

WHEAT

27th, JANUARY- 03rd FEBRUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Wheat Demand Down from Major Importing Countries

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded upwards initially. However, selling pressure at the higher levels capped early gains and traded sharply downwards during the last part of the week. The stock Position at MCX accredited warehouses is 8.134 MT as on 31st Jan 2007. Whereas, the stock Position of wheat at NCDEX accredited warehouses decreased to 5396 MT as on 01-Feb-07 as against last week's 5926 MT. Most active February contract traded down around Rs.1010 over last week's closing off Rs. 1026.4 and hovered between Rs.993.2-1048 with lower Open Interest and decreasing volume. The stochastic is in normal region and moving slightly southwards. MACD is in positive territory and moving downwards, indicating some weakness at medium terms.

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 negative territory and moving slightly downwards. Volumes and Open Interest has decreased.

Outlook:

The wheat futures at the NCDEX are expected to remain ease on lower demand of wheat and wheat products at higher price levels. Fresh arrivals at Gujarat are supporting the bearish sentiments. However, prolonged higher temperatures may impact the crop yields..

Advice:

MARKET FUNDAMENTALS:

Majority of wheat wholesales markets observed sharply decline prices of Wheat during the first part of the week on higher arrivals. Stockists were the active sellers. The higher production outlook as well as expectation of early arrivals of crop in markets due to early sowing activities this season motivated the stockists to liquidating their stocks. At Delhi mandis the wheat dara prices decline to Rs.1010/ qtl. with the arrivals of 12,000-14,000 bags. However, the price turns up to Rs. 1060-1070 during the end part of the week on decline arrivals around 3,000-4000 bags. Stockists are interested to watch the market carefully before liquidating their full stocks. The lower demand of wheat and wheat products continued pressurizing the market. Fresh wheat crop has continued arriving in market yards of Gujarat. The higher acreage more than 281.20 lakh hectares so far with

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	994	985	1035	1042

the average yields of 2700kg/ha has increased the production outlook this year. The crops in northern India are in mostly tillering stage. Some winter rains in northern India have raised hopes of high wheat production. However, the day temperature is some higher level recently. No crop damage and expected yield reduction is reported so far. However, prolonged higher temperatures in coming fortnight are not beneficial for crop growth. When temperatures are high, too much energy is lost through the process of transpirations by the plants and the reduced residual energy results in poorer grain formation and lower yields. The crop is likely to hit majority of the market in during Mar-April. Government is expected to procure more than 11 million tonne of wheat in 2007-08 compared with 9.2 million tonne procured in 2006-07, to meet the requirements of the PDS and to maintain the desired minimum buffer stock level.

However, domestic and multinational companies are also looking for increase their stocks at the time of harvesting peaks up. Private traders likely to procure good amount of wheat mostly from Uttar Pradesh, Madhya Pradesh and Maharashtra due to superior quality of crops and competitive freight rates. Wheat prices in the international market have decreased by Rs. \$20 per metric tonne during the current month as compare to last month. Wheat acreage is expected to rise by 3.5 per cent in 2007. The significant increases are expected in the EU, Russia, the US, India and Australia. There may be some decrease of acreage in Canada and China.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	29.01.07	03.02.07
Atta (90kg)	1086	1059
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	678	678
Chokar (50 kg)	350	350
Chokar (35 kg)	235	235
Chakki Atta (90kg)	940	950

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

Markets	29.01.07	03.02.07
Delhi (Lawrence Road)	1020-1030	1040
Haryana (Karnal)	980-985	1015-1020
Punjab (Khanna)	1045-1050	1055-1060
Ahmedabad	1125-1130	1115-1120
Rajasthan (Kota)	1085-1090	1050-1055
Uttar Pradesh (Kanpur)	1035-1040	1025-1030
Madhya Pradesh (Indore)	1090-1095	1050-1055
Uttar Pradesh (Bareilly)	1020-1025	1035-1040
Punjab (Sunam) Loose	NA	960
Ludhiana (Jagraon) Loose	900-910	910-920
Rajkot Mill Price	1050-1060	1040-1050
Madhya Pradesh (Bhopal)	1035-1040	1000-1025

INTERNATIONAL AND DOMESTIC NEWS:

Wheat Demand Down from Major Importing Countries

A Significant decline in wheat demand from major importing countries is witnessed recently on the outlook of higher production this year. Shipments to Iraq and Africa are slower than expected. Based on sales data so far, the forecasts of exports by the US, the EU, Australia and Ukraine are lower, whereas those by Russia and China are

reportedly higher. Wheat prices in the international market have decreased by Rs. \$20 per metric tonne during the current month as compare to last month. Wheat acreage is expected to rise by 3.5 per cent in 2007. The significant increases are expected in the EU, Russia, the US, India and Australia. There may be some decrease of acreage in Canada and China.

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 Up around 281.782 lakh ha

Wheat has been sown in 281.782 lakh ha so far as on 1st February, 2007 compared to 264.336 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. 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.

Wheat: USDA Export Sale Highlights

Wheat: Net sales of 560,500 metric tons were two and one-quarter times the previous week and 55 percent over the prior 4-week average. Increases were reported for Nigeria (200,800 MT), Japan (72,500 MT), Egypt (53,000 MT), Italy (35,100 MT), Mexico (32,200 MT), Colombia (31,500 MT), and Chile (29,200 MT). Exports of 574,600 MT were 8 percent above the previous week and 21 percent over the prior 4-week average. The primary destinations were Japan (88,200 MT), Nigeria (84,700 MT), Egypt (58,000 MT), Iraq (54,000 MT), the Philippines (48,100 MT), Mexico (35,400 MT), Italy (35,100 MT), and Indonesia (33,000 MT).

Source: USDA

WEATHER WATCH

A western disturbance affected Western Himalayan region during 26-28th and moved away eastwards thereafter. An upper air cyclonic circulation at lower levels lay over south Rajasthan and neighbourhood on 29th with a trough from the system running upto Haryana. It lay over northeast Rajasthan and neighbourhood on 30th and became less marked on 31st. A trough in the westerlies at lower levels ran from Sub-Himalayan West Bengal & Sikkim to north Orissa on 31st. A easterly wave affected Nicobar Islands, south Peninsula and Lakshadweep during the week.

Rainfall:

Scattered to isolated rain/snowfall occurred over Jammu & Kashmir during 27-29th. Isolated rain/thundershowers occurred over plains of northwest India, West Madhya Pradesh and west India outside Marathawada on 30th and over Haryana, East Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar and northeastern States on 31st. Isolated rain/thundershowers also occurred over Nicobar Islands on 29th, over Tamil Nadu and Kerala during 27-29th, over Coastal Karnataka on 28-29th and over

Lakshadweep during 28-30th. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 07th February 2007

Isolated rain/thundershower is likely over northeastern States during many days of the week. Isolated rain/thundershower is also likely over and West Bengal & Sikkim during second half of the week. A fresh western disturbance is also likely to affect Western Himalayan region during the middle of the week.

FOREX (As on 05th FEBRUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.11
1 Euro	57.44
100 Yen	36.55
1 British £	86.79

IGC WORLD WHEAT ESTIMATES (25.01.07)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				24.11	25.01
Production	556	629	618	587	589
Trade	103	110	107	108*	106
Consumption	596	617	623	607	606
Stocks	125	137	133	114	116
Year-Year Change	-40	+12	-4		-17
5 Major Exporters [#]	41	55	57	35*	37

* Adjusted for EU-27

Source: International Grains Council

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