

WHEAT

10th -17th, FEBRUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Govt Banned Wheat Export till 31 December, 2007

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: March (Future)

NCDEX wheat futures turn up during the week on some buying interest among the investors. The stock Position of wheat at NCDEX accredited warehouses decreased to 4872 MT as on 15.02.07 as against 4924 MT reported last week. Around 4760 MT delivery information is reported from sellers towards February 20, 2007 expiry contract. Most active March contract traded up around Rs.970/mtl over last week's closing off Rs. 947/mtl and hovered between Rs.946-984.8 with higher Open Interest and increased volumes.

Candlesticks showing weak sentiments. Sellers dominated the markets. The prices closed above 9-day and 18-day EMA. Stochastic is in normal region and moving downwards following a bearish crossover. MACD is in positive region and running down.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with weak undertone on bearish fundamental. However, if the FCI sells 4 lakh tonnes of wheat at higher rates, prices might be increased.

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
March Contract	924	930	961	970

MARKET FUNDAMENTALS:

Wheat prices quoted up in majority of wheat wholesale markets during the week. At Delhi, Wheat dara for mills quoted up by Rs.30/mtl between Rs.1090-1095/mtl during the week on the back of higher arrivals around 5,000-7,000 bags. However, fresh arrivals in some parts of Gujarat lead to bearish tone there. The Rajkot market witnessed further eased in wheat prices by Rs.25 and quoted at Rs.970-975 on the fresh arrivals of 7000-8000 bags. The prices of wheat products quoted up this week on lower stocks of millers. In Delhi, the atta prices have increased by Rs.18/90 kg to Rs.1104/90kg. The millers are looking for the Govt. release of 4 lakh tons of wheat in February and March. FCI invites offers from buyers for selling of the wheat at floor price of Rs. 1232.50/- per qtls. The price is higher as against the present spot price levels. However, Govt. may consider the floor prices to control the rising prices of

wheat. If the Food Corp. sells 400,000 tonnes of wheat below the prevailing rates, prices might be soften. However, wheat prices at futures market trading at lower levels as compared to spot prices, indicates that market expects prices to fall once the current crop is harvested and the produce reaches the markets. To control the rising prices of essential food items, the Govt has banned wheat exports for the year 2007. Recently. The higher prices of wheat in India makes the export not competitive also. The wheat production is likely to 72.5 Mln. tonnes in the current year according to the second advance estimates of Govt. The recent rainfalls in main wheat growing region of the country is beneficial for crop growth. Market arrivals of wheat generally begin from last of March to April every year, but due to early sowing operations in the current season, government expects early market arrivals. The Government is looking very aggressive in procuring wheat this season from the very

beginning of crop arrivals. The government will start procuring wheat from Madhya Pradesh five days before of normal schedule i.e. March 15 instead of March 20. The fresh crops in M.P. are likely to start early this season because of early sowing. However, wheat procurement in others state will begin on normal schedule. Last year the government could procure only 9.23 million, as the procurement price was low at Rs 650 per quintal. The private agencies had procured good amount during the last year. The shortage leads the government to import 5.5 million tonnes in 2006-07. This year Govt. is likely to procure handsome amount of wheat and likewise announced a higher MSP of Rs.750/ql. The government's wheat stocks are reported to higher about 6.2 Mln Tonnes as on February 1 than those of 4.8 million tonnes a year ago. However, the stock is much lower than the stipulated 8.2 million tonnes.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	10.02.07	17.02.07
Atta (90kg)	1059	1113
Maida Grade 1(90kg)	1210	1273
Suji (50kg)	678	713
Chokar (50 kg)	350	360
Chokar (35 kg)	235	243
Chakki Atta (90kg)	950	990

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

Markets	10.02.07	17.02.07
Delhi (Lawrence Road)	1060	1090
Haryana (Karnal)	1020	1060-1065
Punjab (Khanna)	1040	1080-1085
Rajasthan (Kota)	1090	1105-1110
Uttar Pradesh (Kanpur)	1070	1100-1105
Madhya Pradesh (Indore)	1075	1095-1100
Uttar Pradesh (Bareilly)	1060	1080-1085
Punjab (Sunam) Loose	950-960	950
Ludhiana (Jagraon) Loose	920-925	965-970
Rajkot Mill Price	1040-1045	930-940
Madhya Pradesh (Bhopal)	950-990	950-1000

INTERNATIONAL AND DOMESTIC NEWS:

Rains favouring the Growth of Wheat Standing Crops

Rains and lower temperature across north India is conducive for standing wheat crops in the country. Moisture and low temperatures are crucial for the maturing crop, which is sown in November and mostly harvested from March. The fear of lower production has eased. Last week, Govt. cut back their forecast for this year to 72.5 Mln.

tonnes from an earlier expectation of 74 Mln. Tonnes on rising temperature during earlier days.

Government Plans to Procure Adequate Wheat this Season

The Ministry of Food, Public Distribution and Consumer Affairs is likely to procure adequate quantity of wheat in 2007-08 marketing season in order to meet the PDS demand and to hold adequate buffer stock. The MSP for wheat for the 2007-08 marketing season is Rs. 750 per quintal. With second advance estimates projecting the wheat production around 72.5 million tonnes against 69.4 million tonnes of last year, it is expected that FCI and State agencies will be able to procure substantially higher quantities of wheat this year. They procured 92.3 lakh tonnes of wheat in the last rabi. In this regard the Secretary, Food and Public Distribution has asked the respective State Secretaries to take necessary actions in order to run the procurement operations smoothly in all states, particularly in M.P, Rajasthan and U.P where wheat acreage has grown this year. FCI and State agencies have been asked to ensure strict monitoring at procurement centres so that the quality of the procured grain is not below the FAQ (fair average quality). Moreover, the state governments have also agreed to make arrangements for additional storage and make sufficient funds available to their agencies so that farmers get their payments immediately on delivery of wheat.

Govt Banned Wheat Export till 31 December, 2007

According to a latest notification by the Director General of Foreign Trade (DGFT), Notification N0.44 (RE-2006)/2004-2009, dated 09 February, 2007, the Central Government has prohibited export of wheat upto 31.12.2007.

Govt. Wheat Stocks: Up against Last Year; Down against Stipulated

To control the rising prices of essential food items, the Govt has banned wheat exports for the year 2007. According to the notification from the Directorate General of Foreign Trade the ban came into effect on February 9. Recently. The higher prices of wheat in India makes the export not competitive also. The wheat production is likely to 72.5 Mln. tonnes in the current year according to the second advance estimates of Govt. The recent rainfalls in main wheat growing region of the country is beneficial for crop growth. Market arrivals of wheat generally begin from last of March to April every year, but due to early sowing operations in the current season, government expects early market arrivals. Last year the government could procure only 9.23 million, as the procurement price was low at Rs 650 per quintal. The private agencies had procured good amount and created artificial shortage of wheat during the last year. This leads the government to import 5.5 million tonnes in 2006-07. This year Govt. is likely to procure handsome amount of wheat and likewise announced a higher MSP of Rs.750/ql. The government's wheat stocks are reported to higher about 6.2 Mln Tonnes as on February 1 than those of 4.8 million tonnes a year ago. However, the stock is much lower than the stipulated 8.2 million tonnes.

Expected Good Crop in Pakistan Rising Export Anticipation

Wheat production in Pakistan is likely to higher this year around 22.5 Mln. Tonnes as against the last years' 21.6 Mln. Tonnes. Recent precipitation in major wheat growing parts of the country helped in crop growth. Pakistan's wheat harvesting is expected to begin in March and will be concluded by the end of April. The expected good crop in the year as well as bumper crop in the last year has boosted domestic supplies and rising the expectation of export. In December, Pakistan's federal

government allowed exports of 5 lakh tonnes of wheat by private mills and traders. Further, the country is likely to export up to 22 lakh tonnes of wheat between Jan. 1, 2007 and March 31, 2008. The wheat export prices of Pakistan is comparable to prices of Russian, Kazakh and Australian wheat.

FCI Quoted 4 Lakh MT of Wheat at Floor Price of Rs. 1232.50/qlt.

FCI invites offers from buyers for selling of 4 lakh MT of wheat at floor price of Rs. 1232.50/- per qlts. The wheat contains both the indigenous and imported of all origins, except Australian wheat, available in FCI Depots. The quantities are sold as Mumbai (1,20,000), Bhubaneswar (40000), Bangalore (1,20,000), Chennai (30,000), Thiruvananthapuram (50,000), Ahmedabad (40,000). However, Govt. may consider the floor prices to control the rising prices of wheat.

Wheat Procurement in M.P. Will Start 5 days Ahead of Normal Schedule

The Government is looking very aggressive in procuring wheat this season from the very beginning of crop arrivals. The government will start procuring wheat from Madhya Pradesh five days before of normal schedule i.e. March 15 instead of March 20. The fresh crops in M.P. are likely to start early this season because of early sowing. However, wheat procurement in others state will begin on normal schedule. The procurement usually commences on April 1 in Punjab and Haryana, and by the second week of April in Uttar Pradesh.

The STC Imported 49.93 lakh tonnes Wheat So Far

The State Trading Corporation has imported 49.93 lakh tonnes of wheat so far as on 12.02.07. The imported wheat had arrived at eight Indian ports i.e., Mundra, Kandla, Vizag, Chennai, Tuticorin, Kakinada, Mumbai and Cochin ports. Of the wheat arrived so far, 49.09 tonnes had been discharged from ships. About 42.26 lakh tonnes had been moved out of the ports. The rest amount i.e., 5.57 lakh tonnes is expected to arrive by the end of February.

USDA Long-Term Projections: Global Wheat Imports

Growth in wheat imports is concentrated in those developing countries where robust growth in income and population underpins increases in demand. Important growth markets include Sub-Saharan Africa, Brazil, Egypt, and Pakistan. World wheat trade (including flour) expands by nearly 27 million tons (23 percent) between 2007 and 2016 to 140 million tons.

- Egypt maintains its position as the world's largest importing country, as imports climb slowly to nearly 10 million tons. Imports by Brazil, another large importer, are projected to approach 9 million tons. Brazil's climate generally does not favor wheat, and in some key wheat-producing states, winter corn is expected to have better returns than wheat.

- Imports by developing countries in Sub-Saharan Africa, North Africa, and the Middle East rise 11 million tons and account for 40 percent of the total increase in world wheat trade. In most developing countries, little change in per capita wheat consumption is expected but imports expand modestly because of population growth and limited potential to expand production.

- Changing consumption patterns will boost wheat imports by some major importing countries. In Indonesia, strong economic growth and diversification of diets are projected to increase per capita wheat consumption. Mexican consumers are projected to continue substituting wheat for corn in their diets.

- Lower wheat-to-corn price ratios during most of the projection period enable wheat to compete effectively with corn for feed use in a number of countries. South Korea is projected to substitute 1 million tons of feed wheat for corn annually by 2016. Europe is expected to continue to account for the largest share of global wheat feeding.

- China has been a small net exporter of wheat in recent years, but production constraints cause it to become a net importer by 2009/10 and to import nearly 2 million tons annually by 2016.

Source: USDA

USDA Long-Term Projections: Global Wheat Exports

The top five wheat-exporting nations (the United States, Australia, Canada, the EU-25, and Argentina) account for 73 percent of world trade in 2007-2016. This is down from a high of 87 percent in 2000/01, mostly due to increased exports from the Black Sea area. U.S. wheat exports are projected to account for 22 percent of global wheat trade, down from 25 percent in the past 5 years.

- Shares of the world wheat market held by Canada, the EU, and the United States decline slightly, offsetting increases by Australia, Ukraine, Russia, Argentina, and other Europe.

- In Canada, increased demand for vegetable oils, especially rapeseed oil for biodiesel production, and for barley is expected to reduce wheat area, which causes Canadian exports to trend slowly downward.

- The EU set-aside rate, currently 10 percent, is assumed to be lowered during the projections. However, most of any increase in planted area will go to rapeseed.

- Ukraine, Russia, and Kazakhstan have become significant wheat exporters in recent years. Low costs of production and new investment in their agricultural sectors have enabled their world market share to climb to as high as 18 percent in 2005/06. Exports from Ukraine and Russia are projected to continue gaining market share, more than offsetting a slight decline in the share held by Kazakhstan. However, because of the region's weather extremes, high year-to-year volatility in production and trade can be expected. Also, continued real appreciation of these countries' currencies, caused mainly by domestic inflation, could mitigate the rise in exports.

- China has been a small net exporter of wheat in recent years, but becomes a net importer of nearly 2 million tons annually by 2016. This is offset by other Europe, mostly Romania and Bulgaria, which shifts from a small net importer to a net exporter of more than 2 million tons. Most of these exports go to the EU-25.

- Exports by Turkey and other smaller exporters change little or trend slowly downward during the projection period. Although India has exported some wheat in recent years, exports are expected to be minimal as stocks remain relatively tight.

Source: USDA

Wheat USDA Export Sales Down

Wheat: Net sales of 361,400 metric tons were 51 percent below the previous week and 39 percent under the prior 4-week average. Increases were reported for the Philippines (71,300 MT, including 21,800 MT late reporting), Japan (62,500 MT), Egypt (54,000 MT), Venezuela (48,700 MT), Nigeria (26,700 MT), Colombia (25,000 MT), and unknown destinations (25,000 MT, including 10,000 MT late reporting). Exports of 409,000 MT were 31 percent below the previous week and 21 percent under the prior 4-week average. The primary destinations were Japan (134,200 MT), Egypt (59,000 MT), Nigeria (58,200 MT), Mexico (50,400 MT), and Israel (36,300 MT, including 35,300 MT late reporting).

This summary is based on reports from exporters for the period February 2-8, 2007.

Source: USDA

WEATHER WATCH

Last week's western disturbance as an upper air system moved away eastwards on 8th. A fresh western disturbance as a low pressure area lay over central Pakistan on 9th. Moving slowly in an east-northeasterly direction, it lay over central Pakistan and adjoining Rajasthan and Punjab on 10th. It persisted there on 11th and 12th. Moving further east-northeastwards slowly it weakened and lay as an upper air system over Haryana and neighbourhood extending upto mid-tropospheric level on 13th. It lay over East Uttar Pradesh and adjoining Bihar extending upto 3.1 km a.s.l. on 14th with a trough from this system extending upto south coastal Orissa. An upper air cyclonic circulation extending upto 1.5 km a.s.l. lay over Jharkhand and neighbourhood with a trough running upto south Chhattisgarh on 13th and became less marked on 14th. A trough in easterly at lower levels lay over southwest Bay of Bengal off Tamil Nadu coast on 9th and off south Tamil Nadu on 10th. It ran from Commorin area to south Tamil Nadu on 11th and from Commorin area to Kerala on 12th. It moved away westwards on 13th.

Rainfall:

Isolated rain/snowfall occurred over Jammu & Kashmir, Himachal Pradesh, Uttaranchal, Punjab and West Uttar Pradesh on 8th. Rain/thundershower occurred at a few places over Orissa, west Bengal, Jharkhand, Bihar, East Uttar Pradesh and northeastern States on 8th, and over the above regions outside East Uttar Pradesh and Bihar on 9th. A fresh active wet spell started on 10th with rain/thundershower at many places over Rajasthan at a few places over Gujarat and isolated precipitation over Jammu & Kashmir, Himachal Pradesh, Uttaranchal, Punjab and West Uttar Pradesh. The activity increased thereafter causing rain/snow at many places over these sub-divisions outside Rajasthan during 11-13th and at a few places on 14th. The activity continued over Rajasthan and Gujarat upto 11th. Isolated rainfall also occurred over Konkan & Goa during this period. Isolated heavy rainfall was realized over Rajasthan on 11th and over Haryana on 11th and 12th. The active wet spell extended to central and east India on 11th causing rain/thundershowers at many places

over East Uttar Pradesh, north Madhya Pradesh, north Chhattisgarh on 11th, north Madhya Pradesh, north Chhattisgarh, East Uttar Pradesh, Bihar, Sub-Himalayan west Bengal & Sikkim on 12th, north Madhya Pradesh, north Chhattisgarh, interior Orissa on 13th, East Madhya Pradesh, Chhattisgarh and all the sub-divisions of east India on 14th. Scattered to isolated rain/thundershowers also occurred over remaining parts of central and east India during this period. The enhanced rainfall belt extended to northeastern States causing fairly widespread rainfall on 14th. Isolated rain/thundershower occurred over Tamil Nadu during 10-12th and on 14th, over Kerala during 12-13th and over north Andhra Pradesh on 14th. Mainly dry weather prevailed over the remaining parts of the country during the week. Morning fog conditions prevailed over many parts of Indo-Gangetic plains during 8-9th and at some places over northwest India on 14th.

Outlook for the week ending on 21th February 2007

Scattered precipitation activity is likely over Western Himalayan region and adjoining northern plains for 2-3 days commencing from 17th. Night temperatures are likely to exhibit no significant change over Indo-Gangetic plains till 18th and slight fall thereafter.

Source: IMD

FOREX (As on 19th FEBRUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.09
1 Euro	57.92
100 Yen	36.71
1 British £	86.59

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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