

WHEAT

06th -13th, JANUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Down During the Week
- Wheat Prices Steady to Down at the Spot Market
- Pakistan to Export 5 Lakh Tonnes of Wheat

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded bullish during the week. Front month contract surged higher on speculative short covering. The stock Position of wheat at NCDEX accredited Warehouses decreased to 8072 MT as on 11-Jan-07 as against last week. Due to higher spot prices the sellers are under pressure to avoid delivery. However, bearish fundamentals on higher production outlook limited the gains in other contracts. Most active February contract traded mostly higher at around Rs.1031.4 over last week's closing off Rs. 1007.4 and traded between Rs.1001-1037 with higher Open Interest and more or less steady volume. There was no trading activity on the MCX during the week.

Candlesticks showing weak tone. Trade couldn't sustain at higher price levels. Prices closed above 9-day and 18-day EMA. Stochastic are in overbought region and moving slightly upward, MACD is in positive territory and moving upwards. Volume as well as Open Interest has decreased.

Outlook:

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

Advice:

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	1006	998	1046	1053

MARKET FUNDAMENTALS:

Despite the outlook for higher production of wheat on increased acreage as well as favourable weather the spot prices are continued ruling above the future market price. At Delhi, Wheat dara for mills quoted at Rs.1085/ql. Arrivals are reportedly decreased to 3000 bags from 10000-11000 bags last week and mostly coming from Uttar Pradesh and Haryana. In Punjab mandis the wheat prices quoted at Rs.1080 with the arrivals of 10,000-12,000 bags. Stockists have been actively selling wheat in the open markets. The local chakki mills are mainly purchasing the wheat from open markets. No rake demand is reported from the mandis. High wheat prices leads to lower offtake of wheat products across the country. Demand for wheat generally increase at the time of Christmas and continue during winter months. However, this time it is low so far. Steady arrivals of imported wheat in South India and Maharashtra resulted into lower demand from North India. The stock position in central pool is 55.94 Lakh tonnes as

on 5.12.06. The wheat crop is likely to hit the market in the month of March- April. However, arrivals from Gujarat are expected to come in the market yards some earlier during January last. Agriculture Ministry of India is hopeful for a crop of around 74 Mln Tonnes, the trade is putting it at 72.8 million tonnes. Annual domestic demand is near about 73 MT. 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. Lack of fundamental support for wheat on lower demand at higher price levels and higher production expectation coupled with favourable weather continuing pressurizing the market tone. However, 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 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	06.01.07	13.01.07
Atta (90kg)	1104	1104
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	668	668
Chokar (50 kg)	365	360
Chokar (35 kg)	247	243
Chakki Atta (90kg)	990	995

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

Markets	06.01.07	13.01.07
Delhi (Lawrence Road)	1080	1085
Haryana (Karnal)	1040-1045	1040-1045
Punjab (Khanna)	1055-1060	1080-1085
Ahmedabad	1165-1170	1187-1193
Rajasthan (Kota)	1090-1095	1095-1100
Uttar Pradesh (Kanpur)	1105-1110	1115-1120
Madhya Pradesh (Indore)	1125-1130	1135-1140
Uttar Pradesh (Bareilly)	1095-1110	1100-1105
Punjab (Sunam) Loose	980-990	970-975
Ludhiana (Jagraon) Loose	970	NA
Rajkot Mill Price	1130-1135	1135-1140
Madhya Pradesh (Bhopal)	1050	1050-1060

INTERNATIONAL AND DOMESTIC NEWS:

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.

A shipment of Ukrainian Wheat to Arrive Mumbai Port This Week

A shipment of 26,000 tonnes wheat from Ukraine is likely to arrive at the western port of Mumbai this week following the decision of Ukrainian authorities to release/free the shipment in question contracted before the ban on exports that was announced in October. A state-run Indian agency reportedly PEC Ltd is importing this one.

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.

Pakistan to Export 5 Lakh Tonnes of Wheat

The Economic Coordination Committee of the cabinet in Pakistan last month allowed private traders the export of 5 Lakh Tonnes of wheat on the anticipation of a higher production this season. The country's wheat output remained steady at 21.7 Mln Tonnes for the last couples of years. However, this time the government has set a target of 22.5 Mln Tonnes for the 2006-07 crop. The Punjab and Sindh governments have offered the export for the first time in three years. The exporters of Pakistan welcomed the decision of Govt. Pakistan banned wheat exports more than two years ago because of lower production coupled with rising domestic price.

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:

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 244,400 metric tons were 81 percent above the previous week, but 31 percent under the prior 4-week average. Major increases were reported for Sri Lanka (114,000 MT, the first activity since the 2000/01 marketing year), Egypt

(60,000 MT), Nigeria (38,000 MT), and Mexico (13,800 MT). Exports of 494,100 MT were 1 percent above the previous week and 27 percent over the prior 4-week average. The primary destinations were Iraq (94,700 MT), the Philippines (73,300 MT), Japan (65,400 MT), Mexico (49,300 MT), South Korea (46,600 MT), Venezuela (43,700 MT), and Nigeria (38,900 MT).

Source: USDA

WEATHER WATCH

A western disturbance as an upper air system lay over north Pakistan and neighbourhood on 4th & 5th, over Jammu & Kashmir and neighbourhood on 6th and moved away eastwards on 7th. Another western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 9th and moved away eastwards on 10th. An upper air cyclonic circulation extending upto lower tropospheric levels lay over Assam and neighbourhood during many days of the week. A weak easterly wave affected Nicobar Islands and extreme south peninsula during the week.

Rainfall:

Scattered snowfall activity occurred over higher ridges of Jammu & Kashmir on 10th.

Isolated light rainfall occurred over Tamil Nadu and Andaman & Nicobar Islands during a few days of the week.

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

Morning fog conditions prevailed over some parts of East Uttar Pradesh, Bihar, Sub-Himalayan West Bengal and adjoining Assam on 4th, 5th and 7th and over some parts of the plains of northwest India during 9-10th

Outlook for the week ending on 17th January 2007

Cold wave conditions are likely to continue over some parts in the plains of northwest India during the week. They are

also likely over East Uttar Pradesh and Bihar from middle of the week.

A fresh western disturbance is likely to affect western Himalayan region towards end of the week.

Source: IMD

FOREX (As on 15th JANUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.61
1 Euro	57.54
100 Yen	36.97
1 British £	86.80

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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