Source: USDA

WEATHER WATCH

A western disturbance affected Western Himalayan region during 21-22nd and moved away eastwards thereafter. Another western disturbance affected Western Himalayan region during 25-26th and moved away eastwards affecting northeastern States on 27th. In association with this disturbance an induced cyclonic circulation formed over West Rajasthan and neighbourhood extending upto 2.1 Km above sea level on 25th. It persisted over the same area on 26th and became less marked on 27th. A weak easterly wave affected extreme south peninsula during 21-24th.

Rainfall:

Scattered snowfall activity was experienced over Jammu & Kashmir on 21st & 22nd and mainly dry weather prevailed thereafter till 25th. Scattered snowfall activity was again experienced over Jammu & Kashmir during 26-27th. Light to moderate rain/snowfall activity was also experienced over Himachal Pradesh and Uttaranchal during 26-27th. Rain/thundershower occurred at a few places over Punjab, Haryana, Chandigarh & Delhi and at isolated places over Rajasthan, West Uttar Pradesh and northwest Madhya Pradesh on 27th.

Isolated rainfall activity occurred over Arunachal Pradesh and Assam & Meghalaya on 27th.

Scattered/isolated rain/thundershower occurred over Tamil Nadu & Pondicherry, south Coastal Andhra Pradesh and Rayalaseema during 21-24th.

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

Fog conditions prevailed over some parts of Indo-Gangetic plains during 21-24th and on 27th.

Outlook for the week ending on 3rd January 2007

A fresh western disturbance is likely to affect Western Himalayan region from 31st December.

Rise in night temperature over plains of northwest India for 2-3 days commencing from 30th December.

Source: IMD

FOREX (As on 02nd JANUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.23
1 Euro	58.26
100 Yen	37.21
1 British £	86.91

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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