

## WHEAT

13<sup>th</sup> -20<sup>th</sup>, JANUARY, 2007

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Wheat Acreage is 281.135 lakh ha in India

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded at some higher level during the week as compared to last week. January contract settled higher on speculative short covering. The stock Position of wheat at NCDEX accredited Warehouses decreased to 7429 MT as on 18-Jan-07 as against last week. Delivery intention was reportedly 1360 tonnes from sellers for towards January 19, 2007 expiry contract. The open interest in the closing day of January contract was 4230 tonnes. 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 some higher side during the week and traded at around Rs.1032 over last week's closing off Rs. 1028.4 and traded between Rs.1016-1041 with higher Open Interest and more or less steady volume. There was no trading activity on the MCX during the week.

Candlesticks showing firm sentiments. Buyers dominated the market. Prices closed above 9-day and 18-day EMA. Stochastic are in normal region and moving upwards. The %K line is likely to cross % D line from below. MACD is in positive territory and moving slightly upwards. Volume has increased whereas 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.

### MARKET FUNDAMENTALS:

Wheat prices remained steady with weak biasness in majority of spot markets. At Delhi, Wheat dara for mills quoted down by Rs.10 at Rs.1080/qtl on lower demand from roller flourmillers. Some buying support has been seen from local chakki millers. Arrivals are reportedly improved to 4000-5000 bags from 3000 bags last week. 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 to 279.434 lakh ha as on 11th January compared to 261.786 lakh ha in the corresponding period last year. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season. The higher acreage and favourable weather so far is supporting the higher production.

#### 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 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
February Contract	1006	999	1043	1048

However, Weather in the rest of the growing period (January - March 2007) would play a key role in determining the actual output. No rake demand for South India is reported from the mandis. Near about, 4,00,000 tonne imported wheat is reportedly lying with mills in South 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. In 2005-06, FCI had procured 6.8 million tons of wheat, which was lower ever since 1994-95. In the current year it is expected that Govt. will purchase higher amount of wheat from open market to fulfill buffer stocks. The MNC's are also looking for good stocks immediately in the time of peak harvest. The active purchase of wheat will support the market in the time of peak arrivals. Despite the decision of Govt.

to extend the duty-free import of wheat up to February 28, 2007, no private importers are motivated as global wheat prices have been rising on the back of tight supply conditions due to fall in output for the second consecutive year. The global wheat output in 2006-07 is projected at 588.56 mln tonnes; it is down by 5% from 620 mln tonnes produced in 2005-06. While global consumption is seen at 615.20 mln tonnes as per the USDA data.

#### PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	13.01.07	20.01.07
Atta (90kg)	1104	1104
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	668	668
Chokar (50 kg)	360	350
Chokar (35 kg)	243	235
Chakki Atta (90kg)	995	980

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

Markets	13.01.07	20.01.07
Delhi (Lawrence Road)	1085	1080
Haryana (Karnal)	1040-1045	1045-1050
Punjab (Khanna)	1080-1085	1086-1091
Ahmedabad	1187-1193	1190-1195
Rajasthan (Kota)	1095-1100	1100-1105
Uttar Pradesh (Kanpur)	1115-1120	1090-1095
Madhya Pradesh (Indore)	1135-1140	1140-1145
Uttar Pradesh (Bareilly)	1100-1105	1080-1085
Punjab (Sunam) Loose	970-975	960-980
Ludhiana (Jagraon) Loose	NA	970
Rajkot Mill Price	1135-1140	1140-1150
Madhya Pradesh (Bhopal)	1050-1060	1050-1075

#### INTERNATIONAL AND DOMESTIC NEWS:

##### 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.

##### Iraq Unlikely to Buy Wheat from AWB

Iraq is unlikely to buy wheat from AWB, Australia this year. Prior to US-led invasion of the country in 2003. Iraq was

Australia's main wheat customer. The country annually purchases around 2.5 mln tonnes of wheat from Australia. Presently, the country turned towards US wheat.

##### 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:

##### 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.

### USDA Wheat Export Sales Up

Wheat: Net sales of 824,700 metric tons were three and one-third times the previous week and two and three-quarters times the prior 4-week average. Major increases were reported for Japan (139,200 MT), unknown destinations (116,000 MT), Iraq (100,000 MT), South Korea (92,600 MT), the Philippines (76,000 MT), and Nigeria (75,200 MT). Exports of 383,700 MT were 22 percent below the previous week and 6 percent under the prior 4-week average. The primary destinations were Japan (68,000 MT), Indonesia (60,500 MT), Taiwan (46,300 MT), South Korea (45,300 MT), and Iraq (42,000 MT).

This summary is based on reports from exporters for the period January 5-11, 2007.

Source: USDA

### WEATHER WATCH

A weak easterly wave affected Nicobar Islands and coastal Tamil Nadu during the week. A cyclonic circulation at lower levels lay over Assam and neighbourhood during 11-13th. It lay over Nagaland, Manipur, Mizoram & Tripura and neighbourhood during 14-16th with a trough extending upto Sub-Himalayan West Bengal & Sikkim at lower levels. A cyclonic circulation at lower levels lay over Gangetic West Bengal & adjoining north Orissa and Jharkhand on 16th evening. It lay over Gangetic West Bengal and neighbourhood with a trough extending towards south Orissa on 17th.

### Rainfall:

Isolated rain/thundershowers occurred over Arunachal Pradesh and Assam during 12-14th. Isolated rain/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim during 15-17th and over Jharkhand, Orissa and Gangetic West Bengal on 17th. Isolated rain/thundershowers occurred over Nicobar Islands on 16th. Mainly dry weather prevailed over the remaining parts of the country during the week. Morning fog conditions prevailed at some places in Indo-Gangetic plains during 11-13th. Isolated fog conditions prevailed during remaining days of the week.

### Outlook for the week ending on 24<sup>th</sup> January 2007

Rise in night temperature over Indo-Gangetic plains during next 1-2 days and fall thereafter alongwith fog condition at some places.

Source: IMD

### FOREX (As on 22<sup>nd</sup> JANUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.21
1 Euro	57.34
100 Yen	36.43
1 British £	87.30

### 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 <sup>#</sup>	41	55	55	32	32

<sup>#</sup> 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.